

## BASE PROSPECTUS



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

as Issuer

## WARRANT AND CERTIFICATE PROGRAMME

### China Connect Warrants and Certificates

On 3 September 2007, HSBC Bank plc (the "**Issuer**" or the "**Bank**") established a Warrant and Certificate Programme (the "**Programme**") under which warrants may be issued by the Issuer.

The Programme is the subject of a base prospectus dated 30 May 2014, as supplemented from time to time (the "**May 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 additional types of warrants ("**China Connect Warrants**") that may be issued under the Programme that are not covered by the May 2014 Base Prospectus, namely warrants relating only to 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**" and the trading of China Connect Underlying through SEHK being "**Northbound Trading**"). It 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 Warrants, this Base Prospectus must be read as a whole and together also with the relevant final terms (the "**Final Terms**"). References herein to "**Warrants**" are to such "China Connect Warrants" (and not to any other warrants issued under the Programme). Any such Warrants issued under the Programme on or after the date of this Base Prospectus are issued subject to the provisions described herein. This does not affect any Warrants already in issue. This Base Prospectus will be valid until 12 months from the date hereof.

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

Applications have been made to admit Warrants issued under the Programme 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 document is set out on page iii and a table of contents is set out on page viii.**

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

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 Manager  
**The Hongkong and Shanghai Banking Corporation Limited**  
Manager  
**HSBC Bank plc**

20 November 2014

## HOW TO USE THIS DOCUMENT

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

"**Summary**" provides an overview of information included in this Base Prospectus.

"**Risk Factors**" provides details of the principal risks associated with the Issuer and the Warrants which may be issued under the Programme.

"**Description of the Warrants**" provides details of how an investment in the Warrants works and how payments under the Warrants are calculated.

"**Incorporation by Reference**" provides details of documents which form part of this Base Prospectus and which are publicly available, but which are not set out in full in this document.

"**Use of Proceeds**" provides details of what the Issuer intends to do with the subscription monies it receives for the Warrants it issues.

"**Clearing and Settlement**" (which is incorporated herein by reference) provides details of the clearing systems through which the Warrants may be held and how interests in the Warrants may be transferred.

"**Taxation**" (which is incorporated herein by reference) provides details of some of the key tax consequences of acquiring, holding and transferring Warrants in several jurisdictions.

"**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.

"**General Information**" provides additional, general disclosure on the Programme.

"**Terms and Conditions of the Warrants**" sets out the legal terms and conditions which govern Warrants issued under the Programme.

"**Form of Final Terms for the 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 each particular issue of Warrants.

"**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.

"**Transfer Restrictions and Investor Representations**" 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.

"**Summary of Provisions relating to the Warrants while in Global Form**" (which is incorporated herein by reference) provides details on the different global forms of Warrant which may be issued and how they may be exchanged and transferred.

"**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 Warrants may be issued for consideration of more or less than, or equal to, EUR100,000 (or its equivalent in another currency) per Warrant.*

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

*None of the Managers nor the Programme Arranger 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 the Managers as to the accuracy or completeness of the information contained in this Base Prospectus or any other information provided by the Issuer in connection with the Programme or the Warrants or their distribution. The statements made in this paragraph are made without prejudice to the responsibility of the Issuer under the preceding paragraphs.*

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

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

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

*It is advisable that prospective investors considering acquiring any Warrants understand the risks of transactions involving the 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 Warrants in light of their particular circumstances (including without limitation their own financial circumstances and investment objectives and the impact the Warrants will have on their overall investment portfolio) and the information contained in this Base Prospectus and the relevant Final Terms. Prospective 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 Warrants.*

*The distribution of this Base Prospectus and the offer, distribution or sale of Warrants may be restricted by law in certain jurisdictions. None of the Issuer, the Programme Arranger or any Manager represents that this Base Prospectus may be lawfully distributed, or that any Warrants may be lawfully offered, or assumes any responsibility for facilitating any such distribution or offering, in any such jurisdiction. In particular, action may be required to be taken to permit a public offering of any Warrants or a distribution of this Base Prospectus in any jurisdiction. Accordingly, no Warrants may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Warrants come must inform themselves about, and observe, any such restrictions.*

*For details of certain restrictions on the distribution of this Base Prospectus and the offer or sale of Warrants relating to China Connect Underlying in the PRC, see "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 Warrants in various jurisdictions, see pages 132 to 154 of the WCP 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 WARRANTS OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS BASE PROSPECTUS AND ANY ACCOMPANYING BASE PROSPECTUS SUPPLEMENTS AND FINAL TERMS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

*In addition, during the 40-day period beginning on the later of the date on which a series of Warrants is first offered pursuant to Regulation S to persons other than distributors and the date of closing of such offering, such Warrants will only be issued or transferred to a person that is neither a U.S. person (as defined in Regulation S) nor holding such Warrants for the account or benefit of a U.S. person, unless the Warrants are being offered and sold in accordance with Rule 144A.*

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

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

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

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

#### **AVAILABLE INFORMATION**

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

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

## **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 Warrants in, from or otherwise involving the United Kingdom. Any document received in connection with an issue of Warrants may only be distributed in circumstances in which the restriction in Section 21(1) of the FSMA does not apply.*

## **Australia**

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

## **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 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 Warrants under the Programme.*

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

All references in this Base Prospectus to "**Sterling**", "**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**", "**HKD**" and "**HKS**" 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**" and "**RMB**" 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 Warrants.

Other than as expressly defined in any other section of this Base Prospectus, terms defined in the Conditions and the "Summary of Provisions Relating to the Warrants while in Global Form" section (as incorporated by reference) have the same meanings in all other sections of this Base Prospectus.

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## 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 Warrants. 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".*

<b>Section A – Introduction and Warnings</b>		
<b>A.1</b>	<b>Introduction and Warnings:</b>	<p>This summary must be read as an introduction to the prospectus and any decision to invest in the 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 Warrants.</p>
<b>A.2</b>	<b>Consent by the Issuer to the use of the prospectus in subsequent resale or final placement of the Warrants, indication of offer period and conditions to consent for subsequent resale or final placement and warning:</b>	<p>Not Applicable. The prospectus has been prepared solely in connection with the admission of 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 Warrants. The Issuer does not consent to the use of the prospectus for subsequent resales.</p>
<b>Section B – Issuer</b>		
<b>B.1</b>	<b>Legal and commercial name of the Issuer:</b>	<p>The legal name of the issuer is HSBC Bank plc (the "<b>Issuer</b>") and, for the purposes of advertising, the Issuer uses an abbreviated version of its name, HSBC.</p>
<b>B.2</b>	<b>Domicile and legal form of the Issuer, the legislation under which the Issuer operates</b>	<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-registered as a company limited by shares under the</p>

	<b>and its country of incorporation:</b>	<p>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.</p> <p>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.</p>
<b>B.4b</b>	<b>Known trends affecting the Issuer and the industries in which it operates:</b>	<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 ECB 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>B.5</b>	<b>The group and the Issuer's position within the group:</b>	<p>The whole of the issued ordinary and preference share capital of the Issuer is beneficially owned by HSBC Holdings plc ("<b>HSBC Holdings</b>", together with its subsidiaries, the "<b>HSBC Group</b>"). 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, Middle East and North Africa, North America and Latin America. Its total assets as at 30 June 2014 were U.S.\$2,754 billion.</p>
<b>B.9</b>	<b>Profit forecast or estimate:</b>	Not Applicable. There are no profit forecasts or estimates made in the prospectus.
<b>B.10</b>	<b>Nature of any qualifications in the audit reports</b>	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>on the historical financial information:</b>																																																																																														
<b>B.12</b>	<b>Selected key financial information, no material adverse change and no significant change statement:</b>	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 the six months ended 30 June 2014.																																																																																													
<table border="1"> <thead> <tr> <th data-bbox="236 638 422 667" rowspan="2"></th> <th colspan="3" data-bbox="1086 506 1214 535">Half Year to</th> </tr> <tr> <th data-bbox="967 573 1054 629">30 June 2014</th> <th data-bbox="1123 573 1211 629">30 June 2013</th> <th data-bbox="1241 544 1353 629">31 December 2013</th> </tr> </thead> <tbody> <tr> <td data-bbox="236 638 422 667"><b>For the period (£m)</b></td> <td></td> <td></td> <td></td> </tr> <tr> <td data-bbox="236 667 571 696">Profit on ordinary activities before tax</td> <td data-bbox="1019 667 1054 696">1,902</td> <td data-bbox="1161 667 1197 696">2,273</td> <td data-bbox="1303 667 1339 696">1,021</td> </tr> <tr> <td data-bbox="236 696 927 725">Total operating income .....</td> <td data-bbox="1019 696 1054 725">7,319</td> <td data-bbox="1161 696 1197 725">8,377</td> <td data-bbox="1303 696 1339 725">7,491</td> </tr> <tr> <td data-bbox="236 725 927 786">Net operating income before loan impairment charges and other credit risk provisions .....</td> <td data-bbox="1019 741 1054 770">6,111</td> <td data-bbox="1161 741 1197 770">6,925</td> <td data-bbox="1303 741 1339 770">5,915</td> </tr> <tr> <td data-bbox="236 786 927 815">Profit attributable to shareholders of the parent company .....</td> <td data-bbox="1019 786 1054 815">1,499</td> <td data-bbox="1161 786 1197 815">1,681</td> <td data-bbox="1303 786 1339 815">814</td> </tr> <tr> <td data-bbox="236 815 416 844"><b>At period end (£m)</b></td> <td></td> <td></td> <td></td> </tr> <tr> <td data-bbox="236 844 927 873">Total equity attributable to shareholders of the parent company .....</td> <td data-bbox="992 844 1054 873">33,394</td> <td data-bbox="1134 844 1197 873">31,911</td> <td data-bbox="1276 844 1339 873">32,370</td> </tr> <tr> <td data-bbox="236 873 927 902">Risk weighted assets<sup>1</sup> .....</td> <td data-bbox="992 873 1054 902">235,300</td> <td data-bbox="1134 873 1197 902">200,368</td> <td data-bbox="1276 873 1339 902">185,879</td> </tr> <tr> <td data-bbox="236 902 927 931">Loans and advances to customers (net of impairment allowances)<sup>2</sup> .....</td> <td data-bbox="992 902 1054 931">278,204</td> <td data-bbox="1134 902 1197 931">266,618</td> <td data-bbox="1276 902 1339 931">273,722</td> </tr> <tr> <td data-bbox="236 931 927 960">Customer accounts<sup>3</sup> .....</td> <td data-bbox="992 931 1054 960">356,932</td> <td data-bbox="1134 931 1197 960">332,634</td> <td data-bbox="1276 931 1339 960">346,358</td> </tr> <tr> <td data-bbox="236 983 432 1012"><b>Capital ratios (%)<sup>1,4</sup></b></td> <td></td> <td></td> <td></td> </tr> <tr> <td data-bbox="236 1012 927 1041">Common Equity Tier / Core Tier 1 ratio .....</td> <td data-bbox="1031 1012 1050 1041">9.3</td> <td data-bbox="1173 1012 1192 1041">11.1</td> <td data-bbox="1315 1012 1334 1041">12.1</td> </tr> <tr> <td data-bbox="236 1041 927 1070">Total Tier 1 ratio .....</td> <td data-bbox="1031 1041 1054 1070">10.0</td> <td data-bbox="1173 1041 1192 1070">12.0</td> <td data-bbox="1315 1041 1334 1070">13.0</td> </tr> <tr> <td data-bbox="236 1070 927 1099">Total capital ratio .....</td> <td data-bbox="1031 1070 1054 1099">14.1</td> <td data-bbox="1173 1070 1192 1099">16.9</td> <td data-bbox="1315 1070 1334 1099">18.0</td> </tr> <tr> <td data-bbox="236 1111 695 1140"><b>Performance and efficiency ratios (annualised %)</b></td> <td></td> <td></td> <td></td> </tr> <tr> <td data-bbox="236 1140 927 1169">Return on average shareholders' funds (equity) .....</td> <td data-bbox="1031 1140 1050 1169">9.3</td> <td data-bbox="1173 1140 1192 1169">10.6</td> <td data-bbox="1315 1140 1334 1169">5.2</td> </tr> <tr> <td data-bbox="236 1169 927 1198">Pre-tax return on average risk-weighted assets .....</td> <td data-bbox="1031 1169 1050 1198">1.6</td> <td data-bbox="1173 1169 1192 1198">2.3</td> <td data-bbox="1315 1169 1334 1198">1.1</td> </tr> <tr> <td data-bbox="236 1198 927 1227">Cost efficiency ratio<sup>5</sup> .....</td> <td data-bbox="1031 1198 1054 1227">66.3</td> <td data-bbox="1173 1198 1197 1227">59.2</td> <td data-bbox="1315 1198 1339 1227">75.6</td> </tr> <tr> <td data-bbox="236 1238 427 1267"><b>Financial ratios (%)</b></td> <td></td> <td></td> <td></td> </tr> <tr> <td data-bbox="236 1267 927 1296">Ratio of customer advances to customer accounts .....</td> <td data-bbox="1031 1267 1054 1296">77.9</td> <td data-bbox="1173 1267 1197 1296">80.2</td> <td data-bbox="1315 1267 1339 1296">79.0</td> </tr> <tr> <td data-bbox="236 1296 927 1326">Average total shareholders' equity to average total assets</td> <td data-bbox="1031 1296 1050 1326">4.1</td> <td data-bbox="1173 1296 1192 1326">3.7</td> <td data-bbox="1315 1296 1334 1326">3.8</td> </tr> </tbody> </table> <p data-bbox="309 1339 1366 1391"> <sup>1</sup> 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 data-bbox="309 1397 1366 1449"> <sup>2</sup> Comparatives have been represented to exclude reverse repurchase agreements – non trading previously included (refer to Note 1 of the Interim Report). </p> <p data-bbox="309 1456 1366 1507"> <sup>3</sup> Comparatives have been represented to exclude repurchase agreements – non trading previously included (refer to Note 1 of the Interim Report). </p> <p data-bbox="309 1514 1366 1565"> <sup>4</sup> 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 data-bbox="309 1572 1366 1624"> <sup>5</sup> 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 data-bbox="309 1630 1366 1713"> <sup>6</sup> 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>				Half Year to			30 June 2014	30 June 2013	31 December 2013	<b>For the period (£m)</b>				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	<b>At period end (£m)</b>				Total equity attributable to shareholders of the parent company .....	33,394	31,911	32,370	Risk weighted assets <sup>1</sup> .....	235,300	200,368	185,879	Loans and advances to customers (net of impairment allowances) <sup>2</sup> .....	278,204	266,618	273,722	Customer accounts <sup>3</sup> .....	356,932	332,634	346,358	<b>Capital ratios (%)<sup>1,4</sup></b>				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	<b>Performance and efficiency ratios (annualised %)</b>				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 <sup>5</sup> .....	66.3	59.2	75.6	<b>Financial ratios (%)</b>				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>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>
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		<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 ("<b>FCA</b>").</p> <p>In relation to item (c), the Issuer has since reached agreements with the FCA and the US Commodity Futures Trading Commission ("<b>CFTC</b>") to resolve their ongoing investigations into the Issuer's trading and other conduct involving foreign exchange ("<b>FX</b>") 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.</p>
<b>B.13</b>	<b>Recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency:</b>	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>B.14</b>	<b>Dependence upon other entities within the group:</b>	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>B.15</b>	<b>The Issuer's principal activities:</b>	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>B.16</b>	<b>Controlling persons:</b>	The whole of the issued ordinary and preference share capital of the Issuer is owned directly by HSBC Holdings.
<b>Section C – Securities</b>		
<b>C.1</b>	<b>Description of type and class of securities:</b>	<p><i>Issuance in series:</i> Warrants will be issued in series which may comprise one or more tranches issued on different issue dates. The Warrants of each tranche of the same series will all be subject to identical terms, except for the issue dates and/or issue prices of the respective tranches.</p> <p>[The [Warrants][Certificates] being issued are Series [ ], Tranche [ ] [Warrants/Certificates] linked to [ ]]. The number of</p>

		<p>[Warrants/Certificates] being issued is [    ].</p> <p>All references to "<b>Warrants</b>" in this summary include Certificates where applicable.</p> <p><b>Form of Warrants:</b></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 ("<b>DTC</b>")][deposited with a common depositary for, and registered in the name of a common nominee for Euroclear Bank S.A./N.V. ("<b>Euroclear</b>") and Clearstream Banking, société anonyme ("<b>Clearstream, Luxembourg</b>")]] [and]</p> <p>[[an unrestricted global registered warrant] [a combined global registered warrant] which will be deposited with a common depositary for, and registered in the name of a common nominee for Euroclear Bank S.A./N.V. ("<b>Euroclear</b>") and Clearstream Banking, société anonyme ("<b>Clearstream, Luxembourg</b>")]]</p>
		<b>Security Identification Number(s):</b>
		The Warrants have been accepted for clearance through [Euroclear][,./and] [Clearstream, Luxembourg] [and] [DTC].
		<p>The Warrants will be allocated the following Security Identification Number[s]:</p> <p>ISIN Code:                    [    ]</p> <p>[Common Code:            [    ]]</p> <p>[CUSIP:                      [    ]]</p> <p>[Valoren Number:        [    ]]</p> <p>[SEDOL:                      [    ]]</p>
<b>C.2</b>	<b>Currency of the securities issue:</b>	The Settlement Currency is [    ] (the " <b>Settlement Currency</b> ")
<b>C.5</b>	<b>Description of any restrictions on the free transferability of the securities:</b>	The Warrants are freely transferable. However, there are restrictions on the offer and sale of the Warrants and the Issuer and the Managers have agreed restrictions on the offer, sale and delivery of Warrants and on distribution of offering materials in the United States, the European Economic Area (France, Italy, Spain and the United Kingdom), Australia, Kingdom of Bahrain, Hong Kong, Japan, Singapore, Indonesia, Korea, Malaysia, Mexico, New Zealand, Norway, the People's Republic of China, Philippines, Russia, Saudi Arabia, Switzerland, Taiwan, Thailand, United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre and Vietnam. In addition, investors of the Warrants, by their purchase of the Warrants, will be deemed to have given certain representations, warranties, undertakings, acknowledgements and agreements.
<b>C.8</b>	<b>The rights attaching to the securities, including ranking and limitations to those rights:</b>	<p><b>Cash call options:</b> Warrants give the holder rights, including the right to receive a cash amount from the Issuer calculated by reference to the value of [    ], being the Reference Asset[s][, being the Reference Ind[ex][ices]]. Warrants create call options exercisable by the Warrantholder; there is no obligation upon such Warrantholder to exercise its Warrant nor any obligation upon the Issuer to pay any amount in respect of unexercised Warrants.</p> <p><b>Payment under the Warrants:</b></p>

	<p>[A Warrantholder will receive one type of payment under the Warrants: the "Cash Settlement Amount"].</p> <p>[There are [two/three] types of payment a Warrantholder will receive under the Warrants: the "Cash Settlement Amount" [and/,] [the Supplementary Amount] [and] [any "Additional Amounts"].</p> <p>[The Issuer may also elect to pay to Warrantholders a "Non-Cash Distribution Amount".]</p> <p><i>[(1) Cash Settlement Amount:</i></p>
	<p>[The Warrants are "Equity-Linked Warrants" and therefore the Cash Settlement Amount payable is linked to [one security][a basket of securities], namely [ ] (the "<b>Reference Assets</b>"). The Cash Settlement Amount of each Equity-Linked Warrant is calculated by identifying the "Realisable Sale Price" of the Reference Assets linked to one Warrant, dividing such price by an exchange rate (embedding conversion costs) to convert such price from the currenc[y/ies] in which the underlying[s] [is][are] quoted on an exchange, namely [ ] (the "<b>Reference Currency</b>") into the currency in which the Warrants are denominated, namely [ ] (the "<b>Settlement Currency</b>") and subtracting a percentage fee retained by the Managers or their affiliates.</p> <p>The "Realisable Sale Price" will be determined[, taking into account the weighting of each Reference Asset in the basket,] on a particular date or dates by reference to payments which the Issuer or its designated Affiliate receives in unwinding the arrangements it has entered into to hedge the price risk and currency risk of the Reference Assets at the time of such determination (for instance, selling equity securities, redeeming related financial instruments or closing out of hedge transactions) or if no such hedging has been entered into, a notional amount of what the Issuer would have received if it had done so, as determined by the Calculation Agent, less any other costs (including, for instance, 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 investing in the Reference Assets whether directly or synthetically).]</p> <p><i>[(2) Additional Amounts:</i></p> <p>This series of Warrants will entitle the Warrantholder to Additional Amounts corresponding to distributions which would be payable to a notional holder of a fixed amount of the [Reference Asset][Reference Assets] (such as dividends or interest payments) which is an institution subject to the same laws as the Issuer and/or its designated Affiliates. Such amounts will be payable in cash converted from the Reference Currency into the Settlement Currency at an exchange rate that would have been used in connection with such conversion.]</p> <p><i>[(3) Supplementary Amount:</i></p> <p>This series of Warrants will entitle the Warrantholder to an amount (the "<b>Supplementary Amount</b>") calculated on the basis of a per annum rate applied to the initial price of the relevant equity security constituting the Reference Asset, 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 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><i>[Non-Cash Distribution Amount:</i></p> <p>The Issuer may, at its absolute discretion, pay to Warrantheolders an amount (the "<b>Non-Cash Distribution Amount</b>") calculated to reflect the cash equivalent amount of any non-cash distribution made in respect of the underlying securities to the holders of such securities, such as an issue of warrants or preference shares.]</p> <p>The Warrants do not bear interest.</p> <p><b>No guarantee or security:</b> The Warrants are the obligations of the Issuer only and are unsecured.</p> <p><b>Status of the Warrants:</b> Warrants issued under the Programme will be unsecured and unsubordinated obligations of the Issuer and will rank <i>pari passu</i> 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><b>No events of default:</b> There are no events of default applicable to the Warrants.</p> <p><b>Tax:</b> Warrantheolders will be liable for and/or subject to any taxes, duties and other similar charges including withholding tax, payable in respect of the Warrants.</p> <p><b>Modification and substitution:</b> Modifications to the terms and conditions of the Warrants (the "<b>Conditions</b>") may be made without the consent of any Warrantheolders to cure any ambiguity or manifest error or correct or supplement any Conditions <b>provided that</b> it is not materially prejudicial to the interest of Warrantheolders, or is of a formal, minor or technical nature or comply with mandatory provisions of the law of the Issuer's jurisdiction of incorporation, or corrects inconsistency between the final terms and the relevant termsheet relating to the Warrants. The Warrants permit the substitution of the Issuer with its Affiliate without the consent of any Warrantheolder where the Issuer provides a guarantee of the Affiliate's obligations.</p> <p><b>Termination for Illegality:</b> If the Calculation Agent determines that the performance of the Issuer's obligations under any Warrants has become unlawful or impractical in whole or in part for any reason, the Issuer may terminate such Warrants early in accordance with the Conditions.</p> <p><b>Governing Law:</b> English law.</p>
C.11	<b>Listing and trading:</b>	<p>Application has been made to admit Warrants issued under the Programme to the Official List of the Financial Conduct Authority and to trading on the regulated market of the London Stock Exchange plc.</p> <p>[Application will be made for the Warrants to be admitted to listing on the Official List and to trading on the London Stock Exchange effective on or about [     ].]</p>

<b>C.15</b>	<b>Description of how the value of the investment is affected by the value of the underlying instrument:</b>	<p>[The Warrants can only be acquired for consideration of at least EUR 100,000 (or its equivalent in another currency) per Warrant.] [The Warrants can be acquired for less than EUR 100,000 (or its equivalent in another currency) per Warrant.]</p> <p>The Warrants are designed to track the price of [ ] (the "<b>Reference Asset[s]</b>"). The Cash Settlement Amount payable on exercise of any Warrant is linked to a [fixed amount of the Reference Asset[s]] by way of a hedge in respect of such [fixed amount of the Reference Asset[s]] (whether directly or synthetically). In general, as the value of the [Reference Asset[s]] increases or decreases, so will the Cash Settlement Amount payable in respect of such Warrants.</p> <p>[The quoted price of the Reference Asset[s]] may diverge from the Cash Settlement Amount payable under the Warrant owing to any disparity between the hedge and the Reference Asset, and subject 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, and including those costs that would be incurred by the Issuer and/or its designated Affiliates of investing in the Reference Assets whether directly or synthetically, and a fee to be retained by the Issuer, the Managers and/or their Affiliates.</p>
<b>C.16</b>	<b>Expiration or maturity date of securities:</b>	<p>The Expiry Date in respect of the Warrants is [ ] (the "<b>Expiry Date</b>"). The Warrants are:</p> <p>["American Style Warrants" and are therefore exercisable on any Business Day during the period beginning on (and including) [•] and ending on (and including) the Expiry Date.</p> <p>["European Style Warrants" and are therefore exercisable on the Expiry Date]</p> <p>["Bermudan Style Warrants" and therefore exercisable on [ ] [and/or] [the Expiry Date]]</p>
<b>C.17</b>	<b>Settlement procedure:</b>	<p>The Warrants will be cash-settled.</p> <p>Any Cash Settlement Amount[, Supplementary Amount, Non-Cash Distribution Amount] [or Additional Amount] due to the Warrantholder will be paid through [DTC][,/and] [Euroclear] [and] [Clearstream, Luxembourg]</p>
<b>C.18</b>	<b>Return on securities:</b>	<p>The date on which the Cash Settlement Amount [and Supplementary Amount] is scheduled for payment is the [fifth] [ ] business day following the last date on which an unwind of any applicable underlying hedge transaction relating to the Warrants has been achieved or which the Calculation Agent determines would have been achievable by the Issuer and/or its designated Affiliates].</p> <p>[Unless exercised before the Expiry Date, the Warrants will be automatically exercised on such date, at which time the Warrantholder will be entitled to receive the Cash Settlement Amount (if any) [and any Supplementary Amount].]</p> <p>[To be entitled to any Cash Settlement Amount [and any Supplementary Amount], the Warrantholder will be required to deliver an exercise notice to the Principal Warrant Agent before 10.00 a.m. on the Expiry Date, otherwise the Warrant shall become void.]</p> <p>[The Additional Amount will be valued as at the date the Cash</p>



		<p>Distribution is notified as the record date for payment to the holders of the underlying securities. <b>Provided that</b> the Cash Distribution falls within the period from [(but excluding)] [and (including)] [•] to [(and including)] [(but excluding)] [•] (the "<b>Additional Payment Period</b>") and the Issuer has determined a Notional Holder would have received payment in full of a corresponding amount had the Notional Holder held the Securities, the Additional Amounts will be due from the Issuer on the next payment date for payment of Additional Amounts.]</p> <p>[The Non-Cash Distribution will be valued as at the date the relevant Non-Cash Distribution is notified as the record date for distribution to the holders of the underlying securities. <b>Provided that</b> the Non-Cash Distribution falls within the period from [(but excluding)] [and (including)] [•] to [(and including)] [(but excluding)] [•] (the "<b>Additional Payment Period</b>") and the Issuer has determined a Notional Holder would have received (in full) a cash amount in consideration of its disposal of the Non-Cash Distribution had the Notional Holder held the Securities, the Non-Cash Distribution Amount will be due from the Issuer on the next payment date for payment of Additional Amounts.]</p>
C.19	<b>Exercise price or final reference price of the underlying:</b>	<p>On exercise of the Warrant, the Cash Settlement Amount will be calculated by ascertaining a cash amount which [the Issuer has received under the hedging arrangements it has entered into or the Issuer would notionally receive had it hedged such a [fixed amount of the Reference Asset] [correlates to the official settlement price of a futures or options contract]. The Calculation Agent then deducts certain cost items (such as, amongst other things, brokers' fees, transaction processing fees and actual and potential taxes, duties and other similar charges that would be incurred) and a fee to be retained by the Issuer, the Managers and/or their Affiliates.</p>
C.20	<b>Type of the underlying:</b>	<p>The Warrants are "<b>Equity-Linked Warrants</b>", being China Connect Warrants in relation to which the Cash Settlement Amount is linked to [one security, namely][a basket of securities, comprised of], [ ] (the "<b>Securities</b>"). The Securities are the Reference Asset[s] to which the Warrants are linked.</p> <p>References to ["<b>Reference Asset</b>"], either in the singular plural form, shall refer to any Reference Asset (as the case may be) applicable to a Series of Warrants.</p> <p>[Information on the Reference Assets can be found [ ].</p>
<b>Section D – Risks</b>		
D.2	<b>Key risks specific to the Issuer:</b>	<p><b>The Group has exposure to counterparties in the eurozone which may be affected by a sovereign or currency crisis:</b> 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><b>The Issuer's parent company is subject to regulatory commitments and consent orders:</b> 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>

**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.

**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.

**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.

**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.

**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 financial loss and cause damage to the Group's business and brand.

**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.

**The Group has significant exposure to counterparty risk both within the financial sector and to other risk concentrations:** Financial

		<p>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><b>The Group is subject to risks associated with market fluctuations:</b> 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><b>Liquidity, or ready access to funds, is essential to the Group's business:</b> 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	<p><b>Key risks specific to the securities and risk warning to the investor:</b></p>	<p><b>Credit risk:</b> The 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 Warrants (the Issuer's credit risk). If the Issuer were insolvent or defaulted on its obligations under the Warrants, in the worst case scenario, investors in the Warrants could lose all of their invested amounts.</p> <p><b>The Warrants are unsecured obligations:</b> The Warrants are not secured and so investors would not have recourse to the Reference Assets or any other security or collateral. If the Issuer becomes unable to pay amounts owed to investors under the Warrants, such investor does not have any recourse to any assets and may not receive any payments under the Warrants.</p> <p><b>The Warrants are not ordinary debt securities:</b> The Warrants do not pay interest and, upon expiry or upon exercise, may return less than the amount invested or nothing. Warrants are designed to track the price of the Reference Assets. If the performance of such underlying does not move in the anticipated direction or if the issuer thereof becomes insolvent, the Warrants will be adversely affected and, in a worst case scenario, may become worthless.</p> <p><b>Payments under the Warrants may be delayed:</b> Payments to Warrantholders 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 Reference Assets are 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 Warrant or, in the worst case, the Warrants becoming worthless.</p> <p><b>No ownership rights:</b> The Warrants do not confer any legal or beneficial interest or any voting or dividend rights in the Reference Asset.</p> <p><b>There may be no active trading market or secondary market for liquidity for Warrants:</b> Any series of 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 in</p>

	<p>the Warrants until the expiry of such Warrants or may not realise a return that equals or exceeds the purchase price of their Warrants.</p> <p><b>Certain factors affecting the value and trading price of Warrants:</b> The Cash Settlement Amount payable under the Warrants may be affected by fluctuation in value of the Reference Asset, changes in interest rates, volatility of the Reference Asset, time remaining to expiry, dividend rates on the Reference Asset or, where applicable, the number and type of underlying Reference Assets included in a basket to which the relevant Warrants relate.</p> <p><b>Conflicts of interest may arise between the interests of the Issuer or its affiliates and those of the Warrantholders:</b> The Issuer or its affiliates may enter into hedging or other transactions (i) relating to Reference Assets or (ii) with issuers of Reference Assets. The Issuer or its affiliates may also publish research or other reports relating to Reference Assets. Any such activities may have a negative effect on the value of Warrants relating to such Reference Assets. In addition, the Issuer may assume roles as hedging party, calculation agent under the Warrants or publisher of research reports. In respect of any of these roles the Issuer may have interests that conflict with the interests of Warrantholders.</p> <p><b>Commission and cost of hedging:</b> The issue price of the Warrants may include commissions charged by Issuer or its affiliates and expected costs of hedging the Issuer's obligations under the Warrants. Accordingly, there is a risk that, upon issue, the market price of Warrants may be lower than original issue price of the Warrants. Also, fees, commission and hedging costs may be deducted from the Cash Settlement Amount.</p> <p><b>[Exchange rate risks and exchange control risks:</b> The Issuer will pay amounts in respect of the Warrants in the Settlement Currency. Where the Reference Currency is not the same as the Settlement Currency, amounts payable under the 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 Warrants if and for as long as such exchange controls have occurred and are continuing. Warrantholders shall not be entitled to any interest or other compensation in respect of any such suspension.]</p>
	<p><b>Market Disruption Events and Additional Disruption Events:</b> In the case of early closure of the relevant exchange (the "<b>China Connect Market</b>"), 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 Hong Kong Limited (the "<b>SEHK</b>"), 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 between SEHK and the China Connect Market, where applicable ("<b>Market Disruption Events</b>") or a hedging disruption, a change in applicable laws, an increased cost of hedging, where applicable, an insolvency filing of the issuer of the Reference Asset, a foreign exchange disruption event, a ceasing by the relevant exchange to accept the Securities as "China Connect" securities,</p>

		or a permanent suspension or termination of the "China Connect" service with respect to the Securities (" <b>Additional Disruption Events</b> "), postponement or adjustment of valuations in case of a Market Disruption Event or adjustment of terms or termination of the Warrants in case of an Additional Disruption Event in respect of such Warrants may have an adverse effect on the value of such Warrants and/or the Cash Settlement Amount.
		<b>Illegality may cause the Issuer's obligations under the Warrants to be terminated early:</b> If the Calculation Agent determines the performance of the Issuer's obligations under any Warrants shall have become unlawful or impracticable, the Issuer may terminate its obligations under the Warrants and pay a sum representing the fair value of the Warrants. As a result Warrantholders will forego any future appreciation in the relevant Reference Asset, 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).
		<b>Considerations regarding hedging:</b> The value of the Warrants may not exactly correlate with the value of the Reference Asset[s], [ ], to which the Warrant relates.
		<b>Tax risks:</b> The amount of a payment to the investor under the Warrants may be decreased to take into account the effect of taxes on an investment in the Reference Assets. 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, Reference Assets. This will result in a decrease of the amounts payable under the Warrants. Also, investors in the Warrants will be obliged to pay all taxes, duties and other similar charges payable in connection with the subscription, purchase or exercise of such Warrant and the delivery of the Cash Settlement Amount and/or any Additional Amount.
		<b>[Specific risks relating to Equity-Linked Warrants:</b> If a Potential Adjustment Event occurs and dilutes the theoretical value of the Reference Asset or an Extraordinary Event occurs, the Calculation Agent may make corresponding adjustments to the conditions of the Warrants which may adversely affect the Cash Settlement Amount payable or (in the case of Extraordinary Events) may terminate the Warrants; as a result the Warrantholder may lose some or all of its investment.]
		<b>[Emerging market risks:</b> Investors in Warrants relating to Reference Assets which are issued in or located in or listed on an exchange in an emerging market should be aware that investment in emerging markets 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 Reference Assets may operate may be volatile or unstable, and there could be increased price volatility.]
		<b>[RMB risks:</b> 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 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 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 Warrants to fluctuate.]
		<i>Investors may lose the value of their entire investment or part of it, as the case may be.</i>
<b>Section E – Offer</b>		
<b>E.2b</b>	<b>Reasons for the offer and use of proceeds when different from making profit and/or hedging certain risks:</b>	Not Applicable. The prospectus has been prepared solely in connection with the admission of Warrants to trading on a regulated market pursuant to Article 3(3) of the Prospectus Directive. There will be no public offer of the Warrants and thus reasons for the offer and use of proceeds are not required.
<b>E.3</b>	<b>Description of the terms and conditions of the offer:</b>	Not Applicable. The prospectus has been prepared solely in connection with the admission of Warrants to trading on a regulated market pursuant to Article 3(3) of the Prospectus Directive. There will be no public offer of the Warrants and thus a description of the terms and conditions of the offer is not required.
<b>E.4</b>	<b>Description of any interests material to the issue/offer, including conflicting interests:</b>	<p>The Issuer or its affiliates may engage in transactions involving Reference Assets which may have a positive or negative effect on the value of such Reference Assets and therefore on the value of any 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 Warrants [and [ ] is the Calculation Agent responsible for making determinations and calculations in connection with the Warrants]. The Issuer or its Affiliates may from time to time advise the issuer or obligors of, or publish research reports relating to, Reference Assets. The views or advice may have a positive or negative effect on the value of the Reference Assets and may be inconsistent with purchasing or holding the Warrants relating to the Reference Assets.</p> <p>[Fees [are][may be] payable by the Issuer to the Manager(s) acting as underwriter(s) of issues of the Warrants.]</p> <p>Save as disclosed above, no person involved in the issue of the Warrants has an interest material to the issue.</p>
<b>E.7</b>	<b>Estimated expenses charged to the investor by the Issuer or the offeror:</b>	Not Applicable. The prospectus has been prepared solely in connection with the admission of Warrants to trading on a regulated market pursuant to Article 3(3) of the Prospectus Directive. There will be no public offer of the Warrants and expenses in respect of the listing of Warrants are not charged directly by the Issuer or Managers to the investor.

## RISK FACTORS

*This section provides details of the principal risks associated with the Issuer and the Warrants which may be issued under the Programme.*

*Any investment in the Warrants is subject to a number of risks. Prior to investing in the Warrants, prospective investors should carefully consider risk factors associated with any investment in the 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, incorporated by reference. The Issuer considers such risk factors to be the principal risk factors that may affect the Issuer's obligations under the Warrants and/or risk factors that are material for the purposes of assessing the market risk associated with the Warrants. Words and expressions defined in the Conditions or elsewhere in this Base Prospectus have the same meanings in this section.*

*Prospective investors should note that the risks relating to the Issuer, the industry in which it operates and the 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 a prospective investor of whether to consider an investment in the Warrants. However, as the risks which the 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, prospective 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 Warrants and should be used as guidance only. Additional risks and uncertainties relating to the Issuer or the 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, the value of the security the Warrants or the Warrants themselves, and, if any such risk should occur, the price of the Warrants may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the 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 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 Warrants.

<b>Name of sub-section</b>	<b>Applicable to</b>	<b>Explanation</b>
(1) Risks applicable to all Warrants	All Warrants	This sub-section will be relevant for all issues of Warrants, as it details the risk factors which the Issuer deems to be material in respect of all Warrants issued under the Programme. <i>In addition, risk factors from the following sub-sections may be relevant to an</i>

Name of sub-section	Applicable to	Explanation
		<i>issue of Warrants.</i>
(2) Specific risk factors relating to Equity-Linked Warrants	Equity-Linked Warrants only	Warrants issued pursuant to the Programme will be linked to one security or a basket of securities (including shares, depositary receipts, exchange-traded bonds (including exchange-traded convertible bonds)) (" <b>Equity-Linked Warrants</b> ").
(3) Specific risks relating to Warrants linked to Reference Assets tied to emerging markets	Warrants linked to Reference Assets which are: <ul style="list-style-type: none"> <li>• listed in an emerging markets country; and/or</li> <li>• issued by an entity incorporated in an emerging markets country.</li> </ul>	This section will only be relevant for Warrants which relate to Reference Assets tied to emerging market countries.
(4) Specific risks relating to Warrants linked to Reference Asset(s) denominated in Offshore RMB and traded outside the PRC and Warrants settled in Offshore RMB outside the PRC	Warrants denominated in Offshore RMB or linked to Reference Assets 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 Reference Assets to which the Warrant is linked is Offshore RMB or where the settlement currency of Warrants is denominated in Offshore RMB and/or where the Warrants are settled in Offshore RMB.
(5) Country-specific risks relating to the Warrants	Warrants which link to Reference Assets listed in or issued by entities incorporated in the People's Republic of China.	This sub-section discusses additional risk factors for the People's Republic of China, which is the jurisdiction of the Reference Assets to which the Warrants are linked.  The risk factors described in this section may give further detail on risks identified in the section entitled " <i>(1) Risks applicable to all Warrants</i> ".

### (1) Risks applicable to all Warrants

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

#### **Credit risk**

The 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 Warrants (the Issuer's credit risk). If the Issuer were insolvent or defaulted on its obligations under the Warrants, in the worst case scenario, investors in the 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.

***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 Warrants as the Warrants are unsecured and so the investor would not have recourse to the Reference Assets or any other security/collateral. If the Issuer became unable to pay amounts owed to the investor under the Warrants, such investor does not have recourse to the Reference Assets or any other security/collateral and, in a worst case scenario, may not receive any payments under the Warrants.

***The Warrants are not ordinary debt securities***

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

The repayment of any amount invested in 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, Warrants issued under the Programme may potentially have a greater return but there is a greater risk of loss of capital.

This is because the Warrants are designed to track the price of the underlying Reference Asset(s). The value of the Reference Assets can alter sharply because they reflect the performance of general stock and other market conditions. Therefore, there is a risk that, if the underlying Reference Asset(s) does not move in the anticipated direction, the 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 issuers of an underlying Reference Asset(s) become insolvent, the value of such Reference Asset(s) will become zero. As a result thereof the value of the Warrants will be adversely affected and in a worst case scenario become zero as well. Investors in the Warrants would then lose all of their invested amounts.

***Payments under the Warrants may be delayed***

Payments to Warrantholders calculated by reference to the price of hedging arrangements (which may include disposal of the underlying Reference Asset) 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 "(5) Country-specific risks relating to the 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 Reference Assets in the Reference Jurisdiction (as defined below) or they are not allowed to sell or receive proceeds from the sale of such Reference Assets, then the Warrants may, in the worst case, become worthless.

***No ownership rights***

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

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

Any Series of Warrants issued under the Programme will be new securities which may not be widely distributed and for which there is no active trading market (even where, in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche which is already issued). Accordingly, the investor is subject to the risk that its investment in the Warrants may be difficult or impossible to trade.

It is not possible to predict whether any trading market for the Warrants will develop or, if it does, the price at which Warrants will trade in the secondary market or whether such market will be liquid or illiquid. If any Warrants are not listed or traded on any exchange, pricing information for the Warrants

may be more difficult to obtain and the liquidity of the Warrants may be adversely affected. Also, to the extent that Warrants are exercised or purchased and cancelled, the number of Warrants outstanding will decrease, resulting in a lessening of the liquidity of the Warrants. A lessening of the liquidity of the Warrants may cause, in turn, an increase in the volatility associated with the price of the Warrants. An investor in the Warrants is subject to the risk, therefore, that to the extent that there is no liquid market in the Warrants, the investor may have to wait until it is able to exercise such Warrants in order to realise the value of its investment or, if he is able to sell the Warrants prior to their expiry or exercise date, the return received may be substantially less than the issue price or acquisition price of the Warrants.

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

The value of Warrants prior to expiry is expected to depend on a number of factors: (i) the trading price of the Warrants, (ii) the value and volatility of the Reference Asset(s), (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 Reference Asset(s) and (vii) any related transaction costs. As a result of these factors the price at which a Warrantholder may be able to sell the Warrants prior to expiry may be less than the initial amount invested in the Warrants. Each of these factors interrelate in complex ways (for example, one factor may offset an increase in the trading value of the Warrants caused by another factor). Investors are subject to the risk that the value of Warrants may be adversely affected by one or more of the following factors:

(a) *Fluctuations in the value of the Reference Asset(s)*

Fluctuations in the price, value and/or level of the Reference Asset may affect the value of the Warrants, but equally an investor in the Warrants is subject to the risk that expectations of fluctuation in price, value and/or level of the Reference Asset or Reference Asset during the remaining period to the expiry of the exercise period of the Warrants or any earlier exercise date would adversely affect amounts payable in respect of the Warrants. The price, value and/or level of the relevant Reference Asset 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*

Rising interest rates may lower the value of the Reference Asset, and thus, the value of the Warrants. Changes in interest rates may also affect the economy of a country in which the Reference Asset is traded, and which may adversely affect the value of the Warrants.

(c) *Volatility of the Reference Asset*

If the size and frequency of market fluctuations in value of the Reference Asset decreases, the trading value of the Warrants would likely decrease.

(d) *Time remaining to expiry*

The Warrants may trade at a value above that which would be expected based on the level of interest rates and the value of the Reference Asset. Any such difference will reflect a "time premium" resulting from expectations concerning the Reference Asset during the period prior to the stated expiry of the Warrants. An investor in the Warrants should be aware of the risk that, as the time remaining to the exercise period of the Warrants decreases, this time premium would likely decrease, which would adversely affect the value of the Warrants.

(e) *Dividend rates*

An investor in the Warrants is subject to the risk that changes in dividend or other distribution rates on the Reference Assets may adversely affect the trading value of the Warrants. If the dividend or other income rates on the Reference Assets increase, the trading value of the Warrants are likely to decrease (although, where Additional Amounts are specified in the Final Terms, the investor might otherwise be entitled under the Warrants to payments equivalent to such distributions).

(f) *Value of baskets*

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

If a basket of Reference Assets relates 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 securities underlying a Reference Assets 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.

***Potential conflicts of interest***

The Issuer or its Affiliates may from time to time (i) advise the issuers of or obligors in respect of Reference Assets regarding transactions to be entered into by them; (ii) engage in transactions involving Reference Assets for their proprietary accounts and for other accounts under their management; (iii) carry out hedging activities related to the Warrants by purchasing Reference Asset(s); or (iv) publish research reports relating to certain Reference Assets or to the issuers of certain such Reference Assets. Any such activities may have a negative effect on the value of such Reference Assets and therefore on the value of any 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 Warrants; (ii) be the Calculation Agent responsible for making determinations and calculations in connection with the Warrants; or (iii) publish research reports which express opinions or provide recommendations that are inconsistent with purchasing or holding the Warrants referencing the Reference Assets. 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 Warrantholders.

***Calculation Agent's discretion and valuations***

The determination of the Cash Settlement Amount, Additional Amount, Supplementary Amount and/or Non-Cash Distribution Amount (where applicable) will be made by the Calculation Agent in its sole and absolute discretion 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 Warrants of restrictions and controls imposed on investors in Reference Assets and the consequences for the Warrants which includes adjustments to the terms of the Warrants or termination of the Warrants at an amount which in the opinion of the Calculation Agent is fair. Accordingly, an investor in the Warrants is subject to the risk that the calculation of payment and other determinations under the Warrant 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 prospective 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 Warrants are legitimate and consistent with the terms of an issue of Warrants without expertise in applying valuation models.

***Commission and cost of hedging***

The original issue price of the Warrants includes the commission or fee charged by the Issuer and/or the Managers and/or their Affiliates and the cost or expected cost of hedging the Issuer's obligations under the Warrants and may include a distribution fee payable to the distributor of the Warrants. Accordingly, there is a risk that, upon issue, the price, if any, at which the Issuer, the Managers or their Affiliates would be willing to purchase Warrants from the investor in the secondary market would be lower than the original issue price or the market price of the Reference Asset. Such fee, commission and cost of hedging may also be deducted from 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 Warrants immediately prior to the ex-dividend/coupon date may become entitled to receive an Additional Amount reflecting the dividend or coupon under the Reference Asset(s) that are shares or bonds. However, the amount paid to the investors in the Warrants could be lower than the relevant dividend or coupon paid by the issuer of the relevant Reference Assets as the amount payable to Warrant holders 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 Reference Assets to which its Warrants relate. Consequently, depending on the size of an investor's exposure to the Reference Assets, an investor in the 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 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 Warrants from the investor in order to comply with such disclosure requirements.

#### ***Exchange rate risks and exchange control risks***

The Issuer will generally pay amounts in respect of the Warrants in the Settlement Currency (as referred to in the applicable Final Terms). As a result thereof there are various potential exchange rate risks that investors in the 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 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 exercise amount payable to the investor and (ii) the market value of the 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 Warrants, as converted, may be less than expected or zero.

#### ***Issuer converting amounts received in Reference Currency into the Settlement Currency***

Equally, the investor bears a currency conversion risk where the Reference Currency (in which the Reference Asset 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 Cash Settlement Amount and/or any relevant Additional Amounts in respect of the Warrants, it will need to convert the amounts it receives in respect of the underlying assets (denominated in the Reference Currency) into the Settlement Currency. The investor will pay the currency conversion costs and associated costs as a deduction from the Cash Settlement Amount payable 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 Warrants.

In addition, where the Reference 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 Warrants.

#### *Exchange control risks*

Investors in Warrants should also be aware that there is the risk that authorities with jurisdiction over the Investor's Currency, Settlement Currency and/or Reference 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 Warrants. The Issuer may also suspend its obligations to make any payment under any Warrants if and for as long as such exchange controls have occurred and are continuing. Warrantheolders will 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 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 Cash Settlement Amount, Additional Amounts 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 Amounts and/or Supplementary Amounts (if applicable). In this case, the risk factors in the section entitled "(1) Risks applicable to all Warrants - Exchange rate risks and exchange controls" would apply as if the relevant Alternative Payment Currency were the Settlement Currency.

#### ***Market Disruption Events***

Warrantheolders are subject to the risk that a Market Disruption Event will occur. A Market Disruption Event may occur in respect of Warrants if, in respect of a relevant stock exchange or the China Connect Service and 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 Warrants may have an adverse effect on the value of such Warrants.

#### ***Inconvertibility, Non-transferability or Illiquidity***

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 Warrants or it is impracticable for the Issuer to satisfy its obligations to pay any amounts due under the Warrants 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***

Prospective investors should note that Additional Disruption Events may occur in relation to the relevant Warrants in certain circumstances described in the Conditions. If any Additional Disruption Event occurs in relation to the relevant Warrants, the Issuer may, at its sole and absolute discretion, declare an exercise date in respect of the Warrants and the Warrantheolders will receive an early termination amount based on the determinations made by the Calculation Agent.

Prospective 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 Warrants or where the Issuer or its designated Affiliates would incur materially increased costs in performing its obligations under the 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 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 Warrants;
- "Insolvency Filing" may occur where if an issuer of Reference Assets institutes or has instituted against it insolvency, bankruptcy or winding-up proceedings or proceedings for relief under similar laws;
- "Currency Event" may occur where an event happens that has the effect of restricting the transferability, the convertibility and the deliverability of certain currencies in respect of the Warrants;
- "China Connect Share Disqualification" may occur where the 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 Securities through the China Connect Service.

Upon the occurrence of the declaration of such an exercise date prior to the originally scheduled exercise dates or expiry dates of the relevant Warrants, Warrantholders may suffer a loss of some or of all of their investment and will forego any future appreciation in the relevant Reference Asset that may occur following such redemption.

### ***Illegality***

A Warrantholder is subject to the risk that if the Calculation Agent determines in its absolute discretion that the performance of the Issuer's obligations under any 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 terminate its obligations under the Warrants against payment of an amount determined by the Calculation Agent representing the fair market value of such Warrant immediately prior to such termination (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 Warrants or any related hedging or funding arrangements as a result of such events). Warrantholders may suffer a loss of some or all of their investment as a result of such early termination. Also, if the Warrants are to be terminated, the Warrantholders will forego any future appreciation in the relevant Reference Asset.

### ***Limitations on exercise***

If so indicated in the applicable Final Terms, a Warrantholder must tender a specified minimum number of Warrants and integral multiples of Warrants thereafter at any one time in order to exercise. Thus, Warrantholders 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.

### *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 Warrants relate to which the Warrants are linked or others outside the control of the Issuer may adversely affect the rights of the Warrantholders and/or the value of the Warrants (for instance, if the issuer of Reference Assets 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 termination of, the Warrants.

### *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 Warrants. The value of the Warrants may also be affected by changes in the laws of the Reference Jurisdiction of the Reference Assets. 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 Jurisdictions after the date of this Base Prospectus.

### *Certain considerations regarding hedging*

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

### *Modification and substitution*

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

- the modification is not materially prejudicial to the interests of the Warrantholders as a whole; or
- where the modification of the 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 terms and conditions are inconsistent with the termsheet relating to the relevant Warrants.

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

### *Clearing systems*

Warrants will be represented by global registered warrants or global warrants which are held by or on behalf of Euroclear and Clearstream Luxembourg or DTC, as the case may be. While the Warrants are represented by a Global Warrant, investors will be able to trade their interests only through Euroclear and Clearstream, Luxembourg. 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 Warrants and for exercise of the Warrants and investors in the Warrants are therefore subject to the risk of those settlement procedures failing such that payments due under the 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 Warrants.

The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, interests in the global Warrants. Holders of interests in the global Warrants will not have a direct right to

vote in respect of the relevant Warrants. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and/or Clearstream, Luxembourg to appoint appropriate proxies.

### ***Risks relating to taxation***

#### *UK stamp duty and stamp duty reserve tax in relation to the Warrants*

Transactions involving 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 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 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 (commonly referred to as "FATCA").

Whilst the 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 Warrants are discharged once it has paid the common depository for the ICSDs (as registered holder of the 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 Reference Assets in the Reference Jurisdiction*

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

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, Reference Assets located in that Reference Jurisdiction.

The imposition of such taxes could:

- (i) decrease the following amounts payable under Warrants:
  - (A) the Cash Settlement Amount; and/or
  - (B) the amount of any Additional Amount (as defined in the Conditions); and/or
- (ii) impose a liability upon the Warrantholder or increase the liability that the 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 exercise of the Warrants.



The investor in the Warrants will be obliged to pay all taxes, duties and other similar charges payable in connection with the subscription, purchase or exercise of such Warrant and the delivery of the Cash Settlement Amount and/or, if applicable, any Additional Amount. If taxes, duties and other similar charges are levied on the Issuer or its designated Affiliates in respect of Reference Assets which relate to the Warrants, the investor under the Warrants will be liable to reimburse the Issuer or its designated Affiliates in respect of such taxes, duties and other similar charges irrespective of whether the Warrants have been exercised or have otherwise expired.

In addition, there are risks of certain taxes being imposed on an investment in, or disposition of, Warrants relating to China Connect Underlying as described in the sub-section of the Risk Factors entitled "(5) Country-specific risks relating to the Warrants" under the heading "*People's Republic of China – Taxation Issues*".

### ***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 "**Recovery and Resolution Directive**" or "**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 proposed 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 would 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 Warrants) of a failing financial institution or its holding company, and/or to convert certain debt claims (which could be amounts payable under the 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 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 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 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 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 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 Warrants, the market value of an investment in the Warrants and/or the Issuer's ability to satisfy its obligations under the 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 Warrants), and could lead to the holders of those securities (including the 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 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 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 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) Specific risk factors relating to Equity-Linked Warrants**

### ***Potential Adjustment Events***

Investors in Equity-Linked Warrants are subject to the risk that certain circumstances in respect of Reference Assets 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 Reference Assets). If the Calculation Agent determines that such circumstances have occurred, the Calculation Agent may make such corresponding adjustment(s) as it in its sole and absolute discretion determines to be appropriate, to the number of Reference Assets to which each Equity-Linked Warrant relates and to any other exercise, settlement, payment or other term of the relevant 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 Equity-Linked Warrants may be adversely affected and the Warrant holders may suffer a loss of some or all of their investment as a result.

### ***Extraordinary Events***

There is a risk in respect of Equity-Linked Warrants that certain events may occur in respect of Reference Assets (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 Reference Assets, the disqualification of the Reference Assets 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 terminating the Warrants and Warrant holders 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 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 Warrants are to be terminated, the Warrant holders will forego any future appreciation in the relevant Reference Assets that may occur following such termination.

### ***Delisting or delay in allotment or listing of Reference Assets***

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

### **(3) Specific risks relating to Warrants linked to Reference Assets tied to emerging markets**

Warrants issued may relate to Reference Assets which are located in an emerging market. Investors in such Warrants should be aware that these markets are subject to greater risks than well-developed markets. The price of the Reference Assets which are linked to an emerging market country may therefore be volatile and investment in the Warrants will involve additional risks and special considerations not typically associated with investing in 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 Reference Asset 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 Reference Assets, and in turn the Cash Settlement Amount will not be due under the Warrants. In other cases, inefficient systems may result in delayed payments on the Reference Assets, which may in turn delay payments under the Warrants.

#### **(b) *Exchange controls and repatriation of profits***

Most emerging market countries operate exchange controls affecting the transfer of funds 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 Warrants where the underlying Reference Assets are linked to an emerging market country are subject to the risk that, if the Reference Currency of the Warrants ceases to be convertible into the Settlement Currency or becomes only partly semi-convertible, then unless "Payment of Alternative Payment Currency Equivalent" is specified as applicable in the relevant Final Terms, the Warrants may return less on exercise or expiry than the amount invested or nothing.

Moreover the value of investments in the underlying Reference Assets 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 Reference Assets 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 Warrants is that the price of the Warrant might be more volatile (as the amounts payable under the Warrant are linked to the value of the Reference Asset) or that issuers of the underlying Reference Assets will not perform at an expected level, which may cause payments due under the 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 Warrants linked to an emerging market country are subject to the risk that information available on the Reference Assets which might form the basis of its investment decision in respect of the Warrants may be of poorer quality than that available on Reference Assets linked to well-developed markets and investors may not receive relevant information relating to the Reference Assets at the same time as other market participants, which may cause price volatility and the market price of the 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 Reference Asset. 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 Reference Assets, thus adversely affecting the value of the Warrants.

Therefore, there is a risk that the trading price of such Warrants may be more volatile and that value of the underlying Reference Assets may be adversely affected (following which, amounts payable under the 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 Reference Assets which may underlie the 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 underlying Reference Assets and therefore reduce the market value of the Warrants and the Cash Settlement Amount 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 Warrants' trading price (during the life of the Warrants) or the relevant Cash Settlement Amount (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 Warrants, or entitle the Issuer to terminate the Warrants 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 Reference Assets.

(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 is an emerging market country. Currency exchange risks are described in detail above in the section entitled "*Risks applicable to all 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 Reference Assets and therefore the value of the Warrants.

(i) *Restrictions and controls*

Warrants will be subject to risk that restrictions and controls on the Reference Assets 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 Warrants linked to such Reference Assets may not be payable under the Warrants on settlement following 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 Warrants.

**(4) Specific risks relating to Warrants linked to Reference Asset(s) denominated in Offshore RMB and traded outside the PRC and Warrants settled in Offshore RMB outside the PRC**

Warrants linked to Reference Asset(s) denominated in Offshore RMB and traded outside the PRC and Warrants settled in Offshore RMB outside the PRC may be issued under the Programme. For the purpose of those Warrants and where the context requires, "**Offshore RMB**" shall refer to Chinese RMB 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. Set out below is a description of some of the risks that should be taken into consideration by prospective investors in such 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 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 Warrants and thus the value of the 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 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 Warrants 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 Warrant holder'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 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 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 Amounts 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 Amounts and/or Supplementary Amounts (if applicable). In this case, the risk factors in the section entitled "(1) Risks applicable to all Warrants - Exchange rate risks and exchange control risk" would apply as if the relevant Alternative Payment Currency were the Settlement Currency.

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

Investors in the Warrants should be aware that all Offshore RMB payments under the 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.

**(5) Country-specific risks relating to the Warrants**

*This section highlights some of the risks of an investment in Warrants that are linked to China Connect Underlying. Prospective investors should note that for the 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 Warrants.*

*The Issuer believes that the following factors are material for the purposes of assessing the market risk associated with the Warrants. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. Each of the risks highlighted below could adversely affect the trading price of the Warrants or the rights of investors under the Warrants and, as a result, investors may lose the value of their entire investment or part of it.*

### **People's Republic of China**

#### *Market Access*

The Warrants are offshore products issued by the Issuer which offer a return that is linked to the performance of Reference Assets of the securities market of the PRC but are otherwise unrelated to any Underlying Company or underlying government. The Warrants are linked to Reference Assets 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 access 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**"), and accordingly reflect the risks of an investment in such Reference Assets by an investor (a "**China Connect Investor**") purchasing such Reference Assets 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 terminate the Warrants at fair value by way of compensation to the Warrantholders. The investor is subject to the risk that such value may be less than what the 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 Warrants or terminate the Warrants early. 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 Reference Asset 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 and trading quotas (both daily and on an aggregate basis).

The investor in the 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 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 Northbound Trading 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 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 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 Reference Assets in the PRC, this will reduce the Realisable Sale Price with respect to such Reference Asset(s) and will result in a lower payment by the Issuer to the Warrantholder in respect of the relevant Warrants.

## DESCRIPTION OF THE WARRANTS

This section summarises the detailed provisions of the Terms and Conditions which set out how an investment in the Warrants works and how payments under the Warrants are calculated.

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**") (the related Warrants being "**Equity-Linked Warrants**"), but who do not wish to or are not able to hold the relevant China Connect Underlying themselves.

The China Connect Underlying relating to a particular Series of Warrants is referred to in this document as the "**Reference Asset**" in respect of such Warrants and references to "**Reference Asset**", either in the singular or plural form, refer to any Reference Asset applicable to a Series of Warrants. Information regarding the Reference Asset 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.

Accordingly, each Warrant entitles the investor, upon exercise of the Warrant, to be paid a cash amount from the Issuer (the "**Cash Settlement Amount**") that tracks the quoted price of an underlying Reference Asset (or a basket of Reference Assets) as the Issuer or its designated Affiliates or a notional holder would have received by disposing of the Reference Asset or the option or futures contract relating to the Reference Asset. 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, where "Additional Payment" is specified to be applicable the relevant Final Terms, the Warrant will also entitle the Warrantholder to receive cash payments corresponding to any cash distributions that a direct investor in the Reference Assets would ordinarily receive (the "**Additional Amounts**"), such as dividend or interest payments (a "**Cash Distribution**").

Furthermore, and regardless of whether "Additional Payments" is specified as applicable in the relevant Final Terms, if a direct investor in the Reference Assets receives a non-cash distribution, such as any distribution of preference shares, bonus shares, warrants or other securities (a "**Non-Cash Distribution**"), the Issuer may, in its absolute discretion, elect to (a) pay the holder of the relevant Warrant a cash equivalent amount of such Non-Cash Distribution (the "**Non-Cash Distribution Amount**"); (b) issue to each holder of the relevant Warrant additional Warrants relating to the securities constituting such Non-Cash Distribution that a direct investor in the Reference Assets would receive ("**Additional Warrants**"); and/or (c) make an adjustment to the notional number of Reference Assets to which each Warrant relates and/or to any other exercise, settlement, payment or other term of the relevant Warrants, to take account of such Non-Cash Distribution.

Any Cash Distribution or Non-Cash Distribution is only payable to the extent the underlying Cash Distribution or Non-Cash Distribution (as applicable) is made to the Issuer or its designated Affiliates or a notional holder within a period specified by the terms of the Warrants. Cash Distributions and Non-Cash Distributions may only become payable once the Issuer or its designated Affiliates or a notional holder have been paid in full.

Further details of the Cash Settlement Amount, Additional Amounts and Non-Cash Distribution Amounts are provided below, together with additional information as to how they are affected by the value of the Reference Asset.

**(A) Cash Settlement Amounts**

As the Cash Settlement Amount payable is designed to track the quoted price of the underlying Reference Asset, in general, if the price of the Reference Assets increases or decreases, the Cash Settlement Amount for Equity-Linked Warrants increases or decreases, respectively.

For Equity-Linked Warrants, the Cash Settlement Amount payable may not exactly match the price of Reference Asset 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 Reference Asset is quoted (the "**Reference Currency**"); in such circumstances, the Issuer will determine the value of the underlying Reference Asset in the Reference Currency, but the Issuer will then convert 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;
- the Issuer is entitled to deduct other cost items from the Cash Settlement Amount (such as, amongst other things, brokers' fees, transaction processing fees and actual and potential taxes, duties and other similar charges); such costs will differ depending on the Reference Asset to which the Warrants are linked. The Cash Settlement Amount will be subject to taxes, duties and other similar charges which the Issuer and/or its affiliates would pay on making an investment in the relevant Reference Asset, and tax treatment may differ on the basis of where the Reference Asset is quoted;
- the Issuer is entitled to deduct a fee to be retained by the Issuer, the Managers and/or their affiliates; and
- the Cash Settlement Amount payable under the Warrants may reflect arrangements entered into by the Issuer or its designated Affiliates to track the price of the underlying Reference Asset (noting that the Issuer or its designated Affiliates may choose not to enter into such arrangements), in which case the price or level used for calculating the Cash Settlement Amount would be the amount the Issuer or its designated Affiliates receives in respect of such arrangement (or what it would have received had it entered into the arrangement). This might not exactly match the quoted price of the Reference Asset, because for example:
  - the Issuer may sell securities it holds which are Reference Assets, in respect of which sale costs would be deductible from the Cash Settlement Amount; or
  - the Issuer may sell quoted futures or options contracts or close out derivative transactions relating to the Reference Asset, the payment in respect of which may for technical reasons fluctuate and diverge from the quoted price of the Reference Asset depending on, for instance, whether the quoted price of a Reference Asset was particularly volatile.

Warrantheolders are entitled to the Cash Settlement Amount upon exercise of the Warrants.

If a minimum exercise number is specified in the relevant Final Terms, then the Warrantheolder cannot exercise less than such minimum exercise number. Otherwise, the Warrantheolder can exercise any number of Warrants separately or together. The date or dates on which a Warrantheolder 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 Warrantheolder 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 Warrantheolder 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 Reference Assets 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.

If in respect of the Cash Settlement Amount hedging arrangements are entered into by the Issuer and/or its Affiliates and such hedging arrangements in respect of a Reference Asset can only be unwound over a number of dates due to the volume of Reference Assets or their illiquidity, the Realisable Sale Price will be the weighted average of those unwinding prices.

E.g. **Day 1:** Price per share (RMB 50); number of shares sold (500 shares)

**Day 2:** Price per share (RMB 49); number of shares sold (300 shares)

To calculate the weighted average price per share over a number of days, the relevant price per share would be multiplied by the number of shares sold on that day, the total prices for each of the days would be added together and that sum should be divided by the total number of shares unwound.

$$\frac{(\text{RMB } 50 \times 500) + (\text{RMB } 49 \times 300)}{800 \text{ (Total number of shares unwound)}} = \text{RMB } 49.625 \text{ (weighted average price per share)}$$

**Please note: The worked examples set out below are produced for illustrative purposes only.** The analysis is based on assumptions and hypothetical figures, and does not reflect a complete analysis of all possible gain and loss scenarios that may arise under any actual investment in the Warrants. No representation or warranty is made by the Issuer or any of its Affiliates that any scenario shown below 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 or otherwise terminated prior to its stated expiry, investors in such Warrants may sustain loss which may be equal to their invested amount in some cases.

**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.**

## **Worked example: Equity-Linked Warrant (Security Warrant)**

### ***The formula***

The Cash Settlement Amount payable to a holder of the Warrants is calculated by reference to a formula set out in the Terms and Conditions. For instance, the Cash Settlement Amount linked to an Equity-Linked Warrant would be calculated by reference to the following formula:

$$\frac{\text{Realisable Sale Price}}{\text{Weighted Average Exchange Rate}} \times (1 - \text{Fee})$$

### ***The hypothetical scenario***

For the purposes of this example, it is assumed that:

- each Warrant issued is linked to one share in a company ("**PRC Corp**") listed and traded on the Shanghai Stock Exchange ("**Shanghai Stock Exchange**") under China Connect;
- on the date the Warrant is traded, the share price of PRC Corp is quoted on the Shanghai Stock Exchange as RMB 307.5 per share (which, at the exchange rate of RMB 6.15: USD 1 available on that day, would be equivalent to USD 50 per share);
- the Issuer has chosen to enter into hedging arrangements to fully hedge its obligations under the Warrants;
- at the time the Warrants are issued, the Warrantholder pays a commission of 1 per cent. of the issue price which will be added to the issue price and the Issuer notifies the Warrantholder that a fee equal to 1 per cent. of the Realisable Sale Value per Warrant will be payable on exercise of the Warrants by deduction from the Cash Settlement Amount. On that basis, the Issuer might issue Warrants at a price of USD 50.50 per Warrant;
- the Issuer's hedges in respect of shares in PRC Corp are unwound on a single date; and
- 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 the investor seeks to exercise his Warrant, the formula would be used to calculate the Cash Settlement Amount in the following manner:

1. *First*, the Realisable Sale Price must be determined. If the Issuer has hedged the price of the share by purchasing one share per Warrant, the Realisable Sale Price would be the price at which the Issuer could sell one share in PRC Corp in the market minus costs (which includes actual and potential taxes, costs, charges, duties (including stamp duty) and other similar charges). The Issuer is not obliged to hedge and therefore this is only on the assumption that the Issuer has chosen to hedge by purchasing the share.

Assuming PRC Corp has performed well, the price at which the Issuer could sell the share under the hedge on the redemption date is RMB 446 per share. The Issuer incurs sale costs of RMB 5 which would be deductible.

The Realisable Sale Price will therefore be:

RMB 446 *less*  
RMB 5 (Costs)  
RMB 441 (Realisable Sale Price)

2. *Secondly*, the Realisable Sale Price (RMB 441) would have to be converted back into the currency in which the Warrants are issued, which in this example is USD. This is reflected in the

formula by dividing the Realisable Sale Price by what is called the Weighted Average Exchange Rate. The Weighted Average Exchange Rate is calculated by taking the average of the exchange rate on a weighted basis used in the conversion of the shares which are unwound in different batches. The costs of currency conversion will be deducted from the Realisable Sale Price, which will either be embedded in the exchange rate available to the Issuer or it will be charged separately.

The applicable exchange rate at the time of exercise may have changed, such that the U.S. dollar is not worth as many RMB as it was when the Warrants were traded. For instance, the exchange rate available to the Issuer is now RMB 6: USD 1. This means for the purposes of calculating the Cash Settlement Amount that the following calculation needs to be made:

RMB 441 (Realisable Sale Price) *divided by*  
6 (Weighted Average Exchange Rate, embedded with currency conversion costs)  
USD 73.50

3. *Thirdly*, a fee due to the Issuer would need to be deducted from the resulting amount (USD 73.50). If the Issuer's fee was 1 per cent. of the Realisable Sale Price, as converted to USD, the "Fee" component would be reflected as 0.01 in the formula.

Therefore, USD 73.50 x (1 – Fee) would be expressed as:

USD 73.50 multiplied by  
0.99 (i.e. 1 less 0.01)  
USD 72.77 (rounded to the nearest US cent from USD 72.765)

**The Cash Settlement Amount due to the investor would therefore be USD 72.77 per Warrant.**

## **(B) Additional Amounts**

### **1. Cash Distribution Amounts**

#### *Equity-Linked Warrants*

If "Additional Payments" is specified as applicable in the Final Terms, the investors will also be entitled to an amount (an "**Additional Amount**") corresponding to any cash dividend, distribution and/or coupon (the "**Cash Distribution**") in respect of a Reference Asset that would have been paid by the issuer of such Reference Asset and received by a Notional Holder (as defined below) with a direct investment or holding in the Reference Asset. Such Additional Amount will be paid on the specified Additional Amount Payment Date during the Additional Payment Period, each as set out in the Final Terms.

The Additional Amounts payable may not be exactly equal to the cash amount of the Cash Distribution announced as having been made to notional investors with a direct interest in the Reference Asset. This may be because:

- the Additional Amounts payable will correspond to the net Cash Distributions a direct China Connect investor in the Reference Asset would be entitled to at the time of such Cash Distribution, if such China Connect investor were an institution subject to the same laws as the Issuer and/or its designated Affiliates (a "**Notional Holder**"); therefore, the Issuer is entitled to deduct cost items (such as actual or potential taxes, duties and other similar charges), which may mean the Additional Amount differs from the cash value of the Cash Distribution announced by the issuer of the Reference Asset; and
- any Additional Amount will be payable in cash converted from the Reference Currency into the Settlement Currency (each as defined in the relevant Final Terms) at an exchange rate that the Issuer could have used in connection with any such conversion.

The Additional Amount per Equity-Linked Warrant is calculated as follows:

- (1) *First*, the net Cash Distribution per Reference Asset is calculated, being the Cash Distribution that would have been received by a Notional Holder in respect of the Reference Assets relating to

that Warrant, less any applicable deductions or adjustments (including any costs that would have been incurred by such Notional Holder if it held the Reference Asset(s)).

- (2) *Next*, if the Reference Currency and the Settlement Currency are different, the net Cash Distribution calculated in (1) is converted into the Settlement Currency of the Warrant at the prevailing rate of exchange for the conversion of the Reference Currency into the Settlement Currency (expressed as a number of units of Reference Currency per one unit of Settlement Currency) (the "**Underlying FX Rate**") less any costs a Notional Holder would have incurred in connection with such conversion, as determined by the Calculation Agent in its sole and absolute discretion.
- (3) *Finally*, the Additional Amount per Equity-Linked Warrant is calculated by multiplying the net Cash Distribution (as converted in (2), if applicable) by the number of Reference Assets per Warrant (being a number specified in the relevant Final Terms).

#### **Worked example: Additional Amounts for Equity-Linked Warrant (Security Warrant)**

##### ***The hypothetical scenario***

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

PRC Corp announces and pays a cash dividend. A Notional Holder would receive RMB 70 in dividends relating to each 1,000 shares it holds. On the day of the payment of the dividend, the exchange rate (the "**Underlying FX Rate**") is RMB 6.3: USD 1. All foreign exchange transactions attract a conversion fee.

An investor in the Warrants holds 1,000 such Warrants.

##### ***The calculation***

- (1) *First*, the net Cash Distribution per Reference Asset must be calculated. The net Cash Distribution that would have been received by a Notional Holder in respect of the Reference Asset is the aggregate amount of the cash dividends (RMB 70) less any costs (including PRC enterprise income tax ("**PRC EIT**"), as set out below), divided by the number of the underlying shares held (1,000).

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 net Cash Distribution per Reference Asset 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 70 (aggregate amount of the cash dividends)  
**less**  
RMB 7.00 (i.e. the PRC EIT, being 10 per cent. of the aggregate amount of the cash dividends)  
= RMB 63.00

This works out to be RMB 0.063 per share (being RMB 63/1000).

- (2) *Next*, the net Cash Distribution per Reference Asset is converted into the currency of the Warrant at the prevailing Underlying FX Rate(s). Here, the net Cash Distribution per Reference Asset of RMB 0.063 is converted at the rate of RMB 6.3: USD 1, which results in a USD amount of USD 0.01 per Reference Asset. A 1 per cent. conversion fee (USD 0.0001) is then deducted from USD 0.01 to give USD 0.0099. Therefore, the net Cash Distribution per Reference Asset is USD 0.0099.
- (3) The Additional Amount per Warrant that the investor will receive is therefore USD 0.0099 (being the net Cash Distribution per Reference Asset) multiplied by 1 (the number of Reference

Assets per Warrant) which is USD 0.0099.

**The total Additional Amount the investor will receive in respect of its 1,000 Warrants will therefore be 1,000 x USD 0.0099 = USD 9.90.**

## 2. *Non-Cash Distribution Amount*

### *Equity-Linked Warrants*

Irrespective of whether "Additional Payments" is specified as applicable in the relevant Final Terms, if a Notional Holder receives a non-cash distribution in respect of a Reference Asset, such as any distribution of preference shares, bonus shares, warrants or other securities (a "**Non-Cash Distribution**"), the Issuer may, in its absolute discretion, elect to (a) pay the holder of the relevant Warrant a cash equivalent amount of such Non-Cash Distribution (the "**Non-Cash Distribution Amount**"); (b) issue to each holder of the relevant Warrant additional Warrants relating to the securities constituting such Non-Cash Distribution that a Notional Holder investing directly in the Reference Assets would receive ("**Additional Warrants**"); or (c) make an adjustment to the notional number of underlying securities to which each Warrant relates and/or to any other exercise, settlement, payment or other term of the relevant Warrants, to take account of such Non-Cash Distribution, in each case, to the extent permissible under the applicable laws, rules, regulations and guidance in relation to China Connect.

The Non-Cash Distribution Amount per Warrant is calculated as follows:

- (1) *First*, the net "**Cash Equivalent Amount**" of the Non-Cash Distribution per Reference Asset is calculated, being an amount determined by the Calculation Agent to be the cash amount that a Notional Holder would have received in consideration of its disposal of the relevant Non-Cash Distribution, less any applicable deductions or adjustments (including any costs that would have been incurred by such Notional Holder on disposal of the Non-Cash Distribution).
- (2) *Next*, if the Reference Currency and the Settlement Currency are different, the net Cash Equivalent Amount that would have been received by a Notional Holder in respect of the Non-Cash Distribution is converted into the Settlement Currency at the Underlying FX Rate(s) prevailing as of such date or dates as the Calculation Agent determines in its sole and absolute discretion, less any costs the Notional Holder would have incurred in respect of such conversion, as determined by the Calculation Agent in its sole and absolute discretion.
- (3) The Non-Cash Distribution Amount per Warrant is calculated by multiplying the net Cash Equivalent Amount (as converted, if applicable) by the number of Reference Assets per Warrant (being a number specified in the relevant Final Terms).

### **Worked example: Non-Cash Distribution Amount for Equity-Linked Warrant (Security Warrant)**

#### *The hypothetical scenario*

For the purposes of this example, it is assumed that:

- each Warrant issued is denominated in USD and is linked to one ordinary share in a company ("**PRC Corp**") listed and traded on the Shanghai Stock Exchange under China Connect. It is also assumed that the Issuer has elected to pay the Cash Equivalent Amount; and
- the shares issued out of PRC Corp are eligible securities for China Connect and there are no restrictions or limits for the Notional Holder to acquire or dispose such shares and to pass through the Cash Equivalent Amount to the investor.

PRC Corp issues 10 ordinary shares to each holder of its ordinary shares. Accordingly, the Notional Holder holding 1,000 shares would receive 10,000 ordinary shares. PRC enterprise income tax ("**PRC EIT**") is payable in relation to the Non-Cash Distribution and is withheld at source by PRC Corp. The Non-Cash Distribution received by the Notional Holder is net of PRC EIT.

An investor holds 1,000 such Warrants.



***The calculation***

- (1) *First*, the Cash Equivalent Amount of the Non-Cash Distribution per Reference Asset must be calculated. The Calculation Agent determines that a Notional Holder could have disposed of its each ordinary share in consideration of a cash payment of RMB 1 per ordinary share. Accordingly, the Cash Equivalent Amount per Reference Asset will be the aggregate amount received by the Notional Holder in respect of the disposal of 10 ordinary shares less any applicable deductions or adjustments (including any actual and potential taxes, costs, charges, duties (including stamp duty) and other similar charges that would have been incurred by such Notional Holder on disposal of the Non-Cash Distribution).

Before deducting any applicable deductions or adjustments, this works out to be RMB 10 (RMB 1 x 10).

- (2) *Second*, a fee associated with the receipt of the sale disposal due to the Issuer would need to be deducted from the Cash Equivalent Amount (RMB 10). If the Issuer's fee was 1 per cent. of the Cash Equivalent Amount, the "Fee" component would be reflected as 0.01 in the formula. This works out to be RMB 9.90 (RMB 10 x (1 - 0.01)).

- (3) *Third*, the net Cash Equivalent Amount that would have been received by a Notional Holder in respect of the underlying securities relating to that Warrant is converted into the Settlement Currency at the prevailing Underlying FX Rate(s). The Calculation Agent determines that the Underlying FX Rate is RMB 6: USD 1. Accordingly, the Cash Equivalent Amount per Reference Asset of RMB 9.90 is converted at the rate of RMB 6: USD 1 to give USD 1.65 per underlying security. A 1 per cent. conversion fee on USD 1.65 (namely, USD 0.0165) is deducted from USD 1.65 to give USD 1.6335.

The Non-Cash Distribution Amount per Warrant that the investor will receive per Warrant is therefore USD 1.6335.

**The total Non-Cash Distribution Amount the investor will receive in respect of its 1,000 Warrants will be 1,000 x USD 1.6335 = USD 1,633.50.**

## INCORPORATION BY REFERENCE

The following information contained in the base prospectus (the "**WCP Base Prospectus**") relating to the Warrant and Certificate Programme (the "**Programme**") dated 30 May 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 this Base Prospectus, save that any documents incorporated by reference in the WCP Base Prospectus do not form part of this Base Prospectus. Page references are to pages in the WCP Base Prospectus.

<b>The section entitled:</b>	<b>Page Reference</b>
Clearing and Settlement	62 to 64
Taxation	65 to 75
Certain ERISA Considerations	76 to 77
Purchase and Sale of Warrants	131 to 144
Summary of provisions relating to the Warrants while in Global Form	167 to 171

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

- (a) the 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 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 (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 covered elsewhere in this Base Prospectus.

The Issuer will at its registered office and at the offices of the Principal Warrant Agent make available for inspection during normal business hours, upon reasonable notice, and free of charge, upon oral or written request, a copy of this Base Prospectus (or any document incorporated by reference in this Base

Prospectus). Written or oral requests for inspection of such documents should be directed to the specified office of 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](http://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.

## **USE OF PROCEEDS**

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

The net proceeds from each issue of Warrants will be used by the Issuer for profit making or risk hedging purposes.

## GENERAL INFORMATION

*This section provides additional, general disclosure on the Programme.*

1. The establishment of the Programme and the issue of Warrants under the Programme have been duly authorised by and pursuant to resolutions of the board of directors of the Issuer dated 20 July 2007. The continuation of the Programme and the issue of Warrants under the Programme have been duly authorised by and pursuant to a resolution of a committee of the board of directors of the Issuer passed on 16 September 2014.
2. The Warrants will be accepted for clearance through Euroclear and Clearstream, Luxembourg and DTC. The appropriate common code and the International Securities Identification Number in relation to the Warrants of each Series will be set out in the relevant Final Terms. The address of Euroclear Bank S.A./N.V. is 1 Boulevard du Roi Albert II, 1210 Brussels, Belgium. The address of Clearstream Banking, *société anonyme* is 42 Avenue JF Kennedy, L-1855 Luxembourg. 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 Manager(s) and the Registrar or Principal Warrant Agent in relation to each Tranche of Warrants.
4. In relation to the Issuer, any transfer of, or payment in respect of, a Warrant involving the government of any country which is at the relevant time the subject of United Nations 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. Notices to the Warrantholders are made in accordance with the Conditions of the relevant Warrants.
6. Any tranche of 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 Warrants (as the case may be). Prior to listing and admittance to trading of Warrants, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the fifth Business Day in London after the date of the transaction.
7. Save as disclosed in paragraphs 13 and 14 below, there has been no material adverse change in the prospects of the Issuer since 31 December 2013.
8. Save as disclosed in paragraphs 13 and 14 below, there has been no significant change in the financial position of the Group since 30 June 2014.
9. With effect from 9 June 2014 A P Simoes was appointed Chief Executive Officer for the UK.
10. 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.
11. 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 Issuer's 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).

12. Save as disclosed in paragraphs 13 and 14 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.
13. 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 ongoing 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 14 below.

14. 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.

## TERMS AND CONDITIONS OF THE WARRANTS

*The following are the terms and conditions (the "Conditions") of the Warrants. 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 the Warrant and Certificate Programme (the "**Programme**") established by the Issuer. The Warrants also have the benefit of an agency agreement dated 3 September 2007 as most recently amended and restated on 30 May 2014 (as further modified and/or amended from time to time, the "**Warrant Agency Agreement**") made between the Issuer, HSBC Bank plc as calculation agent (the "**Calculation Agent**"), which expression shall include any successor or other Calculation Agent specified in the relevant Final Terms appointed in accordance with the Warrant Agency Agreement), HSBC Bank plc as principal warrant agent (the "**Principal Warrant Agent**", which expression includes any successor or other principal warrant agent specified in the relevant Final Terms appointed in accordance with the Warrant Agency Agreement, and together with any additional warrant agent specified in the relevant Final Terms or appointed pursuant to the Warrant Agency Agreement, the "**Warrant Agents**"), HSBC Bank plc as authentication agent (the "**Authentication Agent**", which expression includes any successor or other authentication agent specified in the relevant Final Terms appointed in accordance with the Warrant Agency Agreement), HSBC Bank USA, National Association as transfer agent (the "**Transfer Agent**", which expression includes any successor or other transfer agent specified in the relevant Final Terms appointed in accordance with the Warrant Agency Agreement) and HSBC Bank USA, National Association as registrar (the "**Registrar**", which expression includes any successor or other warrant registrar specified in the relevant Final Terms appointed in accordance with the Warrant Agency Agreement, and together with the Warrant Agents, the Authentication Agent and the Transfer Agent, the "**Agents**"). The Warrants also have the benefit of a warrant and certificate issuance agreement dated 3 September 2007 as most recently amended and restated on 30 May 2014 (as further modified and/or amended from time to time, the "**Warrant Issuance Agreement**") and made between the Issuer and HSBC Bank plc and The Hongkong and Shanghai Banking Corporation Limited as managers (the "**Managers**", which expression shall include any successor Manager specified in the relevant Final Terms). The Issuer has entered into a deed of covenant dated 30 May 2014 (such deed, as amended and/or supplemented and/or restated from time to time, the "**Warrant Deed of Covenant**"), for the purposes of constituting the Definitive Registered Warrants.

All Warrants will be issued in series (each, a "**Series**") and each Series may comprise one or more tranches ("**Tranches**" and each, the "**Tranche**") of Warrants issued on different issue dates. Each Tranche will be the subject of final terms (each, the "**Final Terms**"). Other than the issue date and the issue price, the Warrants of each Series will have identical terms and conditions. The Warrants of each Tranche will have identical terms and conditions. In the case of a Tranche of Warrants in relation to which application has not been made to admit to trading on the regulated market of the London Stock Exchange plc ("**London Stock Exchange**") or listing on the Official List of the Financial Conduct Authority ("**FCA**"), copies of the relevant Final Terms will only be available to a Holder (as defined in Condition 1 (*Form and Transfer*)) of such Warrants.

Copies of the Warrant Agency Agreement, the Warrant Issuance Agreement and the Warrant Deed of Covenant are available for inspection by the Warrantholders (as defined in Condition 1 (*Form and Transfer*)) and copies of the relevant Final Terms, the Base Prospectus and any supplemental base prospectus may be obtained in each case during normal business hours at the specified office of the Principal Warrant Agent. The Warrantholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions (including the form of Exercise Notice referred to in Condition 4 (*Exercise Procedure*)) of the Warrant Agency Agreement and the Warrant Deed of Covenant.

Words and expressions defined in the Warrant Issuance Agreement, the Warrant Agency Agreement or used in the relevant Final Terms shall have the same meaning 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 Warrant Issuance Agreement, the Warrant Agency Agreement and the relevant Final Terms, the relevant Final Terms will prevail.

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

**"Additional Disruption Event"** has the meaning ascribed thereto in Condition 18(f) (*Additional Disruption Events*).

**"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.

**"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 unit 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.

**"Averaging Date"** means one of the following as specified in the relevant Final Terms:

- (i) in respect of each Valuation Date, each date specified as such or otherwise determined in the relevant Final Terms (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day); or
- (ii) in respect of each Valuation Date, each of the specified number of consecutive Scheduled Trading Days immediately following the Exercise Date, subject to adjustment, as specified in the Final Terms.

**"Basket"** means in the case of a Security Basket Warrant, a basket composed of Securities of each Underlying Company specified in the relevant Final Terms in the relative proportions and numbers of Securities of each Underlying Company indicated in the Final Terms.

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



"Additional Payment" is specified as being applicable in the relevant Final Terms, for the purposes of the determination of the Additional Amounts (as defined in Condition 18(a) (*Additional Payments and Additional Warrants*)), Business Day shall mean, in addition, a day when the exchange markets for exchanging the Reference Currency into the Settlement Currency are open for business in countries specified under the definition of Additional Payment Date in the relevant Final Terms.

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

"Cash Distribution" has the meaning ascribed thereto in Condition 18 (*Valuation, Adjustments and Extraordinary Events affecting Securities*).

"Cash Settlement Amount" has the meaning ascribed thereto in Condition 5 (*Cash Settlement Amount and Supplementary Amount*).

"Cash Settlement Payment Date" means the fifth Business Day (or, if otherwise specified in the relevant Final Terms, such other number of Business Days) following the last date on which an unwind of any applicable Underlying Hedge Transaction (as defined in the applicable Condition 5 (*Cash Settlement Amount and Supplementary Amount*)) relating to the Warrants has been achieved or which the Calculation Agent determines would have been achievable by the Issuer and/or its designated Affiliates.

"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 between 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 Underlying" means eligible securities listed and traded on a China Connect Market under China Connect Service.

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

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

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

**"Commencement Date"** means the date on which the Notional Holder, had it entered into an agreement to purchase the Securities in respect of the Warrants on or around the Trade Date, would have received such Securities, or, if later, the listing date of the Securities on the Exchange, as determined by the Calculation Agent.

**"Conversion"** means, in respect of any Securities, any irreversible conversion of such Securities into cash or other securities as determined by the Calculation Agent.

**"Costs"** means all costs, expenses, fees and levies in respect thereof, including but not limited to brokers' fees, bank and custody charges, transaction processing fees and expenses, and all other taxes, duties and similar charges (in each case, including any interest) imposed or the Calculation Agent considers may potentially be imposed by the tax authority of the relevant jurisdiction whether such levies and taxes are withheld at source or otherwise required to be paid by any person (including, without limitation, the Issuer and any of its designated Affiliates) in respect of the Securities as determined by the Calculation Agent in its sole and absolute discretion.

**"CSDCC"** means China Securities Depository and Clearing Corporation.

**"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.

**"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.

**"Distribution"** means a Cash Distribution or a Non-Cash Distribution.

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

**"Early Closure"** means the closure on any Scheduled Trading Day of the relevant Exchange (in the case of Security Warrants or Security Basket Warrants) or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of: (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Scheduled Trading Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Scheduled Trading Day.

**"EMU Event"** means the occurrence of any of the following, as determined by the Calculation Agent, acting in a commercially reasonable manner:

- (i) the withdrawal from legal tender of any currency that, before the introduction of the Euro, was lawful currency in one of the member states;
- (ii) the redenomination of any Security to which the Warrants relate into Euro;
- (iii) the disappearance or replacement of a relevant rate option or other price source for the national currency of any member state, or the failure of the agreed sponsor (or successor sponsor) to publish or display a relevant rate, index, price, page or screen; or
- (iv) the change by any organised market, exchange or clearance, payment or settlement system in the unit of account of its operating procedures to the Euro.

**"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 on the Functioning of the European Union, as amended (the **"Treaty"**).

"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 or components, as the case may be, 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 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 (i) to effect transactions in, or obtain market values for the Securities on the Exchange, or (ii) to effect transactions in, or obtain market values for, future or options contracts relating to the Securities (in the case of a Security Warrant or a Security Basket Warrant) on any relevant Related Exchange.

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

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

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

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

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

"Extraordinary Dividend" means the amount per Security of 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, Delisting, Security Redemption or Underlying Company Default.

"Governmental Authority" 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.

"**HKSCC**" means the Hong Kong Securities Clearing Company Limited.

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

"**Hong Kong**" means the Hong Kong Special Administrative Region of the PRC.

"**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).

"**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.

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

"**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 or (d) an Early Closure or (e) a China Connect Early Closure.

"**Merger Event**" means, in respect of any relevant Securities, the occurrence on or prior to the Expiry Date of 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 Expiry Date.

"**Minimum Exercise Number**" has the meaning ascribed thereto in Condition 6 (*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 ascribed thereto in Condition 15 (*Substitution*).

"**Non-Cash Distribution**" has the meaning ascribed thereto in Condition 18 (*Valuation, Adjustments and Extraordinary Events affecting Securities*).

"**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 Service.

"**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 and/or its designated Affiliates had they held the Securities.

"**Number of Securities per Warrant**" means the number of the relevant Securities to which each Warrant relates.

"**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 relevant 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.

"**Permitted Multiple**" has the meaning ascribed thereto in Condition 6 (*Minimum Number of Warrants Exercisable*).

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

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

"**Reference Currency**" means, unless as otherwise specified in the Final Terms:

- (i) in respect of Security Warrants, the currency in which the relevant Security trades on the Exchange; or
- (ii) in respect of Security Basket Warrants, each of the currencies in which the relevant Security trades on its respective Exchange.

**"Reference Jurisdiction"** means, unless as otherwise specified in the relevant Final Terms:

- (i) in respect of Security Warrants, the jurisdiction in which the Exchange is located; or
- (ii) in respect of Security Basket Warrants, each of the countries in which the Exchange of the respective Security is located.

**"Related Exchange"** means, in respect of a Security, 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, as the case may be, or 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, as the case may be, has temporarily relocated (**provided that** the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Security, as the case may be, as on the original Related Exchange).

**"Renminbi"** and **"RMB"** all refer to the lawful currency of the People's Republic of China.

**"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 Trading Day"** means any day on which (i) 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 (ii) the China Connect Service is scheduled to be open for order-routing for its regular order-routing sessions.

**"Securities"** means, in relation to a Series of Warrants, the equity securities, debt securities or other securities or property to which such Warrants relate subject to adjustment pursuant to Condition 18 (*Valuation, Adjustments and Extraordinary Events affecting Securities*), and **"Security"** shall be construed accordingly.

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

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

**"Security Redemption"** means, in relation to a 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.

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

**"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, as the case may be, on the Exchange in which settlement will customarily occur according to the rules of such Exchange.

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

"**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 ascribed thereto 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 (i) relating to the Securities on the Exchange; or (ii) in futures or options contracts relating to the Securities on any relevant Related Exchange.

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

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

"**Valuation Date**" means the Exercise Date, subject to Condition 18 (*Valuation, Adjustments and Extraordinary Events affecting Securities*), unless this is not a Scheduled Trading Day, in which case it means the immediately following Scheduled Trading Day.

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

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

1. **Form and Transfer**

(a) **Form**

Each Tranche of Warrants will be in registered form and, as specified in the relevant Final Terms, will either be offered in reliance on (A) Regulation S under the Securities Act 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 under the Securities Act and represented by a combined global registered warrant (a "**Combined Global Registered Warrant**"), and together with the Unrestricted Global Registered Warrant and the Restricted Global Registered Warrant, the "**Global Registered Warrants**").

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

In respect of Warrants issued in compliance with Rule 144A, transfers of the Warrants may be conditional upon delivery of certain certifications and are subject to significant restrictions.

(b) ***Title and Transfers***

(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 in respect of the Warrants. 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 for all purposes by the Issuer, the Warrant Agent, the relevant Clearing System(s) and all other persons dealing with such person as the holder thereof, **provided however that**, for so long as the Warrants are represented by a Global Registered Warrant held on behalf of a Clearing System, for all purposes other than payment, the persons for the time being appearing in the books of the relevant Clearing System as the holder of such Warrant 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 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 Registrar but without the consent of the Warrantholders. 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 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 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.

2. **Status of the Warrants**

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

3. **Rights on Exercise**

(a) ***"American Style" Exercise***

If the Warrants are specified in the relevant Final Terms as being American Style Warrants, then this Condition 3(a) ("**American Style**" Exercise) 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** any American Style Warrant with respect to which no Exercise



Notice has been delivered in the manner set out in Condition 4 (*Exercise Procedure*) shall become void in accordance with Condition 3(f) (*Warrants Void on Expiry*).

(b) **"European Style" Exercise**

If the Warrants are specified in the relevant Final Terms as being European Style Warrants, then this Condition 3(b) (*"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** any European Style Warrant with respect to which no Exercise Notice has been delivered in the manner set out in Condition 4 (*Exercise Procedure*) shall become void in accordance with Condition 3(f) (*Warrants Void on Expiry*).

(c) **"Bermudan Style" Exercise**

If the Warrants are specified in the relevant Final Terms as being Bermudan Style Warrants, then this Condition 3(c) (*"Bermudan Style" Exercise*) is applicable and the Warrants are exercisable on each date as specified in the relevant Final Terms (each, a "**Potential Exercise Date**") and on the Expiry Date, or if each such date is not a Business Day, the next succeeding Business Day (unless otherwise specified in the relevant Final Terms) prior to termination of the Warrants as provided in the Conditions, **provided that** any Bermudan Style Warrant with respect to which no Exercise Notice has been delivered in the manner set out in Condition 4 (*Exercise Procedure*) shall become void in accordance with Condition 3(f) (*Warrants Void on Expiry*).

(d) **Cash Settlement**

Subject to Condition 3(e) (*Payment of Alternative Payment Currency Equivalent*), each Warrant, upon exercise, entitles the Holder thereof to receive from the Issuer on the Cash Settlement Payment Date (as specified in the relevant Final Terms):

- (i) the Cash Settlement Amount (as defined in Condition 5 (*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 5 (*Cash Settlement Amount and Supplementary Amount*)),

in the Settlement Currency. 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 Warrantholder 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 3(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 3(g) (*Automatic Exercise*) below and with respect to which an Exercise Notice has not been duly completed and delivered to the relevant Clearing System and to the Principal Warrant Agent, in the manner set out in Condition 4 (*Exercise Procedure*), before 10.00 a.m. (local time in the place where the Clearing System through which such Warrants are exercised is located) on the Expiry Date, shall become void.

(g) ***Automatic Exercise***

Notwithstanding Condition 3(f) (*Warrants Void on Expiry*), if upon the Expiry Date no Exercise Notice has been delivered in the manner set out in Condition 4 (*Exercise Procedure*), unless Automatic Exercise is specified as "Not Applicable" in the relevant Final Terms, such Warrant shall be deemed to be automatically exercised on the Expiry Date and the provisions of Condition 4(g) (*Exercise Risk*) shall apply. In these Conditions the expression "**exercise**" and any related expressions shall be construed to apply to any such Warrants which are deemed to be automatically exercised in accordance with this Condition 3(g) (*Automatic Exercise*).

4. **Exercise Procedure**

(a) ***Exercise***

(i) Subject to prior termination of the Warrants as provided in the Conditions, if Automatic Exercise is specified as not applying in the applicable Final Terms, Warrants may be exercised on the Exercise Date by the sending of a fax, confirmed in writing, of a duly completed Exercise Notice (copies of which may be obtained from the relevant Clearing System, or the Principal Warrant Agent) in accordance with Condition 4(b) (*Exercise Notice*) to the Principal Warrant Agent, not later than 10.00 a.m. (local time in the place where the Clearing System through which such Warrants are exercised is located):

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

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

(ii) Subject to prior termination of the Warrants as provided in the Conditions, if Automatic Exercise is specified as applying in the applicable Final Terms, Warrants with respect to which no Exercise Notice has been delivered in the manner set out in Condition 4(a) (*Exercise*) and in accordance with Condition 4(b) (*Exercise Notice*) shall be automatically exercised on the Expiry Date and the provisions of Condition 3(g) (*Automatic Exercise*) shall apply.

(b) ***Exercise Notice***

Each Exercise Notice shall:

(i) specify the name, address, telephone and facsimile details of the Warrantholder in respect of the Warrants being exercised;

- (ii) specify the number of Warrants of each Tranche being exercised (which must be not less than the Minimum Exercise Number (as defined in Condition 6 (*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; and
- (v) include an irrevocable undertaking to pay any applicable stamp duty, stamp duty reserve tax and/or other taxes, duties and similar charges (in each case, including any interest) ("**Taxes**") due by reason of the exercise of the Warrants and an authorisation to the Issuer and the relevant Clearing System to deduct an amount in respect thereof from any Cash Settlement Amount due to such Warrantholder or otherwise (on, or at any time after, the Cash Settlement Payment Date) to debit a specified account of the Warrantholder at the relevant Clearing System with an amount or amounts in respect thereof, all as provided in the Warrant Agency Agreement.

(c) ***Verification of Warrantholder***

To exercise Warrants represented by a Global Warrant or a Global Registered Warrant, the Holder must duly complete an Exercise Notice and must have such Warrants in the amount being exercised in its securities account with the relevant Clearing System on the Exercise Date. The relevant Clearing System will, in accordance with its normal operating procedures, verify that each person exercising such Warrants is the Holder thereof according to the records of such Clearing System and that such Holder has an account at the relevant Clearing System which contains an amount equal to the number of Warrants being exercised. If the Exercise Notice is, in the determination of the relevant Clearing System, improperly completed, or sufficient Warrants or sufficient funds equal to the number of Warrants being exercised 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 the relevant Clearing System will debit the Warrantholder's account with the Warrants being exercised.

(d) ***Notification to Principal Warrant Agent***

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

(e) ***Debit of Warrantholder's Account***

The relevant Clearing System will on or before the Cash Settlement Payment Date 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.

(f) ***Payment***

In respect of Warrants which have been exercised, the Calculation Agent shall by close of business or such other time as is specified in the relevant Final Terms on the date specified therefor in the relevant Final Terms determine the Cash Settlement Amount (if any) to be paid on the relevant Cash Settlement Payment Date in respect of the relevant Warrants **provided that** the Calculation Agent has received notification from the relevant Clearing System specifying the

number of Warrants which have been exercised in accordance with Condition 4(a) (*Exercise*) and, shall notify the Issuer and the Principal Warrant Agent of such amounts on the Business Day following the date so specified.

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.

(g) ***Exercise Risk***

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

(h) ***Determinations***

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

**If Automatic Exercise is specified as not applying in the applicable Final Terms, any Warrant with respect to which the Exercise Notice has not been duly completed and delivered in the manner set out above by the cut-off time specified in Condition 4(a) (*Exercise*) shall become void.**

(i) ***Effect of Exercise Notice***

Delivery of an Exercise Notice shall constitute an irrevocable election and undertaking by the Warrantholder to exercise the Warrants specified therein, **provided that** the person exercising and delivering such Exercise Notice is the person then appearing in the books of the relevant Clearing System as the Holder of the relevant Warrants. If the person exercising and delivering the Exercise Notice is not the person so appearing, such Exercise Notice shall for all purposes become null and void and shall be deemed not to have been so delivered.

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

5. **Cash Settlement Amount and Supplementary Amount**

(a) **General**

Subject to Condition 3(e) (*Payment of Alternative Payment Currency Equivalent*), the amount payable by the Issuer to the Holder pursuant to:

(i) Condition 3(d)(i) (*Cash Settlement*) (the "**Cash Settlement Amount**") means:

(A) [*intentionally left blank*]

(B) in the case of a Security Warrant or a Security Basket Warrant, where such Securities specified in the Final Terms are equity securities or debt securities where the Reference Jurisdiction of the Securities is the People's Republic of China, an amount calculated by reference to the terms contained in Condition 5(c) (*Security Warrant or Security Basket Warrant with PRC Reference Jurisdiction*); and

(ii) Condition 3(d)(ii) (*Cash Settlement*) (the "**Supplementary Amount**") means, in the case of all Warrants, an amount calculated by reference to the terms contained in Condition 5(e) (*Supplementary Amount*).

(b) *Intentionally left blank.*

(c) **Security Warrant or Security Basket Warrant with China Connect Underlying**

The Cash Settlement Amount in respect of Condition 5(a)(i)(B) (*General*) means an amount calculated in accordance with the following formula:

$$\frac{\text{Realisable Sale Price}}{\text{Weighted Average Exchange Rate}} \times (1 - \text{Fee})$$

Costs, in respect of any Distribution, shall include, without limitation, taxes, duties and similar charges imposed by any applicable taxing or governmental authority in respect of any such Distribution, being 10 per cent. of the relevant Distribution.

Where (i) the amount of Costs or the basis on which it is to be determined is not confirmed before the applicable Valuation Date and/or is subject to change in the future (such amount of Costs being "**Unpaid Costs**") and (ii) the Unpaid Costs were not deducted from the calculation of the Cash Settlement Amount, each Warrantholder will be required to pay to the Issuer an amount corresponding to such Unpaid Costs upon notification from the Issuer. Any holder's obligation to pay such Unpaid Costs shall survive the expiration of the Warrants and any transfers made by any such holder prior to such date.

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

"**Fee**" represents the fee to be retained by the Manager(s) or any of their Affiliates as separately notified to the Warrantholder, which is calculated as a percentage of the gross consideration payable for the purchase of the Warrants.

"**Latest Final Unwind Date**" means the last date the Issuer unwinds any Underlying Hedge Transaction in respect of the latest Exercise Date, or, if none, an Exercise Date that is deemed to fall on the Expiry Date.

"**Realisable Sale Price**" means the weighted average of the prices at which the unwinds of Underlying Hedge Transaction(s) are achieved (or which the Calculation Agent determines would have been achievable by the Issuer and/or its designated Affiliates), less all Costs, all as determined by the Calculation Agent in its sole and absolute discretion. For the avoidance of doubt, the Issuer and/or its designated Affiliates shall not be obliged to unwind any Underlying Hedge Transactions on a Disrupted Day or a day on which the Underlying Hedge Transactions

could not be unwound due to illiquidity or any limit up price or limit down price imposed by the relevant Exchange or Related Exchange being reached or exceeded.

**"Relevant Reference Price"** means the Reference Currency equivalent of the purchase price of one Warrant at the time a Warrantholder purchases the Warrant.

**"Underlying Hedge Transaction"** means any holding (whether direct or synthetic) by the Issuer or its designated Affiliates of Securities and/or financial instruments (of any kind) which the Issuer considers necessary for the purposes of hedging, funding or otherwise performing the Issuer's obligations in respect of each Warrant. For the avoidance of doubt, the Issuer is not obliged to hold any Underlying Hedge Transaction.

In the event that the Issuer and/or its designated Affiliates have not entered into any Underlying Hedge Transaction(s) or have entered into one or more Underlying Hedge Transaction(s) in respect of some only of the Warrants, the Realisable Sale Price shall be the aggregate price at which a Notional Holder, being the holder of Securities underlying one Warrant would have been able to dispose of such Securities through the Exchange(s) following the Exercise Date or the Expiry Date (as the case may be), less any Costs, as determined by the Calculation Agent in its sole and absolute discretion.

**"Weighted Average Exchange Rate"** means the weighted average of the rates of exchange for the conversion of the Reference Currency into the Settlement Currency, expressed as a number of units of Reference Currency per one unit of Settlement Currency, less any Costs incurred or would have been incurred by the Issuer and/or its designated Affiliates in connection with such conversion (the **"Underlying FX Rate"**) at the time each Underlying Hedge Transaction is unwound, as determined by the Calculation Agent in its sole and absolute discretion.

(d) *Intentionally left blank.*

(e) **Supplementary Amount**

The Supplementary Amount in respect of Condition 5(a)(ii) (*General*) means an amount calculated in accordance with the following formula, and such amount shall be adjusted to take into account any Costs:

$$\left( \text{Supplementary Rate} \times \text{Day Count Fraction} \times \frac{\text{Initial Security Price}}{\text{Initial Exchange Rate}} \right) - \left( \text{Early Exercise Cost} \times \frac{\text{Initial Security Price}}{\text{Initial Exchange Rate}} \right)$$

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

**"Day Count Fraction"** means, the actual number of days in the period from (and including) the Trade Date to (but excluding) the first Averaging Date or Valuation Date in respect of the Exercise Date or the Expiry Date (as the case may be) (the **"Calculation Period"**), divided by such number of days as specified in the Final Terms.

**"Early Exercise Cost"** means, in relation to any Warrant:

- (i) if "Early Exercise Cost" is specified as applicable in the relevant Final Terms, a percentage early exercise cost to be retained by the Issuer if such Warrant is exercised prior to the Expiry Date, as separately notified to the Warrantholder; and
- (ii) if "Early Exercise Cost" is not specified as applicable in the relevant Final Terms, zero.

**"Initial Exchange Rate"** means the rate specified as such in the relevant Final Terms, **provided, however, that** if the Reference Exchange Rate is specified as not applicable in the relevant Final Terms, the rate will be deemed to be 1 for the purposes of the above formula.

**"Initial Security Price"** means, with respect to the Security specified in the relevant Final Terms, the price specified as the Initial Security Price 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 of such Security as determined by the Calculation Agent as of the Valuation Time on the relevant Exchange on the Trade Date each as rounded up to four decimal places (with 0.00005 being rounded up).

"**Supplementary Rate**" means the percentage rate per annum specified as such in the relevant Final Terms.

#### 6. **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 Warrantheolders in accordance with Condition 11 (*Notices*).

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

- (a) Following the occurrence of an EMU Event, the Calculation Agent may make such adjustment (and determine the effective date of such adjustment) as it, in its sole and absolute discretion, determines appropriate, if any, to the formula for the Cash Settlement Amount, the Realisable Sale Price, the number of Securities to which each Warrant relates, the number of securities comprised in a Security Basket Warrant, and, in any case, any other variable relevant to the exercise, settlement or payment terms of the relevant Warrants which in the sole and absolute discretion of the Calculation Agent have been or may be affected by such EMU Event.
- (b) Following the occurrence of an EMU Event, without prejudice to the generality of the foregoing, the Issuer shall be entitled to: (i) make such conversions between amounts denominated in the National Currency Units and the Euro, and the Euro and the National Currency Units, in each case, in accordance with the conversion rates and rounding rules established by the council of the European Union pursuant to the Treaty as it, in its sole and absolute discretion, considers appropriate; (ii) make all payments in respect of the Warrants solely in Euro as though references in the Warrants to the relevant National Currency Units were to Euro and (iii) make such adjustments as it, in its sole and absolute discretion considers necessary to the formula for the Cash Settlement Amount, the Realisable Sale Price and any other amount as it determines, in its sole and absolute discretion, to be appropriate.
- (c) None of the Issuer, a Warrant Agent or the Calculation Agent will be liable to any Warrantheolder or other person for any commissions, cost, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection therewith.

#### 8. **Warrant Agents and Calculation Agent**

##### (a) *Appointment of Agents*

The names of the initial Agents and their initial specified offices are set out in applicable Final Terms.

The Issuer reserves the right at any time to vary or terminate the appointment of the Principal Warrant Agent or the Calculation Agent or the Authentication Agent or the Registrar or the Transfer Agent and to appoint another Principal Warrant Agent or a substitute Calculation Agent or a substitute Authentication Agent or a substitute Registrar or a substitute Transfer Agent, **provided that** so long as any Warrant is outstanding, the Issuer will maintain a Principal Warrant Agent and a Calculation Agent and an Authentication Agent, and there will be a Warrant Agent with a specified office as may be required by such listing authority or stock exchange by which the Warrants have then been admitted to listing or trading. Notice of any termination of appointment and of any change in the specified office of the Principal Warrant Agent or a Calculation Agent or an Authentication Agent or a Registrar or a Transfer Agent and of any appointment of a Warrant Agent or a Calculation Agent or an Authentication Agent or a Registrar or a Transfer Agent will be given to Warrantheolders in accordance with Condition 11 (*Notices*). In acting under the Warrant Agency Agreement, the Principal Warrant Agent acts solely as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with, the Warrantheolders.

(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 arising from such errors or omissions.

(c) **Notifications**

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

9. **Taxes**

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 Warrantholders.

A Warrantholder 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 Warrantholder 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 9 (*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 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.



10. **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 any 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, 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 Warrantholder in respect of each Warrant held by it an amount determined by the Calculation Agent representing the fair market value of such Warrant immediately prior to such termination 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 Warrants or any related hedging or funding arrangements (including, without limitation, the holding of any underlying assets and/or any swaps or other instruments of any type whatsoever hedging the Issuer's obligations under the Warrants) as a result of such events, including, without limitation, the Costs of unwinding any such related hedging and funding arrangements. Payment will be made in such manner as shall be notified to the Warrantholders in accordance with Condition 11 (*Notices*).

11. **Notices**

All notices to Warrantholders will be deemed to have been duly given if notified to the relevant Clearing System and, in the case of Warrants admitted to the Official List of the Financial Conduct Authority and admitted to trading on the regulated market of the London Stock Exchange, if copies of such notifications are forwarded in final form to the London Stock Exchange no later than the date of dispatch. Any such notice shall be deemed to have been given on the date of such notification.

12. **Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Warrantholders to create and issue further warrants of any particular Series so as to form a single Series with the Warrants.

13. **Purchase by the Issuer**

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

14. **Modification**

Subject in the case of the Warrant Agency Agreement to the agreement of the parties thereto, the Issuer may agree, without the consent of the Warrantholder, to:

- (i) any modification of the Warrant Agency Agreement or the Warrants which is not materially prejudicial to the interests of the Warrantholders as a whole; or
- (ii) any modification of the Warrant Agency Agreement or the Warrants 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 Warrants which is made to correct an inconsistency between (i) the Final Terms and the Conditions of the Warrant issue, and (ii) the relevant termsheet relating to the Warrants.

Any such modification will be binding on the Warrantholders and any such modification shall be notified to the Warrantholders in accordance with Condition 11 (*Notices*) as soon as practicable thereafter.

15. **Substitution**

The Issuer may also agree, 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 11 (*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.

16. **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) ***Jurisdiction***

The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with the Warrants (including any dispute regarding the existence, validity or termination of the Warrants or the consequences of their nullity).

17. **Third Party Rights**

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

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

(a) ***Additional Payments and Additional Warrants***

- (i) If "Additional Payments" is specified as applicable in the relevant Final Terms, then, in respect of each Warrant remaining unexercised on the relevant Cum-Date, the Issuer will pay on the immediately following Additional Payment Date after the relevant Cash Distribution Receipt Date, an amount ("**Additional Amount**") equal to the Cash Distribution Amount (if any).
- (ii) If, at any time, a Non-Cash Distribution is made in respect of a Security and regardless of whether "Additional Payments" is specified as applicable in the relevant Final Terms, the Issuer may, in its absolute discretion, elect to:
  - (A) pay in respect of each Warrant remaining unexercised on the relevant Cum-Date the Non-Cash Distribution Amount (if any), on the immediately following Additional Payment Date after the relevant Non-Cash Distribution Receipt Date; or
  - (B) issue to each holder of a Warrant, no later than the immediately following Additional Payment Date after the relevant Non-Cash Distribution Receipt Date, additional Warrants, on such terms as are determined by the Issuer in its absolute discretion, relating to the securities constituting the Non-Cash Distribution that a Notional Holder would have received in respect of the Securities related to such Warrant (the "**Additional Warrants**"); and/or
  - (C) make an adjustment, in accordance with Condition 18(e) (*Adjustments and Events affecting Securities*), to the notional number of Securities to which each Warrant relates and/or to any other exercise, settlement, payment or other term (including, without limitation, to the Initial Security Price, in the case of Warrants in relation to which "Supplementary Amount" is specified as applicable in the relevant Final Terms) of the relevant Warrants, to take account of the Non-Cash Distribution and determine the effective date(s) of the adjustment(s).

- (iii) No Additional Amount or Non-Cash Distribution Amount (or any part thereof) (as applicable) will be payable, and no Additional Warrants will be issued and no adjustments will be made by the Issuer pursuant to Conditions 18(a)(i), 18(a)(ii) or 18(e) (as applicable), unless and until the Issuer determines that a Notional Holder would have received, as applicable, payment in full of a corresponding amount of Cash Distributions or a corresponding amount of Non-Cash Distributions had such Notional Holder held the Securities on the Cum-Date.
- (iv) In respect of each Warrant, a Warrantholder shall only be entitled to:
  - (A) payment of an Additional Amount or a Non-Cash Distribution Amount (as applicable);
  - (B) Additional Warrants; or
  - (C) an adjustment to the notional number of Securities to which his/her Warrant relates,

if the Warrantholder was the holder of such Warrant on the Cum-Date, **provided that**, (I) the relevant Cum-Date falls during the Additional Payment Period; and (II) in the event that a Cum-Date occurs at any time during the period from (but excluding) the Trade Date to (but excluding) the Issue Date ("**Pre-Issue Period**"), then the Warrantholder on the Issue Date shall be entitled to any Additional Amount, Non-Cash Distribution Amount or Additional Warrants (as applicable) in respect of that Pre-Issue Period.

For this purpose:

**"Additional Payment Date"** means:

- (i) any dates so specified in the relevant Final Terms; or
- (ii) if so specified in the relevant Final Terms:
  - (A) such date no earlier than the third Business Day following the relevant Cash Distribution Receipt Date or Non-Cash Distribution Receipt Date (as applicable); or
  - (B) each of the dates specified in the relevant Final Terms from (but excluding) the Trade Date to (and including) the Cash Settlement Payment Date,

provided in each case that if such date is not a Business Day, such date shall be the immediately following Business Day.

**"Additional Payment Period"** means:

- (i) any period so specified in the relevant Final Terms; or
- (ii) if so specified in the relevant Final Terms:
  - (A) the period from (but excluding) the Trade Date to (and including) the first Averaging Date or Valuation Date in respect of an Exercise Date or the Expiry Date (as the case may be); or
  - (B) each period from (and including) one Additional Payment Date to (but excluding) the next Additional Payment Date, **provided that** the first Additional Payment Period shall start from (but excluding) the Trade Date and the last Additional Payment Period shall end on (and including) the first Averaging Date or Valuation Date (as specified in the relevant Final Terms) in respect of an Exercise Date or the Expiry Date (as the case may be).

**"Cash Distribution"** means, with respect to any Securities which relate to a Security Warrant or a Security Basket Warrant, the amount of any cash dividend, distribution and/or coupon in respect of such Securities.

**"Cash Distribution Amount"** means, with respect to each Warrant, the Cash Distribution that would have been received by a Notional Holder in respect of the Securities (had it held those Securities on the Cum-Date) relating to that Warrant, converted into the Settlement Currency at the Underlying FX Rate(s) prevailing as of such date or dates as the Calculation Agent determines in its sole and absolute discretion, less any costs a Notional Holder would have incurred in connection with such conversion, as determined by the Calculation Agent in its sole and absolute discretion, and subject to any applicable deductions or adjustments relating to or which are made in accordance with the Conditions (including in each case but not limited to any Costs including Costs that would have been incurred by such Notional Holder if it held the Securities).

**"Cash Distribution Receipt Date"** means the date on which a Notional Holder would receive payment of the Cash Distribution Amount under the Security.

**"Cash Equivalent Amount"** means, with respect to any Non-Cash Distribution, an amount determined by the Calculation Agent acting in a commercially reasonable manner, to be the cash amount that the Notional Holder would have received in consideration of its disposal of such Non-Cash Distribution, subject to any applicable deductions or adjustments relating to or which are made in accordance with the Conditions (including in each case but not limited to any Costs including Costs that would have been incurred by such Notional Holder if it held the Securities).

**"Cum-Date"** means, with respect to a Cash Distribution or Non-Cash Distribution (as applicable) relating to any Securities, the final date and time which is notified to the holders of such Securities as the record date for determining entitlements to payment of the Cash Distribution or (as the case may be) Non-Cash Distribution in accordance with the rules and procedures of the Exchange(s).

**"Non-Cash Distribution"** means, with respect to any Securities which relate to a Security Warrant or a Security Basket Warrant, the amount of any non-cash distribution in respect of such Securities (including, without limitation, any distribution consisting of preference shares, bonus shares, warrants or other securities).

**"Non-Cash Distribution Amount"** means, with respect to each Warrant, the Cash Equivalent Amount that would have been received by a Notional Holder in respect of any Non-Cash Distribution on the Securities (had it held those Securities on the Cum-Date) relating to that Warrant, converted into the Settlement Currency at the Underlying FX Rate(s) prevailing as of such date or dates as the Calculation Agent determines in its sole and absolute discretion, less any costs a Notional Holder would have incurred in connection with such conversion, as determined by the Calculation Agent in its sole and absolute discretion, and subject to any applicable deductions or adjustments relating to or which are made in accordance with the Conditions (including in each case but not limited to any Costs including Costs that would have been incurred by such Notional Holder if it held the Securities).

**"Non-Cash Distribution Receipt Date"** means the date on which a Notional Holder would receive a cash amount in consideration of its disposal of the Non-Cash Distribution.

- (b) *Intentionally left blank.*
- (c) *Intentionally left blank.*
- (d) *Intentionally left blank.*
- (e) ***Adjustments and Events affecting Securities***

This Condition 18(e) (*Adjustments and Events affecting Securities*) is applicable only in relation to Security Warrants and Security Basket Warrants.

- (i) *Potential Adjustment Events*

The Calculation Agent shall determine, in its sole and absolute discretion, whether or not at any time a Potential Adjustment Event has occurred and where it determines such an event has occurred, the Calculation Agent will, in its sole and absolute discretion, determine, whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Securities and, if so, will make such adjustment(s) as it in its sole and absolute discretion determines to be appropriate, if any, to the notional number of Securities to which each Warrant relates and to any other exercise, settlement, payment or other term of the relevant Warrants and determine the effective date(s) of such adjustment(s), taking into account the payment of any Non-Cash Distribution Amount(s) or the issue of any Additional Warrants pursuant to Condition 18(a)(ii) (*Additional Payments and Additional Warrants*) (in each case, to the extent permissible under the applicable laws, rules, regulations and guidance in relation to China Connect). In its determinations of the existence of any Potential Adjustment Event and extent of any diluting or concentrative effect a Potential Adjustment Event has on the theoretical value of the relevant Securities, and any related adjustments to the terms of each Warrant, the Calculation Agent shall take into account all such factors as it deems necessary, including, without limitation, the implication of taxes, duties and other similar charges that may be imposed by any applicable authority having power to tax in respect of such Securities. In addition, 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 Potential Adjustment Event in respect of Securities held through the China Connect Service.

- (ii) *Extraordinary Events*

Following the occurrence of any Extraordinary Event, the Calculation Agent will, in its sole and absolute discretion, determine whether or not the Warrants shall continue and, if so, determine, in its sole and absolute discretion, any adjustment(s) to be made. If the Calculation Agent determines that the relevant Warrants shall continue, it may make such adjustment(s) as it, in its sole and absolute discretion, determines to be appropriate, if any, to the terms of the Warrants, including, without limitation, the notional number of Securities, the formula for the Cash Settlement Amount, the Realisable Sale Price and/or any other adjustment which change or adjustment(s) shall be effective on such date selected by the Calculation Agent in its sole and absolute discretion. If the Calculation Agent determines in its sole and absolute discretion that the relevant Warrants shall be terminated, then the Warrants shall cease to be exercisable (or, in the case of Warrants which have been exercised, the entitlements of the respective exercising Warrantholders to receive the Cash Settlement Amount, as the case may be, pursuant to such exercise shall cease) and the Issuer's obligations under the relevant Warrants shall be satisfied in full upon payment of an amount determined in accordance with paragraph (v) below of this Condition 18(e) (*Adjustments and Events affecting Securities*). 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 Extraordinary Event in respect of Securities held through the China Connect Service.

(iii) *Conversion*

In respect of a Security Warrant or a Security Basket Warrant which relates to debt securities, following the occurrence of any Conversion, the Calculation Agent will, in its sole and absolute discretion, determine whether or not the Warrants will continue and, if so, determine, in its sole and absolute discretion, any adjustment(s) to be made. If the Calculation Agent determines that the Warrants shall continue, it may make such adjustment(s) as it, in its sole and absolute discretion, determines to be appropriate, if any, to the term of the Warrants, including, without limitation, the formula for the Cash Settlement Amount, the Realisable Sale Price and/or any other adjustment and determine, in its sole and absolute discretion, the effective date(s) of such adjustment(s). If the Calculation Agent determines, in its sole and absolute discretion, that the Warrants shall be terminated, then the Warrants shall cease to be exercisable (or, in the case of any Warrants which have been exercised, the entitlements of the respective exercising Warrantholders to receive the Cash Settlement Amount (or any other payment to be made by the Issuer), as the case may be, pursuant to such exercise shall cease) as of the date selected by the Calculation Agent in its sole and absolute discretion and the Issuer's obligations under the relevant Warrants shall be satisfied in full upon payment of an amount per Warrant determined in accordance with paragraph (v) below of this Condition 18(e) (*Adjustments and Events affecting Securities*).

(iv) *Correction of Prices*

In the event that any price published or announced on a given day and utilised or to be utilised for the purpose of any calculation or determination under the Warrants is subsequently corrected and the correction is published or announced by the Exchange within one Settlement Cycle after the original publication, the Calculation Agent will make such adjustment(s) as it in its sole and absolute discretion determines to be appropriate, if any, to the amount payable in respect of the Warrants and their terms to account for such correction and the Calculation Agent shall determine, in its sole and absolute discretion, the effective date(s) of such adjustment(s) **provided that** if any amount has been paid or delivered in an amount or value which exceeds the amount that would have been payable or deliverable if the correction had been taken into account, no further amount in an amount at least corresponding to the excess is payable or deliverable in respect of the Warrants and the Calculation Agent determines that it is not practicable to make such an adjustment to account fully for such correction, the Issuer shall be entitled to reimbursement (or, in the case of a delivery, payment of the value) of, the relevant excess payment (or, 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 (or value) by the Warrantholder (all as calculated by the Calculation Agent in its sole and absolute discretion). Any such reimbursement shall be effected in such manner as the Issuer shall determine.

(v) *Event payment*

For the purposes of payments (if any) made pursuant to Condition 18(e)(ii) (*Extraordinary Events*), Condition 18(e)(iii) (*Conversion*), Condition 18(f) (*Additional Disruption Events*) (each an "**Event Payment**"):

- (A) if the Calculation Agent is satisfied that the Issuer or an Affiliate held any relevant Security on the day immediately preceding the occurrence of the Extraordinary Event or Conversion (the date of such occurrence being 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 Security so held by the Issuer or such Affiliate to give a per Warrant amount (the "**Event Receipt**"); or

- (B) if the Calculation Agent is satisfied that the Issuer or an Affiliate held any other relevant instrument(s) or had entered into any other relevant arrangements relating to or referencing any relevant 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 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 Securities to which such Relevant Hedge(s) relate to give a per Security amount (the "**Event Receipt**"); and
- (C) in all other cases, the net cash value of the payment per Security which, in the determination of the Calculation Agent, would have been received by a Notional Holder which was a holder of such Security on the 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 Number of 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 converted 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 currency of the relevant Security into the Settlement Currency, the rate of exchange for the purposes of such conversion shall be the rate obtained by the Issuer or its Affiliate, as determined by the Calculation Agent. In other cases, the rate of exchange for such conversion 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 converted Settlement Currency amount any costs of conversion for the purposes of converting the Event Receipt into the Settlement Currency, the amount being determined by the Calculation Agent by reference to actual costs incurred by the Issuer or an Affiliate or, as the case may be, the costs which, in the determination of the Calculation Agent, would have been incurred by a Notional Holder. The resulting amount (the "**Converted Amount**") multiplied by the relevant Number of 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 Warrantholders 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 Warrantholders on the Business Day immediately preceding the Event Occurrence Date).

(f) ***Additional Disruption Events***

Following the occurrence of any Additional Disruption Event, the Calculation Agent will, in its sole and absolute discretion, determine whether or not the Warrants shall continue and, if so,

determine, in its sole and absolute discretion, any adjustments to be made. If the Calculation Agent determines that the relevant Warrants shall continue, it may make such adjustment(s) as it, in its sole and absolute discretion, determines to be appropriate, if any, to the terms of the Warrants, including, without limitation, the formula for the Cash Settlement Amount and/or any other adjustment which change or adjustment shall be effective on such date selected by the Calculation Agent in its sole and absolute discretion determine. If the Calculation Agent determines in its sole and absolute discretion that the relevant Warrants shall be terminated, then the Warrants shall cease to be exercisable (or, in the case of Warrants which have been exercised, the entitlements of the respective exercising Warrantholders to receive the Cash Settlement Amount (or any other payment to be made by the Issuer), as the case may be, pursuant to such exercise shall cease) and the Issuer's obligations under the relevant Warrants shall be satisfied in full upon payment of (1) if the Warrants are Security Warrants or Security Basket Warrants, an amount determined in accordance with paragraph (v) of Condition 18(e) (*Adjustments and Events Affecting Securities*) or (2), in all other cases, such amount as in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion) is fair in the circumstances by way of compensation for the termination of the Warrants.

To the extent that the Calculation Agent determines that the Issuer shall suspend its obligations to make any payment in respect of the Warrants as a result of the occurrence or continuation of any Additional Disruption Event, Warrantholders shall not be entitled to any interest or other compensation in respect of any such suspension.

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

- (i) "**Change in Law**" means that, on or after the Issue Date, (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines in its sole and absolute discretion that (x) it will, or there is a substantial likelihood that it will, with the passing of time, or has, become illegal for the Issuer or any of its designated Affiliates to hold, acquire, dispose of, or realise, recover or remit the proceeds of the sale or disposal of, Securities or any transaction(s) or asset(s) it deems necessary to hedge the equity price risk or any other relevant price risk including, without limitation, any currency risk, of the Issuer issuing and performing its obligations with respect to the Warrants or (y) 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 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);
- (ii) "**Hedging Disruption**" means that the Issuer or any of its designated Affiliates would be unable to conduct any of the following hedging or would suffer any material delay in conducting any of the following hedging:
  - (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk or any other relevant price risk (including, but not limited to, any currency risk) of entering into and performing its obligations with respect to the Warrants;
  - (B) freely realise, recover, receive, repatriate, remit or transfer the proceeds of any Hedging Position or the relevant transaction between accounts within a



Reference Jurisdiction of the Hedge Positions (an "**Affected Jurisdiction**") or from accounts within an Affected Jurisdiction to accounts outside of such Affected Jurisdiction;

- (C) without prejudice to (B) above, transfer amounts denominated in 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; or
- (D) without prejudice to (B) above, transfer amounts denominated in the Reference Currency (1) between accounts inside the Reference Jurisdiction or (2) from accounts inside the Reference Jurisdiction to accounts outside the Reference Jurisdiction or to a party that is a non-resident of the Reference Jurisdiction;
- (E) without prejudice to (B), (C) and (D) above, convert the Settlement Currency into a relevant Reference Currency or a relevant Reference Currency into the Settlement Currency.

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;

- (iii) "**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;
- (iv) "**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;
- (v) "**Increased Cost of Hedging**" means that the Issuer or any of its designated 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 equity price risk or any other relevant price risk including, without limitation, any currency risk of the Issuer issuing and performing its obligations with respect to the Warrants or it deems necessary or desirable to hedge the Issuer's obligations in respect of 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 or its designated Affiliate, as applicable, 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**";

- (vi) **"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 Reference Currency that has the effect of preventing, hindering, limiting or restricting (including, without limitation, by delays, increased costs or discriminatory rates of exchange) the Issuer or any of its designated Affiliates directly or indirectly from:
    - (i) converting the Reference Currency into the Settlement Currency through any customary legal channel;
    - (ii) converting the Reference Currency into the Settlement Currency at a rate at least as favourable as the rate for domestic institutions located in the Reference Jurisdiction;
    - (iii) delivering the Settlement Currency (1) between accounts inside the Reference Jurisdiction or (2) from accounts inside the Reference Jurisdiction to accounts outside the Reference Jurisdiction or to a party that is a non-resident of the Reference Jurisdiction;
    - (iv) delivering the Reference Currency (1) between accounts inside the Reference Jurisdiction or (2) from accounts inside the Reference Jurisdiction to accounts outside the Reference Jurisdiction or to a party that is a non-resident of the Reference Jurisdiction; or
    - (v) effectively realising the value of its underlying hedge in the Settlement Currency at any time; or
  - (B) the government of the Reference Jurisdiction imposes, or gives public notice of its intention to impose, any capital controls (including, without limitation, the imposition of an upper limit on the amount of assets denominated in the Reference Currency in the Reference Jurisdiction which can be held by any party) which the Calculation Agent determines in good faith are likely to materially affect the ability of the Issuer or any of its designated Affiliates to hedge the Issuer's position under the Warrants or to unwind such hedge; or
  - (C) the unavailability of the Settlement Currency in any legal exchange market in the Reference Jurisdiction in accordance with normal commercial practice as determined by the Calculation Agent in a commercially reasonable manner;
- (vii) **"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; and
- (viii) **"China Connect Service Termination"** means, on or after the Trade Date, the announcement by one or more of the Exchange, 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.

19. **Buy-Back Provisions**

Unless the relevant Final Terms specify otherwise and **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 Securities on any applicable Exchange(s) divided by (ii) the relevant Reference 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 Security 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 Security 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 good faith and 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.

## FORM OF FINAL TERMS FOR THE 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.

Warrants issued pursuant to these Final Terms are securities to be listed under Listing Rule 19.

Final Terms dated [•]  
Series No.: [•]  
Tranche No.: [•]

### HSBC Bank plc

#### Warrant and Certificate Programme (the "Programme") [Further] Issue of [Number of Warrants][Title of Warrants]

[(to be consolidated and form a single series with the existing [Insert details of existing Tranche(s)]) issued pursuant to HSBC Bank plc's Programme for the Issuance of Warrants and Certificates]

### 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 to which the Final Terms relate, whichever is later, which together constitute a base prospectus ("**Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (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.

[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 the Warrants (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 Warrants. This document constitutes the Final Terms of the Warrants described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") 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 Warrants 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 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[, the Conditions] and the Prospectus. The Prospectus [and the Conditions] [is/are] available for viewing at HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom and [www.hsbc.com](http://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. (i) Series number: [ ]
- (ii) [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)]:[ ]].]

- (iii) Whether issue is of Warrants or Certificates: [Warrants/Certificates] [(all references in these Final Terms and in the Prospectus to Warrants shall be deemed to be "Certificates" for the purposes of this issue)]
3. Reference Currency or Currencies:
- (i) Reference Currency: [ ] [The definition in the Conditions applies]
- (ii) Reference Jurisdiction: [ ] [The definition in the Conditions applies]
- (iii) Initial Exchange Rate: [ ] [Not Applicable]
4. Aggregate Number of Warrants in the:
- [(i) Series:] [ ] Warrants
- [(ii) Tranche:] [ ] Warrants
5. Issue Date: [ ] [in respect of Tranche [ ] and [ ] in respect of Tranche [ ]]
6. Issue Price: [[ ] per Warrant] [, which reflects a discounted issue price to take into account any dividends, coupons or other distributions in respect of [Securities]
7. Date of [Board] approval for the issuance of Warrants obtained: [ ] [and [ ], respectively]] [Not Applicable]
8. Type of Warrants: [Security Warrant / Security Basket Warrant]
9. Series represented by: [Unrestricted Global Registered Warrant and Restricted Global Registered Warrant / Combined Global Registered Warrant] [Warrants in definitive form [will/will not] be issued.]
10. Style of Warrants: The Warrants are [American/European/ Bermudan] Style Call Warrants. Condition [3(a) ("*American Style Exercise*")/3(b) ("*European Style Exercise*")/3(c) ("*Bermudan Style Exercise*")] is applicable.
11. (i) Expiry Date: [ ] [(or if not a Scheduled Trading Day, the immediately following Scheduled Trading Day)]
- (ii) Automatic Exercise: [Applicable]/[Not Applicable]
- (iii) Exercise Period: [The period beginning from (and including) [[ ]/[the Commencement Date]] and ending on (and including) the Expiry Date]/[Not Applicable].
- (iv) Potential Exercise Date(s): [ ]/[Not Applicable]
12. (i) Minimum Exercise Number: [ ] Warrant[s]
- (ii) Permitted Multiple: [[ ] Warrant[s]/[Not Applicable]
13. Cash Settlement:
- (i) Settlement Currency: [ ]
- (ii) Cash Settlement Payment Date: the [fifth][ ] Business Day following

[the last date on which an unwind of any applicable Underlying Hedge Transaction (as defined in the applicable part of Condition 5) relating to the Warrants has been achieved or which the Calculation Agent determines would have been achievable by the Issuer and/or its designated Affiliates]

- (iii) Payment of Alternative Payment [Applicable][Not Applicable]  
 Payment Equivalent: Currency
- Alternative Payment [USD] [ ]  
 Currency:
- Alternative Payment [ ]  
 Currency Jurisdiction:
- Settlement Currency [ ]  
 Jurisdiction:
- Alternative Payment [ ]  
 Currency Fixing Page:
- Alternative Payment [ ]  
 Currency Fixing Time:
- Alternative Payment [ ] [Condition 1 applies]  
 Currency Exchange Rate  
 Fall-Back provisions:
- Offshore RMB Centre: [Hong Kong] [Taiwan] [Singapore] [ ] [Not Applicable]

14. Supplementary Amount: [Applicable][Not Applicable]

(i) Supplementary Rate: [ ] per cent. per annum

(ii) Initial Security Price: [ ]

(iii) Early Exercise Cost: [Applicable][Not Applicable]

(iv) Day Count Fraction: [360] [365]

15. Equity-Linked Warrants: [Applicable. The Warrants are [Security Warrants/Security Basket Warrants]/[Not Applicable].

(i) Securities: [[ ] shares of [[ ] (the "**Underlying Company**"), [each Underlying Company set out under "(ii) Basket" below] and "**Security**" means any one of them.] [(ISIN: [ ] )]

[[ ] of [ ] [(the "**Underlying Company**") and "**Security**" or "**Underlying Bond**" means any one of them.] [(ISIN: [ ] )]

(ii) Basket:

[Underlying Company]	[Name of Securities]	[Code/ ISIN]	[Bloomberg Code]	[Weight (%)]/[Number of Securities]	[Exchange]	[Reference Currency]
[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]

- [Not Applicable]
- (iii) Exchange(s): [ ] [As set out under "Basket" above] [Not Applicable]
- (iv) Valuation Time: [ ] [The definition in the Conditions applies] [Not Applicable]
- (v) Additional Disruption Event: [The following Additional Disruption Events apply:  
 [Change in Law]  
 [Hedging Disruption]  
 [Increased Cost of Hedging]  
 [Insolvency Filing]  
 [Currency Event]  
 [China Connect Share Disqualification]  
 [China Connect Service Termination]  
 [Not Applicable]
16. Additional Payments: [Condition 18(a) (*Additional Payments*) applies] [Not Applicable]
- (i) Additional Payment Date: [ ] [such date no earlier than the third Business Day following the relevant Cash Distribution Receipt Date or Non-Cash Distribution Receipt Date (as applicable)] [each of [ ], **provided that** the last Additional Payment Date shall fall on the Cash Settlement Payment Date] [Not Applicable]
- (ii) Additional Payment Period: [ ] [the period from (but excluding) the Trade Date to (and including) the first [Averaging Date][Valuation Date] in respect of an Exercise Date or the Expiry Date (as the case may be)][each period from (and including) one Additional Payment Date, to (but excluding) the next Additional Payment Date, **provided that** the first Additional Payment Period shall start from (but excluding) the Trade Date and the last Additional Payment Period shall end on (and including) the first [Averaging Date] [Valuation Date] in respect of an Exercise Date]  
 [Not Applicable]
17. Trade Date: [ ] [in respect of Tranche [ ] and [ ] in respect of Tranche [ ]]
18. Secondary market provisions: [Not applicable] [Condition 19 applies]

**CONFIRMED**

**HSBC BANK PLC**

By: .....  
*Authorised Signatory*

Date: .....



## PART B - OTHER INFORMATION

### 1. LISTING

- (i) Listing Application [will be/has been] made to admit the Warrants to listing on the Official List of the Financial Conduct Authority pursuant to Listing Rule 19. 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 with effect from [the Issue Date]/[ ]. No assurance can be given as to whether or not, or when, such application will be granted. [Application has been made to have the Warrants admitted to trading on the PORTAL System of the U.S. National Association of Securities Dealers.]

### 2. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

[ ]

Save as disclosed in the section "Potential conflicts of interest" on page [21] of the Base Prospectus [./and] in the fourth paragraph of the section "Purchase and Sale of Warrants" on page [103] of the Base Prospectus [and as disclosed above], so far as the Issuer is aware, no person involved in the offer of the Warrants has an interest material to the offer.

### 3. INFORMATION ABOUT THE UNDERLYING

Details of past and further performance and volatility of the Security 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 Security [and the issuer of the Security] are available on the following website [of the issuer of such underlying security]:[ ] [The Issuer confirms that the information sourced from [Bloomberg Financial Markets Information Service][and][the website of the issuer of the underlying security, [ ]] 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

4. ISIN Code: [ ] [Not Applicable]
5. Common Code: [ ] [Not Applicable]
6. CUSIP: [ ] [Not Applicable]
7. Valoren Number: [ ] [Not Applicable]
8. SEDOL: [ ] [Not Applicable]
9. Delivery: Delivery [against/free of] payment
10. Clearing System: [ ] [Euroclear] [and] [Clearstream, Luxembourg] [and] [DTC]

11. Calculation Agent/  
Principal Warrant Agent/  
Authentication Agent: [HSBC Bank plc] [  ]
12. Transfer Agent/Registrar: [HSBC Bank USA, N.A.] [  ]
13. Additional Agent(s) (if any) and  
its/their specified office(s): [  ] [Not Applicable]
14. Common Depositary: [  ] [Not Applicable]
15. Specified office of Registrar to be  
maintained: [New York] [  ]

## ANNEX

### ADDITIONAL PROVISIONS NOT REQUIRED BY THE SECURITIES NOTE RELATING TO THE UNDERLYING

[INFORMATION ABOUT THE [SECURITY]/[SECURITIES]

[The information set out in this Annex relating to [ ] (the "**Underlying Company**") (Bloomberg: [ ]; ISIN Code: [ ]) provides a brief discussion of the business of the [Underlying Company] and the split-adjusted high, low and end-of-period closing prices for each Security for each calendar quarter in the period from [ ] to [ ] [ ].] [The Issuer confirms that the information set out in this Annex relating to [ ] (the "**Security**") has been accurately reproduced from [information available from the website of the issuer of the underlying Security, [ ]] [and] [Bloomberg Financial Markets Information Service]. 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.]

1. **[Description of the Underlying Company (Source: [Bloomberg Financial Markets Information Service][The website of the Issuer of the underlying Security, [ ]])**

The Underlying Company is incorporated in [ ].

[The registered office of the Underlying Company is [ ].]

The Underlying Company is [ ].]

2. **[Listing**

The [Security][Securities] [is][are] listed on the [ ].]

3. **[Historical prices**

[ ]

**The historical prices of a Security should not be taken as an indication of future performance, and no assurance can be given that the price of a Security will perform sufficiently from year to year to cause the holders of the Warrants to receive any return on their investment.]**

[INFORMATION ABOUT THE UNDERLYING BOND

The information set out in this Annex I relating to [ ] (the "**Underlying Company**") (Bloomberg: [ ]; ISIN Code: [ ]) provides a brief discussion of the business of the Underlying Company and the split-adjusted high, low and end-of-period closing prices for each Security for each calendar quarter in the period from [ ] to [ ]. [The Issuer confirms that the information set out in this Annex relating to [ ] (the "**Security**") has been accurately reproduced from [information available from the website of the issuer of the underlying Security, [ ]] [and] [Bloomberg Financial Markets Information Service]. 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.]

The Issuer does not intend to provide post issuance information.

- (a) **[Description of the Underlying Company (Source: [Bloomberg Financial Markets Information Service][The website of the Issuer of the underlying Security, [ ]])**

The Underlying Company is incorporated in [ ].

The registered office of the Underlying Company is [ ].

The Underlying Company is [ ].]

- (b) **[Listing**

The [Security][Securities] [is][are] listed on the [ ]]

(c) **[Main Terms of the Underlying Bond**

[ ]

(d) **[Historical prices**

[ ]

**The historical prices of a Security should not be taken as an indication of future performance, and no assurance can be given that the price of a Security will perform sufficiently from year to year to cause the holders of the Warrants to receive any return on their investment.]]**

## 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 jurisdictions, see pages 132 to 151 of the WCP 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.

## TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS

*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 PRC Reference Assets:

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.
- (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 REDEEM 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, each Manager and each affiliate of the Issuer to which it acquires the Warrants from, 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, acknowledgments 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 and the 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 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 Reference Asset, as applicable, 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 Reference Asset, as applicable, cannot be predicted.
- 2.8 It acknowledges that there may be publicly available information relating to the Reference Assets, 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 of the relevant Reference Asset(s), 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 Reference Asset 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 Reference Asset;
  - (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 Reference Asset, 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 Reference Asset 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 Reference Asset 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 Reference Asset 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 Reference Asset including Warrants linked to such Reference Asset and such transactions may have an adverse effect on the price of the Reference Asset and/or Warrants linked to such Reference Asset; 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, Reference Asset 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 (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 Reference Asset. It is a term of each of the Warrants that:
- (i) the Issuer is not obliged to hedge the Warrant by holding a corresponding Hedging Position in the relevant Reference Asset and has discretion to decide its hedging strategy;
  - (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 Reference Asset by virtue of any investment in the Warrants;
  - (iii) the Warrantholder is not obliged to sell, purchase, hold, deliver or receive any Reference Asset or to act in any specific manner in respect of any corporate action (including, without limitation, voting) relating to any Reference Asset; 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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