

BASE PROSPECTUS



HSBC BANK plc

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

as Issuer

PROGRAMME FOR THE ISSUANCE OF NOTES AND WARRANTS

On 24 February 1999, HSBC Bank plc (the "Issuer") established a Programme for the Issuance of Notes and Warrants (the "Programme") which is described in this document under which notes (the "Notes") and warrants (the "Warrants") may be issued by the Issuer. This document (which expression shall include this document including each of Parts A to J and as amended and supplemented from time to time and all documents incorporated by reference herein) has been prepared for the purpose of providing disclosure information with regard to the Notes and Warrants and has been approved by the United Kingdom Financial Services Authority (the "FSA"), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC (the "Prospectus Directive") and relevant implementing measures in the United Kingdom, as a base prospectus (as from time to time supplemented, the "Base Prospectus"). In relation to any Notes or Warrants, the Base Prospectus must be read as a whole and together also with the relevant Final Terms. Any Notes or 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 Notes or Warrants already in issue.

The Bank may also issue certificates (the "Certificates") under the Programme which will be issued on or substantially on the Terms and Conditions of the Notes with references to Notes 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 Dealer(s). References in the Base Prospectus to Notes shall when the context so permits include references to Certificates.

Application has been made to admit Notes and Warrants issued under the Programme to listing on the Official List of the FSA (in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (the "FSMA") (the "UK Listing Authority")), and to trading on the Regulated Market of the London Stock Exchange plc (the "London Stock Exchange"), which is a regulated market for the purposes of Directive 2004/39/EC (the "Markets in Financial Instruments Directive"). Such admission is expected to take effect on or about 30 July 2009. Any tranche of Notes or Warrants intended to be admitted to listing on the Official List of the UK Listing Authority 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 UK Listing Authority and the London Stock Exchange of the relevant Final Terms and any other information required by the UK Listing Authority and the London Stock Exchange, subject in each case to the issue of the relevant Notes or Warrants (as the case may be). Prior to official listing and acceptance of Notes or Warrants (as the case may be) to trading, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day in London after the date of the transaction. This Base Prospectus will be valid until 12 months from the date hereof.

The Programme also permits Notes or Warrants to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system or

will be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

Notes and Warrants may be issued in bearer form or registered form. Notes and Warrants will be issued in series.

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

The Notes and Warrants have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), 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, US persons as defined in Regulation S under the Securities except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Programme Arranger and Dealer
HSBC

30 July 2009

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 Issuer accepts responsibility for the information (at pages D-43 to D-46) and confirms that such information has been accurately reproduced from information available from the information source specified herein. So far as the Issuer is aware and is able to ascertain from information available from such source, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Issuer does not intend to provide post-issuance information.

Neither a dealer for an issue of Notes or a manager for an issue of Warrants (each a "Dealer") has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility or liability is accepted by any Dealer as to the accuracy or completeness of the information contained in this Base Prospectus or any other information provided by the Issuer in connection with the Programme or the Notes or the Warrants or their distribution. The statements made in this paragraph are made without prejudice to the responsibility of the Issuer under the preceding paragraphs.

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

Neither this Base Prospectus nor any Final Terms nor any further information supplied in connection with the Programme or any Notes or any Warrants (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or as constituting an invitation or offer by the Issuer or the Dealer that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes or any Warrants should subscribe for or purchase any Notes or any Warrants. Each investor contemplating subscribing for or purchasing any Notes or 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 Notes or any Warrants constitutes an offer by or on behalf of the Issuer or the Dealer to subscribe for or purchase any Notes or any Warrants.

The distribution of this Base Prospectus and the offer, distribution or sale of Notes or Warrants may be restricted by law in certain jurisdictions. None of the Issuer or the Dealer represents that this document may be lawfully distributed, or that any Notes or 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 Notes or Warrants or a distribution of this Base Prospectus in any jurisdiction. Accordingly, no Notes or Warrants may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes or Warrants come must inform themselves about, and observe, any such restrictions. For details of certain restrictions on the distribution of this Base Prospectus and the offer or sale of Notes and Warrants in the European Economic Area, the United Kingdom, the United States,

Japan, France, Hong Kong, Italy, The Netherlands, Switzerland and Spain, see "Subscription and Sale of Notes" and "Purchase and Sale of Warrants" below.

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC") NOR ANY US STATE OR FOREIGN SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY HAS APPROVED OR DISAPPROVED OF THE NOTES OR 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 Notes or Warrants is first offered pursuant to Regulation S to persons other than distributors and the date of closing of such offering, such Notes or Warrants will only be issued or transferred to a person that is neither a US person nor holding such Notes for the account or benefit of a US person except pursuant to Regulation S under the Securities Act or an available exemption from the registration requirements of the Securities Act. Terms in the previous sentence have the meaning given to them in Regulation S.

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

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

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

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 US tax treatment and US 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 US tax treatment and US tax structure.

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

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

All references in this Base Prospectus to "Sterling", "GBP" and "£" refer to the lawful currency of the United Kingdom, all references to "US dollars", "USD" and "US\$" refer to the lawful currency of the

United States of America, 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 establishing the European Communities, as amended by the Treaty on European Union (the "Treaty"). Any other currency referred to in any Final Terms will have the meaning specified in the relevant Final Terms.

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

HOW TO USE THIS DOCUMENT

Notes and Warrants may be issued by the Issuer under this Programme. The Notes and Warrants shall include, *inter alia*, Notes and Warrants whose return is linked to one or more shares and other securities ("**Equity-Linked Notes and Warrants**"); one or more indices, including indices managed by the Issuer ("**Index-Linked Notes and Warrants**"); currencies ("**Currency-Linked Notes and Warrants**"); the credit of one or more entities ("**Credit-Linked Notes**"); interest rates ("**Interest Rate-Linked Notes and Warrants**"); and inflation rates ("**Inflation-Linked Notes and Warrants**"). Notes and Warrants may also be linked to more than one of these variables above.

Equity-Linked Notes and Warrants may include SPICE Notes and Warrants, Market Access Notes ("**MANs**") (including Participating Access Linked Middle Eastern Securities ("**PALMS**") and Greater African Zone Equity Linked Securities ("**GAZELS**")) and Saudi PALMS Notes.

All investors and prospective investors in Equity/Index-Linked Notes and Warrants should read the front cover and the sections headed "Important Notices", "Part A - Information relating to the Programme Generally", "Part B - Information relating to the Notes Generally" and "Part D - Product Supplement for Equity/Index-Linked Notes and Warrants" together with the relevant Final Terms for the particular series of Equity/Index-Linked Notes and Warrants.

All investors and prospective investors in SPICE Notes and SPICE Warrants should read the front cover and the sections headed "Important Notices", "Part A - Information relating to the Programme Generally", "Part B - Information relating to the Notes Generally", "Part D - Product Supplement for Equity/Index-Linked Notes and Warrants" and "Part E - Product Supplement for SPICE Notes" or in the case of SPICE Warrants, "Part C - Warrants", "Part D - Product Supplement for Equity/Index-Linked Notes and Warrants" and "Part E - Product Supplement for SPICE Notes" together with the relevant Final Terms for the particular series of SPICE Notes or SPICE Warrants.

All investors and prospective investors in Market Access Notes should read the front cover and the sections headed "Important Notices", "Part A - Information relating to the Programme Generally", "Part B - Information relating to the Notes Generally", "Part D - Product Supplement for Equity/Index-Linked Notes and Warrants" and "Part F - Product Supplement for Market Access Notes" together with the relevant Final Terms for the particular series of Market Access Notes.

All investors and prospective investors in Saudi PALMS Notes should read the front cover and the sections headed "Important Notices", "Part A - Information relating to the Programme Generally", "Part B - Information relating to the Notes Generally", "Part D - Product Supplement for Equity/Index-Linked Notes and Warrants" and "Part G - Product Supplement for Saudi PALMS Notes" together with the relevant Final Terms for the particular series of Saudi PALMS Notes.

All investors and prospective investors in Currency-Linked Notes and Warrants should read the front cover and the sections headed "Important Notices", "Part A - Information relating to the Programme Generally", and in the case of Currency-Linked Notes "Part B - Information relating to the Notes Generally" and "Part H - Product Supplement for Currency-Linked Notes and Warrants" or in the case of Currency-Linked Warrants, "Part C - Warrants" and "Part H - Product Supplement for Currency-Linked Notes and Warrants" together with the relevant Final Terms for the particular series of Currency-Linked Notes or Currency-Linked Warrants.

All investors and prospective investors in Credit-Linked Notes should read the front cover and the sections headed "Important Notices", "Part A - Information Relating to the Programme Generally", "Part B - Information relating to the Notes Generally" and "Part I - Product Supplement for Credit-Linked Notes" together with the relevant Final Terms for the particular series of Credit-Linked Notes.

All investors and prospective investors in Interest Rate-Linked Notes and Warrants and Inflation-Linked Notes and Warrants should read the front cover and the sections headed "Important Notices", "Part A - Information Relating to the Programme Generally", "Part B - Information relating to the Notes Generally" and "Part J - Product Supplement for Interest Rate-Linked Notes and Warrants and Inflation-Linked Notes and Warrants" or in the case of Interest Rate-Linked Warrants and Inflation-Linked Warrants, "Part C - Warrants" and "Part J - Product Supplement for Interest Rate-Linked Warrants and Inflation-Linked Warrants" together with the relevant Final Terms for the particular series of Interest Rate-Linked Notes or Warrants or Inflation-Linked Notes or Warrants.

All investors and prospective investors in Warrants should read the front cover and the sections headed "Important Notices", "Part A - Information relating to the Programme Generally" and "Part C - Warrants" together with the relevant Final Terms for the particular series of Warrants.

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PART A - INFORMATION RELATING TO THE PROGRAMME GENERALLY

SUMMARY NOTE*

This summary (the "Summary Note") must be read as an introduction to the Base Prospectus dated 30 July 2009 (as from time to time supplemented, the "Base Prospectus") relating to a Programme for the issuance of notes (the "Notes") and warrants (the "Warrants") established by HSBC Bank plc. Any decision to invest in the Notes or Warrants should be based on a consideration of the Base Prospectus, including the documents incorporated by reference, and this Summary Note as a whole. Following the implementation of the relevant provisions of the Prospectus Directive (Directive 2003/71/EC) in each Member State of the European Economic Area, no civil liability will attach to the Issuer in any such Member State solely on the basis of this Summary Note, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus. Where a claim relating to the information contained in this Base Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating this Base Prospectus before the legal proceedings are initiated.

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

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

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

The directors of the Issuer are S K Green, M F Geoghegan CBE, P A Thurston, D C Budd, S T Gulliver, Dame Mary Marsh, R E S Martin, A R D Monro-Davies, S P O'Sullivan, P M Shawyer and J F Trueman. The European Regional Management committee members are P A Thurston, Chairman, Z J Cama, P Y Antika, J P Armstrong, P Boyles, S E Anderson, J M Flint, S Jefford, I S Jenkins, A M Keir, R Lang, A M Mahoney, P M Nolan, A J J Schmitz, D K Sheehan and C Wanderley. The UK Banking Management committee members are P A Thurston, Chairman, S P O'Sullivan, B A Fletcher, J D Garner, J E Harding, J S Llewellyn-Jones, N P Quinn, P K Seward and A Watson.

The auditors of the Bank are KPMG Audit Plc Chartered Accountants of 1 Canada Square, London, E14 5AG. The Bank and its subsidiaries form a UK-based group (the "**Group**") providing a comprehensive range of banking and related financial services. The Group divides its activities into geographical segments: UK, Continental Europe and Rest of the World. The Group also divides its activities into the following business segments: UK Personal Financial Services; UK Commercial Banking; UK Global Banking and Markets; International Banking; HSBC France; Private Banking; and HSBC Trinkaus & Burkhardt. The Bank is HSBC Holdings plc's principal operating subsidiary undertaking in Europe. In all the main countries in which the Issuer operates, it competes with the

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

other major domestic banks in those countries. In addition, the Issuer competes with other major global banks in respect of corporate, investment banking and markets and private banking business.

As at 31 December 2008, the Group had total assets of £924,231 million, loans and advances to customers and banks of £349,023 million, total customer accounts and deposits by banks of £431,311 million and total equity of £20,661 million. For the year ended 31 December 2008, the Group's operating profit was £4,357 million on total operating income of £16,175 million. The Issuer had a total capital ratio of 10.5% and a tier 1 capital ratio of 6.8% as at 31 December 2008.

Risk Factors

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

Current economic and market conditions may adversely affect the Bank's results: the Bank's earnings are affected by global and local economic and market conditions across all its businesses and there are regional circumstances which present challenges to the Bank specific to those areas.

Risks associated with liquidity and funding have been greatly increased by the current global market conditions: The Bank's business model depends on its ability to access financial resources whenever required to meet its obligations.

The Bank has significant exposure to counterparty risk: The failure of one of the Bank's counterparties could have an adverse effect on its results.

The Bank operates in a highly competitive environment, and competition could intensify as a result of current global market conditions: the Bank is exposed to increasing competitive pressures due to consolidation in the financial services industry, technological advances, the growth of e-commerce, regulatory developments and public sector participation or guarantees.

The Bank is subject to political and economic risks in the countries in which it operates: the Bank operates through an international network of subsidiaries and affiliates and is subject to the risk of loss from unfavourable political developments; currency fluctuations; social instability; change in government policies and changes in foreign exchange rates.

Increased regulation of the financial services industry: the Bank is subject to extensive and increasing regulation, accounting standards and interpretations thereof and legislation in the various countries in which it operates. In the UK, the recent Banking Act 2009 includes a "Special Resolutions Regime" which gives wide powers in respect of UK banks and their parent companies to the UK Treasury, the FSA and the Bank of England in circumstances where any such UK bank has encountered or is likely to encounter financial difficulties.

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

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

The Bank is subject to tax-related risks in the countries in which it operates, which could have an adverse effect on its operating results: The Bank is subject to the substance and interpretation of tax laws in all countries in which it operates, the risk associated with the changes in tax law or interpretation of tax law and the risk of consequences arising from failure to comply with procedures required by tax authorities.

Factors specific to the Bank: The success of the Bank in adequately identifying the risks it faces, such as the incidence of loan losses or delinquency, and managing those risks (through account management, hedging and other techniques). Effective risk management depends on, among other things, the Bank's ability through stress testing and other techniques to prepare for events that cannot be captured by the statistical models it uses. The success of the Bank in addressing operational, legal and regulatory and litigation challenges.

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

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

The Issuer may, subject to compliance with relevant laws, issue Notes and Warrants denominated in any currency. There is no limit on the maximum amount of Notes and Warrants outstanding at any time. Notes may be issued in registered form, without interest coupons, or in bearer form, with or without interest coupons. The Warrants will, unless otherwise specified in the Final Terms, be represented by a Global Warrant and, in certain circumstances, be issued in registered form.

The aggregate principal amount, interest rate or interest calculation, issue price, denomination, maturity date and other terms and conditions with respect to a Series of Notes, to the extent not contained in this Base Prospectus, will be set forth in the applicable Final Terms. Notes may be redeemable at par or at such other redemption amount (as set out in the relevant Final Terms). If so specified in the relevant Final Terms, Notes may be redeemed prior to their stated maturity at the option of the Issuer and/or the Noteholders in such circumstances and at such redemption amount as set out in the relevant Final Terms. With respect to all Notes, the Issuer has the option to redeem Notes early for taxation reasons. Early redemption may reduce the return on investment provided by a Note compared to the return that would have been achieved had the Note been redeemed at maturity.

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

Notes and Warrants issued under the Programme will be unsecured and unsubordinated obligations of the Issuer. Events of default applicable to the Notes are limited to non-payment (subject to a grace period) of principal or interest and winding-up of the Issuer. The Notes will not have the benefit of a negative pledge or cross-default (in respect of events of default). There are no events of default applicable to the Warrants.

Payments of principal and interest in respect of Notes will be made without deduction for or on account of United Kingdom withholding taxes, except as required by law. Warrantheolders will be liable for and/or subject to any taxes, including withholding tax, payable in respect of the Warrants.

The Notes and Warrants permit the substitution of an affiliate of the Issuer as principal debtor in respect of the Notes and Warrants.

The terms and conditions of the Notes may be modified by resolution of Noteholders. Modifications to the terms and conditions of the Notes and the Warrants may be made without the consent of any Noteholders or any Warrantheolders, as the case may be, where the Issuer determines that the modification is not materially prejudicial to the interests of the Noteholders or the Warrantheolders, as the case may be, or to correct an inconsistency with the termsheet relating to the relevant Notes or Warrants.

Notes and Warrants issued pursuant to the Programme may include:

- (1) Equity-Linked Notes and Warrants, which includes:
 - (a) Equity-Linked Notes and Cash Equity Notes, being Notes in relation to which the interest rate and/or the redemption amount payable at maturity is linked to a security or basket of securities;
 - (b) Index-Linked Notes, being Notes in relation to which the interest rate and/or the redemption amount payable at maturity is linked to the performance of one or more indices (including indices managed by the Issuer); and
 - (c) Security Warrants, Security Basket Warrants, Index Warrants and Index Basket Warrants, being Warrants in relation to which the Cash Settlement Amount or Physical Settlement Amount is linked to one or more securities or indices;
- (2) Notes and Warrants referred to as "**Securities Participating in Indian Company Equity**" ("**SPICES**"), being Equity-Linked Notes and Warrants in relation to which the interest rate and/or the final redemption amount payable at maturity or Cash Settlement Amount at Exercise is linked to one or more securities issued by companies which are listed and/or admitted to trading on one or more stock exchanges in India;
- (3) Market Access Notes, being Equity-Linked Notes in relation to which the interest rate and/or the final redemption amount payable at maturity is linked to a security or basket of securities which are, or are expected to be, listed and/or admitted to trading on stock exchange(s) in emerging markets. Market Access Notes may include among others, Participating Access-Linked Middle-Eastern Securities ("**PALMS**") and Greater African Zone Equity-Linked Securities ("**GAZELS**");
- (4) Saudi Arabian PALMS Notes, being Equity-Linked Notes in relation to which the interest rate and/or the redemption amount payable at maturity is either linked to fund shares and/or fund units of a reference fund which invests in investments related to the Kingdom of Saudi Arabia ("**Fund-Linked Saudi PALMS**") or linked to specific underlying securities issued by one or more underlying companies incorporated under the laws of the Kingdom of Saudi Arabia ("**Equity-Linked Saudi PALMS**", Fund-Linked Saudi PALMS and Equity-Linked Saudi PALMS, together the "**Saudi PALMS**");

- (5) Currency-Linked Notes and Warrants, being Notes and Warrants in relation to which the interest rate and/or the final redemption amount payable at maturity or Cash Settlement Amount at Exercise is dependent on the performance of a particular underlying currency or currencies;
- (6) Credit-Linked Notes, being Notes in relation to which the interest rate and/or the redemption amount payable at maturity reflects the performance of a single reference entity or a diversified portfolio of underlying reference entities with differing credit risks;
- (7) Interest Rate-Linked Notes and Warrants, being Notes and Warrants in relation to which the interest (if any) and/or the redemption amount payable at maturity or Cash Settlement Amount at Exercise is determined by reference to levels of, or movements in, specified interest rates or other interest rate-dependent variables; and
- (8) Inflation Rate-Linked Notes and Warrants, being Notes and Warrants in relation to which the interest (if any) and/or the redemption amount payable at maturity or Cash Settlement Amount at Exercise is determined by reference to levels of, or movements in, specified inflation rates or other inflation rate-dependent variables.

In some cases, Notes and Warrants may carry the risk of a total or partial loss of principal.

There are legal restrictions on the offer, distribution or sale of Notes and Warrants in a number of jurisdictions including the United Kingdom and the United States. Persons into whose possession the Base Prospectus or any Notes or Warrants come must inform themselves about, and observe, any such restrictions.

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

Unless otherwise specified in the applicable Final Terms, Notes and Warrants shall be accepted for clearing through one or more clearing systems, including DTC, Euroclear Bank S.A./ N.V. and/or Clearstream Banking, *société anonyme*, Luxembourg. Global Notes and Global Warrants are to be held by or on behalf of the relevant clearing system and, therefore, investors will have to rely on the clearing system procedures for transfer, payment and communications with the Issuer, including the exercise of any Warrants. Registered Notes will be issued without Coupons or Talons, and payments of principal and interest in respect of a Registered Note will be made to the registered Holder (or the first named thereof in the case of joint Holders).

In respect of Notes and Warrants issued under the Programme and unless otherwise specified in the relevant Final Terms, the Dealer will be HSBC Bank plc and the Principal Paying Agent, the Principal Warrant Agent and the Registrar will be HSBC Bank plc. The Calculation Agent will be HSBC Bank plc or HSBC France, as specified in the Final Terms. In respect of Notes and Warrants issued in the United States under Rule 144A, the Registrar and Transfer Agent will be HSBC Bank USA, N.A.

RISK FACTORS

Prospective investors in the Notes or Warrants should read the entire Base Prospectus including any Supplements thereto (and in respect of any particular Series of Notes or Warrants, the applicable Final Terms) together with the "Risk Factors" and other information set out in the Registration Document. Words and expressions defined in the "Terms and Conditions of the Notes" or in the "Terms and Conditions of the Warrants" below or elsewhere in this Base Prospectus have the same meanings in this section. Investing in the Notes or Warrants involves certain risks. Prospective investors should consider, among other things, the following:

(1) Risks relating to the Notes and Warrants generally

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

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

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

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

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

market will develop or that any listing or admission to trading will be maintained. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes or Warrants.

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

The Issuer and any person directly or indirectly connected with the Issuer may, but is not obliged to, at any time purchase Notes or Warrants at any price in the open market or otherwise. Such Notes or Warrants may be held, reissued or, at the option of the Issuer, cancelled.

No ownership rights

An investment in Notes or Warrants relating to a Reference Asset or Reference Asset Component is not the same as an investment in the Reference Asset or any Reference Asset Component and does not confer any legal or beneficial interest in the Reference Asset or any Reference Asset Component or any voting rights, rights to receive dividends or other rights that a holder of a Reference Asset or any Reference Asset Component may have.

Certain considerations regarding hedging

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

Potential conflicts of interest

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

Credit risk

Notwithstanding any reference to any Notes or Warrants being principal protected, prospective purchasers or investors in the Notes or Warrants assume a credit risk with respect to the Issuer. Any ratings of the Issuer reflects the independent opinion of the relevant rating agencies and is not a guarantee of the Issuer's credit quality.

Disruption Event

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

Value of Baskets

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

The volatility of the Reference Assets or Relevant Factors

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

Taxation in relation to the Notes and Warrants

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

Fluctuations in the value of the Underlying

Fluctuations in the price, value and/or level of Relevant Assets and Relevant Factors will affect the value of Notes and Warrants. Also, due to the character of the particular markets on which Reference Assets may be traded, the absence of last sale information and the limited availability of quotations for such Reference Assets may make it difficult for many investors to obtain timely, accurate data for the price or yield of such Reference Assets. Purchasers of Notes or Warrants risk losing their entire

investment if the value of the relevant underlying basis of reference does not move in the anticipated direction.

Capital risks relating to Notes and Warrants

Save to the extent otherwise provided in the relevant Final Terms, the repayment of any amount invested in Notes or Warrants and any return on investment is variable and not guaranteed. The performance of the investment depends on the value of a Reference Asset throughout the term of the Notes or Warrants. The value of the Reference Assets can alter sharply because it reflects the performance of the constituent underlying assets which make up an index or the performance of individual underlying assets and general stock and other market conditions.

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

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

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

(2) Risks relating to the Notes

Notes linked to an index, formula or other underlying and multi-currency and Dual Currency Notes

The Issuer may issue Notes with principal or interest determined by reference to one or more Relevant Factors or Reference Assets. In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated ("**Dual Currency Notes**"). Potential investors should be aware that:

- (i) the market price of such Notes may be very volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable is likely to be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Fixed/Floating Rate Notes

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

Notes subject to optional redemption by the Issuer

The inclusion of an option for the Issuer to redeem any Note prior to their maturity is likely to limit its market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The Issuer may be expected to redeem such Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Notes issued at a substantial discount or premium

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

Notes may be redeemed prior to maturity

Unless in the case of any particular Tranche of Notes the relevant Final Terms specify otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Tranche of Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes of such Tranche in accordance with the Conditions.

In addition, if in the case of any particular Tranche of Notes the relevant Final Terms specify that the Notes are redeemable at the Issuer's option in other circumstances, the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

Notes with multiple Denominations

Where the Notes of a Series issued under the Programme are specified as having a denomination consisting of a minimum specified denomination plus a higher integral multiple of another smaller amount, it is possible that such Notes may be traded in the clearing systems in amounts in excess of the

minimum specified denomination that are not integral multiples of the minimum specified denomination. In such a case, should definitive Notes be required to be issued, Noteholders who, as result of trading such amounts, hold a principal amount that is less than the minimum specified denomination may not receive a definitive Note in respect of such holdings and would need to purchase a principal amount of Notes such that their holding amounts to, or is an integral multiple of, the minimum specified denomination.

Clearing systems

Because any Temporary or Permanent Global Note, any Unrestricted Registered Note and any Regulation S Global Registered Note, the Global Warrants and any Unrestricted Global Registered Warrant and, if so provided in the applicable Final Terms, any Rule 144A Global Registered Note, any Restricted Global Registered Note or any Restricted Global Registered Warrant (each as defined below) may be held by or on behalf of Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme*, Luxembourg ("**Clearstream, Luxembourg**") and, in the case of a Rule 144A Global Registered Note, a Restricted Global Registered Note or a Restricted Global Registered Warrant, unless otherwise provided in the applicable Final Terms, The Depository Trust Company ("**DTC**"), investors will have to rely on their procedures for transfer, payment and communication with the Issuer to receive payments under the Notes and Warrants, including in the case of Warrants for exercise of the Warrants.

Bearer Notes issued under the Programme may be represented by one or more temporary global notes (each, a "**Temporary Global Note**") or permanent global notes (each, a "**Permanent Global Note**") and, together with a Temporary Global Note, a Rule 144A Global Registered Note, a Restricted Global Registered Note, an Unrestricted Global Registered Note or a Regulation S Global Registered Note, the "**Global Notes**"). Such Global Notes which are intended to be issued in new global note ("**NGN**") form, as specified in the relevant Final Terms, will be delivered to a common safekeeper (the "**Common Safekeeper**") or such Global Notes which are not intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited with a common depository (as appropriate) for Euroclear and Clearstream, Luxembourg and, in the case of a Rule 144A Global Registered Note or a Restricted Global Registered Note, unless otherwise provided in the applicable Final Terms, will be deposited with a custodian for and registered in the name of a nominee of DTC. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. Euroclear, Clearstream, Luxembourg and DTC will maintain records of the interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their interests only through Euroclear, Clearstream, Luxembourg or DTC, as applicable. Warrants will be represented at all times by a Global Warrant deposited with a common depository for Euroclear and Clearstream, Luxembourg. Definitive Warrants will not be issued. Euroclear and Clearstream, Luxembourg will maintain records of the interests in the Global Warrants. While the Warrants are represented by a Global Warrant, investors will be able to trade their interests only through Euroclear and Clearstream, Luxembourg.

While Notes are represented by one or more Global Notes, and Warrants are represented by a Global Warrant, Unrestricted Global Registered Warrant or Restricted Global Registered Warrant (the Unrestricted Global Registered Warrant together with Restricted Global Registered Warrant, the "**Global Registered Warrants**"), the Issuer will discharge its payment obligations under such Notes or Warrants by making payments to (i) the common service provider (the "**Common Service Provider**") acting as agent for Euroclear and Clearstream, Luxembourg in respect of Global Notes, or (ii) the common depository for Euroclear and Clearstream, Luxembourg or, as appropriate, (iii) the custodian for DTC for distribution to their account holders.

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

Modification, waiver and substitution

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

In addition, modification to the terms and conditions of the Notes or the Warrants may be made without the consent of any Noteholders or Warrantholders, as the case may be, where the Issuer determines that the modification is not materially prejudicial to the interests of the Noteholders or the Warrantholders, as the case may be, and also in circumstances where the terms and conditions are inconsistent with the termsheet relating to the relevant Notes and Warrants.

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

Change of law

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

(3) Risks relating to Equity-Linked Notes, Cash Equity Notes and Index-Linked Notes

General - An investment in Equity-Linked Notes, Cash Equity Notes or Index-Linked Notes (including Notes linked to HSBC Managed Indices (as defined herein)) is speculative and entails substantial risks. Equity-Linked Notes, Cash Equity Notes and Index-Linked Notes are only intended for investors who have the necessary experience and knowledge in order to understand the risks involved in relation to the Notes. Prospective Noteholders should understand that in some instances they could suffer a partial or complete loss of their investment subject, if applicable, to any minimum redemption amount specified in the relevant Final Terms. Any investment return on a Note determined by reference to changes in the value of the Reference Asset(s) described in the Final Terms is subject to fluctuation and may be less than would be received by investing in a conventional debt instrument. Changes in value of the Reference Asset(s) cannot be predicted. If so provided in the relevant Final Terms, the Notes may be subject to early redemption by reference to changes in value of the Reference Asset(s). On redemption, Equity-Linked Notes, Cash Equity Notes and Index-Linked Notes may be redeemed in such manner as the Final Terms provides or, in certain circumstances, may be exchanged for other securities. If Equity-Linked Notes, Cash Equity Notes or Index-Linked Notes are redeemed prior to maturity the value may be less than the nominal amount.

With respect to Index-Linked Notes linked to the performance of one or more HSBC Managed Indices, investors should understand that in some instances, such Notes may be automatically redeemed prior to their scheduled maturity if the performance of the relevant HSBC Managed Indices triggers certain thresholds (as specified in the relevant Final Terms) on any valuation date (as specified in the relevant Final Terms).

Calculation of HSBC Managed Indices / HSBC Bank plc as index sponsor - With respect to Index-Linked Notes which are linked to one or more HSBC Managed Indices (as defined herein), investors should understand that although the Issuer is the sponsor of HSBC Managed Indices, such Indices are calculated independently and the Issuer as sponsor will make determinations of the level of the HSBC Managed Indices, and of any adjustments that need to be made to the HSBC Managed Indices, without considering the interests of investors in the Notes.

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

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

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

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

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

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

stated maturity of the Notes decreases, this time premium may decrease, adversely affecting the value of the Notes.

Hedging - Prospective investors intending to acquire Equity-Linked Notes, Cash Equity Notes or Index-Linked Notes to hedge against the market risk associated with investing in any securities or indices should recognise the complexities of utilising Notes in this manner. For instance, due to fluctuating supply and demand for the Notes, there is no assurance that their value will correlate with fluctuations in value of the Reference Asset(s).

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

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

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

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

(4) Risks relating to SPICEs

General - An investment in the SPICEs is speculative and entails risks not associated with a similar investment in fixed or floating rate securities, including the risk of a total or partial loss of their investment, subject only to a minimum amount of 0.03 per cent. of the principal amount being payable if the SPICEs are redeemed at scheduled maturity. SPICEs are only intended for investors who have the necessary experience and knowledge in order to understand the risks involved in relation to the Notes. Prospective investors considering acquiring any SPICEs should understand the risks of transactions involving the SPICEs and should reach an investment decision only after carefully considering, with their financial, legal, regulatory, tax, accounting and other advisers, the suitability of the SPICEs in light of their particular circumstances (including without limitation their own financial circumstances and investment objectives) and the information contained in this Base Prospectus.

Notwithstanding a purchaser's capability to understand and make independent decisions regarding investing in the SPICEs, by purchasing SPICEs, the purchaser implicitly represents and warrants to the Issuer that, and the Issuer and the Dealer may assume that, the complexity and risks inherent in the

SPICEs are suitable for the purchaser's objectives and financial situation and, if applicable, the size, nature and condition of its business, regardless of whether the same have been disclosed to the Issuer.

An investment in SPICEs linked to Reference Assets entails associated risks. The SPICEs are unrelated to the underlying company issuing the underlying share or shares (each an "**Underlying Company**").

No assurance is given as to the availability of a secondary market in the SPICEs or the Reference Assets. The Issuer may purchase the SPICEs in the secondary trading market but is under no obligation to do so and the price at which it may do so will depend upon, among other things, the liquidity and prevailing market price of the Reference Assets, the currency of denomination, and the risks referred to herein. If a secondary market does develop, there can be no assurance that the holders of SPICEs will be provided with liquidity of investment or that it will continue throughout the life of the SPICEs.

The SPICEs reflect the risks of a direct investment in Indian securities by a Foreign Institutional Investor ("**FII**"), which may be evidenced by investments by an affiliate of the Issuer that is registered as an FII or any successor to such affiliate (each such affiliate, an "**FII Affiliate**"), and FIIs generally.

Disclosure of information concerning the terms of and parties to offshore derivative instruments including the Notes has to be made by an FII on an ongoing basis in accordance with the requirements of the Securities and Exchange Board of India ("**SEBI**"). SEBI has issued three circulars relating to transactions involving the issuance of offshore derivative instruments as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995 ("**FII Regulations**") (hereinafter referred to as "**ODIs**") by registered FIIs/FII Affiliates. Circular No. IMD/CUST/8/2003 dated 8 August 2003 (the "**2003 Circular**") requires FIIs to provide and report information to SEBI relating to such transactions including beneficiaries. The 2003 Circular was amended by Circular No. IMD/CUST/02/2004 issued by SEBI on 26 January 2004 (the "**2004 Circular**"). Subsequently, the 2004 Circular has been amended by way of Circular No. IMD/FII & C/ 28 /2008 issued by SEBI on 27 May 2008 (the "**2008 Circular**"). Pursuant to the 2008 Circular, and the Securities and Exchange Board of India (Foreign Institutional Investors) (Amendment) Regulations 2008 on 22 May 2008 ("**FII Regulations Amendment**") FIIs are required to ensure that those receiving the benefit of ODIs are "persons who are regulated by an appropriate foreign regulatory authority" (as such term and/or requirements relating thereto are defined or otherwise interpreted for the purposes of Regulation 15A of the FII Regulations). Therefore, the Issuer will provide information required under the 2003 Circular, the 2004 Circular and the 2008 Circular and any subsequent circulars or ad-hoc requests from SEBI to an FII Affiliate for onward transmission to SEBI periodically and as otherwise required by them. Pursuant to the FII Regulations Amendment, a sub-account is no longer permitted to issue any fresh ODIs, and further, no FII may issue, or otherwise deal in ODIs, directly or indirectly, unless: (a) such ODIs are issued only to "persons who are regulated by an appropriate regulatory authority" (as defined under the FII Regulations); and (b) such ODIs are issued after compliance with "know your client" norms. Pursuant to the FII Regulations Amendment (subject to the discussion below), an FII is obligated to ensure that there is no further issue or transfer of any ODIs issued by or on its behalf to any person other than those listed in (a) above. Further FIIs were required to cancel, redeem or close out any ODIs held by persons other than those in (a) above before 31 March 2009. It may also be noted that no ODIs can be issued by or on behalf of an FII with derivatives tradable on any recognised stock exchange in India as underlying, and any outstanding ODIs issued with derivatives tradable on any recognised stock exchange in India as underlying were to be cancelled, redeemed, or closed out before 31 March 2009. Pursuant to the FII Regulations Amendment, SEBI had also mandated that where the total value of ODIs issued by an FII, as of 30 September 2007 is more than 40% of its assets under custody (i.e. the value of assets of the FII which are in custody of its custodian) as on that date

("AUC"), further ODIs may be issued by such FII, only in lieu of ODIs which are cancelled, redeemed or closed out, provided that the amount raised through such further issuance of ODIs shall not exceed the amount of the ODIs cancelled, redeemed, or closed out. It may be noted though that, additional ODIs may be issued against bonus shares in respect of equity shares against which ODIs are already in existence. Where the total value of ODIs issued against securities held by a FII as of 30 September 2007 is less than 40% of its AUC as of 30 September 2007, such FIIs are permitted to issue further ODIs only at the incremental rate of up to 5% (on an annual basis) of their AUC, provided that such further issuance does not result in the total value of ODIs exceeding 40% of the AUC.

However, the restrictions imposed under the FII Regulations Amendment remain in effect relating to issuance of ODIs with derivatives as the underlying and the limits as regards AUC have been lifted by SEBI. In a Press Release issued on 6 October 2008 ("**ODI Press Release**") SEBI stated that it had decided to do away with the restrictions on the issue of ODIs by FIIs against securities, including derivatives, as underlying. However, the ODI Press Release did not specify the exact nature of the restrictions that SEBI had decided to remove. The following day, SEBI issued a circular stating that the changes brought about by the ODI Press Release would be effective as of close of market hours on 7 October 2008 and that the FII Regulations would be amended to reflect these changes. Further SEBI issued formal amendments by way of the Securities and Exchange Board of India (Foreign Institutional Investors) (Second Amendment) Regulations 2008 on 30 October 2008 and has done away with the restrictions on the issue of ODIs by FIIs against securities with derivatives as the underlying and the restrictions in terms of AUC. Further, SEBI has, in a press release dated 20 October 2008 in respect of offshore stock lending activities by an FII, stated that it disapproves of the overseas lending and borrowing activities of FIIs and the consequent selling pressure in the cash market in India. SEBI has communicated this disapproval to the FIIs. Consequently, the lending and borrowing activities of FIIs are being monitored and if necessary stronger measures may be taken by SEBI as considered appropriate, which may include the imposition of further restrictions or reporting requirements on an FII.

The ODIs:

- (i) can only be offered to "any person regulated by an appropriate regulatory authority", as such term is defined and/or requirements relating thereto are defined or otherwise interpreted by any Indian governmental or regulatory authority (each, an "**Authority**") for the purposes of Regulation 15A of the FII Regulations (a "**Regulated Entity**");
- (ii) cannot be offered/sold/transferred to any (i) "Person Resident in India" (as such term is defined in the Foreign Exchange Management Act 1999, as may be amended or supplemented from time to time) or (ii) "Non-Resident Indian" (as such term is defined in the Foreign Exchange Management (Deposit) Regulations 2000, as may be amended or supplemented from time to time) (each a "**Restricted Entity**");
- (iii) cannot be offered/sold/transferred to a person/entity whose controller is a Restricted Entity, where a "controller" means any person or group of persons (acting pursuant to any agreement or understanding (whether formal or informal, written or otherwise)) who:
 - (i) is/are entitled to exercise, or control the exercise of a majority or more of the voting power of an entity, or
 - (ii) holds or is otherwise entitled to a majority or more of the economic interest in an entity, or

- (iii) who in fact exercises control over an entity.

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

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

- (iv) cannot be purchased with the intent of circumventing or otherwise avoiding any requirements applicable under the FII Regulations and/or any other subsidiary regulations or circulars issued pursuant thereto (including, without limitation, any restrictions applying to foreign institutional investors in relation to their issuances and/or other dealings of ODIs with, Restricted Entities or any persons or entities who are not Regulated Entities);
- (v) cannot be directly or indirectly, sold, transferred, assigned, novated or otherwise disposed of, to any Restricted Entity; and
- (vi) cannot be, directly or indirectly, sold, transferred, assigned, novated or otherwise disposed of to any person or entity who is not a Regulated Entity.

In most instances ODI Issuers insist on undertakings from the ODI holder (e.g. Noteholder) in respect of the foregoing. Any default in these restrictions by the Issuer or any other party to the ODI transaction may affect the ability to liquidate such investments.

As an issuer of ODIs, the Issuer may be required to disclose details of its investors, clients, counterparties and holders of the beneficial interest. Details disclosed could include the name and correspondence address of Noteholders and their major shareholders, directors and investors, name and jurisdiction of the regulator by whom the investors are regulated, type of entity that the Noteholder falls under (i.e. hedge fund, corporate, individual, pension fund, trust) and, if a Noteholder is a fund, the names of its fund managers and investment advisors top investors in the fund.

Indian investment - Investments in Indian equity are usually volatile, and it should not be assumed that prices will always be available for the relevant securities specified in the list attached to the relevant Final Terms (for the purposes of SPICEs, the "**Securities**"). Information available on the relevant Securities may be limited and not as reliable as would be expected in a more developed market.

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

A high proportion of the shares of many Indian issuers are held by a limited number of persons, which may limit the number of shares available for investment. In addition, further issuances, or the

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

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

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

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

Market access - Non-Indians ("**foreigners**") cannot generally invest directly in Indian equity. An application can be made for registration with the SEBI as a FII under FII Regulations so as to allow investment in Indian equities. Some FII Affiliates of the Issuer are registered as FIIs (though the Issuer is not).

FII registration granted by SEBI is permanent (unless suspended or cancelled by SEBI). An FII that was registered with SEBI prior to the commencement of the FII Regulations Amendment is required to file Form A (as prescribed under the FII Regulations) at least 3 months prior to the expiry of the period of the certificate or within 3 months from such commencement, whichever is later.

FII investments are substantially restricted and controlled. These restrictions, such as the restriction on maximum percentage holding of any single equity, are controlled by the SEBI, the Reserve Bank of India (the "**RBI**") and are also subject to the Government of India Guidelines issues in this regard. Pursuant to SEBI Circular No. IMD/FII&C/27/2008 dated 31 January 2008, investments by FIIs in units of debt orientated mutual funds are considered as investments in corporate debt and are reckoned within the stipulated limit earmarked for FII investments in corporate debt. Further, the operational mechanism for purchase, sale, settlement and movement of funds is restricted. For example, FIIs having an aggregate of securities worth Rs 10 crores or more as on the latest balance sheet date shall settle their transactions only through dematerialised securities.

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

An investor in SPICEs will be subject to the effect of equivalent restrictions and controls to those imposed on FIIs generally, and the FII Affiliates in particular, as determined by the Calculation Agent. These include limitations on the number of underlying Securities in respect of which the investor is expecting to receive an economic return, potential delays or even non-receipt of funds on sale of the SPICEs, taxes and charges generally levied on FIIs in buying and selling equity and limitations on the importation and withdrawal of funds. Where the Issuer disposes of Securities or other assets, payments to holders of SPICEs calculated by reference to the price of such disposal will not be due unless or until the proceeds of disposal are received by the Issuer.

Generally, under SEBI regulations applicable to FIIs and subject to certain exceptions, total investments by FIIs and their sub-accounts, taken together, in the primary and secondary Indian markets may not exceed 24% of the equity capital or the value of each series of convertible debentures of any Indian company in which they invest. The ceiling would apply to the total holdings in any Indian company of all FIIs and their sub-accounts collectively in a given Indian company unless it is increased by a board resolution and a special resolution to the foreign investment cap applicable to the sector in which the Indian company operates. Furthermore, no individual FII or sub-account of a FII registered as a "broad based" sub-account may generally invest more than 10% in the equity capital of any Indian company.

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

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

In the event that an FII is forced to sell part or all of any Securities due to an instruction from or policy change on the part of the RBI which prevents the FII Affiliate from holding Securities relating to the entire issue of SPICEs, the Issuer shall be entitled to take such measures, including calling for Early Redemption, as it shall, acting in good faith, think fit.

Foreign currency risk - Potential investors in the SPICEs should understand that amounts payable under the Notes will be converted from Indian Rupees into US dollars. Therefore, the SPICEs are subject to the risks of any investment in foreign currencies, including the risk that the general level of foreign currency exchange rates may decline. The following is a list of some of the significant currency related risks associated with an investment in the SPICEs:

- (i) Historical performances of the Indian Rupee and the US dollar do not indicate the future performances of such currencies. It is impossible to predict whether the value of either currency will fall or rise during the term of the SPICEs;
- (ii) Trading levels of the Indian Rupee and the US dollar will be influenced by political, economic, financial, market and other factors. It is impossible to predict what effect these factors will have on the value of either currency and thus, the return on the SPICEs;
- (iii) The values of the Indian Rupee and the US dollar are a result of the supply of, and demand for, each currency and changes in foreign exchange rates may result from the interactions of many factors including economic, financial, social and political conditions in India and the United States. These conditions include, for example, the overall growth and performance of the economies of the United States and India, the trade and current account balance between the United States and India, market interventions by the Federal Reserve Board or the central banks of the United States and India, inflation, interest rate levels, the performance of the stock markets in the United States and India, the stability of the United States' and India's governments and banking systems, wars in which the United States and India are directly or indirectly involved or that occur anywhere in the world, major natural disasters in the United States and India, and other foreseeable and unforeseeable events;
- (iv) Certain relevant information relating to India may not be as well known or as rapidly or thoroughly reported in the United States as comparable United States developments. Prospective purchasers of the Notes should be aware of the possible lack of availability of important information that can affect the value of the Indian Rupee in relation to the US dollar and must be prepared to make special efforts to obtain such information on a timely basis; and
- (v) Exchange rates of most economically developed nations, including India, are "floating," meaning they are permitted to fluctuate in value relative to the US dollar. Governments, including those of the United States and India use a variety of techniques, such as intervention by their central bank or imposition of regulatory controls or taxes, to affect the exchange rates of their respective currencies. Governments may also issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by devaluation or revaluation of a currency. Thus, a special risk in purchasing the Notes is that their liquidity, trading value and amounts payable could be affected by the actions of sovereign governments which could change or interfere with theretofore freely determined currency valuation, fluctuations in response to other market forces and the movement of currencies across borders. There may be adjustments or changes in the terms of the SPICEs in the event of impositions of restrictions, prohibition (such as exchange controls) or delaying of the exchange of the Indian Rupee into the U.S. dollar. Such events may also cause the Issuer to terminate the Notes or Warrants early.

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

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

way that may adversely affect the ability of the Issuer or the FII or an FII Affiliate to repatriate its income and capital.

Nature of SPICEs under the Indian Regulatory Regime – The SPICEs issued by the Issuer will be considered as an ODI by SEBI and the regulatory authorities in India. Since the Issuer is not a registered FII, the Issuer may also invest in the Indian Reference Asset(s) by way of ODIs issued by an FII or an FII Affiliate ("**ODI Issuer**") for the purpose of hedging the SPICEs. ODIs have been defined in the FII Regulations, to mean any instrument, by whatever name called, which is issued overseas by a FII against securities held by it that are listed or proposed to be listed on any recognised stock exchange in India, as the underlying.

Where, at the commencement of the FII Regulations Amendment, any person other than a "person regulated by an appropriate foreign regulatory authority" (as such term and/or requirements relating thereto are defined or otherwise interpreted for the purposes of Regulation 15A of the FII Regulations) is holding ODIs issued by or on behalf of an FII, such FII is required to ensure that such ODIs are cancelled, redeemed or closed out before 31 March 2009.

Timing and taxation issues - Under the Indian Companies Act, 1956, (the "**Indian Companies Act**") unless the board of directors (the "**Board**") recommends the payment of a dividend, the shareholders at a general meeting have no power to declare any dividend. Subject to certain conditions laid down by Section 205 of the Indian Companies Act, no dividend can be declared or paid by a company for any financial year except out of the profits of the company calculated in accordance with the provisions of the Indian Companies Act or out of the profits of the company for any previous financial year(s) arrived at as laid down by the Indian Companies Act. Subject to certain conditions contained in the Indian Companies Act, dividends may also be payable out of moneys provided by the central or state government for payment of dividend in pursuance of a guarantee given by that government.

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

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

The company declaring dividend is liable to pay a dividend distribution tax currently at the rate of 15 per cent. (plus surcharge at 10 per cent. on the dividend distribution tax and education cess at the rate of 3 per cent. on aggregate of dividend distribution tax and surcharge) on the total amount distributed as

dividend. The effective dividend distribution tax is therefore 16.995 per cent. Dividends in the hands of the recipient shareholders are exempted from tax.

The investors (who owned the SPICEs immediately prior to the ex-dividend date) may receive amounts reflecting the dividends some time after the dividend is announced or paid (including after the Maturity Date or Settlement Date of the SPICEs) if payment of the dividends, or the receipt thereof by the Issuer and/or its affiliates under any hedging arrangement entered into in connection therewith, is delayed for whatever reason. The amount of any such dividends paid to the investors shall be the net amount after conversion of such amount into the relevant settlement currency and after the deduction of all conversion, transfer and other costs and expenses incurred by the Issuer and/or an FII Affiliate in connection therewith, as determined by the Issuer in its sole and absolute discretion. Also, adjustments for dividends may be calculated with reference to the taxation of an FII Affiliate in respect of such dividends by a taxing authority (other than the Indian taxing authority) by reason of a present or former connection between such entity and the jurisdiction of such taxing authority.

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

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

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

If India should choose to renegotiate its taxation treaties or question the applicability of double taxation treaty relief relating to the jurisdiction in which a FII is incorporated, it could result in an adverse impact on the capital gains tax paid by the FII and any gain from purchase to sale would be subject to such a withholding prior to expatriation of the sale proceeds. Presently no capital gains tax is charged in India on disposal of Securities by FIIs incorporated in Mauritius.

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

Potential conflict of interest - The Issuer is the Calculation Agent with regard to the SPICEs. The Calculation Agent will be solely responsible for the calculation of the Final Redemption Amount and other determinations and calculations in connection with the SPICEs, including determinations in

relation to Additional Payments (as defined in the Conditions), and certain other determinations in connection with the occurrence of a Merger Event, Nationalisation or Insolvency Event (as defined in the Conditions) and/or events affecting dealings by the Issuer, any FII Affiliate or FIIs generally or a Currency Event (as defined in the Conditions). Because the Calculation Agent is the Issuer, and is obligated to redeem the SPICEs, the Calculation Agent may have economic interests adverse to those of the holders of the SPICEs, including with respect to certain determinations and judgments that the Calculation Agent must make as referred to above, any of which may affect payments in respect of the SPICEs. Hedging activities of the Issuer and its affiliates could influence Calculation Agent determinations made in connection with the SPICEs.

Market access - Non-Indians ("**foreigners**") cannot generally invest directly in Indian equity. An application can be made for registration with the SEBI as a FII under FII Regulations so as to allow investment in Indian equities. Some FII Affiliates of the Issuer are registered as FIIs (though the Issuer is not).

FII registration granted by SEBI is permanent (unless suspended or cancelled by SEBI). An FII that was registered with SEBI prior to the commencement of the FII Regulations Amendment is required to file Form A (as prescribed under the FII Regulations) at least 3 months prior to the expiry of the period of the certificate or within 3 months from such commencement, whichever is later.

FII investments are substantially restricted and controlled. These restrictions, such as the restriction on maximum percentage holding of any single equity, are controlled by the SEBI, the Reserve Bank of India (the "**RBI**") and are also subject to the Government of India Guidelines issues in this regard. Further, the operational mechanism for purchase, sale, settlement and movement of funds is restricted. For example, FIIs having an aggregate of securities worth Rs 10 crores or more as on the latest balance sheet date shall settle their transactions only through dematerialised securities.

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

An investor in SPICEs will be subject to the effect of equivalent restrictions and controls to those imposed on FIIs generally, and the FII Affiliates in particular, as determined by the Calculation Agent. These include limitations on the number of underlying Securities in respect of which the investor is expecting to receive an economic return, potential delays or even non-receipt of funds on sale of the SPICEs, taxes and charges generally levied on FIIs in buying and selling equity and limitations on the importation and withdrawal of funds. Where the Issuer disposes of Securities or other assets, payments to holders of SPICEs calculated by reference to the price of such disposal will not be due unless or until the proceeds of disposal are received by the Issuer.

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

In the event that an FII is forced to sell part or all of any Securities due to an instruction from or policy change on the part of the RBI which prevents the FII Affiliate from holding Securities relating to the entire issue of SPICEs, the Issuer shall be entitled to take such measures, including calling for Early Redemption, as it shall, acting in good faith, think fit.

Foreign currency risk - Potential investors in the SPICEs should understand that amounts payable under the Notes will be converted from Indian Rupees into US dollars. Therefore, the SPICEs are subject to the risks of any investment in foreign currencies, including the risk that the general level of foreign currency exchange rates may decline. The following is a list of some of the significant currency related risks associated with an investment in the SPICEs:

- (i) Historical performances of the Indian Rupee and the US dollar do not indicate the future performances of such currencies. It is impossible to predict whether the value of either currency will fall or rise during the term of the SPICEs;
- (ii) Trading levels of the Indian Rupee and the US dollar will be influenced by political, economic, financial, market and other factors. It is impossible to predict what effect these factors will have on the value of either currency and thus, the return on the SPICEs;
- (iii) The values of the Indian Rupee and the US dollar are a result of the supply of, and demand for, each currency and changes in foreign exchange rates may result from the interactions of many factors including economic, financial, social and political conditions in India and the United States. These conditions include, for example, the overall growth and performance of the economies of the United States and India, the trade and current account balance between the United States and India, market interventions by the Federal Reserve Board or the central banks of the United States and India, inflation, interest rate levels, the performance of the stock markets in the United States and India, the stability of the United States' and India's governments and banking systems, wars in which the United States and India are directly or indirectly involved or that occur anywhere in the world, major natural disasters in the United States and India, and other foreseeable and unforeseeable events;
- (iv) Certain relevant information relating to India may not be as well known or as rapidly or thoroughly reported in the United States as comparable United States developments. Prospective purchasers of the Notes should be aware of the possible lack of availability of important information that can affect the value of the Indian Rupee in relation to the US dollar and must be prepared to make special efforts to obtain such information on a timely basis; and
- (v) Exchange rates of most economically developed nations, including India, are "floating," meaning they are permitted to fluctuate in value relative to the US dollar. Governments, including those of the United States and India use a variety of techniques, such as intervention by their central bank or imposition of regulatory controls or taxes, to affect the exchange rates of their respective currencies. Governments may also issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by devaluation or revaluation of a currency. Thus, a special risk in purchasing the Notes is that their liquidity, trading value and amounts payable could be affected by the actions of sovereign governments which could change or interfere with theretofore freely determined currency valuation, fluctuations in response to other market forces and the movement of currencies across borders. There will be no adjustment or change in the terms of the Notes in the event that exchange rates should become fixed, or in the event of any devaluation or revaluation or imposition of exchange or other regulatory controls or taxes, or in the event of the issuance of a replacement currency or in the event of other developments affecting the Indian Rupee or the US dollar or any other currency.

Timing and taxation issues - Under the Indian Companies Act, 1956, (the "**Indian Companies Act**") unless the board of directors (the "**Board**") recommends the payment of a dividend, the shareholders at a general meeting have no power to declare any dividend. Subject to certain conditions laid down by Section 205 of the Indian Companies Act, no dividend can be declared or paid by a company for any financial year except out of the profits of the company calculated in accordance with the provisions of the Indian Companies Act or out of the profits of the company for any previous financial year(s) arrived at as laid down by the Indian Companies Act. Subject to certain conditions contained in the Indian Companies Act, dividends may also be payable out of moneys provided by the central or state government for payment of dividend in pursuance of a guarantee given by that government.

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

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

The company declaring dividend is liable to pay a dividend distribution tax currently at the rate of 15 per cent. (plus surcharge at 10 per cent. on the dividend distribution tax and education cess at the rate of 3 per cent. on aggregate of dividend distribution tax and surcharge) on the total amount distributed as dividend. The effective dividend distribution tax is therefore 16.995 per cent. Dividends in the hands of the recipient shareholders are exempted from tax.

The investors (who owned the Notes immediately prior to the ex-dividend date) may receive amounts reflecting the dividends some time after the Maturity Date of the Notes if payment of the dividends is delayed or some time after the dividend is paid (including after the Maturity Date of the Notes) if the amount of the dividend after conversion and transfer costs per Note is less than 1 per cent. of the then market value of a Note. Also, adjustments for dividends may be calculated with reference to the taxation of an FII Affiliate in respect of such dividends by a taxing authority (other than the Indian taxing authority) by reason of a present or former connection between such entity and the jurisdiction of such taxing authority.

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

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

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

If India should choose to renegotiate its taxation treaties or question the applicability of double taxation treaty relief relating to the jurisdiction in which a FII is incorporated, it could result in an adverse impact on the capital gains tax paid by the FII and any gain from purchase to sale would be subject to such a withholding prior to expatriation of the sale proceeds. Presently no capital gains tax is charged in India on disposal of Securities by FIIs incorporated in Mauritius.

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

Potential conflict of interest - The Issuer is the Calculation Agent with regard to the SPICEs. The Calculation Agent will be solely responsible for the calculation of the Final Redemption Amount and other determinations and calculations in connection with the SPICEs, including determinations in relation to Additional Payments (as defined in the Conditions), and certain other determinations in connection with the occurrence of a Merger Event, Nationalisation or Insolvency Event (as defined in the Conditions) and/or events affecting dealings by the Issuer, any FII Affiliate or FIIs generally or a Currency Event (as defined in the Conditions). Because the Calculation Agent is the Issuer, and is obligated to redeem the SPICEs, the Calculation Agent may have economic interests adverse to those of the holders of the SPICEs, including with respect to certain determinations and judgments that the Calculation Agent must make as referred to above, any of which may affect payments in respect of the SPICEs. Hedging activities of the Issuer and its affiliates could influence Calculation Agent determinations made in connection with the SPICEs.

(5) Risks relating to Market Access Notes ("MANs")

General - An investment in MANs, which includes Participating Access-Linked Middle-Eastern Securities ("**PALMS**") and Greater African Zone Equity-Linked Securities ("**GAZELS**"), is speculative and entails substantial risks not associated with a similar investment in fixed or floating rate securities, including the risk of partial or total loss of their investment, subject only to a minimum amount of 0.03% of the principal amount of the Notes being payable if the Notes are redeemed at scheduled maturity.

MANs are only intended for investors who have the necessary experience and knowledge to understand the risks involved in relation to the Notes. Prospective investors should understand that in some instances they could suffer a partial or complete loss of their investment, subject, if applicable, to any minimum redemption amount specified in the relevant Final Terms and that any investment return on MANs is determined by reference to changes in the value of the Underlying Security or Underlying Securities described in the Final Terms is subject to fluctuation and may be less than would be received by investing in a conventional debt instrument. Changes in value of the Underlying Security cannot be predicted. If so provided in the relevant Final Terms, the MANs may be subject to early redemption by reference to changes in value of the Underlying Security. On redemption, the MANs may be

redeemed in such manner as the Final Terms provides. If MANs are redeemed prior to maturity, the value may be less than the nominal amount.

MANs are only intended for experienced investors who understand and accept the risks associated with derivatives. No person should acquire any MANs unless that person understands the nature of the relevant transaction, the extent of that person's exposure to the relevant Underlying Security and any potential loss, it has a valid business purpose for acquiring such MANs and its investment in such MANs is consistent with its overall investment strategy. Each prospective purchaser of the MANs should consider carefully whether the MANs it considers acquiring are suitable for it in the light of its investment objectives, investment authorisation, financial capabilities and expertise.

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

Illiquidity of the MANs - No assurance is given as to the availability of a secondary market in the MANs or the Underlying Security. The Issuer may purchase the MANs in the secondary trading market but is under no obligation to do so and the price at which it may do so will depend upon, among other things, the liquidity and prevailing market price of the Underlying Security, the currency of denomination, and the risks referred to herein. If a secondary market does develop, there can be no assurance that the holders of MANs will be provided with liquidity of investment or that it will continue throughout the life of the MANs.

Political risks - Political conditions in certain geographical locations where an Underlying Company or Underlying Companies may operate may be volatile or unstable. Political instability including as a result of armed conflict or of acts of terrorism could have an adverse effect on an Underlying Company's operations, on the market value of Underlying Securities and as a result on the value of the MANs.

(6) Risks relating to Saudi PALMS Notes

(A) Risks relating to Fund-Linked Saudi PALMS Notes

General - An investment in Fund-Linked Saudi PALMS is speculative and entails risks not associated with a similar investment in fixed or floating rate securities, including the risk of a total or partial loss of their investment, subject only to a minimum amount of 0.03 per cent. of the principal amount being payable if Fund-Linked Saudi PALMS are redeemed at scheduled maturity. Fund-Linked Saudi PALMS are only intended for investors who have the necessary experience and knowledge in order to understand the risks involved in relation to the Fund-Linked Saudi PALMS. In particular, prospective investors considering acquiring any Fund-Linked Saudi PALMS should understand the risks of transactions involving Fund-Linked Saudi PALMS and should reach an investment decision only after carefully considering, with their financial, legal, regulatory, tax, accounting and other advisers, the suitability of Fund-Linked Saudi PALMS in light of their particular circumstances (including without limitation their own financial circumstances and investment objectives) and the information contained in this document. An investment in Fund-Linked Saudi PALMS should only be made after assessing the direction, timing and magnitude of potential future changes in the value of the underlying Reference Fund.

Independent review and advice - The Issuer has not undertaken any investigation of the Reference Fund. Each prospective purchaser must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of Fund-Linked

Saudi PALMS and consequential exposure to the relevant Reference Fund (i) is fully consistent with its (or, if it is acquiring Notes in a fiduciary capacity, its beneficiary's) financial needs, objectives and condition, (ii) complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it (whether acquiring Notes as principal or in a fiduciary capacity) and (iii) is a fit, proper and suitable investment for it (or if it is acquiring Notes in a fiduciary capacity, for its beneficiary), notwithstanding the risks inherent in investing in or holding Fund-Linked Saudi PALMS. An investor in Fund-Linked Saudi PALMS should obtain and evaluate the same information concerning the relevant Reference Fund as it would if it were investing directly in the relevant Reference Fund. In addition, investors should understand that the historical performance of the relevant Reference Fund should not be viewed as predictive of future results.

Affiliation among the Issuer and the relevant Reference Fund - The Issuer is affiliated with the Reference Fund and the Fund Manager (as defined in "Part G - Product Supplement for Fund-Linked Saudi PALMS Notes"). However, the Issuer has no ability to control or predict the actions of the relevant Reference Fund including any corporate actions of the type that would qualify as an event that requires adjustment to the Conditions of the Fund-Linked Saudi PALMS.

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

Value of the Reference Fund. Prospective purchasers or investors should be aware that an investment in Fund-Linked Saudi PALMS involves valuation risk as regards the relevant Reference Fund. Prospective purchasers or investors should be experienced with respect to transactions in securities with a value derived from underlying securities and/or other assets and/or indices. The value of Fund-Linked Saudi PALMS will depend substantially on the value of the relevant Reference Fund as such value is taken into account in determining the final redemption amount of such Fund-Linked Saudi PALMS. Fluctuations in the value of the relevant Reference Fund may affect the value of Fund-Linked Saudi PALMS as may expectations of fluctuation in value during the remaining period to the date for determination of the final redemption amount. The value of the relevant Reference Fund 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. The relevant Reference Fund may invest in portfolios comprised of various assets and fluctuations in the value of any one asset may be offset or intensified by fluctuations in the value of other assets which comprise the portfolio of the relevant Reference Fund. The historical performance of the investments made by the relevant Reference Fund will not necessarily be an indication of their future performance.

Currency exchange rates. The value of the relevant Series of Fund-Linked Saudi PALMS may be affected by changes in foreign currency exchange rates. For example, an appreciating USD relative to local currency may lower the value of the relevant Series of Fund-Linked Saudi PALMS while a depreciating USD may increase the value of the relevant Series of Fund-Linked Saudi PALMS.

No ownership rights - Fund-Linked Saudi PALMS represent a "notional" investment in the relevant Reference Fund. The Issuer shall be under no obligation to make or hold, directly or indirectly, investments in the relevant Reference Fund. Holder of Fund-Linked Saudi PALMS will not hold any direct or indirect interest in the relevant Reference Fund and prospective investors should be aware that an investment in Fund-Linked Saudi PALMS is not the same as an investment in the relevant Reference Fund and does not confer any legal or beneficial interest in such Reference Fund or any voting rights, rights to receive dividends or other rights that a holder of the shares or units (hereinafter referred to as "**Shares**") in such Reference Fund would have. Fund-Linked Saudi PALMS will be unsubordinated and unsecured obligations of the Issuer. There will not necessarily be a linear correlation between the value of the relevant Reference Fund and the value of the relevant Fund-Linked Saudi PALMS. Therefore, investors in Fund-Linked Saudi PALMS will not receive the same return as they would if they invested directly in the relevant Reference Fund.

Risks relating to the Reference Fund

General. Prospective purchasers should note that each Reference Fund is a speculative investment and that all risks inherent in investing in the relevant Reference Fund directly will be inherent in the relevant Series of Fund-Linked Saudi PALMS. There will not necessarily be a linear correlation between the value of the relevant Reference Fund and the value of the relevant Series of Fund-Linked Saudi PALMS. Therefore, investors in Fund-Linked Saudi PALMS may not receive the same return as they would if they invested directly in the relevant Reference Fund.

Saudi Arabia. Each Reference Fund and its Fund Manager are governed by the laws of the Kingdom of Saudi Arabia ("**KSA**"), and in particular, the KSA Capital Market Law ("**CML**"), and the regulations enacted thereunder, and are regulated by the KSA Capital Markets Authority ("**CMA**").

Investment funds in the KSA, including the Reference Fund, are unincorporated funds. They are established and formally organised pursuant to a contract that is signed between the Fund Manager and the unit-holders, which contract must be in the form of terms and conditions as specified in the Investment Fund Regulations enacted under the CML ("**IFR**"). The terms and conditions include covenants on the part of the Fund Manager to perform or to contract for the performance of (i) the investment management of the portfolio of the relevant Reference Fund; (ii) the custody of portfolio assets of the relevant Reference Fund; (iii) dealing in securities or other assets of the relevant Reference Fund; and (iv) the administration of the relevant Reference Fund. The terms and conditions also set out the fees, commissions or other remuneration with which the Fund Manager proposes to compensate itself from investment fund assets or subscriptions for the performance of the foregoing activities or services.

The regulatory practices of the CMA may not necessarily be identical to the regulatory practices in other jurisdictions. In particular, given the lack of a formal system of official reporting and/or official interpretation, and the absence of a system of binding precedent in the KSA, prospective investors or investors should note that the Fund Manager may discharge its obligations, and CMA may exercise its authority in respect of the relevant Reference Fund in a manner that may impact the value of the relevant Reference Fund and/or the Notes.

Tax and currency risks. The tax status of the relevant Reference Fund in those jurisdictions in which they conduct their business and/or any change in taxation rules or treatment in such jurisdictions could affect the value of the assets of the relevant Reference Fund (and consequently the relevant Series of Fund-Linked Saudi PALMS) or affect the ability of the

relevant Reference Fund to achieve their investment objectives and consequently adversely affect the value of such Reference Fund and such Fund-Linked Saudi PALMS. In addition, remittance of income and capital gains generated by underlying investments of the relevant Reference Fund in certain countries may be dependent on there being liquidity in the relevant local currency and the absence of foreign exchange controls which inhibit or prevent the repatriation of such gains. In any such circumstances the notional value of the notional assets of the relevant Reference Fund may be adversely affected and as a result such Reference Fund and the value of the Fund-Linked Saudi PALMS may be adversely affected.

Class of investments. Prospective purchasers or investors should note that a Reference Fund may be limited in the investments it may make and returns (if any) on such Reference Fund may be more or less than would otherwise be the case. The relevant Reference Fund may have certain discretions in relation to its investments and no assurance can be given that the exercise of such discretions will achieve the investment objectives of such Reference Fund. The relevant Reference Fund may make investments which are subject to legal or other restrictions on transfer or for which no liquid market exists, in which case market prices will tend to be more volatile.

Investment risk. There can be no assurance that any Reference Fund will achieve its investment objectives. Its value may rise or fall as the capital value of the assets in which it invests fluctuates. The investment income of the relevant Reference Fund is based on the income earned on the assets they hold, less expenses incurred. Therefore, the relevant Reference Fund's investment income may be expected to fluctuate in response to changes in such expenses or income.

Further and other issues - Subject to obtaining all necessary internal approvals, the Issuer shall be at liberty from time to time without the consent of the Noteholders to create and issue further Fund-Linked Saudi PALMS so as to be consolidated with and form a single series with outstanding Series of Fund-Linked Saudi PALMS. In addition, the Issuer may issue other issues of notes and/or other instruments relating to the relevant Reference Fund. Such issues may have an adverse effect on the value of outstanding Fund-Linked Saudi PALMS.

Dependence upon the Calculation Agent - Investors in Fund-Linked Saudi PALMS are highly dependent upon the Calculation Agent to calculate or determine the Reference Fund Value (as defined in "Part G – Product Supplement for Saudi PALMS"), the final redemption amount, the early redemption amount and the date(s) on which the final redemption amount or early redemption amount will be paid in relation to the relevant Series of Fund-Linked Saudi PALMS.

Determination of Merger Events, Potential Adjustment Events, Reference Fund Disruption Events, Extraordinary Fund Events and Hedging Disruption Event. The Calculation Agent may determine the occurrence of a Merger Event, Potential Adjustment Event, Reference Fund Disruption Event, Extraordinary Fund Event or Hedging Disruption Event and the consequences of any such event in relation to the Fund-Linked Saudi PALMS.

Methodology. The Calculation Agent will make all determinations and calculations required of it in accordance with the terms of the relevant Series of Fund-Linked Saudi PALMS. Any determination or calculation made by the Calculation Agent in relation to the relevant Series of Fund-Linked Saudi PALMS will be made in good faith in its sole and absolute discretion and will be conclusive and binding on all parties, except in the case of manifest error.

If market, regulatory, judicial or fiscal circumstances or, without limitation, any other circumstances arise that would, in the determination of the Calculation Agent, necessitate a modification or change to such methodology, then the Calculation Agent may make such changes as it considers appropriate to deal with the circumstances.

Other factors - Transactions involving Fund-Linked Saudi PALMS may have tax consequences for potential purchasers which may depend, amongst other things, upon the status of the potential purchaser and laws relating to transfer and registration taxes. Potential purchasers who are in any doubt about the tax consequences of purchasing Fund-Linked Saudi PALMS should consult and rely on their own tax advisers.

(B) Risks relating to Equity-Linked Saudi PALMS Notes

Independent Review and Advice

Each prospective purchaser must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the relevant Equity-Linked Saudi PALMS and consequential exposure to the relevant Underlying Securities of the Underlying Company (i) is fully consistent with its (or, if it is acquiring Equity-Linked Saudi PALMS in a fiduciary capacity, its beneficiary's) financial needs, objectives and condition, (ii) complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it (whether acquiring Equity-Linked Saudi PALMS as principal or in a fiduciary capacity) and (iii) is a fit, proper and suitable investment for it (or if it is acquiring Equity-Linked Saudi PALMS in a fiduciary capacity, for its beneficiary), notwithstanding the risks inherent in investing in or holding the relevant Equity-Linked Saudi PALMS.

The Issuer does not make any representation or warranty, express or implied, regarding the likely investment performance of the relevant Underlying Securities of the relevant Underlying Company or any Equity-Linked Saudi PALMS; the suitability of the relevant Equity-Linked Saudi PALMS for any investor or for the accuracy, completeness or adequacy of the information relating to the relevant Underlying Securities or the relevant Underlying Company and no liability to any party is accepted by the Issuer in connection with any of the above matters.

Each prospective purchaser of Equity-Linked Saudi PALMS should undertake an independent investigation of the relevant Underlying Securities and the relevant Underlying Company as in its judgement is appropriate to make an informed decision with respect to an investment based on the performance of such Underlying Securities and such Underlying Company.

The Issuer shall not undertake any investigation of the relevant Underlying Securities or the relevant Underlying Company relating to the relevant Equity-Linked Saudi PALMS. In addition, the Issuer shall not independently review, verify or confirm any prospectus or offering document relating to the relevant Underlying Securities or the relevant Underlying Company relating to the relevant Equity-Linked Saudi PALMS.

The Issuer has no ability to control or predict the actions of the relevant Underlying Company including any corporate actions of the type that would qualify as an event that requires adjustment to the Conditions of the relevant Equity-Linked Saudi PALMS, such as a Merger Event, Potential Adjustment Event or Extraordinary Event.

This Base Prospectus and the relevant Final Terms shall not be deemed to provide comprehensive information with respect to the relevant Underlying Securities or the relevant Underlying Company. No investigation shall be made of the financial condition or creditworthiness of the relevant Underlying

Company or the relevant Underlying Securities themselves in connection with the issuance of any Equity-Linked Saudi PALMS. An investor in Equity-Linked Saudi PALMS is advised to obtain and evaluate the same information concerning the relevant Underlying Securities and Underlying Company as it would if it were investing directly in the relevant Underlying Securities or the Underlying Company. In addition, investors should understand that the historical performance of the relevant Underlying Securities of the Underlying Company should not be viewed as predictive of future results.

No representation or warranty, whether implied or otherwise, is given by the Issuer as to the past, present or future performance of the relevant Underlying Securities or the related Underlying Company. The Issuer is not a source of advice, information or credit analysis with respect to the relevant Underlying Company or the Underlying Securities of such Underlying Company. In particular, this Base Prospectus and the relevant Final Terms shall not constitute investment advice. The Issuer does not assume any obligation to or relationship of agency or trust with any investor, purchaser or prospective investor or purchaser of Equity-Linked Saudi PALMS.

Credit Risk

Prospective purchasers or investors shall assume the credit risk of the Issuer. The rating of the Issuer reflects the independent opinion of the relevant rating agencies and is not a guarantee of the Issuer's credit quality.

Principal at Risk

Equity-Linked Saudi PALMS are not principal protected. Potential redemption at maturity may be less than the initial investment and may be zero, subject to a minimum redemption amount of 0.03% of the Issue Price per Note.

Certain Factors affecting value of Equity-Linked Saudi PALMS

The value of Equity-Linked Saudi PALMS prior to maturity is expected to depend on a number of factors including the performance of the relevant Underlying Securities until that time, interest rates, foreign exchange rates, volatility, time remaining to maturity and changes in the credit rating of the Issuer. The price at which a holder will be able to sell Equity-Linked Saudi PALMS prior to maturity may be at a discount, which could be substantial, from the principal balance thereof, based upon one or more of the factors described below. The factors that will affect the trading value of Equity-Linked Saudi PALMS interrelate in complex ways (for example, one factor may offset an increase in the trading value of Notes caused by another factor). Factors that may be expected to impact the value of Equity-Linked Saudi PALMS, assuming other conditions remain constant, include:

Value of the Underlying Securities. Prospective purchasers or investors should be aware that an investment in Equity-Linked Saudi PALMS involves valuation risk as regards the relevant Underlying Securities. Prospective purchasers or investors should be experienced with respect to transactions in securities with a value derived from Underlying Securities and/or other assets and/or indices. The value of Equity-Linked Saudi PALMS will depend substantially on the value of the relevant Underlying Securities as such value is taken into account in determining the final redemption amount of such Equity-Linked Saudi PALMS. Fluctuations in the value of the relevant Underlying Securities may affect the value of Equity-Linked Saudi PALMS as may expectations of fluctuation in value during the remaining period to the date for determination of the final redemption amount. The value of the relevant Underlying Securities 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. The historical performance of the relevant Underlying Securities will not be an indication of their future performance.

FX Rates. The value of the relevant Equity-Linked Saudi PALMS may be affected by changes in foreign exchange rates. For example, an appreciating USD relative to local currency may lower the value of the relevant Equity-Linked Saudi PALMS while a depreciating USD may increase the value of the relevant Equity-Linked Saudi PALMS.

Volatility of the Underlying Securities. If the size and frequency of Market fluctuations in the value of the relevant Underlying Securities increase or decrease, the trading value of the Equity-Linked Saudi PALMS may be adversely affected.

No Ownership Rights

Equity-Linked Saudi PALMS represent a "notional" investment in the relevant Underlying Securities. The Issuer shall be under no obligation to make or hold, directly or indirectly, investments in the relevant Underlying Securities. Noteholders will not hold any direct or indirect interest in the relevant Underlying Securities and prospective investors should be aware that an investment in Equity-Linked Saudi PALMS is not the same as an investment in the relevant Underlying Securities and does not confer any legal or beneficial interest in such Underlying Securities or any voting rights, rights to receive dividends or other rights that a holder of the Underlying Securities would have. Equity-Linked Saudi PALMS will be unsubordinated and unsecured obligations of the Issuer. There will not necessarily be a linear correlation between the value of the relevant Underlying Securities and the value of the relevant Equity-Linked Saudi PALMS. Therefore, investors in Equity-Linked Saudi PALMS will not receive the same return as they would if they invested directly in the relevant Underlying Securities.

This Base Prospectus and the relevant Final Terms shall not constitute an offer to sell or an offer to buy the relevant Underlying Securities. The relevant Underlying Company shall not be involved in the offering of any Equity-Linked Saudi PALMS and shall have no obligation with respect to any Equity-Linked Saudi PALMS, including any obligation to consider the interest of any investor in any Equity-Linked Saudi PALMS for any reason. The relevant Underlying Company shall not be involved with the administration, marketing or trading of any Equity-Linked Saudi PALMS and shall have no obligation with respect to any amount to be paid to the investors of any Equity-Linked Saudi PALMS.

The Underlying Securities

General.

Prospective purchasers should note that an investment in the relevant Equity-Linked Saudi PALMS shall always be a speculative investment and that all risks inherent in investing in the relevant Underlying Securities or the relevant Underlying Company directly will be inherent in the relevant Equity-Linked Saudi PALMS. There will not necessarily be a linear correlation between the value of the relevant Underlying Securities and the value of the relevant Equity-Linked Saudi PALMS. Therefore, it is possible that investors in Equity-Linked Saudi PALMS may not receive the same return as they would if they invested directly in the relevant Underlying Securities or the relevant Underlying Company.

Saudi Arabia.

The Equity-Linked Saudi PALMS reflect the risks of an indirect investment in Saudi Arabian equity by a UK incorporated company transacting with an Authorised Person (under the conditions and requirements of the CMA Resolution, as defined below). The effect of such risks on the relevant Equity-Linked Saudi PALMS, in terms of any consequential adjustment or early termination of such Equity-Linked Saudi PALMS, will always be calculated in the sole and absolute discretion of the

Calculation Agent. Investors should conduct their own investigation of the risks involved in such an indirect investment in Saudi Arabian equity and investment in Saudi Arabian Riyal ("SAR") and form their own view based on such investigations. In certain circumstances, the Noteholders' entire investment may be at risk and they may receive nothing on redemption except the minimum amount of 0.03 % of the Issue Price per Note.

The relevant Underlying Company and the relevant Underlying Securities issued by it are governed by the laws of the KSA, and in particular, the KSA Capital Market Law ("CML"), and the regulations enacted thereunder, and are regulated by the KSA Capital Markets Authority ("CMA"). The regulatory practices of the CMA may not necessarily be identical to the regulatory practices in other jurisdictions. In particular, given the lack of a formal system of official reporting and/or official interpretation, and the absence of a system of binding precedent in the KSA, prospective investors or investors should note that the Underlying Company may discharge its obligations, and the CMA may exercise its authority in respect of the Underlying Company in a manner that may impact the Realisable Sale Price (as defined in the relevant Final Terms) and, therefore, the value of the Equity-Linked Saudi PALMS.

The CMA Board of Commissioners resolution 2-28-2008 dated 18 August 2008 (the "**CMA Resolution**") allows Authorised Persons (as defined therein) to enter into derivative transactions with non-resident foreign investors whether institutions or individuals, to transfer the economic benefits of Saudi shares listed on the Saudi Stock Exchange (Tadawul), while the relevant Authorised Persons retain the legal ownership of such shares. Pursuant to the conditions specified in the CMA Resolution, the relevant Authorised Persons are required to provide certain information on beneficiaries who obtain the economic benefits of Saudi shares.

Disruption Event relating to the Underlying Securities

Prospective investors should note that, if the relevant Final Terms so specify, the payment of the redemption amount on the Maturity Date or upon an early redemption may be postponed if a Disruption Event relating to the Underlying Securities occurs or is subsisting on the early redemption date or the Valuation Date, as applicable.

Early Redemption of Notes

Prospective investors should understand that in certain circumstances Equity-Linked Saudi PALMS may be subject to early redemption upon the occurrence of an Increased Cost of Hedging Event, a Hedging Disruption Event or an Extraordinary Event.

Extraordinary Events, Hedging Disruption Events and Merger Events.

Prospective investors should note that an Increased Cost of Hedging Event or Extraordinary Events or Hedging Disruption Events may occur in relation to the relevant Equity-Linked Saudi PALMS in certain circumstances described in Condition 21 of the Base Prospectus. If any of an Increased Cost of Hedging Event, a Hedging Disruption Event or an Extraordinary Event occurs in relation to the relevant Equity-Linked Saudi PALMS, the Issuer may, at its sole and absolute discretion, declare one or more Valuation Dates and designate an Early Redemption Date and the Noteholders will receive an Early Redemption Amount based on the determinations made by the Calculation Agent.

Upon the occurrence of such an early redemption prior to the originally scheduled Maturity Date of the relevant Equity-Linked Saudi PALMS, Noteholders may suffer a loss of some or of all of their investment and will forego any future appreciation in the relevant Underlying Securities that may occur following such redemption.

Potential Adjustment Events.

Prospective investors should note that a Potential Adjustment Event in relation to the relevant Notes, may occur in certain circumstances described in Condition 21 of the Base Prospectus. If a Potential Adjustment Event occurs in relation to the relevant Equity-Linked Saudi PALMS, the Calculation Agent will make a corresponding adjustment, if any, to the relevant formula for the Final Redemption Amount, the notional number of relevant Underlying Securities to which each Equity-Linked Saudi PALM relates and/or any other adjustment to the settlement and payment terms of the relevant Equity-Linked Saudi PALMS as the Calculation Agent determines appropriate and determine the effective times thereof.

Redemption for Tax Reasons

Unless the relevant Final Terms specify otherwise, the Issuer may redeem Equity-Linked Saudi PALMS in whole if the Issuer would be required to pay certain tax gross up payments in respect of such Equity-Linked Saudi PALMS or to make deductions in respect of certain taxes from payments in respect of such Equity-Linked Saudi PALMS. The amount payable by the Issuer on such redemption will be the Realisable Sale Price (as defined in the relevant Final Terms). The amount so payable by the Issuer may be less than amounts invested in the relevant Equity-Linked Saudi PALMS. Noteholders will not benefit from any appreciation in value of the relevant Underlying Securities that may occur following such redemption.

Hedging activities of the Issuer and affiliates

The Issuer and/or its affiliates may carry out hedging activities related to any Equity-Linked Saudi PALMS, including purchasing securities of the relevant Underlying Company, but will not be obliged to do so. Certain of the Issuer's affiliates may also purchase and sell securities of the relevant Underlying Company on a regular basis as part of their ordinary businesses. Any of these activities could potentially affect the value of the Underlying Securities and, accordingly, the final redemption amount of the relevant Equity-Linked Saudi PALMS.

Illiquidity in the Secondary Market

Equity-Linked Saudi PALMS issued under the Programme will be new securities for which currently there is no trading market. The Issuer need not apply for listing of any Equity-Linked Saudi PALMS on any securities exchange or quotation system. It is not possible to predict whether any trading market for Notes will develop or, if it does, the price at which Equity-Linked Saudi PALMS will trade in the secondary market or whether such market will be liquid or illiquid. To the extent that there is no liquid market in the relevant Notes, an investor may have to wait until redemption to realise the value of its investment.

Further and other issues

Subject to obtaining all necessary internal approvals, the Issuer shall be at liberty from time to time without the consent of the Holders of the Equity-Linked Saudi PALMS to create and issue further notes so as to be consolidated with and form a single series with the outstanding Equity-Linked Saudi PALMS. In addition, the Issuer may issue other issues of notes and/or other instruments relating to the relevant Underlying Securities or the relevant Underlying Company. Such issues may have an adverse effect on the value of Equity-Linked Saudi PALMS.

Legality of Purchase

The Issuer has no responsibility and assumes no responsibility for the lawfulness of the acquisition of Equity-Linked Saudi PALMS by a prospective purchaser or investor, whether under the laws of the jurisdiction of the purchaser or investor's incorporation or the jurisdiction in which it operates (if different), or for compliance by that purchaser or investor with any law, regulation or regulatory policy applicable to it. In particular, prospective purchasers or investors are referred to the restrictions contained in the section "*Subscription and Sale*" in the Base Prospectus and any additional selling restrictions contained in this Base Prospectus and/or the relevant Final Terms.

Provision of Information

The Issuer does not make any representation as to the creditworthiness of the relevant Underlying Company or the relevant Securities themselves. The Issuer may have acquired, or during the term of the relevant Equity-Linked Saudi PALMS may acquire, non-public information with respect to the relevant Underlying Securities and/or the relevant Underlying Company. The Issuer is not under any obligation to make such information available to Holders of the Equity-Linked Saudi PALMS.

Potential Conflict of Interest

Various potential and actual conflicts may arise between the interests of the Noteholders and the Issuer, as a result of the commercial and investment banking businesses and activities of the Issuer and its affiliates. The Issuer may recommend or effect a transaction in which it or any affiliate, or one of its other clients, may have an interest, relationship or arrangement that is material. In particular, the Issuer or any affiliate, may deal as principal for its own account, to hedge liabilities under the relevant Notes or for other purposes, and may match a transaction or order with that of another client. Neither the Issuer nor any affiliate is under any duty to account for any profits, commission, remuneration, rebates or other benefits made or received as a result of such transaction or service. Further, the Issuer is the Calculation Agent with regard to any Equity-Linked Saudi PALMS. The Calculation Agent is solely responsible for making certain determinations in the calculation of the final redemption amount and other determinations and calculations in connection with the relevant Equity-Linked Saudi PALMS, including determinations in connection with the occurrence of any Potential Adjustment Events, Extraordinary Events, Increased Cost of Hedging Events and Hedging Disruption Events in relation to the relevant Notes. Because the Calculation Agent is the Issuer, and is obligated to redeem the relevant Equity-Linked Saudi PALMS, the Calculation Agent may have economic interests adverse to those of the holders of such Equity-Linked Saudi PALMS, including with respect to certain determinations and judgements that the Calculation Agent must make as referred to above, any of which may affect payments in respect of such Equity-Linked Saudi PALMS. In its capacity as Calculation Agent, HSBC Bank plc does not act as fiduciary for or an adviser to any of the Holders of the Equity-Linked Saudi PALMS in respect of any such determination or judgement or otherwise.

Calculation Agent

Dependence upon the Calculation Agent

Investors in Equity-Linked Saudi PALMS are highly dependent upon the Calculation Agent to calculate or determine the final redemption amount, the Early Redemption Amount and the date(s) on which the final redemption amount or Early Redemption Amount will be paid in relation to the relevant Equity-Linked Saudi PALMS.

Determination of Potential Adjustment Events, Extraordinary Events, Increased Cost of Hedging Events and Hedging Disruption Events

The Calculation Agent may determine the occurrence of a Merger Event, Potential Adjustment Event, Extraordinary Event, Increased Cost of Hedging Events or Hedging Disruption Event and the consequences of any such event in relation to the relevant Equity-Linked Saudi PALMS.

Methodology

The Calculation Agent will make all determinations and calculations required of it in accordance with the terms of the relevant Equity-Linked Saudi PALMS. Any determination or calculation made by the Calculation Agent in relation to the relevant Equity-Linked Saudi PALMS will be made in good faith in its sole and absolute discretion and will be conclusive and binding on all parties, except in the case of manifest error.

If market, regulatory, judicial or fiscal circumstances or, without limitation, any other circumstances arise that would, in the determination of the Calculation Agent, necessitate a modification or change to such methodology, then the Calculation Agent may make such changes as it considers appropriate to deal with the circumstances.

Fees

In connection with the placement and distribution of Equity-Linked Saudi PALMS, the Issuer may pay to distributors of Equity-Linked Saudi PALMS (which may include affiliates of the Issuer) such commissions or fees as such parties may agree (including in the form of a discount to the purchase price of such Equity-Linked Saudi PALMS).

Other factors

Transactions involving Equity-Linked Saudi PALMS may have tax consequences for potential purchasers which may depend, amongst other things, upon the status of the potential purchaser and laws relating to transfer and registration taxes. No representation is made by the Issuer or the Dealer as to the tax consequences for any person of acquiring, holding or disposing of any Equity-Linked Saudi PALMS or any other transaction involving any Equity-Linked Saudi PALMS. Potential purchasers who are in any doubt about such matters or any other tax issues relating to Equity-Linked Saudi PALMS should consult and rely on their own tax advisers.

(7) Risks relating to Currency-Linked Notes

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

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

Emerging market risk - Because of the special risks associated with investing in emerging markets, Currency-Linked Notes which are linked to a Reference Currency of an emerging market should be

considered speculative. Economies in emerging markets generally are heavily dependent upon international trade and, accordingly, may be affected adversely by trade barriers, foreign exchange controls (including taxes), managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also may be affected adversely by their economic, financial, military and political conditions and the supply and demand for the Reference Currencies in the global markets.

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

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

(8) Risks relating to Credit-Linked Notes

General factors relating to Credit-Linked Notes

Investors and prospective investors in Credit-Linked Notes should ensure that they understand the nature of the Notes and the extent of their exposure to risk and that they consider the suitability of the Notes as an investment in the light of their own circumstances and financial condition.

The occurrence of certain events or circumstances, in each case as specified in the Final Terms, (each, a "**Credit Event**") will affect the value of Credit-Linked Notes and the Issuer's obligation to pay principal may be replaced by an obligation to pay other amounts calculated by reference to the value of the credit of the underlying reference entity, reference entities, reference obligation(s), underlying obligation(s) and/or to deliver such reference obligation(s) or underlying obligation(s). The Issuer's obligations in respect of Credit-Linked Notes are not dependent on the existence of actual credit exposure of the Issuer to one or more underlying reference entities and the Issuer need not itself suffer any loss nor provide evidence of any loss as a result of the occurrence of a Credit Event.

If a Credit Event, as specified in the relevant Final Terms, occurs in relation to which a Credit Event Notice (as defined in the relevant Final Terms) has been given in respect of one or more reference entities, the Notes will be redeemable at the option of the Issuer exercised at any time thereafter, and irrespective of whether the relevant Credit Event is continuing, and the Issuer's obligation to pay the principal of the Notes upon redemption shall be replaced with an obligation to pay other amounts and/or deliver certain obligations, as described above.

In particular, investors in Credit-Linked Notes should note that:

- (i) the Issuer's obligations to pay interest on the Notes and to redeem the Notes at their principal amount may be subject to the conditions precedent that no Credit Event Notice has been given. If any Credit Event Notice is given on or before the Maturity Date or (if applicable) the Extended Maturity Date (as defined in the relevant Final Terms) then, unless specified otherwise, (1) no interest in respect of the interest period current on the date on which such

- (ii) if so specified in the relevant Final Terms, the sole obligation of the Issuer with regard to redemption of the Notes may be to redeem the Notes by physical delivery of Deliverable Obligations (as defined in the relevant Final Terms) or as otherwise provided in the Conditions, rather than by cash redemption or, alternatively, the Issuer's obligation to redeem the Notes may be replaced by an obligation to pay a cash amount (which may be zero) calculated by reference to the value of certain reference obligations, as specified in the Final Terms; and
- (iii) it shall be the responsibility of the Noteholders to ensure that their accounting, regulatory and all other treatments of the Notes are consistent with the conditional nature of the Noteholders' entitlement to receive the payments referred to above.

The Issuer may exercise its right to deliver a Credit Event Notice at any time after the occurrence of a Credit Event even if the Credit Event is not continuing at the time such right is exercised. Noteholders will have no right to compel the Issuer to exercise its rights and no right to control the timing of such exercise. Furthermore, Noteholders will have no right to remedy, waive or rescind the Credit Event or take any action to mitigate the ultimate loss which may be imposed upon them by virtue of their interest in the Notes and will bear the risk of any change in the value of obligations of the affected reference entity between the date of the Credit Event and, if physical settlement is applicable, the date of their receipt of any Deliverable Obligations, and if cash settlement is applicable, the Valuation Date (as defined in the relevant Final Terms). During this period there could be a substantial decrease in the value of such obligations.

If a Credit Event occurs and the Issuer gives a Credit Event Notice, the following risks may arise:

- (i) If physical settlement is applicable, holders may not receive physical delivery of Deliverable Obligations but may instead receive a cash payment based on the value of such obligations. Specifically, the Issuer is not required to deliver Deliverable Obligations if it is impossible or illegal for the Issuer to deliver the Deliverable Obligations identified in the Notice of Physical Settlement. Furthermore, even if the Issuer does deliver Deliverable Obligations but because of differences between the authorised denominations of the Deliverable Obligations and the Notes, or because of transfer restrictions imposed on such Deliverable Obligations by the issuer thereof, or if for any other reason any part of the Deliverable Obligations cannot be fully transferred in kind to any Noteholders, Noteholders will not receive such Deliverable Obligations but rather will receive a cash payment based on the value of such obligations. Since the market value of an obligation which has experienced a Credit Event is likely to be extremely volatile and may not reflect the amount which ultimately would be paid on such obligation, a cash payment based on the value of a Deliverable Obligation may be depressed and not reflect the ultimate recovery value of such Obligation or the amount the holder would receive if it were in control of the disposition of such obligation. The Deliverable Obligations selected by the Issuer may be illiquid and there is no assurance that the price realised in connection with a cash settlement of such obligation will reflect the holders' assessment of such value.
- (ii) Unless Noteholders receive Deliverable Obligations, they will have no ability to exercise the rights customarily afforded a creditor in connection with its holding of Deliverable Obligations.

- (iii) Under the terms of the Notes, the Issuer will be free to select for the purposes of constituting the Portfolio any obligations of the reference entity in respect of which such Credit Event has occurred (whether as principal, guarantor or otherwise) which satisfy the requirements for a Deliverable Obligation. Such obligations are likely to be in default at the time of delivery. Furthermore, in selecting such obligations the Issuer will not be required to consider the interests of the Noteholders or mitigate their losses. The Issuer will have complete discretion to select the cheapest, most illiquid obligations of the reference entity so long as such obligations satisfy the requirements for a Deliverable Obligation under the terms of the Notes.

Not all of the Credit Events require an actual default with respect to the reference entity's obligations. Thus Noteholders could bear losses based on a deterioration in the credit of the reference entity short of a default. Also, not all of the Credit Events are triggered by events which are easily ascertainable and disputes can and have arisen as to whether a specific event did or did not constitute a Credit Event. Under the terms of the Notes, the Issuer's or Calculation Agent's good faith, reasonable determination that a Credit Event has or has not occurred will be binding on the Issuer and the holders, and may be different than the view of the holders or other financial institutions, rating agencies or commentators.

The Issuer shall be under no obligation to give notice of any Credit Event and no delay in giving, or omission to give, notice of any Credit Event(s) with regard to the reference entity or reference entities in question shall prejudice the Issuer's right to give notice with respect to such Credit Event or any other Credit Event in relation to such reference entity provided such notice is given no later than the Maturity Date or (if applicable) the Extended Maturity Date. Investors and prospective investors in Credit-Linked Notes should conduct their own investigations and, in deciding whether or not to purchase such Notes, prospective investors should form their own views of the merits of an investment linked to the credit risk of the reference entity or entities in question based upon such investigations and not in reliance on any information given in the Final Terms.

The trading value of the Notes will be affected by factors that interrelate in complex ways. The Notes may lose 100% of their value. It is important for investors to understand that the effect of one factor may offset the increase in the trading value of the Notes caused by another factor, and that the effect of one factor may exacerbate the decrease in the trading value of the Notes caused by another factor. For example, a drop in the creditworthiness of a reference entity may more than offset any increase in the Issuer's creditworthiness.

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

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

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

No representation by Issuer or Calculation Agent

The Issuer and Calculation Agent make no representation whatsoever with respect to the underlying reference entity, reference entities, reference obligations or underlying obligations on which it is relying or is entitled to rely.

Dealings by Issuer, Calculation Agent and affiliates

The Issuer, the Calculation Agent and their respective affiliates may deal in the underlying reference obligations or underlying obligations and may accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business with, the reference entity or entities, any affiliate of the reference entity or entities, and/or any other person or entity having obligations relating to the reference entity and may act with respect to such business in the same manner as each of them would if these Notes had not been issued, regardless of whether any such action might have an adverse effect on the reference entity or entities, the reference obligation(s), or underlying obligation(s) or the Noteholders or otherwise (including, without limitation, any action which might constitute or give rise to a Credit Event).

No disclosure of information

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

Potential conflict of interest

HSBC Bank plc as Calculation Agent will be entitled to make certain determinations and judgements under the Conditions including (*inter alia*) as to whether an event constituting a Credit Event has occurred. In making such determinations and judgements, potential conflicts of interest may exist between the Calculation Agent and the Noteholders. In its capacity as Calculation Agent, HSBC Bank plc does not act as a fiduciary for or as an advisor to any of the Noteholders in respect of any such determination or judgement or otherwise.

Amendments by Calculation Agent

The Calculation Agent may from time to time amend any provision of the Conditions to incorporate and/or reflect further or alternative documents from time to time published by ISDA with respect to the settlement of credit derivative transactions (including without limitation with respect to settlement by reference to auctions following a Restructuring Credit Event) and/or the operation or application of determinations by the ISDA Credit Derivatives Determinations Committees which the Calculation Agent and the Issuer determine in a commercially reasonable manner are necessary to reflect market practice for credit derivative transactions.

No post-issuance information

The Issuer shall not be providing the investors with any post-issuance information regarding any reference entity or underlying obligation.

(9) Risks relating to Interest Rate-Linked and Inflation-Linked Notes

General - The redemption amount of the Notes payable at scheduled maturity and/or the amount of interest payable in relation to the Notes will be linked to changes in one or more interest rates or inflation rates specified in the Final Terms during the period specified therein.

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

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

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

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

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

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

Risks relating to Steepener Notes - Interest Rate-Linked Notes issued pursuant to the Programme may include Steepener Notes, which are Notes in respect of which the rate of interest applicable for some or all of the term of the Notes is determined by reference to the difference (or spread) between two swap rates specified in the applicable Final Terms, which difference (or spread) may (if so specified in the

applicable Final Terms) then be multiplied by a factor (the leverage factor), subject to any minimum and/or maximum interest rates specified.

Fluctuations in interest rates and Steepener Notes - The market value of Steepener Notes will be affected by, among other things, the amount of interest payable in each interest period. Save for any interest period during the term of such Notes in respect of which interest is to be determined by reference to fixed rates of interest, the interest rate on Steepener Notes is obtained by taking the amount (if any) by which a designated swap rate (the "**First Swap Rate**") exceeds another designated swap rate (the "**Second Swap Rate**") and multiplying that amount by the factor (the leverage factor) (all as specified in the applicable Final Terms), subject to any maximum and minimum rate of interest. Subject to any minimum and maximum rate of interest, as the difference between the First Swap Rate and the Second Swap Rate decreases the rate of interest payable will fall by the amount of that decrease multiplied by the relevant leverage factor. In the event that the First Swap Rate does not exceed the Second Swap Rate on a date which is relevant to the calculation of interest for an interest period, the interest rate on the Notes for that period will equal zero or, if any minimum rate of interest has been specified in the applicable Final Terms and applies, will equal that minimum rate of interest.

(10) Risks relating to the Warrants

Certain factors affecting the value and trading price of Warrants

Prospective purchasers of Warrants should be experienced with respect to options and options transactions, should understand the risks of transactions involving the relevant Warrants and should reach an investment decision only after careful consideration, with their advisers, of the suitability of such Warrants in the light of their particular financial circumstances, the information set forth herein and the information regarding the relevant Warrants and the particular Relevant Factor or Reference Asset to which the value of the relevant Warrants may relate.

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

Before acquiring, exercising or selling Warrants, Holders should carefully consider, among other things, (i) the trading price of the Warrants, (ii) the value and volatility of the Reference Asset and the Relevant Factor, (iii) the time remaining to expiration, (iv) in the case of cash settled securities the probable range of Cash Settlement Amounts, (v) any change(s) in interim interest rates and dividend yields, (vi) any change(s) in currency exchange rates, (vii) the depth of the market or liquidity of the Reference Asset and the Relevant Factor and (viii) any related transaction costs.

Variation of settlement

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

relevant Holders, as the case may be, and, in lieu thereof, deliver or procure delivery of the Physical Settlement Amount or make payment of the Cash Settlement Amount on the Settlement Date to the relevant Holders.

Limitations on exercise

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

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

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

Time lag after exercise

Unless otherwise specified in the Final Terms, in the case of any exercise of Warrants, there will be a time lag between the time a Holder gives instructions to exercise and the time the applicable Cash Settlement Amount or the deliverable Reference Assets relating to such exercise is determined. Any such delay between the time of exercise and the determination of the Cash Settlement Amount or the deliverable Reference Assets, as the case may be, will be specified in the applicable Final Terms or Conditions. However, such delay could be significantly longer, particularly in the case of a delay in exercise of Warrants arising from any daily maximum exercise limitation, or following the imposition of any exchange controls, other similar regulations affecting the ability to obtain or exchange any

relevant currency (or basket of currencies) or, if there is any Settlement Disruption Event or Market Disruption Event on the Valuation Date (as such terms are defined in the Conditions). The applicable Settlement Price or the value of the deliverable Reference Assets may change significantly during any such period and such movement or movements could decrease the Settlement Price or the value of the deliverable Reference Assets in respect of the Warrants being exercised and, may result in such Settlement Price or the value of the deliverable Reference Assets being zero.

Illegality

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

The time remaining to the expiration of Warrants

As the time remaining to the expiration of the Warrants decreases, the trading value of a Warrant is expected to decrease.

Dividend rates

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

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

INCORPORATION BY REFERENCE

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

- (a) the registration document (with the exception of any documents incorporated by reference therein) relating to the Issuer dated 29 May 2009 and filed with the UK Listing Authority pursuant to Article 11 of the Prospectus Directive (the "**Registration Document**");
- (b) the audited consolidated financial statements of the Bank and its subsidiary undertakings (including the auditors' report thereon) for the year ended 31 December 2008 and for the year ended 31 December 2007 (the "**Financial Information**") submitted to and filed with the FSA; and
- (c) the Terms and Conditions of the Notes contained at pages B-1 to B-28, C-1 to C-16, D-18 to D-43, E-33 to E-41, F-24 to F-29, G-28 to G-31, H-11 to H-12, I-31 to I-88 and I-113 to I-166 in the previous base prospectus of the Issuer dated 31 July 2008,

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

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

CLEARING AND SETTLEMENT

Custodial and depository or safekeeping links have been established with Euroclear, Clearstream, Luxembourg and DTC to facilitate the initial issuance of Notes and Warrants and cross-market transfers of Notes and Warrants between investors associated with secondary market trading. Transfers within Euroclear, Clearstream, Luxembourg and DTC will be in accordance with the usual rules and operating procedures of the relevant system.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

Distributions of principal and interest (if any) with respect to book-entry interests in the Notes and Warrants held through Euroclear and Clearstream, Luxembourg will be credited, to the extent received by the Principal Paying Agent, in the case of Notes, or the Principal Warrant Agent, in the case of Warrants, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

DTC

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

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

The laws of some states of the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer interests in a Global Registered Note to such persons may be limited. Because DTC, Euroclear and Clearstream, Luxembourg can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Registered Note or a Global Registered Warrant to pledge such interest to

persons or entities which do not participate in the relevant clearing system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

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

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

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

Secondary Market Trading in relation to Global Registered Notes

Trading between Euroclear and/or Clearstream, Luxembourg participants: Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional eurobonds (subject, in the case of a transfer of an interest in the Notes from accountholders of a beneficial interest in an Unrestricted Global Registered Note to an accountholder wishing to purchase a beneficial interest in a Restricted

Global Registered Note (and vice versa), to the certification procedure provided in the Issuing and Paying Agency Agreement).

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

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

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

Although the foregoing sets out the procedures of Euroclear, Clearstream, Luxembourg and DTC in order to facilitate the transfers of interests in the Notes among participants of Euroclear, Clearstream, Luxembourg and DTC, none of Euroclear, Clearstream, Luxembourg or DTC is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Principal Paying Agent, the Registrar, any Paying Agent, any Transfer

Part A - Information relating to the Programme Generally - Clearing and Settlement

Agent, any Dealer or any affiliate of any of the above, or any person by whom any of the above is controlled for the purposes of the Securities Act, will have any responsibility for the performance by Euroclear, Clearstream, Luxembourg and DTC or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described above.

TAXATION

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

United Kingdom Taxation - Notes

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

(A) United Kingdom Withholding Tax

1. Interest on Notes issued for a term of less than one year (and which are not issued under arrangements the effect of which is to render the Notes part of a borrowing with a total term of one year or more) may be paid by the Issuer without withholding or deduction for or on account of United Kingdom income tax.
2. Notes issued by the Issuer which carry a right to interest will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange. Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on such Notes may be made without withholding or deduction for or on account of United Kingdom income tax. Securities will be regarded as "listed on a recognised stock exchange" for this purpose if (and only if) they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange. The London Stock Exchange is a recognised stock exchange for these purposes, and accordingly the Notes will constitute quoted Eurobonds

provided they are and continue to be included in the United Kingdom official list and admitted to trading on the Regulated Market of that Exchange.

3. In addition to the exemptions set out in paragraphs 1 and 2 above, interest on the Notes may be paid without withholding or deduction for or on account of United Kingdom income tax so long as the Issuer is a "bank" for the purposes of section 878 of the Income Tax Act 2007 and so long as such payments are made by the Issuer in the ordinary course of its business. In accordance with the published practice of HMRC, such payments will be accepted as being made by the Issuer in the ordinary course of its business unless either:
 - (d) the borrowing in question conforms to any of the definitions of tier 1, 2 or 3 capital adopted by the FSA whether or not it actually counts towards tier 1, 2 or 3 capital for regulatory purposes; or
 - (e) the characteristics of the transaction giving rise to the interest are primarily attributable to an intention to avoid United Kingdom tax.
4. In all other cases, falling outside the exemptions described in paragraphs A.-1, A.-2 and A.-3 above, interest on the Notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply.
5. Any payments made by the Issuer under the Deed of Covenant may not qualify for the exemptions from United Kingdom withholding tax described above.

(B) United Kingdom Withholding Tax - Other Payments

Where a payment on a Note does not constitute (or is not treated as) interest for United Kingdom tax purposes, it would potentially be subject to United Kingdom withholding tax if, for example, it constitutes (or is treated as) an annual payment, a manufactured payment, rent or similar income or royalties for United Kingdom tax purposes (which will be determined by, amongst other things, the terms and conditions specified by the Final Terms of the Note). In such a case, the payment may fall to be made under deduction of United Kingdom tax (the rate of withholding depending on the nature of the payment), subject to any exemption from withholding which may apply and to such relief as may be available under the provisions of any applicable double tax treaty.

(C) Provision of information

1. Noteholders or Couponholders should note that where any interest on Notes is paid to them (or to any person acting on their behalf) by the Issuer or any person in the United Kingdom acting on behalf of the Issuer (a "**paying agent**"), or is received by any person in the United Kingdom acting on behalf of the relevant Noteholder or Couponholder (other than solely by clearing or arranging the clearing of a cheque) (a "**collecting agent**"), then the Issuer, the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to HMRC details of the payment and certain details relating to the Noteholder or the Couponholder (including the Noteholder's or the Couponholder's name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the Noteholder or Couponholder is resident in the United Kingdom for United Kingdom taxation purposes. In certain circumstances, the details provided to HMRC may be passed by HMRC to the tax authorities of certain other jurisdictions.

2. With effect from 6 April 2010, the provisions referred to above may also apply, in certain circumstances, to payments made on redemption of any Notes where the amount payable on redemption is greater than the issue price of the Notes.
3. Information may also be required to be reported in accordance with regulations made pursuant to the EU Savings Directive (see below).

(D) Other Rules Relating to United Kingdom Withholding Tax

1. Notes may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on such Notes will not generally be subject to any United Kingdom withholding tax pursuant to the provisions mentioned above, but may be subject to reporting requirements as outlined above.
2. Where Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax and reporting requirements as outlined above.
3. Where interest or any other payment has been paid under deduction of United Kingdom income tax, Noteholders or Couponholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty or where local tax laws allow.
4. The references to "interest" above mean "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation. Noteholders or Couponholders should seek their own professional advice as regards the withholding tax treatment of any payment on the Notes which does not constitute "interest" or "principal" as those terms are understood in United Kingdom tax law.
5. The above summary under the heading of United Kingdom Taxation – Notes assumes that there will be no substitution of the Issuer pursuant to Condition 15 (*Meetings of Noteholders, Modifications and Substitution*) of the Notes and does not consider the tax consequences of any such substitution.

United Kingdom Taxation - Warrants

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments in respect of the Warrants and of the treatment of Warrants for the purposes of United Kingdom stamp duty and related taxes. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Warrants. The comments in relation to United Kingdom withholding tax relate only to the position of persons who are absolute beneficial owners of the Warrants. The following is a general guide and should be treated with appropriate caution. Warrantholders who are in any doubt as to their tax position should consult their professional advisers. Warrantholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Warrants are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Warrants. In particular, Warrantholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Warrants even if

such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

(E) **Withholding Tax**

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

(F) **Stamp Duty and Related Taxes**

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

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in or certain limited types of entities established in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in or certain limited types of entities established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in or certain limited types of entities established in one of those territories.

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a proposal for amendments to the Directive, which included a number of suggested changes. If any of those proposed changes are made in relation to the Directive they may amend or broaden the scope of the requirement described above. Investors who are in any doubt as to their position should consult their professional advisers.

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

UNITED STATES TAXATION

The following summary describes certain of the principal US federal income tax consequences resulting from the purchase, ownership and disposition of Notes that are principal protected. Investors are directed to review any discussion of Notes that are not principal protected in a relevant prospectus supplement or relevant Final Terms. This summary does not purport to consider all the possible US federal income tax consequences of the purchase, ownership and disposition of the Notes and is not intended to reflect the individual tax position of any beneficial owner of Notes. The summary is based upon the Internal Revenue Code of 1986, as amended (the "**Code**"), its legislative history, existing and proposed US Treasury regulations promulgated thereunder, published rulings by the US Internal Revenue Service ("**IRS**") and court decisions, all in effect as of the date hereof, all of which authorities are subject to change or differing interpretations, which changes or differing interpretations could apply retroactively. This summary is limited to investors who purchase the Notes at initial issuance and hold the Notes as "capital assets" within the meaning of section 1221 of the Code (i.e., generally, property held for investment) and does not purport to deal with investors in special tax situations, such as financial institutions, tax exempt organisations, insurance companies, regulated investment companies, dealers in securities or currencies, persons purchasing Notes other than at original issuance, persons holding notes as a hedge against currency risks or as a position in a "straddle," "conversion transaction," or "constructive sale" transaction for tax purposes, or persons whose functional currency (as defined in section 985 of the Code) is not the US dollar. The summary does not include any description of the tax laws of any state, local or foreign governments that may be applicable to the Notes or the holders thereof.

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

As used herein, the term "**US Holder**" means a beneficial owner of a Note who or which is for US federal income tax purposes (i) an individual who is a citizen or resident of the United States, (ii) a corporation created or organised in or under the laws of the United States or of any state thereof (including the District of Columbia), or (iii) any other person who is subject to US federal income taxation on a net income basis with respect to the Notes. As used herein, the term "**Non-US Holder**" means a beneficial owner of a Note that is not a US Holder. In the case of a holder of Notes that is a partnership for US federal income tax purposes, each partner will take into account its allocable share of income or loss from the Notes, and will take such income or loss into account under the rules of taxation applicable to such partner, taking into account the activities of the partnership and the partner.

Treatment of Notes

Except as otherwise provided in a prospectus supplement or the Final Terms, the Issuer intends to treat Notes that are principal protected as indebtedness for US federal income tax purposes; however, the IRS is not bound by this determination and the Notes could be recharacterised. Any such

recharacterisation could materially affect the timing or character of the income required to be recognised by US Holders for US federal income tax purposes. Prospective investors are urged to consult with their tax advisers as to the likelihood and likely effect of any such recharacterisation. The remainder of this summary assumes the Notes discussed herein are properly characterised as indebtedness for US federal income tax purposes.

US Holders of Notes

Payments of Interest

Except as described below, payments of interest on a Note will be taxable to a US Holder as ordinary interest income at the time such payments are accrued or are received, in accordance with the US Holder's regular method of accounting for US federal income tax purposes.

Original Issue Discount

General

The following summary is a general discussion of the US federal income tax consequences to US Holders of the purchase, ownership and disposition of a Note issued with original issue discount ("OID") (a "Discount Note"). Special rules apply to OID on a Discount Note that is denominated in a Foreign Currency. See "— Foreign Currency Notes — OID".

For US federal income tax purposes, OID is the excess of the stated redemption price at maturity of a Note over its issue price, if such excess equals or exceeds a *de minimis* amount (generally defined as 1/4 of 1-per cent. of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity from its issue date). The issue price of each Note in an issue of Notes is the first price at which a substantial amount of such issue of Notes has been sold (ignoring sales to bond houses, broker-dealers, or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers). The stated redemption price at maturity of a Note generally is the sum of all payments provided for by the Note other than qualified stated interest payments. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate.

Payments of qualified stated interest on a Note are taxable to a US Holder as ordinary interest income at the time such payments are accrued or are received, in accordance with the US Holder's regular method of accounting for US federal income tax purposes. A US Holder of a Discount Note having a maturity of more than one year from the date of issue must include OID in income as ordinary interest income for US federal income tax purposes as it accrues under a constant yield method in advance of receipt of the cash payments attributable to such income, regardless of such US Holder's regular method of tax accounting. In general, the amount of OID included in income by the initial US Holder of a Discount Note is the sum of the daily portions of OID with respect to such Discount Note for each day during the taxable year on which such US Holder held such Discount Note. The "daily portions" of OID on any Discount Note are determined by allocating to each day in an accrual period a rateable portion of the OID allocable to that accrual period. An "accrual period" may be of any length and the accrual periods may vary in length over the term of the Discount Note as long as (i) each accrual period is no longer than one year, and (ii) each scheduled payment of principal and interest occurs either on the final day of an accrual period or on the first day of an accrual period. The amount of OID allocable to each accrual period is generally equal to the excess of (i) the product of the Discount Note's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) over (ii) the amount of any qualified stated interest payments

allocable to such accrual period. The "adjusted issue price" of a Discount Note at the beginning of the first accrual period is its issue price of the Discount Note. Thereafter, the "adjusted issue price" of a Discount Note is the sum of the issue price of the Discount Note plus the amount of OID previously includable in the gross income of the holder reduced by the amount of any payments previously made on the Discount Note other than payments of qualified stated interest. Under these rules, US Holders generally will have to include in income increasingly greater amounts of OID in successive accrual periods.

Election to Treat all Interest as OID

A US Holder of a Note may elect to include in gross income all interest that accrues on the Note by using the constant yield method described in "— Original Issue Discount — General" with certain modifications. The election must be made for the taxable year in which the US Holder acquires the Note and will generally apply only to the Note (or Notes) identified by the US Holder in a statement attached to the US Holder's timely filed US federal income tax return. The election may not be revoked without the consent of the IRS. If a US Holder makes the election with respect to a Note with "amortisable bond premium" (as described in "— Amortisable Bond Premium"), then the electing US Holder is deemed to have elected to apply amortisable bond premium against interest with respect to all debt instruments with amortisable bond premium (other than debt instruments the interest on which is excludable from gross income) held by the electing US Holder as of the beginning of the taxable year in which any Note (with respect to which the election is made) is acquired and any such debt instrument thereafter acquired. The deemed election with respect to amortisable bond premium may not be revoked without the consent of the IRS.

Variable Rate Debt Instruments

Generally, Notes that are issued with a variable rate of interest (a "**Floating Rate Note**") are subject to special rules whereby a Floating Rate Note will qualify as a "variable rate debt instrument" if (a) its issue price does not exceed the total non-contingent principal payments due under the Floating Rate Notes by more than an amount equal to the lesser of (i) 0.015 multiplied by the product of the total non-contingent principal payments and the number of complete years to maturity from the issue date or (ii) 15 per cent. of the total non-contingent principal payments, (b) it does not provide for any stated interest other than stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate, and (c) it provides that a qualified floating rate or objective rate in effect at any time during the term of the Note is set at a current value of that rate (i.e., the value of the rate on any day that is no earlier than three months prior to the first rate day on which the value is in effect and no later than one year following that first day).

A "qualified floating rate" is any variable rate where variations in the value of such rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Floating Rate Notes are denominated. Although a multiple of a qualified floating rate will generally not itself constitute a qualified floating rate, a variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35 will constitute a qualified floating rate. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Floating Rate Notes together will constitute a single qualified floating rate. Two or more qualified floating rates will be conclusively presumed to meet the requirements of the previous sentence if the values of all rates on

the issue date are within 25 basis points of each other. A variable rate is not a qualified floating rate if it is subject to certain restrictions (including caps floors, governors, or other similar restrictions) unless such restrictions are fixed throughout the term of the Floating Rate Note or are not reasonably expected to significantly affect the yield on the Floating Rate Note.

An "objective rate" is a rate other than a qualified floating rate that is determined using a single fixed formula and that is based upon objective financial or economic information, other than information that is within the control of the issuer or a related party, or that is unique to the circumstances of the issuer or a related party such as dividends, profits or the value of the issuer's (or related party's) stock (but not the issuer's credit quality). Despite the foregoing, a variable rate of interest on Floating Rate Notes will not constitute an objective rate if it is reasonably expected that the average value of such rate during the first half of the Floating Rate Notes term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Floating Rate Notes' term. A "qualified inverse floating rate" is any objective rate where such rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to reflect inversely contemporaneous variations in the qualified floating rate (disregarding any caps, floors, governors or other restrictions that are fixed throughout the term of the Floating Rate Notes or are not reasonably expected to significantly affect the yield on the Floating Rate Notes).

Generally, if a Floating Rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period, and the value of the variable rate on the Floating Rate Notes' issue date is intended to approximate the fixed rate, then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be. A fixed rate and a variable rate will be conclusively presumed to meet the previous requirements if the value of the variable rate on the issue date of the Floating Rate Notes does not differ from the value of the fixed rate by more than 25 basis points.

If a Floating Rate Note provides for stated interest at a single qualified floating rate or objective rate that is unconditionally payable in cash or in property (other than debt instruments of the issuer) or that will be constructively received by the US Holder at least annually, then (a) all stated interest with respect to the Note is qualified stated interest, (b) the amount of qualified stated interest and the amount of OID, if any, is determined by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Note, and (c) the qualified stated interest allocable to an accrual period is increased (or decreased) if the interest actually paid during an accrual period exceeds (or is less than) the interest assumed to be paid during the accrual period under the foregoing rules.

If a Floating Rate Note does not provide for stated interest at a single qualified floating rate or objective rate, or at a single fixed rate (other than at a single fixed rate for an initial period of one year or less), the amount of qualified stated interest and OID on the Note are generally determined by (i) determining a fixed rate substitute for each variable rate provided under the Floating Rate Note (generally, the value of each variable rate as of the issue date or, in the case of an objective rate that is not a qualified inverse floating rate, a rate that reflects the yield that is reasonably expected for the Note), (ii) constructing the equivalent fixed rate debt instrument (using the fixed rate substitutes described above), (iii) determining the amount of qualified stated interest and OID with respect to the equivalent fixed rate debt instrument (by applying the general OID rules as described in "— Original Issue Discount —

General"), and (iv) making the appropriate adjustments for actual variable rates during the applicable accrual period.

If a Floating Rate Note provides for stated interest either at one or more qualified floating rates or at a qualified inverse floating rate and in addition provides for stated interest at a single fixed rate (other than a single fixed rate for an initial period), the amount of interest and OID is determined as in the immediately preceding paragraph with the modification that the Floating Rate Note is treated, for purposes of the first three steps of the determination, as if it provided for a qualified floating rate (or qualified inverse floating rate, if the Note provides for a qualified inverse floating rate) rather than the fixed rate. The qualified floating rate (or qualified inverse floating rate) replacing the fixed rate must be such that the fair market value of the Note as of the issue date would be approximately the same as the fair market value of an otherwise identical debt instrument that provides for a qualified floating rate (or qualified inverse floating rate) rather than a fixed rate.

Notes that are Contingent Payment Debt Instrument

Interest Accruals on the Notes

For US federal income tax purposes certain of the Notes may be contingent payment debt instruments ("CPDIs"). A CPDI is any class of Notes which provide for one or more payments, either of interest or principal, that are contingent (usually as to timing of payment or amount of payment). If the Issuer intends to treat a Note as a CPDI, this will be specified in the applicable Final Terms with respect to such Note.

Under Treasury Regulations governing the treatment of CPDIs (the "**CPDI Regulations**"), regardless of a US Holder's regular method of accounting, accruals of income, gain, loss and deduction with respect to a CPDI are determined under the "non-contingent bond method." Under the non-contingent bond method, a US Holder of a CPDI will accrue OID over the term of such Note based on the Notes' comparable yield. In general, the comparable yield of a CPDI is equal to the yield at which the Issuer would issue a fixed rate, non-contingent debt instrument with terms and conditions otherwise similar to those of the CPDI, including level of subordination, term, timing of payments, and general market conditions. The applicable Final Terms for any Note that is a CPDI will specify its comparable yield. A US Holder will accrue OID at the comparable yield even if the comparable yield differs from the stated Interest Rate on the CPDI (if any).

The amount of OID allocable to each accrual period will be the product of the "adjusted issue price" of the CPDI at the beginning of each such accrual period and the comparable yield. The "adjusted issue price" of a CPDI at the beginning of an accrual period will equal the issue price *plus* the amount of OID previously includible in the gross income of US Holder *minus* the amount of any Projected Payments (as defined below) with respect to such Note. The amount of OID includible in the income of each US Holder will generally equal the sum of the "daily portions" of the total OID on the CPDI allocable to each day on which a US Holder held such Note. Generally, the daily portion of the OID is determined by allocating to each day in any accrual period a ratable portion of the OID allocable to such accrual period. Such OID is included in income and taxed at ordinary income rates.

The Issuer also is required by the CPDI Regulations to determine, solely for US federal income tax purposes, a projected payment schedule of the projected amounts of payments (the "**Projected Payments**") on any Note that is a CPDI. The schedule must produce the comparable yield. The applicable Final Terms for any Note that is a CPDI will specify the Projected Payments for such Note. Under the non-contingent bond method, the Projected Payments are not revised to account for changes

in circumstances that occur while the Notes are outstanding. See "Adjustments to Interest Accruals" below.

For US federal income tax purposes, the Issuer's reasonable determination of the comparable yield and schedule of Projected Payments is generally respected and will be binding on the holders of the Notes, unless such holder timely discloses and justifies the use of other estimates to the IRS.

THE COMPARABLE YIELD AND THE SCHEDULE OF PROJECTED PAYMENTS ARE NOT PROVIDED FOR ANY PURPOSE OTHER THAN THE DETERMINATION OF US HOLDERS' INTEREST ACCRUALS AND ADJUSTMENTS THEREOF AND DO NOT CONSTITUTE AN ASSURANCE BY THE ISSUER AS TO THE ACTUAL YIELD OF THE NOTES. THE ISSUER MAKES NO REPRESENTATION AS TO WHAT SUCH ACTUAL YIELD WILL BE, AND THE COMPARABLE YIELD DOES NOT NECESSARILY REFLECT THE EXPECTATIONS OF THE ISSUER REGARDING THE ACTUAL YIELD.

Adjustments to Interest Accruals

If, during any taxable year, the sum of any actual payments with respect to a CPDI for that taxable year (including, in the case of the taxable year which includes the maturity date, the amount of cash received at maturity) exceeds the total amount of Projected Payments for that taxable year, the difference will produce a "Net Positive Adjustment" under the CPDI Regulations, which will be treated as additional interest for the taxable year. If the actual amount received in a taxable year is less than the amount of Projected Payments for that taxable year, the difference will produce a "Net Negative Adjustment" under the CPDI Regulations, which will (i) reduce the US Holder's interest income for that taxable year and (ii) to the extent of any excess after the application of (i), give rise to an ordinary loss to the extent of the US Holder's interest income on the Notes during prior taxable years (reduced to the extent such interest was offset by prior Net Negative Adjustments).

Short-Term Notes

Generally, an individual or other-cash basis US Holder of Notes having a fixed maturity date not more than 1 year from the date of issue ("**Short-Term Notes**") is not required to accrue OID for US federal income tax purposes unless it elects to do so. An election by a cash basis US Holder applies to all short-term obligations acquired on or after the beginning of the first taxable year to which the election applies, and for all subsequent taxable years unless the consent is secured from the IRS to revoke the election. Accrual-basis US Holders and certain other US Holders, including banks, regulated investment companies, dealers in securities, common trust funds, US Holders who hold Short-Term Notes as part of certain identified hedging transactions, certain pass-through entities and cash-basis US Holders who so elect, are required to accrue OID on Short-Term Notes on either a straight-line basis or, at the election of the US Holder, under the constant yield method (based on daily compounding). In the case of a US Holder not required and not electing to include OID in income currently, any gain realised on the sale or retirement of the Short-Term Notes will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant yield method) through the date of sale or retirement. US Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realised.

Amortisable Bond Premium

Generally, a US Holder that purchases a Note for an amount that is in excess of the sum of all amounts payable on the Note after its acquisition date (other than payments of qualified stated interest) will be

considered to have purchased the Note with "amortisable bond premium" equal to such excess. A US Holder of such a Note will not be subject to OID and may elect to amortise such premium using a constant yield method over the remaining term of the Note and may offset qualified stated interest otherwise required to be included in respect of the Note with respect to an accrual period by the bond premium allocable to the accrual period. If the bond premium allocable to the accrual period exceeds the qualified stated interest allocable to the accrual period, the excess is treated as a bond premium deduction for the accrual period. However, the amount treated as a bond premium deduction is limited to the amount by which the US Holder's total interest inclusions on the Note in prior accrual periods exceed the total amount treated by the US Holder as a bond premium deduction on the Note in prior accrual periods. If the bond premium allocable to an accrual period exceeds the sum of the qualified stated interest allocable to the accrual period and the amount treated as a bond premium deduction for the accrual period as described above, the excess is carried forward to the next accrual period and is treated as bond premium allocable to that period. Special rules apply for determining the amortisation of bond premium on Notes that are classified as "variable rate debt instruments", Notes that provide for certain alternative payment schedules, and Notes that provide for certain contingencies. Any election to amortise bond premium with respect to any Note (or other general debt obligations) applies to all taxable debt obligations held by the US Holder at the beginning of the first taxable year to which the election applies and to all debt obligations thereafter acquired in such taxable year and all subsequent tax years. The election may not be revoked without the consent of the IRS.

Sale, Exchange or Retirement of a Note

Except as discussed above, upon the sale, exchange or retirement of a Note, a US Holder generally will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement (other than amounts representing accrued and unpaid interest, which amounts will be taxable as ordinary income) and such US Holder's adjusted tax basis in the Note. A US Holder's adjusted tax basis in a Note generally will equal such US Holder's initial investment in the Note increased by any OID included in income, decreased by the amount of any payments and any amortisable bond premium applied to reduce interest income with respect to such Note. Such gain or loss generally will be long-term capital gain or loss if the Note has been held by such US Holder for more than one year at the time of such sale, exchange or retirement.

Certain of the Notes may be redeemable at the option of the Issuer prior to their stated maturity and/or may be repayable at the option of the holder prior to their stated maturity. Notes containing such features may be subject to the rules that differ from the general rules discussed above. US Holders intending to purchase Notes with such features should consult their own tax advisers regarding the US federal income tax consequences to them of the purchase, holding and disposition of such Notes, since the OID consequences will depend, in part, on the particular terms and features of such Notes.

Foreign Currency Notes

The following summary relates to Notes that are denominated in a currency or basket of currencies other than the US dollar ("**Foreign Currency Notes**"). It does not apply to US Holders whose functional currency is not the US dollar.

Payments of Interest In a Foreign Currency

Cash Method

A US Holder who uses the cash method of accounting for US federal income tax purposes and who receives a payment of interest on a Note (other than OID) will be required to include in income the US dollar value of the Foreign Currency payment (determined on the date such payment is received)

regardless of whether the payment is in fact converted to US dollars at that time, and such US dollar value will be the US Holder's tax basis in such Foreign Currency.

Accrual Method

A US Holder who uses the accrual method of accounting for US federal income tax purposes, or who otherwise is required to accrue interest prior to receipt, will be required to include in income the US dollar value of the amount of interest income (including OID and reduced by amortisable bond premium to the extent applicable) that has accrued and is otherwise required to be taken into account with respect to a Note during an accrual period. The US dollar value of such accrued income will be determined by translating such income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within each taxable year. A US Holder may elect, however, to translate such accrued interest income using the rate of exchange on the last day of the accrual period or, with respect to an accrual period that spans two taxable years, using the rate of exchange on the last day of the first taxable year. If the last day of an accrual period is within five business days of the date of receipt of the accrued interest, a US Holder may translate such interest using the rate of exchange on the date of receipt. The above election will apply to other obligations held by the US Holder and may not be revoked without the consent of the IRS. Prior to making such an election, a US Holder of Notes should consult his own tax adviser as to the consequences resulting from such an election with respect to his own particular situation.

A US Holder will recognise exchange gain or loss (which will be treated as ordinary income or loss) with respect to accrued interest income on the date such income is received. The amount of ordinary income or loss recognised will equal the difference, if any, between the US dollar value of the Foreign Currency payment received (determined on the date such payment is received) in respect of such accrual period and the US dollar value of interest income that has accrued during such accrual period (as determined above).

Purchase, Sale, Exchange and Retirement of Notes

A US Holder who purchases a Note with previously owned Foreign Currency will recognise ordinary income or loss in an amount equal to the difference, if any, between such US Holder's tax basis in the Foreign Currency and the US dollar fair market value of the Foreign Currency used to purchase the Note, determined on the date of purchase.

Generally, upon the sale, exchange or retirement of a Note, a US Holder will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and such US Holder's adjusted tax basis in the Note. Such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange or retirement the Note has been held by such US Holder for more than one year. To the extent the amount realised represents accrued but unpaid interest, however, such amounts must be taken into account as ordinary interest income, with exchange gain or loss computed as described in "— Payments of Interest In a Foreign Currency" above. If a US Holder receives Foreign Currency on such a sale, exchange or retirement the amount realised will be based on the US dollar value of the Foreign Currency on the date the payment is received or the instrument is disposed of (or deemed disposed of). A US Holder's adjusted tax basis in a Note will equal the cost of the Note to such US Holder, increased by the amounts of any OID previously included in income by the US Holder with respect to such Note and reduced by any amortised acquisition or other premium and any principal payments received by the US Holder. A US Holder's tax basis in a Note, and the amount of any subsequent adjustments to such holder's tax basis, will be the US dollar value of the Foreign Currency amount paid for such Note, or of the Foreign Currency amount of the adjustment, determined on the date of such purchase or adjustment.

Gain or loss realised upon the sale, exchange or retirement of a Note that is attributable to fluctuations in currency exchange rates will be ordinary income or loss which will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between the US dollar value of the Foreign Currency principal amount of the Note, determined on the date such payment is received or the Note is disposed of, and the US dollar value of the Foreign Currency principal amount of the Note, determined on the date the US Holder acquired the Note. Such Foreign Currency gain or loss will be recognised only to the extent of the total gain or loss realised by the US Holder on the sale, exchange or retirement of the Note.

OID

In the case of a Discount Note, CPDI or Short-Term Note, (i) OID is determined in units of the Foreign Currency, (ii) accrued OID is translated into US dollars as described in "— Payments of Interest In a Foreign Currency — Accrual Method" above and (iii) the amount of Foreign Currency gain or loss on the accrued OID is determined by comparing the amount of income received attributable to the discount (either upon payment, maturity or an earlier disposition), as translated into US dollars at the rate of exchange on the date of such receipt, with the amount of OID accrued, as translated above.

Amortisable Bond Premium

Amortisable bond premium on a Note will be computed in the units of the Foreign Currency in which the Note is denominated (or in which the payments are determined). Amortisable bond premium properly taken into account will reduce the interest income in units of the Foreign Currency. Exchange gain or loss is realised with respect to the bond premium with respect to a Note issued with amortisable bond premium by treating the portion of premium amortised with respect to any period as a return of principal. With respect to any US Holder that does not elect to amortise bond premium, the amount of bond premium will constitute a market loss when the bond matures.

Exchange of Foreign Currencies

A US Holder will have a tax basis in any Foreign Currency received as interest or on the sale, exchange or retirement of a Note equal to the US dollar value of such Foreign Currency, determined at the time the interest is received or at the time of the sale, exchange or retirement. Any gain or loss realised by a US Holder on a sale or other disposition of Foreign Currency (including its exchange for US dollars or other use) will be ordinary income or loss.

Foreign Tax Credit

The total gross amount of interest, OID, plus any additional amounts (pursuant to Condition 7 (*Taxation*) of the "Terms and Conditions of the Notes") with respect thereto, will constitute interest income subject to US federal income tax. This amount will be considered income from sources outside the United States.

The amount of foreign tax, if any, withheld on this gross amount will be considered to be a foreign income tax that may either be deducted when computing US federal taxable income or, subject to limitations personal to the US Holder, claimed as a credit against US federal income tax liability. A US Holder may be required to provide the IRS with a certified copy of the receipt evidencing payment of withholding tax imposed in respect of payments on a Note in order to claim a foreign tax credit in respect of such foreign withholding tax.

Potential purchasers of Notes should carefully consider the applicable Final Terms for information regarding the US federal income tax consequences of payments by the Issuer of other taxes and of additional amounts.

Information Reporting and Backup Withholding

Payments of interest made within the United States or through certain US-related financial intermediaries generally are subject to information reporting and to backup withholding, unless, the Noteholder (i) is a corporation or comes within certain other exempt categories listed below, and if required, demonstrates this fact, or (ii) in the case of backup withholding, provides certain information discussed below. For each calendar year in which the Notes are outstanding, each DTC participant or indirect participant holding an interest in a Note on behalf of a beneficial owner of a Note and each paying agent making payments in respect of a Registered Note will generally be required to provide the IRS with certain information, including such beneficial owner's name, address, taxpayer identification number (either such beneficial owner's Social Security number, its employer identification number or its IRS individual taxpayer identification number, as the case may be), and the aggregate amount of interest (including OID) and principal paid to such beneficial owner during the calendar year. These reporting requirements, however, do not apply with respect to certain beneficial owners, including corporations, securities broker-dealers, other financial institutions, tax-exempt organisations, qualified pension and profit sharing trusts and individual retirement accounts.

In the event that a US beneficial owner of a Note fails to establish its exemption from such information reporting requirements or is subject to the reporting requirements described above and fails to supply its correct taxpayer identification number in the manner required by applicable law, or underreports its tax liability, as the case may be, the DTC participant or indirect participant holding such interest on behalf of such beneficial owner or paying agent making payments in respect of a Note may be required to "backup" withhold a tax on each payment of interest and principal with respect to Notes. This backup withholding tax is not an additional tax and may be credited against the beneficial owner's US federal income tax liability if the required information is furnished to the IRS. Compliance with the certification procedures contained in IRS Forms W-8BEN, W-8ECI or W-8EXP as appropriate will establish an exemption from information reporting and backup withholding for those Non-US Holders who are not otherwise exempt recipients.

Certain ERISA Considerations

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

The Issuer or dealers selling Notes or Warrants may each be considered a "party in interest" or a "disqualified person" with respect to many Plans. If permitted, the purchase of Notes or Warrants by a Plan with respect to which the Issuer or the dealers selling Notes or Warrants is a party in interest or a disqualified person may constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, depending in part on the type of Plan fiduciary making the decision to acquire Notes or Warrants and the circumstances under which such decision is made. There can be no assurance that any exception or exemption from the prohibited transaction rules will be available with respect to any particular transaction involving Notes or Warrants, or that, if an exemption is available, it will cover all aspects of any particular transaction. Any purchaser that is a Plan (to the extent Plans are permitted to purchase Notes or Warrants) should consult with counsel regarding the application of the exemption or any other statutory or administrative exemption.

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

Unless otherwise provided in a prospectus supplement or the Final terms, each purchaser or transferee by its purchase of any offered Note or Warrant (or any interest therein) will be deemed to represent, on each day from the date on which the purchaser or transferee acquires an offered Note or Warrant through and including the date on which the purchaser or transferee disposes of its interest in such offered Note or Warrant, either that (a) it is not a Plan, a Similar Law Plan, including any whose underlying assets include the assets of any Plan or Similar Law Plan for purposes of ERISA or any Similar Law, respectively or (b) it is a Similar Law Plan (that is not a Plan) and its purchase, holding and disposition of such Note or Warrant (or any interest therein) will not result in a violation of any Similar Law.

The sale of Notes or Warrants to a Plan or a Similar Law Plan is in no respect a representation by the Issuer or any of its affiliates that such an investment meets all relevant legal requirements with respect

to investments by Plans or Similar Law Plans generally or any particular Plan or Similar Law Plan, or that such an investment is appropriate for a Plan or a Similar Law Plan generally or any particular Plan or Similar Law Plan.

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

GENERAL INFORMATION

1. The continuation of the Programme and the issue of Notes and Warrants under the Programme have been duly authorised by and pursuant to resolutions of a Committee of the board of directors of the Issuer dated 30 July 2009.
2. The Notes and Warrants have been accepted for clearance through Euroclear and Clearstream, Luxembourg and DTC. The appropriate common code and the International Securities Identification Number in relation to the Notes and Warrants of each Series will be set out in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system which shall have accepted the relevant Notes or Warrants (as the case may be) for clearance together with any further appropriate information. The address of Euroclear Bank S.A./N.V. is 1 Boulevard du Roi Albert II, 1210 Brussels, Belgium. The address of Clearstream Banking, *société anonyme* is 42 Avenue JF Kennedy, L-1855 Luxembourg.
3. Settlement arrangements will be agreed between the Issuer, the relevant Dealer and the Principal Paying Agent or, as the case may be, the Registrar or Principal Warrant Agent in relation to each Tranche of Notes or Warrants.
4. In the case of unlisted Notes, Definitive Notes may not in all circumstances be printed from engraved steel plates. If they are not to be so printed, a statement to that effect will be made in the relevant Final Terms.
5. In relation to the Issuer, any transfer of, or payment in respect of, a Note, Warrant or Coupon involving the government of any country which is at the relevant time the subject of United Nations sanctions, any person or body resident in, incorporated in or constituted under the laws of any such country or exercising public functions in any such country, or any person or body controlled by any of the foregoing or by any person acting on behalf of the foregoing, may be subject to restrictions pursuant to such sanctions.
6. The Issuer will, at its registered office and at the specified offices of the Paying Agents and Warrant Agents, make available for inspection during normal office hours, free of charge, upon oral or written request, a copy of this Base Prospectus and any document incorporated by reference in this Base Prospectus. Written or oral requests for such documents should be directed to the specified office of any Paying Agent or Warrant Agent.
7. For so long as Notes or Warrants are capable of being issued under the Programme, the following documents may be inspected during normal business hours at the registered office of the Issuer:
 - (a) the Master Note Issuance Agreement, the Issuing and Paying Agency Agreement (including the scheduled forms of the Notes) and the Deed of Covenant;
 - (b) the Master Warrant Issuance Agreement and the Warrant Agency Agreement (to which is scheduled the form of Global Warrant);
 - (f) any Final Terms, save that Final Terms relating to a Note that is not listed or a Series of Warrants that is not listed will only be available for inspection by a holder of such Note or Warrant and such holder must provide evidence satisfactory to the Issuer as to the identity of such Holder; and

- (g) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).
- 8. Any instrument effecting or evidencing the transfer of a Warrant and executed in the United Kingdom will be inadmissible as evidence in United Kingdom civil proceedings unless duly stamped. An instrument of transfer executed outside the United Kingdom may also be inadmissible in United Kingdom civil proceedings unless duly stamped after it has been first received in the United Kingdom.

PART B - INFORMATION RELATING TO THE NOTES GENERALLY

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions applicable to the Notes of each Series, which, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Final Terms, will be incorporated by reference into each Note in global form and which will be endorsed on the Definitive Notes (if any) issued in exchange for Notes in global form representing each Tranche, details of the relevant Tranche being as set out in the relevant Final Terms. The Final Terms in relation to any Tranche may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following terms and conditions, replace or modify the following terms and conditions for the purpose of such Tranche. Terms and Conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes While in Global Form" below, any such provisions are summarised in these Terms and Conditions in italicised text .

The Notes are issued by HSBC Bank plc (the "**Issuer**") pursuant to a programme for the issuance of notes and warrants (the "**Programme**") established by the Issuer, are constituted by, and have the benefit of, a deed of covenant (the "**Deed of Covenant**") dated 30 July 2009. The Notes also have the benefit of a master note issuance agreement dated 24 February 1999 as modified, supplemented and/or restated on 25 February 2000, 29 March 2001, 18 June 2002, 1 August 2005, 29 June 2006, 2 August 2006, 2 August 2007, 31 July 2008 and 30 July 2009 (as further modified and/or amended from time to time, the "**Master Note Issuance Agreement**") and made between the Issuer and HSBC Bank plc as dealer (the "**Dealer**", which expression shall include any successor Dealer specified in the relevant Final Terms) and an issuing and paying agency agreement dated 24 February 1999 as modified, supplemented and/or restated on 25 February 2000, 29 March 2001, 18 June 2002, 1 August 2005, 29 June 2006, 2 August 2006, 2 August 2007, 31 July 2008 and 30 July 2009 (as further modified and/or amended from time to time, the "**Issuing and Paying Agency Agreement**") and made between the Issuer, HSBC Bank plc and HSBC France as calculation agents (HSBC Bank plc or, as the case may be, HSBC France being the "**Calculation Agent**" with respect to the Notes if so specified in the relevant Final Terms, which expression includes any successor or other Calculation Agent specified in the relevant Final Terms or appointed pursuant to the Issuing and Paying Agency Agreement), HSBC Bank plc or HSBC Bank USA, N.A. as transfer agent (HSBC Bank plc or, as the case may be, HSBC Bank USA, N.A. being the "**Transfer Agent**", which expression shall include any additional or successor or other Transfer Agent specified in the relevant Final Terms or appointed pursuant to the Issuing and Paying Agency Agreement), HSBC Bank plc as the principal paying agent (the "**Principal Paying Agent**", which expression shall include any additional or successor or other Principal Paying Agent specified in the relevant Final Terms or appointed pursuant to the Issuing and Paying Agency Agreement, and together with any additional paying agent specified in the relevant Final Terms or appointed pursuant to the Issuing and Paying Agency Agreement, the "**Paying Agents**"), HSBC Bank plc as issue agent (the "**Issue Agent**", which expression shall include any additional or successor or other Issue Agent specified in the relevant Final Terms or appointed pursuant to the Issuing and Paying Agency Agreement) and HSBC Bank plc or HSBC Bank USA, N.A. as registrar (HSBC Bank plc or, as the case may be, HSBC Bank USA, N.A. being the "**Registrar**", which expression shall include any additional or successor or other Registrar specified in the relevant Final Terms or appointed pursuant to the Issuing and Paying Agency Agreement).

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

of final terms ("**Final Terms**"), a copy of which will be attached to or endorsed on or incorporated by reference in each Note of such Tranche. Other than the issue date, the issue price and the date for the first payment of interest, the Notes of each Series will have identical terms and conditions save that a Series may comprise Bearer Notes and Registered Notes and Notes in more than one denomination. The Notes of each Tranche will have identical terms and conditions save that a Tranche may comprise Bearer Notes and Registered Notes and may comprise of Notes of different denominations.

Copies of the Master Note Issuance Agreement, the Issuing and Paying Agency Agreement and the Deed of Covenant are available for inspection by Holders (as defined below) of Notes, and copies of the relevant Final Terms, the Base Prospectus and any supplemental prospectus may be obtained in each case during normal business hours at the specified office of the Issuer and of the Paying Agent in London. The Holders (as defined below) for the time being of Notes (the "**Noteholders**", which expression shall, in the case of Bearer Notes, include reference to the Holders of the Coupons appertaining thereto) and of any coupons (the "**Coupons**") or talons (the "**Talons**") (the "**Couponholders**") are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Master Note Issuance Agreement and the relevant Final Terms which are applicable to them.

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

1. **Form, Denomination and Title**

(a) **Form**

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

Interest-bearing Definitive Notes will, if so specified in the relevant Final Terms, have attached thereto at the time of their initial delivery Coupons, presentation of which will be a prerequisite to the payment of interest in certain circumstances specified below. Interest-bearing Definitive Notes will also, if so specified in the relevant Final Terms, have attached thereto at the time of their initial delivery, a Talon for further coupons and the expression "**Coupons**" shall, where the context so permits, include Talons.

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

Notes may be issued on a partly paid basis ("**Partly Paid Notes**") if so specified in the relevant Final Terms and any further or alternative terms applicable thereto (including, without limitation, terms concerning payments of additional subscription amounts to be paid by the Noteholder after the Issue Date) shall be as set out in the relevant Final Terms.

(b) *Denomination*

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

(c) *Title*

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

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

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

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

(e) *Rule 144A Legend*

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

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

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

2. **Status**

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

3. **Fixed Rate Note Provisions**

a) *Application*

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

b) *Accrual of interest*

Fixed Rate Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 8 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 3 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Calculation Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

c) *Fixed Coupon Amount*

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

d) *Calculation of interest amount*

The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (as defined in Condition 18 (*Definitions*)) (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the denomination of such Note (as specified in the relevant Final Terms) divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

4. **Floating Rate Note, Index-Linked Interest Note and other variable-linked interest Note Provisions**

a) *Application*

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

b) *Accrual of interest*

Floating Rate Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 8 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Calculation Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

c) *Screen Rate Determination*

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

- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time;
 - (B) determine the arithmetic mean of such quotations; and
- (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at

approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

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

d) *ISDA Determination*

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

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

e) *Index-Linked Interest and other variable-linked interest*

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

f) *Maximum or Minimum Rate of Interest*

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

g) *Calculation of Interest Amount*

The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by

applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

h) *Calculation of other amounts*

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

i) *Publication*

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

j) *Notifications etc.*

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

5. **Variable Coupon Amount Notes and Zero Coupon Notes**

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

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

6. **Redemption and Purchase**

(a) *At Maturity*

Unless previously redeemed or purchased and cancelled, and subject as otherwise set out in the relevant Final Terms, each Note will be redeemed by the Issuer at an amount (the "**Final Redemption Amount**") as determined by the Issuer in its sole and absolute discretion and as calculated in accordance with the formula or other means specified in the relevant Final Terms, where applicable, in the relevant Specified Currency on the date specified in the relevant Final Terms as the scheduled date on which such Note is to be redeemed (the "**Maturity Date**") (or, in the case of Instalment Notes, in such number of instalments and in such amounts ("**Instalment Amounts**") as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms), in accordance with the provisions set out in the relevant Final Terms.

(b) *Redemption for Taxation Reasons*

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

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

the Issuer may, having given not less than 30 nor more than 45 days' notice (ending, in the case of Floating Rate Notes, on an Interest Payment Date) to the Noteholders in respect of such Series of Notes, redeem all, but not some only, of such Notes, at their Early Redemption Amount as determined by the Issuer in its sole and absolute discretion and calculated in accordance with the formula or other means specified in the relevant Final Terms together with interest accrued and unpaid, if any, to the date fixed for redemption *provided that* no such notice of redemption shall be given earlier than 90 days (or in the case of Floating Rate Notes or Variable Coupon Amount Notes a number of days which is equal to the lesser of the aggregate of the number of days in the then current Interest Period plus 60 days and 90 days) prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

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

Subject only to the obligation of the Issuer to use such endeavours as aforesaid, it shall be sufficient to establish the circumstances required to be established pursuant to this

Condition 6(b) if the Issuer shall deliver to the Principal Paying Agent a certificate of an independent legal adviser or accountant satisfactory to the Principal Paying Agent to the effect either that such a circumstance does exist or that, upon a change in or amendment to the laws of the United Kingdom (including any regulations pursuant thereto), or in the interpretation or administration thereof, which at the date of such certificate is proposed and in the opinion of such legal adviser or accountant is reasonably expected to become effective on or prior to the date on which the relevant payment of principal or interest in respect of the Notes would otherwise be made, becoming so effective, such circumstances would exist.

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

Where the Notes are specified in the relevant Final Terms as being redeemable at the option of the Issuer, the Issuer may at any time (in the case of Fixed Rate Notes or Zero Coupon Notes), on any Interest Payment Date (in the case of Floating Rate Notes or Variable Coupon Amount Notes) or otherwise as set out in the relevant Final Terms, having given not less than 5 nor more than 30 days' notice (or such other notice period as may be specified in the relevant Final Terms) to the Noteholders in accordance with Condition 13 (*Notices*) (which notice shall be irrevocable), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Redemption Amount (Call) as determined by the Issuer in its sole and absolute discretion and as calculated in accordance with the formula or other means specified in the relevant Final Terms, together with interest accrued but unpaid thereon to the date fixed for redemption.

Where a Minimum Redemption Amount and/or a Maximum Redemption Amount is specified in the relevant Final Terms, the Redemption Amount (Call) shall not be less than the Minimum Redemption Amount and shall not be more than the Maximum Redemption Amount.

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

- (i) in the case of Bearer Notes (other than a Note which is a Temporary Global Note or a Permanent Global Note), the Notes to be redeemed shall be drawn by lot in such European city as the Principal Paying Agent may specify, or identified in such other manner or in such other place as the Principal Paying Agent may approve and deem appropriate and fair, subject to the rules and procedures of Euroclear and/or Clearstream, Luxembourg (such redemption to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion); and
- (ii) in the case of Registered Notes, the Notes shall be redeemed (so far as may be practicable) *pro rata* to their principal amounts, provided always that the amount redeemed in respect of each Note shall be equal to the minimum denomination thereof or an appropriate multiple thereof,

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

In the case of the redemption of part only of a Registered Note, a new Registered Note in respect of the unredeemed balance shall be issued in accordance with Condition 12 (*Replacement, Exchange and Transfer*) which shall apply as in the case of a transfer of Registered Notes as if such new Registered Note were in respect of the untransferred balance.

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

Where the Notes are specified in the relevant Final Terms as being redeemable at the option of Noteholders, then where a Noteholder has given:

- (i) not less than 15 nor more than 30 days' notice to the Issuer in accordance with Condition 13 (*Notices*); and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Issue Agent,

(which notices shall be irrevocable), the Issuer shall, following receipt of such notice from the Noteholder and confirmation from the Issue Agent that it has been duly notified, redeem, subject to any terms specified in the relevant Final Terms, so many of the Notes in respect of which such Noteholder has exercised such option as are outstanding on the Optional Redemption Date and at the Redemption Amount (Put) as determined by the Issuer in its sole and absolute discretion as calculated in accordance with the formula or other means specified in the relevant Final Terms, together with interest accrued but unpaid thereon to the date fixed for redemption.

Where a Minimum Redemption Amount and/or a Maximum Redemption Amount is specified in the relevant Final Terms, the Redemption Amount (Put) shall not be less than the Minimum Redemption Amount and shall not be more than the Maximum Redemption Amount.

In order for any such notice given by a Noteholder to be effective, the Noteholder shall, on or prior to the date on which such notice is given, deposit the Note or Notes in respect of which such notice is given (together, in the case of an interest-bearing Definitive Note, with any unmatured Coupons appertaining thereto) with, in the case of a Bearer Note, any Paying Agent, or, in the case of a Registered Note, the Registrar together with a duly completed redemption notice in the form which is available from the specified office of any of the Paying Agents or, as the case may be, the Registrar. The Holder of a Note may not exercise such option in respect of any Note which is the subject of an exercise by the Issuer of its option to redeem such Note under Condition 6(b) (*Redemption for Taxation Reasons*), 6(c) (*Redemption at the Option of the Issuer*) or Condition 6(h) (*Illegality*).

(e) *Purchases*

Each of the Issuer and any person directly or indirectly connected with the Issuer may at any time purchase Notes at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer cancelled.

(f) *Cancellation*

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

(g) *Zero Coupon Notes*

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

(h) *Illegality*

The Issuer shall have the right to terminate its obligations under the Notes, if the Calculation Agent shall have determined in its absolute discretion, that the performance of such obligations shall have become unlawful or impracticable in whole or in part, in particular as a result of compliance with any applicable present or future law, rule, regulation, judgment, order or directive or with any requirement or request of any governmental, administrative, legislative or judicial authority or power. In such circumstances the Notes shall be redeemable at the option of the Issuer in accordance with Condition 6(c) (*Redemption at the Option of the Issuer*) even if Condition 6(c) (*Redemption at the Option of the Issuer*) is specified as "not applicable" in the relevant Final Terms and as if references therein to "Redemption Amount (Call)" were references to "Early Redemption Amount".

(i) *Other Redemption Provisions*

The relevant Final Terms may provide for other circumstances in which Notes may or shall be redeemed, the amount payable on such redemption in respect of principal only, principal and interest or interest only and whether or not Notes so redeemed shall or may be cancelled pursuant to Condition 6(f) (*Cancellation*).

7. Taxation

Except as otherwise set out in the relevant Final Terms, all payments by the Issuer of principal and interest in respect of the Notes will be made without withholding or deduction for or on account of any taxes, duties, assessments or governmental charges of whatever nature, present or future, as are imposed or levied by or on behalf of the United Kingdom unless the Issuer is required by law to withhold or deduct any such taxes, duties, assessments or governmental charges.

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

- (a) to, or to a third party on behalf of, a Holder of a Note or Coupon who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of it having some connection with the United Kingdom or any other relevant jurisdiction, other than the mere holding of such Note or Coupon; or
- (b) unless it is proved, in the case of Bearer Notes, to the satisfaction of the Principal Paying Agent or the Paying Agent to whom the same is presented, or, in the case of Registered Notes, to the satisfaction of the Registrar, that the Holder is unable to avoid such withholding or deduction by satisfying any statutory requirement or by

making a declaration of non-residence or other similar claim for exemption to the relevant tax authorities or by notifying (and/or presenting evidence of such notification to) any tax authorities of such payment of principal or interest or by presenting the relevant Note or Coupon at the specified office of another Paying Agent; or

- (c) more than 30 days after the Relevant Date (defined below) except, in the case of Bearer Notes, to the extent that the Holder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days; or
- (d) in the case of Registered Notes, unless it is proved to the satisfaction of the Registrar that the Holder, immediately upon becoming the Holder, (i) was eligible for the benefits of a tax treaty with the United Kingdom or any other relevant jurisdiction that provides for a complete exemption from withholding taxes on payments under the Notes, or (ii) was otherwise entitled to a complete exemption from withholding taxes on payments under the Notes; or
- (e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (f) to, or to a third party on behalf of, a Holder who is not the sole beneficial owner of the Note or any Coupon, or a portion of either, or that is a fiduciary or partnership, but only to the extent that a beneficiary or settlor with respect to the fiduciary, a beneficial owner or member of the partnership would not have been entitled to the payment of an additional amount had the beneficiary, settlor, beneficial owner or member received directly its beneficial or distributive share of the payment.

As used herein, the "**Relevant Date**" means the date on which such payment first becomes due but, in the case of Bearer Notes, if the full amount of the money payable has not been received by the Principal Paying Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such money having been so received, notice to that effect shall have been duly given to the relevant Holders in accordance with Condition 13 (*Notices*).

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

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

8. **Payments**

a) *Bearer Notes*

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

Payments of amounts due in respect of interest on Bearer Notes and exchanges of Talons for Coupon sheets will not be made at the specified office of any Paying Agent in the United States or its possessions (as defined in the US Internal Revenue Code and Regulations thereunder) unless (a) payment in full of amounts due in respect of interest on such Notes when due or, as the case may be, the exchange of Talons at all the specified offices of the Paying Agents outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions and (b) such payment or exchange is permitted by applicable United States law, in which case the Issuer shall forthwith appoint a further Paying Agent with a specified office in New York City.

If the due date for payment of any amount due in respect of any Bearer Note is not both a Relevant Financial Centre Day and, if such Bearer Note is a Definitive Note or if the Final Terms so specify, a local banking day (each as defined below), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Conditions in which event interest shall continue to accrue as provided in Conditions 3, 4 or 5, as appropriate.

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

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

Upon the due date for redemption of any Definitive Note other than a Fixed Rate Note, all unmatured Coupons and Talons (if any) relating to such Definitive Note (whether or not attached) shall become void and no payment shall be made in respect of them.

Definitive Notes which are Fixed Rate Notes should be presented for payment with all unmatured Coupons appertaining thereto, failing which the face value of any missing unmatured Coupon (or, in the case of payment not being made in full, that portion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total amount of principal due) will be deducted from the sum due for payment. Any amount of principal so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon within a period of ten years from the Relevant Date (as defined in Condition 7 (*Taxation*)) for the payment of such principal, whether or not such Coupon has become void

pursuant to Condition 11 (*Prescription*) or, if later, five years from the date on which such Coupon would have become due.

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

Upon any Definitive Notes becoming due and repayable prior to their Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

In relation to Definitive Notes initially delivered with Talons attached thereto, on or after the due date for the payment of interest on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent outside the United States (save as provided above) in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 11 (*Prescription*) below. Each Talon shall, for the purpose of these Conditions, be deemed to mature on the due date for the payment of interest on which the final Coupon comprised in the relative Coupon sheet matures.

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

b) *Registered Notes*

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

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

Payment will be made in the currency in which such amount is due either by cheque posted to the Noteholder's registered address (or, in the case of joint Holders, the first-named) not later than the relevant due date for payment unless prior to the relevant Record Date the Holder thereof (or, in the case of joint Holders, the first-named) has applied to the Registrar or to the Transfer Agent and the Registrar or, as the case may be, the Transfer Agent has acknowledged such application for payment to be made to a designated account denominated in the relevant Specified Currency (as defined in Condition 18 (*Definitions*)), in each case as specified in paragraph (c) below.

c) *General Provisions*

The following provisions apply to both Bearer Notes and Registered Notes. Payments of amounts due (whether principal, interest or otherwise) in respect of Notes will be made in the relevant Specified Currency (as defined in Condition 18 (*Definitions*)) either by cheque or, at the option of the payee, by transfer to an account in the relevant Specified Currency specified by the payee other than, for payments in respect of Bearer Notes, any such account in the United States.

Payments and deliveries will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*).

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

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

9. **Redenomination**

a) *General*

Where redenomination is specified in the relevant Final Terms as being applicable, and in respect of Notes denominated in a National Currency Unit (as defined in Condition 21(i) (*Effects of European Economic and Monetary Union*)), the Issuer may, without the consent of the Noteholders, upon giving at least 30 days' prior notice to the Noteholders in accordance with Condition 13 (*Notices*), designate a Redenomination Date.

With effect from the Redenomination Date:

- (i) each Note shall (unless already so provided by mandatory provisions of applicable law) be deemed to be redenominated into such amount of euro in the denomination of euro 0.01 with a principal amount for each Note equal to the principal amount of that Note in the Specified Currency, converted into euro at the rate for the conversion of the relevant Specified Currency into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with EC regulations); *provided, however, that* if the Issuer determines, with the agreement of the Principal Paying Agent, then market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the Paying Agents of such deemed amendments;
- (ii) if Notes are in definitive form:
 - (A) all unmatured Coupons denominated in the relevant Specified Currency (whether or not attached to the Notes) will become void with effect from the date (the "**Euro Exchange Date**") on which the Issuer gives notice (the "**Euro Exchange Notice**") to the Noteholders that replacement Notes and Coupons denominated in euro are available for exchange (*provided that* such Notes and Coupons are available) and no payments will be made in respect thereof;
 - (B) the payment obligations contained in all Notes denominated in the Specified Currency will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 9(a)(ii)) shall remain in full force and effect; and
 - (C) new Notes and Coupons denominated in euro will be issued in exchange for Notes and Coupons denominated in the relevant Specified Currency in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in the Euro Exchange Notice;
- (iii) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as the relevant Specified Currency ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro, as though references in the Notes to the Specified Currency were to euro. Such payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with a bank in the principal financial centre of any member state of the European Communities; and;
- (iv) such other changes will be made to the terms and conditions of the Notes as the Issuer may decide, with the prior approval of the Principal Paying Agent, to conform such Notes to conventions then applicable to Notes denominated in euro. Any such other changes will not take effect until after it has been notified to the Noteholders in accordance with Condition 13 (*Notices*).

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

b) *Interest*

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

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

- (v) in respect of Floating Rate Notes, the Rate of Interest for any subsequent Interest Period shall be determined by the Calculation Agent on the basis of provisions which it determines, in its sole and absolute discretion, reflects the market practice in respect of internationally offered euro denominated securities.

10. **Events of Default**

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

- (a) there is a default for more than fourteen days in the repayment of any principal due on the Notes of such Series or any of them or in the payment of any interest due in respect of the Notes of such Series or any of them, *provided that* it shall not be such a default to withhold or refuse any such payment (1) in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment or (2) in cases of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice given at any time during the said period of fourteen days by independent legal advisers acceptable to the Principal Paying Agent as to such validity or applicability; or
- (b) an order is made or an effective resolution is passed for the winding up of the Issuer in England (otherwise than in connection with a scheme of reconstruction or amalgamation the terms of which shall previously have been approved in writing by an Extraordinary Resolution of the Holders of the relevant Series of Notes),

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

11. **Prescription**

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

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

12. **Replacement, Exchange and Transfer**

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

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

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

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

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

As used herein:

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

- (c) the "**transfer date**" shall be the Relevant Banking Day following the day on which the relevant Registered Note shall have been surrendered for transfer in accordance with the foregoing provisions.

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

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

13. Notices

- (a) *Notices to Noteholders*

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

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

All notices to Holders of Notes or the Coupons appertaining thereto will be valid, in the case of Notes in global form, if delivered to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, depository or common safekeeper (as may be agreed between the Issuer and the Dealer) for communication by them to the persons shown in their respective records as having interests therein; provided that, in each case, in the case of Notes that have been admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, the rules of such listing authority, stock exchange and/or quotation system have been complied with. Any such notice shall be deemed to have been given on the date of such delivery or, if the Notes are admitted to listing, trading and/or quotation and publication is required under the applicable rules of the relevant listing authority, stock exchange and/or quotation system, on the date of publication or, if published more than once, on the date of the first such publication (or, if required to be published in more than one newspaper, on the first date on which publication shall have been made in the required newspapers).

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

(b) *Notices from Noteholders*

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

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

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

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

- (i) so long as any Series of Notes have been admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, there will at all times be, in relation to such Series, a Paying Agent (in the case of a Series wholly or partly in the form of Bearer Notes), and a Transfer Agent and a Registrar (in the case of a Series wholly or partly in the form of Registered Notes), each with a specified office in such place as may be required by the rules and regulations of the relevant listing authority, stock exchange and/or quotation system by which the Notes have then been admitted to listing, trading and/or quotation;
 - (ii) so long as any Bearer Notes are outstanding, there will at all times be a Paying Agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000;
 - (iii) so long as any Bearer Notes are outstanding, there will at all times be a Principal Paying Agent; and
 - (iv) so long as any Registered Notes are outstanding, there will at all times be a Registrar and a Transfer Agent.
- (b) In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the second paragraph of Condition 8(a) (*Payments - Bearer Notes*). Any variation, termination, appointment or change shall only take effect (other than in the case of an insolvency, when it shall be of immediate effect) after notice has been given to the Noteholders in accordance with Condition 13 (*Notices*).

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

The Master Note Issuance Agreement contains provisions for convening meetings of the Holders of the Notes of any Series to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes or any of the provisions of the Master Note Issuance Agreement. Such a meeting may be convened by the Issuer or by Holders of the Notes of any Series holding not less than five per cent. in nominal amount of the

Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Holders of the Notes of any Series whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes (including modifying the date of maturity of the Notes, reducing or cancelling the amount of principal payable in respect of the Notes or altering the currency of payment of the Notes), the quorum shall be one or more persons holding or representing not less than 75 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing a clear majority, in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Holders of the Notes of any Series shall be binding on all the Noteholders, whether or not they are present at the meeting.

The Issue Agent and the Issuer may agree, without the consent of the Noteholders, to:

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

Any such modification shall be binding on the Noteholders and any such modification shall be notified to the Noteholders in accordance with Condition 13 (*Notices*) as soon as practicable thereafter.

The Issue Agent and the Issuer may also agree, without the consent of the Noteholders, to the substitution of a subsidiary or holding company of the Issuer or any subsidiary of any such holding company (the "**New Issuer**") in place of the Issuer as principal debtor under the Notes of any Series and the Coupons appertaining thereto (if any), *provided that* such Notes and the Coupons appertaining thereto (if any) are irrevocably guaranteed by the Issuer. In the event of any such substitution, any reference in these Conditions to the Issuer shall be construed as a reference to the New Issuer. Any such substitution shall be promptly notified to the relevant Noteholders in accordance with Condition 13 (*Notices*). In connection with such right of substitution, the Issuer shall not be obliged to have regard to the consequences of the exercise of such right for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory, and no Noteholder shall be entitled to claim from the Issuer any indemnification or payment in respect of any tax consequence of any such substitution upon such Noteholder.

16. **Provision of Information**

The Issuer shall, during any period in which it is not subject to and in compliance with the periodic reporting requirements of Section 13 or 15(d) of the United States Securities Exchange

Act of 1934, as amended (the "**Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, duly provide to any Holder of a Note which is a "restricted security" within the meaning of Rule 144(a)(3) under the Securities Act or to any prospective purchaser of such securities designated by such Holder, upon the written request of such Holder or (as the case may be) prospective Holder addressed to the Issuer and delivered to the Issuer or to the specified office of the Registrar, the information specified in Rule 144A(d)(4) under the Securities Act.

17. **Further Issues**

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

18. **Definitions**

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

"**Business Centre**" means the city or cities specified as such in the relevant Final Terms;

"**Business Day**" means:

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

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

- (i) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in

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

"Calculation Amount" has the meaning given in the relevant Final Terms;

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

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

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

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

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days in such Regular Period and (2) the number of Regular Periods in any one year; and

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

"**Early Redemption Amount**" has the meaning given in the relevant Final Terms;

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

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

"First Interest Payment Date" means the date specified in the relevant Final Terms;

"Final Redemption Amount" has the meaning ascribed thereto in Condition 6(a) (*Redemption and Purchase - At Maturity*);

"Interest Determination Date" means the day determined by the Calculation Agent, in its sole and absolute discretion, to be customary for fixing the Reference Rate applicable to deposits in the relevant currency for the relevant Interest Period; *provided that* where so specified in the relevant Final Terms, such day shall be a day (i) if such currency is euro, which is a Euro Business Day, and (ii) if such currency is any other currency, on which commercial banks and foreign exchange markets are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre or centres of the country of such currency (or where such currency is a National Currency Unit (as defined in Condition 21(i) (*Effects of European Monetary Union*))) and the Notes have been redenominated into euro pursuant to Condition 9 (*Redenomination*), the former principal financial centre or centres);

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

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

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

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

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

"Option" has the meaning given in the relevant Final Terms;

"Optional Redemption Date" means such date on which the Notes are being redeemed pursuant to Condition 6(c) (*Redemption at the Option of the Issuer*) or 6(d) (*Redemption at the Option of the Noteholder*);

"Redemption Amount (Call)" means such amount as determined by the Issuer in its sole and absolute discretion and as calculated in accordance with the formula or other means specified in the relevant Final Terms, pursuant to Condition 6(c) (*Redemption at the Option of the Issuer*);

"Redemption Amount (Put)" means such amount as determined by the Issuer in its sole and absolute discretion and as calculated in accordance with the formula or other means specified in the relevant Final Terms, pursuant to Condition 6(d) (*Redemption at the Option of the Noteholder*);

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

- (i) is specified by the Issuer in the notice given to the Noteholders pursuant to Condition 9(a) (*Redenomination - General*); and
- (ii) falls on or after such date as the country of the Specified Currency becomes a Participating Member State (as defined in Condition 21(i) (*Effects of European Economic and Monetary Union*));

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

"Reference Rate" has the meaning given in the relevant Final Terms;

"Registered Noteholders" means the persons for the time being and from time to time registered as holders of the Notes (including each person who is for the time being and from time to time entitled to be registered as a holder);

"Regular Period" means:

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

"Relevant Financial Centre Day" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre or centres for the currency in which payment falls to be made (or, where such currency is a National

Currency Unit (as defined in Condition 21(i) (*Effects of European Economic and Monetary Union*)) and the Notes have been redenominated into euro pursuant to Condition 9 (*Redenomination*), the former principal financial centre or centres) and in any other place set out in the Final Terms. In the case of payments which fall to be made in euro (save for payments in relation to Notes which have been redenominated into euros pursuant to Condition 9 (*Redenomination*)), a Euro Business Day;

"**Relevant Financial Centre**" has the meaning given in the relevant Final Terms;

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

"**Relevant Time**" has the meaning given in the relevant Final Terms;

"**Specified Currency**" has the meaning given in the relevant Final Terms;

"**Specified Period**" has the meaning given in the relevant Final Terms;

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

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

19. **Third Party Rights**

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

20. **Governing Law**

(a) *Governing law*

The Notes and all contractual and non-contractual matters arising from or connected with the Notes are governed by, and shall be construed in accordance with, English law.

(b) *English courts*

The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**"), arising from or connected with the Notes (including any Dispute regarding the existence, validity or termination of the Notes) or the consequences of their nullity.

SUBSCRIPTION AND SALE OF NOTES

HSBC Bank plc (the "**Dealer**") has in a master note issuance agreement dated 24 February 1999 as modified, supplemented and/or restated on 25 February 2000, 29 March 2001, 18 June 2002, 1 August 2005, 29 June 2006, 2 August 2006, 2 August 2007, 31 July 2008 and 30 July 2009 (such master note issuance agreement as modified and/or amended from time to time, the "**Master Note Issuance Agreement**") agreed with the Issuer a basis upon which it may from time to time agree either as principal or agent of the Issuer to subscribe for or purchase, to underwrite or, as the case may be, to procure subscribers or purchasers for Notes. The Master Note Issuance Agreement contains provisions for the Issuer to appoint other dealers (together with the Dealer, the "**Dealers**") from time to time either generally in respect of the Programme or in relation to a particular Tranche of Notes.

General

Other than with respect to the admission to listing, trading and/or quotation by one or more listing authorities, stock exchanges and/or quotation systems as may be specified in the Final Terms, no action has been or will be taken in any country or jurisdiction by the Issuer or the Dealer that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealer to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

The Master Note Issuance Agreement provides that the Dealer shall not be bound by any of the restrictions relating to any specific jurisdiction (set out below) to the extent that such restrictions shall, as a result of change(s) in, or change(s) in official interpretation of, after the date hereof, applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealer described in the first paragraph under the heading "General" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or (in any other case) in a supplement to this Base Prospectus.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented (or in the case of those Member States which have not yet implemented the Prospectus Directive, will implement) the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject to the offering contemplated by the Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-Exempt Offer**"), following the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State or,

where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, *provided that* any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable;

- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (d) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer;
- (e) at any time if any other circumstances falling within Article 3(2) of the Prospectus Directive; or
- (f) at any time if the denomination per Note being offered amounts to at least €50,000,

provided that no such offer of Notes referred to in (b) to (f) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State by any measure implementing the Prospectus Directive in that Member State.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA would not, if it was not an authorised person, apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

United States of America

The Notes have not been and will not be registered under the Securities Act or any securities laws of any state of the United States or the securities laws of any other jurisdiction, and, unless so registered, may not be offered or sold within the United States or to, or for the account or benefit of, US persons

(as defined in Regulation S under the Securities Act ("**Regulation S**")) except in accordance with Rule 144A, to non-US persons (as defined in Regulation S) in offshore transactions in reliance of Regulation S or pursuant to an exemption from or a transaction not subject to the registration requirements of the Securities Act and in compliance with any other applicable securities laws.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes and will not offer and sell any Notes within the United States or to, or for the account or benefit of, US persons (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the first day on which the Tranche of which such Notes are a part was first offered to persons other than distributors and the date of closing of such offering (the "**Distribution Compliance Period**"), as determined and certified to the Issuer by the relevant Dealer (or, in the case of a sale of a Tranche of the Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Issuer shall notify each such Dealer when all such Dealers have so certified), except in accordance with Rule 903 of Regulation S or Rule 144A except as set forth below. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and will comply with the offering restrictions requirements of Regulation S. Each Dealer and its affiliates also have agreed that, at or prior to confirmation of sale of the Notes (other than sale of the Notes pursuant to Rule 144A), it will have sent to each Dealer, distributor or person receiving a selling concession, fee or other remuneration to which it sells Notes during the Distribution Compliance Period (other than resales pursuant to Rule 144A) a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, US persons to substantially the following effect:

"The Notes covered hereby have not been registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States or to, or for the account or benefit of, US persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the first day on which the Tranche of Notes of which such Notes are a part was first offered to persons other than distributors and the date of closing of such offering, as determined and certified by the relevant Dealer or Dealers, except in either case in accordance with Regulation S under, or pursuant to an available exemption from the registration requirements of, the Securities Act. Terms used above have the meaning given to them by Regulation S of the Securities Act."

Terms used in the above paragraph have the meanings given to them by Regulation S.

- (1) The Notes are being offered and sold outside the United States to non-US persons in reliance on Regulation S. The Master Note Issuance Agreement provides that the Dealers may directly or through their respective US broker-dealer affiliates arrange for the offer and resale of Notes within the United States only to qualified institutional buyers in reliance on Rule 144A.
- (2) Each Dealer will agree that it will not, acting either as principal or agent, offer or sell any Notes in the United States other than Notes in registered form bearing a restrictive legend thereon, and it will not, acting either as principal or agent, offer, sell, reoffer or resell any of such Notes (or approve the resale of any such Notes):
 - (a) except (A) inside the United States through a US broker dealer that is registered under the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), to institutional investors, each of which such Dealer reasonably believes is a

"qualified institutional buyer" (as defined in Rule 144A thereunder), or a fiduciary or agent purchasing Notes for the account of one or more qualified institutional buyers or (B) otherwise in accordance with the restrictions on transfer set forth in such Notes, the Master Note Issuance Agreement, the Base Prospectus and the relevant Final Terms; or

- (b) by means of any form of general solicitation or general advertisement, including but not limited to (A) any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast of television or radio and (B) any seminar or meeting whose attendees have been advised by any general solicitation or general advertising.

Prior to the sale of any Notes in registered form bearing a restrictive legend thereof, the selling Dealer shall have provided each offeree that is a US person (as defined in Regulation S) with a copy of the Base Prospectus in the form the Issuer and Dealers shall have agreed most recently shall be used for offers and sales in the United States.

- (3) Each Dealer will represent and agree that in connection with each sale to a qualified institutional buyer it has taken or will take reasonable steps to ensure that the purchaser is aware that the Notes have not been and will not be registered under the Securities Act and that transfers of Notes are restricted as set forth herein and, in the case of sales in reliance upon Rule 144A, that the selling Dealer may rely upon the exemption provided by Rule 144A under the Securities Act.

Each purchaser of such Notes is hereby notified that the offer and sale of such Notes may be made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A.

In addition, until 40 days after the commencement of the offering of any Tranche of Notes, an offer or sale of Notes of such Tranche within the United States by any dealer (whether or not participating in the offering of such Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

The Issuer and the Dealers reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than the number of Notes which may be offered pursuant to Rule 144A.

The Bearer Notes are also subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a US person, except in certain transactions permitted by US tax regulations. Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder.

For Bearer Notes issued in accordance with the provisions of US Treasury Regulation 1.163-5(c)(2)(i)(D) (the "**D Rules**"), each Dealer will represent, warrant and agree that (a) except to the extent permitted under the D Rules, (i) it has not offered or sold, and during the restricted period will not offer or sell, any such Bearer Notes to a person who is within the United States or its possessions or to a United States person and (ii) it has not delivered and will not deliver within the United States or its possessions any Definitive Notes that are sold during the restricted period; (b) it has and throughout the restricted period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling such Bearer Notes are aware that such Bearer Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules; (c) if it is a United States person, it is acquiring such Bearer Notes for the purposes of resale in connection with their original

issuance and if it retains such Bearer Notes for its own account, it will only do so in accordance with the requirements of US Treasury Regulation §1.163-5(c)(2)(i)(D)(6); and (d) with respect to each affiliate that acquires from it such Bearer Notes for the purpose of offering or selling such Bearer Notes during the restricted period, such Dealer repeats and confirms the representations and agreements contained in this Subscription and Sale of Notes section. Terms used in this paragraph have the meaning given to them by the US Internal Revenue Code and regulations thereunder, including the D Rules.

Permanent Global Notes in bearer form issued in accordance with the D Rules will include the following legend on the face of the Bearer Notes, Talons and Coupons:

"Any United States person who holds this obligation will be subject to the limitations under the United States income tax laws, including the limitations provided in section 165(j) and 1287(a) of the Internal Revenue Code."

For Bearer Notes issued in accordance with the provisions of US Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**C Rules**"), such Bearer Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. Each Dealer will represent, warrant and agree that it has not engaged in interstate commerce in connection with such issuance and has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, such Bearer Notes within the United States or its possessions in connection with their original issuance. Further, each Dealer will represent, warrant and agree in connection with the original issuance of such Bearer Notes that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if either of such Dealer or such prospective purchaser is within the United States or its possessions and will not otherwise involve any of its US offices in the offer or sale of such Bearer Notes. Terms used in this paragraph have the meaning given to them by the US Internal Revenue Code and regulations thereunder, including the C Rules.

Selling Restrictions Addressing Additional France Securities Laws

Each of the Dealers and the Issuer has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*) all as defined in, and in accordance with, articles L.411-1, L.411-2, D.411-1 and D.411-2 of the French *Code monétaire et financier*, but excluding individuals referred to in Article D.411-1 II 2. Each Dealer has represented and agreed that the offer of Notes to the public in France will be made only in compliance with the Prospectus Directive and the applicable laws, regulations and procedures in France.

Hong Kong

Each Dealer has represented and agreed that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and (ii) it has not issued or had in its possession for the

purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Selling Restrictions Addressing Additional Republic of Italy Securities Laws

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed that, save as set out below, it has not offered or sold, and will not offer or sell, any Notes in the Republic of Italy in an offer to the public and that sales of the Notes in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Accordingly, each Dealer has represented and agreed that it will not offer, sell or deliver any Notes or distribute copies of this Base Prospectus and any other document relating to the Notes in the Republic of Italy except:

- (1) to "qualified investors", as referred to in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (" **Decree No. 58**"), and defined in article 34-ter of CONSOB Regulation no. 11971 of 14 May 1999, as amended ("Regulation No. 11971");
- (2) that it may offer, sell or deliver Notes or distribute copies of any prospectus relating to such Notes in an offer to the public in the period commencing on the date of publication of such prospectus, *provided that* such prospectus has been approved in another Relevant Member State and notified to CONSOB, all in accordance with the Prospectus Directive, as implemented in Italy under Decree No. 58 and Regulation No. 11971, and ending on the date which is 12 months after the date of publication of such prospectus; and
- (3) in any other circumstances where an express exemption from compliance with the solicitation restrictions applies, as provided under Decree No. 58 or Regulation No. 11971.

Any such offer, sale or delivery of the Notes or distribution of copies of the Base Prospectus or any other document relating to the Notes in the Republic of Italy must be:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993 as amended, Decree No. 58, CONSOB Regulation No. 16190 of 29 October 2007, as amended and any other applicable laws and regulations; and
- (b) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

Provisions relating to the secondary market in Italy

Investors should also note that, *in any subsequent distribution of the Notes in the Republic of Italy, Article 100-bis of Decree No. 58 may require compliance with the law relating to public offers of securities. Furthermore, where the Notes are placed solely with "qualified investors" and are then systematically resold on the secondary market at any time in the 12 months following such placing, purchasers of Notes who are acting outside of the course of their business or profession may in certain circumstances be entitled to declare such purchase void and, in addition, to claim damages from any*

authorised person at whose premises the Notes were purchased, unless an exemption provided for under Decree No. 58 applies.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, each Dealer has undertaken that it will not offer or sell any Notes directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, "**Japanese Person**" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Selling Restrictions Addressing Additional The Netherlands Securities Laws

Zero Coupon Instruments (as defined below) in definitive form of the Issuer may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the Issuer or a member firm of NYSE Euronext Amsterdam in full compliance with the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) of 21 May 1985 (as amended) and its implementing regulations. No such mediation is required: (a) in respect of the transfer and acceptance of rights representing an interest in a Zero Coupon Instrument in global form, or (b) in respect of the initial issue of Zero Coupon Instruments in definitive form to the first holders thereof, or (c) in respect of the transfer and acceptance of Zero Coupon Instruments in definitive form between individuals not acting in the conduct of a business or profession, or (d) in respect of the transfer and acceptance of such Zero Coupon Instruments within, from or into The Netherlands if all Zero Coupon Instruments (either in definitive form or as rights representing an interest in a Zero Coupon Instrument in global form) of any particular Series are issued outside The Netherlands and are not distributed into The Netherlands in the course of initial distribution or immediately thereafter. As used herein, "**Zero Coupon Instruments**" are Instruments that are in bearer form and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

Selling Restrictions Addressing Additional Kingdom of Spain Securities Laws

Each Dealer has represented and agreed that the Notes may not be offered, sold or distributed in the Kingdom of Spain save in accordance with the requirements of Law 24/1988, of 28 July, on the Securities Market (*Ley 24/1988, de 28 de julio, del Mercado de Valores*) (the "LMV") as amended and restated, and Royal Decree 1310/2005, of 4 November 2005, partially developing Law 24/1988, of 28 July, on the Securities Market in connection with listing of securities in secondary official markets, initial purchase offers, rights issues and the prospectus required in these cases (*Real Decreto 1310/2005, de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 de Julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*), as amended and restated, and the decrees and regulations made thereunder and by institutions authorised under the LMV and Royal Decree 217/2008, of 15 February, on the legal regime applicable to investment services companies (*Real Decreto 217/2008, de 15 de febrero, sobre el régimen jurídico de las empresas de servicios de inversión y de las demás entidades que prestan servicios de inversión y por el que se modifica parcialmente el Reglamento de la Ley 35/2003, de 4 de noviembre, de Instituciones de Inversión Colectiva, aprobado por el Real Decreto 1309/2005, de 4 de noviembre*) to provide investment services in Spain.

Switzerland

The Base Prospectus and any Final Terms relating to the Notes do not constitute an issue prospectus pursuant to Art. 652a or Art. 1156 of the Swiss Code of Obligations and may not comply with the Directive for Notes of Foreign Borrowers of the Swiss Bankers Association. The Notes are not listed on the SIX Swiss Exchange and, therefore, the Base Prospectus and any Final Terms may not comply with the disclosure standards of the listing rules of the SIX Swiss Exchange. As at the date of this Base Prospectus, the Issuer does not intend to list Notes on the SIX Swiss Exchange.

Accordingly, the Notes may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors, who do not subscribe to the Notes with a view to distribution. The investors will be individually approached by the Dealer(s) from time to time.

The Base Prospectus or any Final Terms do not constitute investment advice or an offer to any person to purchase the Notes. The Base Prospectus and any Final Terms may not be publicly distributed or otherwise made publicly available in or from Switzerland. The Base Prospectus and any Final Terms may only be used by those persons to whom they have been delivered by the Issuer or any Dealer and may neither be copied nor directly or indirectly distributed or made available to other persons without the express consent of the Issuer or the Dealer(s).

Should any Series of Notes be publicly issued in Switzerland, the Issuer will prepare supplemental documents to the extent required by Swiss law. Swiss investors should in such case also consult any such document before making any investment decision.

PRO FORMA FINAL TERMS FOR NOTES

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

[Notes issued pursuant to these Final Terms are securities to be listed under Listing Rule [17/19] ¹.]

FINAL TERMS

Final Terms dated []

Series No.: []

Tranche No.: []

HSBC Bank plc

Programme for the Issuance of Notes and Warrants

Issue of

[Aggregate Principal Amount of Tranche]

[Title of Notes]

PART A - CONTRACTUAL TERMS

This document constitutes the Final Terms relating to the issue of the Tranche of Notes or Certificates described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 30 July 2009 in relation to the above Programme [and the supplemental Prospectus dated []² which [together] constitute[s] a base prospectus ("**Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**").

If this Final Terms indicates that it relates to an issue of Certificates, then all references herein and in the Prospectus to Notes shall be deemed to be references to "Certificates" for the purposes of this Issue.

This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. [The Prospectus [and the supplemental Prospectus] [is] [are] is available for viewing at [address] [and] [website]³ and copies may be obtained from [address].]

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.

¹ *To be included in respect of all issues which are to be admitted to listing. Delete as appropriate. Please refer to the Listing Rules. Listing Rule 17 applies to debt securities, asset backed securities and convertible securities. Listing Rule 19 applies to securitised derivatives.*

² *Only include details of supplemental Prospectus in which the Conditions have been amended for the purposes of all issues under the Programme.*

³ *If required by the UKLA in accordance with Article 14 of the Prospectus Directive.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Prospectus dated [original date] [and the supplemental Prospectus dated []]. This document constitutes the Final Terms of the notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus dated [current date] [and the supplemental Prospectus dated []], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the [Prospectus] dated [original date] [and the supplemental Prospectus dated []] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus(es) dated [original date] and [current date] [and the supplemental Prospectus dated []] and []. [The Prospectus(es) are available for viewing at [address] and copies may be obtained from [address].

[For Notes offered and sold in the United States of America include:

IMPORTANT NOTICES

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), THE STATE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION, AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, US PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT ("**REGULATION S**")) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. ACCORDINGLY, THE NOTES 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-US PERSONS (AS DEFINED IN REGULATIONS) IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATIONS. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLERS OF NOTES PURSUANT TO CLAUSE (A) ABOVE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

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

AVAILABLE INFORMATION

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

Investing in the Notes involves substantial risks. As a consequence, prospective investors should be aware that the Notes are only intended for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks of an investment in the Notes. In purchasing any Notes, an investor will be deemed to represent that it is such an investor and has such knowledge and experience. Prospective investors should consider the risk factors set forth under "Risk Factors" in the Prospectus and the risks described herein.

[Include whichever of the following apply or specify as "Not applicable". Note that the numbering should remain as set out below, even if "Not applicable" is indicated for individual paragraphs or subparagraphs. Italics denote guidance for completing the Final Terms.]

[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

- | | | |
|----|--|---|
| 1. | (i) Issuer | HSBC Bank plc |
| | (ii) Arranger(s): | [HSBC Bank plc] |
| 2. | (i) Series number: | [] |
| | (ii) [Tranche number: | [] |
| | (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).] | |
| | (iii) Whether issue is of Notes or Certificates: | [Notes/Certificates] (if the issue is of Certificates, all references in this Final Terms and in the Prospectus to Notes shall be deemed to be "Certificates" for the purposes of this issue) |
| 3. | Specified Currency or Currencies: | |
| | (i) of denomination: | [] |
| | (ii) of payment: | [] |
| 4. | Aggregate Principal Amount [of Notes admitted to trading] ⁴ : | |

⁴ Delete for debt securities with a denomination per unit of less than EUR50,000

Part B - Information relating to the Notes Generally - Pro Forma Final Terms for Notes

- | | | | |
|-----|--------|---|---|
| | [(i)] | Series: | [] |
| | [(ii)] | Tranche:] | [] |
| 5. | (i) | Issue Price: | [] per cent. of the Aggregate Principal Amount [plus accrued interest from <i>[insert date]</i> (<i>in the case of fungible issues only, if applicable</i>)] |
| | (ii) | Commission payable: | [[] per cent./None] |
| | (iii) | Selling concession: | [[] per cent./None] |
| 6. | (i) | Denomination(s)
(<i>Condition 1(b)</i>): | [] ⁵ |
| | (ii) | Calculation Amount ⁶ : | [] |
| 7. | (i) | Issue Date: | [] |
| | (ii) | Interest Commencement Date: | [specify/ Issue Date/ Not Applicable] |
| 8. | | Maturity Date:
(<i>Condition 6(a)</i>) | [Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year. In case of undated Notes, specify undated.] |
| 9. | | Interest basis:
(<i>Conditions 3 to 5</i>) | [[] per cent. Fixed Rate]
[[specify reference rate]
[+/- [] per cent. Floating Rate]
[Variable Coupon Amount]
[Zero Coupon Notes]
[Index-Linked Notes]
[Other (specify)]
(further particulars specified below) |
| 10. | | Redemption basis:
(<i>Condition 6</i>) | [Redemption at par]
[Index-Linked Redemption]
[Dual Currency]
[Partly Paid]
[Instalment]
[Other (specify)] |

⁵ If denominations in excess of and smaller than the minimum specified denomination are to be permitted then the Issuer should normally waive its right to elect to exchange the Permanent Global Note for definitive Notes in paragraph (d) of the Permanent Global Note - see item 29(iii) below.

⁶ The applicable Calculation Amount (which is used for the calculation of redemption and interest amounts (if any)) will be (i) if there is only one Denomination, the Denomination; or (ii) if there are several Denominations, the highest common factor of those Denominations. Note that a Calculation Amount of less than 1,000 units of the relevant currency may result in practical difficulties for Paying Agents and/or ICSDs who should be consulted if such an amount is proposed.

Part B - Information relating to the Notes Generally - Pro Forma Final Terms for Notes

11. Change of interest or redemption basis: *[Specify details of any provision for convertibility of Notes to another interest or redemption/payment basis]*
12. Put/Call options: *[Condition 6[(c)][(d)] will apply as specified below]*
13. (i) Status of the Notes: *Unsubordinated, unsecured*
(Condition 2)
- (ii) Date [Board] approval for issuance of Notes obtained: *[] [and [], respectively]] (N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)]*
14. Method of distribution: *[Syndicated/Non-syndicated]*

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. Fixed Rate Note provisions: *[Applicable/Not applicable]*
(Condition 3)
(If not applicable, delete the remaining subparagraphs of this paragraph.)
- (i) Rate(s) of Interest: *[] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrears]*
- (ii) Fixed Interest Payment Date(s): *[] in each year*
[adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definitions of "Business Day"] / not adjusted]
- (iii) Fixed Coupon Amount(s): *[] per Calculation Amount*
- (iv) Day Count Fraction: *[30/360 / Actual/Actual (ICMA/ISDA) / other (specify)]*
- (v) Determination Date: *[] in each year (insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon, N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)).*
- (vi) Broken Amount(s): *[] per Calculation Amount, payable on the Fixed Interest Payment Date falling [in/on] [].*
[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount(s)]

Part B - Information relating to the Notes Generally - Pro Forma Final Terms for Notes

- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not applicable/give details] (*Consider if day count fraction, particularly for Euro denominated issues, should be on an Actual/Actual basis*)
16. Floating Rate Note provisions: [Applicable/Not applicable]
(Condition 4) (*If not applicable, delete the remaining subparagraphs of this paragraph.*)
- (i) Interest Period(s): [*specify*]
- (ii) Specified Interest Payment Dates: [*specify dates*]
- (iii) First Interest Payment Date: []
- (iv) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ other (*give details*)]
- (v) Business Centre(s): [*not applicable/give details*]
- (vi) Screen Rate Determination: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ other (*give details*)]
- (1) Benchmark: [*specify LIBOR or other*]
- (2) Interest Determination Date(s): []
- (3) Relevant Screen Page: []
- (4) Relevant Financial Centre: []
- (vii) ISDA Determination:
- (1) Floating Rate Option: []
- (2) Designated Maturity: []
- (3) Reset Date: []
- (viii) Margin(s): [+/-][] per cent. per annum
- (ix) Day Count Fraction: []
- (x) Relevant time: []
- (xi) Minimum Rate of Interest: [] per cent. per annum
- (xii) Maximum Rate of Interest: [] per cent. per annum

Part B - Information relating to the Notes Generally - Pro Forma Final Terms for Notes

- (xiii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
17. Variable Coupon Amount Note provisions: [Applicable/Not applicable]
 (Condition 5) *(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Interest Payment Dates: []
- (ii) Method of calculating interest: []
18. Zero Coupon Note provisions: [Applicable/Not applicable]
 (Condition 5) *(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Amortisation Yield: [] per cent. per annum
- (ii) Rate of interest on overdue amounts: []
- (iii) Redemption formula: []
19. Index-Linked Interest Note/other variable-linked interest Note Provisions: [Applicable/Not applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Index/Formula/other variable: *[give or annex details]*
- (ii) Calculation Agent responsible for calculating the interest due: []
- (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: []
- (iv) Determination Date(s): []
- (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [] *[Need to include a description of market disruption or settlement disruption events and adjustment provisions]*
- (vi) Interest or calculation period(s): []
- (vii) Specified Interest Payment Dates: []

Part B - Information relating to the Notes Generally - Pro Forma Final Terms for Notes

- | | | |
|--|--|--|
| (viii) | Business Day Convention: | [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other <i>(give details)</i>] |
| (ix) | Business Centre(s): | [] |
| (x) | Minimum Rate/Amount of Interest: | [] per cent. per annum |
| (xi) | Maximum Rate/Amount of Interest: | [] per cent. per annum |
| (xii) | Day Count Fraction: | [] |
| 20. | Dual Currency Note provisions/Multi-currency Note provisions: | [Applicable/Not applicable]
<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i> |
| (i) | Currencies: | [] |
| (ii) | Rate of Exchange/ method of calculating Rate of Exchange | [give details] ⁷ |
| (iii) | Provisions applicable where calculation by reference to Exchange Rate impossible or impracticable: | [Need to include a description of Market disruption or settlement disruption events and adjustment provisions.] |
| PROVISIONS RELATING TO REDEMPTION | | |
| 21. | Issuer's optional redemption (Call):
<i>(Condition 6(c))</i> | [Applicable/Not applicable]
<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i> |
| (i) | Redemption Amount (Call): | [] per Calculation Amount [<i>specify — if not par, also specify details of any formula</i>] |
| (ii) | Series redeemable in part: | [] per Calculation Amount [<i>specify — otherwise redemption will only be permitted of entire Series</i>] |
| (iii) | Call option date(s)/Call option period: | [specify] |
| 22. | Noteholder's optional redemption (Put):
<i>(Condition 6(d))</i> | [Applicable/Not applicable]
<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i> |

⁷ *If denomination per unit is less than EUR50,000, include details of where past and future performance and volatility of the relevant rate(s) can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying.*

Part B - Information relating to the Notes Generally - Pro Forma Final Terms for Notes

- (i) Redemption Amount (Put): [] per Calculation Amount [*specify — if not par, also specify details of any formula*]
- (ii) Put Option date(s)/Put Option Period: [*specify*]
23. Final Redemption Amount of each Note: [] per Calculation Amount [*specify — if (Condition 6(a)) not par, also specify details of any formula*]
24. Final Redemption Amount of each Note in cases where the Final Redemption Amount is Index-Linked or other variable-linked: [] per Calculation Amount
- (i) Index/Formula/other variable: [*give annex details*]
- (ii) Calculation Agent responsible for calculating the Final Redemption Amount: []
- (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: []
- (iv) Determination Date(s): []
- (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: []
- (vi) Payment Date []
- (vii) Minimum Final Redemption Amount []
- (viii) Maximum Final Redemption Amount: []
25. Instalment Notes: [*specify/Not applicable*]
(Condition 6(a)) [*If not applicable, delete the remaining subparagraphs of this paragraph*]
- (i) Instalment Amounts: []
- (ii) Dates for payment of Instalments: []
26. Early Redemption Amount: Yes
- (i) Early Redemption Amount (upon redemption for taxation reasons, illegality or following an Event of Default): [] per Calculation Amount [*specify — if (Conditions 6(b), 6(h) or 10) not par, also specify details of any formula*]

- (ii) Other redemption provisions: [] per Calculation Amount [*specify - if not par, also specify details of any formula*]
(Condition 6(i))

GENERAL PROVISIONS APPLICABLE TO THE NOTES

27. Form of Notes:
(Condition 1(a))
- (i) Form of Notes: [Bearer/Registered]
- (ii) Bearer Notes exchangeable for Registered Notes: [Yes/No] [*Answer will be no where no Registered Notes or where the issue is wholly or partly a Rule 144A issue*]
28. New Global Note: [Yes/No] [*Answer will be No if the Notes are not Bearer Notes*]
29. If issued in bearer form:
- (i) Initially represented by a Temporary Global Note or Permanent Global Note: [*specify*] [*Notes may only be represented initially by a Permanent Global Note if these Final Terms specifies that TEFRA C rules apply*]
- (ii) Temporary Global Note exchangeable for Permanent Global Note and/or Definitive Notes and/or Registered Notes: Yes [*specify*]
(Condition 1(a))
- (iii) Permanent Global Note exchangeable at the option of the bearer for Definitive Notes and/or Registered Notes: [Yes - *specify*/No]
- (iv) Coupons to be attached to Definitive Notes: [Yes/No/Not applicable]
[*N.B. This will need to be considered even if Permanent Global Notes are not exchangeable at the bearer's option into Definitive Notes because of exchangeability upon "melt down" of clearing systems - see provisions contained in Permanent Global Note*]
- (v) Talons for future Coupons to be attached to Definitive Notes: [Yes/No/Not applicable]
[*N.B. The above comment also applies here*]
- (vi) (a) Definitive Notes to be security printed: [Yes/No]
[*N.B. The above comment also applies here*]
- (b) if the answer to (a) is yes, whether steel engraved plates will be used: [Yes/No/Not applicable]

Part B - Information relating to the Notes Generally - *Pro Forma* Final Terms for Notes

- (vii) Definitive Notes to be in ICMA or successor's format: [Yes/No]
[*N.B. The above comment also applies here*]
- (viii) Issuer or Noteholder to pay costs of security printing: [Issuer/Noteholder/Not applicable]
30. Exchange Date for exchange of Temporary Global Note: [*specify*]
31. Payments:
(*Condition 8*)
- (i) Method of payment: [*specify if other than by cheque or transfer to a designated account*]
- (ii) Relevant Financial Centre Day: [*specify any additional places*]
- (iii) Local banking day specified for payments in respect of the Notes in global form: [Yes/ No]⁸
32. Partly Paid Notes: [Yes/No]
(*Condition 1*)
If yes, specify number, amounts and dates for, and method of, payment of instalments of subscription monies and any further additional provisions (including forfeiture dates in respect of late payments of partly paid instalments) [*specify*]
33. Redenomination:
(*Condition 9*)
- (i) Redenomination: [Applicable/Not applicable]
- (ii) Exchange: [Applicable/Not applicable]
34. Other final terms: [Not applicable/*specify*/See Annex]
(*When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.*)

DISTRIBUTION

⁸ This should specify "No" unless, exceptionally, location of Principal Paying Agent is to be included as a business day for the purposes of payments whilst Notes are in global form in the clearing systems.

Part B - Information relating to the Notes Generally - *Pro Forma* Final Terms for Notes

35. (i) If syndicated, names [, addresses and underwriting commitments]⁹ of Relevant Dealer(s)/Lead Manager(s): [Not applicable / HSBC Bank plc/*other - give name*]
[Give addresses and underwriting commitments]⁹
- (ii) If syndicated, names [, addresses and underwriting commitments]⁹ of other Dealers/Managers (if any): [Not Applicable/*other - give name*]
[Give addresses and underwriting commitments]⁹
(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)
- (iii) Date of Subscription Agreement:⁹ []
- (iv) Stabilising Manager(s) (if any): [Not Applicable/*give name*]
36. If non-syndicated, name [and address]⁹ of Relevant Dealer: [Not Applicable/*give name [and address]*]⁹
37. Total commission and concession: [] per cent. of the Aggregate Principal Amount⁹
38. Selling restrictions: [For Bearer Notes: TEFRA C Rule/TEFRA D Rule]
- United States of America: [Notes may not be offered or sold within the United States of America or to or for the account or the benefit of a US person (as defined in Regulation S)]
[Notes may be offered or sold within the United States of America or to or for the account or the benefit of a US person (as defined in Regulation S) only in compliance with the provisions set forth under "Transfer Restrictions."]
- Non-exempt Offer: [Not applicable][An offer of the Notes may be made by the Managers [and [*specify, if applicable*]] other than pursuant to Article 3(2) of the Prospectus Directive in [*specify relevant Member State(s) - which must be jurisdictions where the Prospectus and any supplements have been passported*] ("**Public Offer Jurisdictions**") during the period from [*specify date*] until [*specify date*] ("**Offer Period**"). See further

⁹ Not required for debt securities with a denomination per unit of at least EUR50,000.

paragraphs 25 to 36 of Part B below.

Additional selling restrictions:

[specify any modifications of, or additions to, selling restrictions contained in Dealer Agreement]

39. Stabilisation:

[Not applicable / In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Managers) in accordance with all applicable laws and rules.]

[LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required for issue and admission to trading of the Notes described herein pursuant to the Programme for the Issuance of Notes and Warrants of HSBC Bank plc.]

[In offers of Notes pursuant to Rule 144A insert:

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers of Notes offered in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Notes.

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

- a) such 144A Offeree acknowledges that these Final Terms and the accompanying Base Prospectus is personal to such 144A Offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes other than pursuant to Rule 144A or in offshore transactions in accordance with Regulation S. Distribution of these Final Terms and the accompanying Base Prospectus, or disclosure of any of its contents, to any person other than such 144A Offeree and those persons, if any, retained to advise such 144A Offeree with respect thereto and other persons meeting the requirements of Rule 144A or Regulation S is 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 these Final Terms and the accompanying Base Prospectus or any documents referred to herein.

Each purchaser of Notes in reliance on Rule 144A ("**Restricted Notes**") will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A are used herein as defined therein):

- (i) The purchaser (A) is a qualified institutional buyer within the meaning of Rule 144A, (B) is acquiring the Notes for its own account or for the account of such a qualified institutional buyer, and (C) such person is aware that the sale of the Notes to it is being made in reliance on Rule 144A.
- (ii) The purchaser understands that the Rule 144A Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and the Notes offered hereby have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except in accordance with the legend set forth below.
- (iii) The purchaser understands that the Rule 144A Global Registered Notes, the Restricted Global Registered Notes and any US Definitive Registered Notes (as defined in "Summary of Provisions relating to the Notes while in Global Form" in the accompanying Base Prospectus) issued in exchange for interests therein will bear a legend (the "**Rule 144A Legend**") to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR ANY STATE SECURITIES LAWS OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF THE ISSUER THAT THIS NOTE MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (A) IN THE UNITED STATES ONLY TO "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**")), (B) TO NON-US 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 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (D) TO THE ISSUER OR ITS AFFILIATES. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE."

In addition, each purchaser of Restricted Notes acknowledges that the Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Restricted Notes for the account of one or more qualified institutional buyers it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Before any interest in a Note represented by a Restricted Global Registered Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Registered Note, the transferor will be required to provide the Registrar with written certification as to compliance with the transfer restrictions referred to in sub-clause (B) and (C) of the legend set forth above. See "Summary of Provisions relating to the Notes While in Global Form" in the accompanying Base Prospectus.]

[RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced inaccurate or misleading.]

CONFIRMED

HSBC BANK PLC

By: _____
Authorised Signatory

Date: _____

PART B - OTHER INFORMATION

1. LISTING

(i) Listing: [Application [will be/has been] made to admit the Notes to listing on the Official List of the Financial Services Authority [on or around the Issue Date/ *[insert date]*] pursuant to Listing Rule [17/19¹⁰]. No assurance can be given as to whether or not, or when, such application will be granted/*other (specify)*/Not applicable]

(ii) Admission to trading: [Application [will be/has been] made for the Notes to be admitted to trading [on the Regulated Market/*other (specify)*] with effect from [the Issue Date/ *[insert date]*]. No assurance can be given as to whether or not, or when, such application will be granted.] [Application has been made to have the Notes admitted to trading on the PORTAL System of the US National Association of Securities Dealers.] [Not applicable]

[(Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)]¹¹

(NB: Notes admitted to trading to the UK Regulated Market will also be admitted to the Official List as a matter of course.)

2. RATINGS

Ratings: [The long term senior debt of HSBC Bank plc has been rated:]

[S&P: [•]]

[Moody's: [•]]

[[Other]: [•]]

[The Notes have not specifically been rated.]

¹⁰ *To be included in respect of all issues which are to be admitted to listing. Delete as appropriate. Please refer to the Listing Rules. Listing Rule 17 applies to debt securities, asset backed securities and convertible securities. Listing Rule 19 applies to securitised derivatives.*

¹¹ *Not required for debt securities with a denomination per unit of at least EUR50,000.*

3. **[NOTIFICATION]**

The *[include name of competent authority in EEA home Member State]* *[has been requested to provided/has provided - include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues]* the *[include names of competent authorities of host Member States]* with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

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

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in ["Subscription and Sale"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)]

5. **[REASONS FOR THE OFFER ESTIMATED NET PROCEEDS AND TOTAL EXPENSES]**

(i) Reasons for the offer: []

[If reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.]

(ii) Estimated net proceeds: []

(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)

(iii) Estimated total expenses: *[Include breakdown of expenses]*¹²

(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above)

¹² Not required for debt securities with a denomination per unit of at least EUR50,000.

6. **[Fixed Rate Notes only - YIELD]**

Indication of yield: [Calculated as *[include details of method of calculation in summary form]* on the Issue Date]¹²

[As set out above, the] [The] yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]]

7. **[Floating Rate Notes only - HISTORIC INTEREST RATES]**

[Details of historic [LIBOR/EURIBOR/*other (specify)*] rates can be obtained from [Reuters].]¹²

8. **[Index-Linked, Equity-Linked or other variable-linked Interest Notes only - PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING]¹³**

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained [and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident]¹⁴. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Also include appropriate index disclaimers. Where the underlying is not an index, need to include equivalent information.]¹⁵

[(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)]

The Issuer [intends to provide post-issuance information [*specify what information will be reported and where it can be obtained*]] [does not intend to provide post-issuance information].

9. **[Dual Currency/Multi-currency Notes only - PERFORMANCE OF EXCHANGE RATE(S) [AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS]¹⁶**

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained [and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most

¹³ Refer to Prospectus Rules, Annex XII, paragraph 4.2.2 for disclosure requirements

¹⁴ Not required for debt securities with a denomination per unit of at least EUR50,000.

¹⁵ Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies (i.e. if the Final Redemption Amount is less than 100 per cent. of the nominal value of the Notes).

¹⁶ Not required for debt securities with a denomination per unit of at least EUR50,000.

evident]¹⁶.]¹²

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)]

OPERATIONAL INFORMATION

- | | | |
|-----|--|---|
| 10. | ISIN Code: | [] |
| 11. | Common Code: | [] |
| 12. | CUSIP: | [] |
| 13. | New Global Note intended to be held in a manner which would allow Eurosystem eligibility: | <p>[Yes] [No]</p> <p><i>[Note that the designation "Yes" simply means that the Notes are intended upon issue to be delivered to the Common Safekeeper acting as agent for Euroclear or Clearstream, Luxembourg and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] [include this text if "yes" selected in which case the Notes must be issued in NGN form]</i></p> |
| 14. | Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): | [None/specify] |
| 15. | Delivery: | Delivery [against/free of] payment |
| 16. | Settlement procedures: | [Eurobond/Medium Term Note/ <i>other (specify)</i>] |
| 17. | Additional Paying Agent(s) (if any): | [None/specify] |
| 18. | Common Depositary: | [specify] |
| 19. | Agent Bank/Calculation Agent: | [HSBC Bank plc] [HSBC France] [<i>other (specify)</i>] |
| | — is Calculation Agent to make calculations? | [Yes/No] |
| | — if not, identify calculation agent: | <i>[N.B. Calculation agent appointment letter required]</i> |

Part B - Information relating to the Notes Generally - Pro Forma Final Terms for Notes

20. Notices: [specify any other means of effecting communication]
(Condition 13)
21. City in which specified office of Registrar to be maintained: [specify]
(Condition 14)
22. Other relevant Terms and Conditions: []
23. Other Final Terms: []¹⁷
24. ERISA Considerations: []

TERMS AND CONDITIONS OF THE OFFER [this section applies only to public offers]

25. Offer Price: [Issue Price][other (specify)]
26. Conditions to which the offer is subject: [Not applicable/give details]
27. Description of the application process: [Not applicable/give details]
28. Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not applicable/give details]
29. Details of the minimum and/or maximum amount of application: [Not applicable/give details]
30. Details of the method and time limits for paying up and delivering the Notes: [Not applicable/give details]
31. Manner in and date on which results of the offer are to be made public: [Not applicable/give details]
32. Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not applicable/give details]
33. Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries: [Not applicable/give details]
34. Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not applicable/give details]
35. Amount of any expenses and taxes specifically charged to the subscriber or [Not applicable/give details]

¹⁷ If new term constitutes a "significant new factor", consider whether supplement to the Prospectus is required.

purchaser:

36. Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place: [Not applicable/*give details*]

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Notes may, subject to all applicable legal and regulatory requirements, be issued in Tranches or Series comprising either Notes in bearer form ("**Bearer Notes**") or Notes in registered form ("**Registered Notes**"), as specified in the relevant Final Terms. No single Tranche or Series of Notes offered in reliance on Rule 144A may include Bearer Notes.

Bearer Notes may be issued in the new global note form (a "**New Global Note**" or "NGN"), as set out in Part I and Part II of Schedule 1 to the Issuing and Paying Agency Agreement or, if not intended to be issued in NGN form, will be issued in classic global note form (a "**Classic Global Note**" or "CGN"), as set out in Part I and Part II of Schedule 2 to the Issuing and Paying Agency Agreement, as specified in the relevant Final Terms, or in such other form as the relevant parties may agree.

The NGN form has been introduced to allow for the possibility of Notes being issued and held in a manner which will permit them to be recognised as eligible collateral for monetary policy of the central banking system for the euro (the "**Eurosystem**") and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life.

On 13 June 2006 the European Central Bank (the "**ECB**") announced that Notes in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the Eurosystem, *provided that* certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

Registered Notes

In the case of Registered Notes, the relevant Final Terms may specify that the Notes will be issued in global form ("**Global Registered Notes**") held in specified clearing systems, as described below, or in definitive form ("**Definitive Registered Notes**").

Global Registered Notes

If Notes are to be issued in the form of Global Registered Notes, the Issuer will deliver:

- (a) a Regulation S Global Registered Note; or
- (b) a Rule 144A Global Registered Note; or
- (c) an Unrestricted Global Registered Note and a Restricted Global Registered Note

(as each such term is defined below), subject to the Issuing and Paying Agency Agreement (as defined herein) in accordance with their respective terms and as specified in the relevant Final Terms.

Regulation S Global Registered Notes

In the case of a Series or Tranche of Registered Notes offered and sold solely outside the United States (as defined in Regulation S) in reliance on Regulation S to non-US persons, such Series or Tranche of Registered Notes may be represented by a Global Registered Note without interest coupons (a "**Regulation S Global Registered Note**"), which will be deposited on or about the closing date (the "**Closing Date**") for the relevant Series or Tranche with HSBC Bank plc as common depositary for Euroclear and/or Clearstream, Luxembourg and registered in the name of HSBC Issuer Services

Common Depository Nominee (UK) Limited as nominee for such common depository. Interests in any Regulation S Global Registered Note will be exchangeable (in circumstances described below under "Exchange and Transfer of Global Registered Notes for Definitive Registered Notes") for Definitive Registered Notes without any Rule 144A legend ("**Regulation S Definitive Registered Notes**").

Each Regulation S Global Registered Note will have an ISIN number and a CUSIP number.

Rule 144A Global Registered Notes

In the case of a Tranche of Registered Notes offered and sold solely within the United States or to US Persons (as defined in Regulation S) in reliance on Rule 144A, such Tranche of Registered Notes will be represented by a Global Registered Note without interest coupons (a "**Rule 144A Global Registered Note**"), which, will either be deposited on or about the Closing Date for the relevant Tranche with HSBC Bank USA, National Association as custodian (the "**Custodian**") for, and registered in the name of Cede & Co. as nominee for, DTC or will be deposited on or about such Closing Date with, and be registered in the names of HSBC Issuer Services Common Depository Nominee (UK) Limited as nominee for HSBC Bank plc as common depository for Euroclear and Clearstream, Luxembourg, as specified in the applicable Final Terms. Interests in any Rule 144A Global Registered Note will be exchangeable (in the circumstances described below under "Exchange and Transfer of Global Registered Notes for Definitive Registered Notes") for Definitive Registered Notes bearing a Rule 144A legend ("**US Definitive Registered Notes**"). Rule 144A Global Registered Notes (and any US Definitive Registered Notes issued in exchange therefor) will be subject to certain restrictions on transfer contained in such Rule 144A legend appearing on the face of such Note as set out in the relevant Final Terms under "Transfer Restrictions".

Each Rule 144A Global Registered Note will have an ISIN number and a CUSIP number.

Unrestricted and Restricted Global Registered Notes

In the case of a Tranche of Registered Notes offered and sold both pursuant to Regulation S and in reliance on Rule 144A such Tranche of Registered Notes will be represented by two Global Registered Notes, each without interest coupons (in the case of Registered Notes forming part of such Tranche which are sold pursuant to Regulation S, an "**Unrestricted Global Registered Note**" and, in the case of Registered Notes forming part of such Tranche which are sold in reliance on Rule 144A, a "**Restricted Global Registered Note**").

The Unrestricted Global Registered Note will be deposited on or about the issue date for the relevant Tranche with, and registered in the name of HSBC Issuer Services Common Depository Nominee (UK) Limited as nominee for, HSBC Bank plc, as common depository for Euroclear and Clearstream, Luxembourg. A beneficial interest in the Unrestricted Global Registered Note may at all times be held only through Euroclear and Clearstream, Luxembourg. The Restricted Global Registered Note will either be deposited on or about the issue date for the relevant Tranche with HSBC Bank USA, National Association as custodian (the "**Custodian**") for, and registered in the name of Cede & Co. as nominee for, DTC or will be deposited on or about such Closing Date with, and be registered in the names of HSBC Issuer Services Common Depository Nominee (UK) Limited as nominee for HSBC Bank plc as common depository for Euroclear and Clearstream, Luxembourg, as specified in the applicable Final Term. In the circumstances described below under "Exchange and Transfer of Global Registered Notes for Definitive Registered Notes", interests in any Unrestricted Global Registered Note will be exchangeable for Regulation S Definitive Registered Notes and interests in any Restricted Global Registered Note will be exchangeable for US Definitive Registered Notes and Regulation S Definitive Registered Notes. Restricted Global Registered Notes (and any US Definitive Registered Notes issued

in exchange therefor) will be subject to certain restrictions on transfer contained in a legend appearing on the face of such Notes as will be set out in the relevant Final Terms under "Transfer Restrictions".

Each Unrestricted Global Registered Note and each Restricted Global Registered Note will have an ISIN number and a CUSIP number.

Exchange of Interests in Unrestricted and Restricted Global Registered Notes; Transfers within and between DTC, Euroclear and Clearstream, Luxembourg

On or prior to the 40th day after the later of the commencement of the offering of the relevant Tranche and the issue date for that Tranche, a beneficial interest in the relevant Unrestricted Global Registered Note may be transferred to a person who wishes to take delivery of such beneficial interest through the relevant Restricted Global Registered Note only upon receipt by the Registrar (as defined in the Issuing and Paying Agency Agreement) of a written certification from the transferor (in the applicable form provided in the Issuing and Paying Agency Agreement) to the effect that such transfer is being made to a person who the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other relevant jurisdiction. After such 40th day, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of such Restricted Global Registered Note, as will be set out in the relevant Final Terms under "Transfer Restrictions".

Beneficial interests in a Restricted Global Registered Note may be transferred to a person who wishes to take delivery of such beneficial interest through the relevant Unrestricted Global Registered Note, whether before, on or after such 40th day, only upon receipt by the Registrar of a written certification from the transferor (in the applicable form provided in the Issuing and Paying Agency Agreement) to the effect that such transfer is being made in accordance with Regulation S or Rule 144A under the Securities Act (if available) or to the Issuer or its affiliates.

Any beneficial interest in either the Restricted Global Registered Note or the Unrestricted Global Registered Note relating to any Series that is transferred to a person who takes delivery in the form of a beneficial interest in the other Global Registered Note relating to such Series will, upon transfer, cease to be a beneficial interest in such Global Registered Note and become a beneficial interest in the other Global Registered Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other Global Registered Note for as long as it remains such an interest.

Owner of Global Registered Notes and Payments

Subject to certain provisions of the Issuing and Paying Agency Agreement relating to directions, sanctions and consents of Holders of Registered Notes and to meetings of Holders of Notes, so long as DTC or its nominee or Euroclear, Clearstream, Luxembourg or the nominee of their common depository, as the case may be, is the registered owner or holder of a Global Registered Note, DTC, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Registered Note for all purposes under the Issuing and Paying Agency Agreement and the Notes. Payments of principal, interest and additional amounts, if any, pursuant to Condition 8 (*Payments*), on Global Registered Notes will be made to DTC, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, as the registered holder thereof. None of the Issuer, the Registrar, or any Paying Agent or any affiliate of any of the above or any person by whom any of the above is controlled for the purposes of the Securities Act will

have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in Global Registered Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Exchange and Transfer of Global Registered Notes for Definitive Registered Notes

In the case of Rule 144A Global Registered Notes or Restricted Global Registered Notes held through DTC, beneficial interests in a Rule 144A Global Registered Note or a Restricted Global Registered Note will be exchangeable for US Definitive Registered Notes: (i) if DTC notifies the Issuer that it is no longer willing or able to properly discharge its responsibilities as depository with respect to the relevant Restricted Global Registered Note or ceases to be a "clearing agency" registered under the Exchange Act, or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of such depository; or (ii) if the Issuer, at its option, elects to terminate the book-entry system through DTC; or (iii) if an Event of Default occurs as set out in Condition 10 (*Events of Default*); or (iv) if so specified in the relevant Final Terms, if the holder of the relevant Rule 144A Global Registered Note or Restricted Global Registered Note requests that such interest be exchanged for US Definitive Registered Notes; or (v) at the option of the Issuer, if the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction which would not be suffered were the Notes in definitive form (and, in the case of Partly Paid Notes, the Issuer may elect to effect such exchange in part only).

Beneficial interests in a Regulation S Global Registered Note or an Unrestricted Global Registered Note will be exchangeable, in whole but not in part, for Regulation S Definitive Registered Notes and, if held through Euroclear or Clearstream, Luxembourg, pursuant to the relevant Final Terms, beneficial interests in a Rule 144A Global Registered Note or a Restricted Global Registered Note will be exchangeable for US Definitive Registered Notes: (i) if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or (ii) the Issuer, at its option, elects to terminate the book-entry system through Euroclear and Clearstream, Luxembourg; or (iii) the Notes become immediately repayable in accordance with Condition 10 (*Events of Default*); (iv) at the option of the Issuer, if the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction which would not be suffered were the Notes in definitive form (and, in the case of Partly Paid Notes, the Issuer may elect to effect such exchange in part only).

In such circumstances, (a) the Registrar will be required to notify all Holders of interests in the relevant Global Registered Notes registered in the name of DTC or its nominee or Euroclear, Clearstream, Luxembourg or the nominee of their common depository, as the case may be, of the availability of Definitive Registered Notes and (b) the Issuer will, at the cost of the Issuer, cause sufficient Regulation S Definitive Registered Notes and/or US Definitive Registered Notes, as the case may be, to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Holders. A person having an interest in the relevant Global Registered Note must provide the Registrar with:

- a) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver the relevant Definitive Registered Note; and
- b) in the case of a Rule 144A Global Registered Note or a Restricted Global Registered Note only, a fully completed, signed certification substantially to the effect that the exchanging holder is

not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. US Definitive Registered Notes issued in exchange for a beneficial interest in a Rule 144A Global Registered Note or a Restricted Global Registered Note will bear the legends applicable to transfers pursuant to Rule 144A (as set out in the relevant Final Terms under "**Transfer Restrictions**").

If an Unrestricted Global Registered Note relating to a Series or (if issued in Tranches) Tranche of Notes of which the Restricted Global Registered Note forms a part has, pursuant to its terms, been exchanged in whole, but not in part, for Regulation S Definitive Registered Notes, beneficial interests in the Restricted Global Registered Note may be transferred to a person who wishes to take delivery thereof in the form of a Regulation S Definitive Registered Note. Such Regulation S Definitive Registered Notes shall be registered in such name(s) as DTC, Euroclear or Clearstream, Luxembourg, as applicable, shall direct in writing.

Upon (i) notification to the Registrar by the Custodian (in the case of a Restricted Global Registered Note held in DTC) or the common depositary for Euroclear and Clearstream, Luxembourg (in the case of a Restricted Global Registered Note held in Euroclear and Clearstream Luxembourg) that the appropriate debit entry has been made in the account of the relevant participant of DTC and (ii) receipt by the Registrar of a certificate, in the form scheduled to the Issuing and Paying Agency Agreement, given by the transferee of the beneficial interest in the Restricted Global Registered Note and stating that the transfer of such interest has been made in compliance with the transfer restrictions applicable to the Notes, and pursuant to and in accordance with Regulation S under the Securities Act, the Issuer shall procure that the Registrar will (against presentation by DTC or HSBC Bank USA, National Association, as Custodian, or, (as the case may be) the common depositary or HSBC Issuer Services Common Depositary Nominee (UK) Limited as its nominee of the Restricted Global Registered Note at the specified office of the Registrar or the Transfer Agent, all in accordance with the provisions of the Issuing and Paying Agency Agreement), decrease the aggregate principal amount of Notes registered in the name of the holder of, and represented by, the Restricted Global Registered Note and shall, without charge, procure, in exchange therefor, the delivery, within five Banking Days of the receipt by the Registrar of the Restricted Global Registered Note of the notification and certification referred to in paragraphs (i) and (ii) above, and registration information required to authenticate and deliver such Regulation S Definitive Registered Notes, of an equal aggregate principal amount of duly authenticated and completed Regulation S Definitive Registered Notes.

The holder of a Registered Note may transfer such Registered Note in accordance with the provisions of Condition 1 (*Form, Denomination and Title*) of the Terms and Conditions of the Notes.

The holder of a Definitive Registered Note may transfer such Note by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of US Definitive Registered Notes issued in exchange for beneficial interests in a Rule 144A Global Registered Note or a Restricted Global Registered Note bearing the legend referred to in the relevant Final Terms under "Transfer Restrictions", or upon specific request for removal of the legend on a US Definitive Registered Note, the Issuer will only deliver US Definitive Registered Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer, that neither the legend nor the restriction on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

The Registrar will not register the transfer of or exchange of interests in a Global Registered Note for Definitive Registered Notes for a period of 15 calendar days preceding the due date for any payment in respect of the Notes.

With respect to the registration of transfer of any US Definitive Registered Notes, the Registrar will register the transfer of any such US Definitive Registered Notes if the transferor, in the form of transfer on such US Definitive Registered Notes, has certified to the effect that such transfer is (i) to persons who the transferor reasonably believes to be qualified institutional buyers within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction, (ii) in accordance with Regulation S, (iii) pursuant to an exemption from Rule 144 under the Securities Act (if available) or (iv) to the Issuer or its affiliates.

Regulation S Definitive Registered Notes may be exchangeable for or transferable to a person wanting to take delivery thereof in the form of interests in a Restricted Global Registered Note, and US Definitive Registered Notes may be transferable to a person wanting to take delivery thereof in the form of interests in an Unrestricted Global Registered Note, in each case, upon receipt by the Registrar of a duly completed certificate in the form of Schedule 7 to the Issuing and Paying Agency Agreement and in accordance with the requirements of the Issuing and Paying Agency Agreement.

Bearer Notes

Bearer Notes will be issued in accordance with the provisions of United States Treasury Regulation §1.163-5(c)(2)(i)(D) ("**TEFRA D**") unless the relevant Final Terms provides that such Notes will be issued in accordance with the provisions of the United States Treasury Regulation §1.163-5(c)(2)(i)(C) ("**TEFRA C**") or as such Final Terms may otherwise provide.

Except as otherwise provided in the relevant Final Terms, each Series or Tranche of a Series may at issue be represented by one or more Temporary Global Notes, which will be delivered on or prior to the Issue Date to a common depository or a Common Safekeeper acting as an agent for Euroclear and/or Clearstream, Luxembourg and/or such other clearing system or depository as may be agreed between the Issuer and the Dealer set out in the relevant Final Terms.

Interests in a Temporary Global Note will be exchangeable (i) not earlier than forty days after the date of issue of the Notes (the "**Exchange Date**") and upon certification as to non-US beneficial ownership (as described below) for interests in a Permanent Global Note in bearer form and in substantially the form (subject to completion and amendment and as supplemented or varied in accordance with the relevant Final Terms) scheduled to the Issuing and Paying Agency Agreement or (ii) if so set out in the relevant Final Terms, for Notes in definitive bearer form ("**Definitive Notes**") and in substantially the form (subject to completion and amendment and as supplemented or varied in accordance with the relevant Final Terms) scheduled to the Issuing and Paying Agency Agreement.

For purposes of complying with TEFRA D, Bearer Notes may not be beneficially held by a United States person. "**United States person**" means any person who is, for US federal income tax purposes, (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organised under the laws of the United States or any political subdivision thereof or therein or (iii) an estate or trust the income of which is subject to United States taxation regardless of its source.

The forms of Global Note will contain provisions applicable to the Notes represented thereby, some of which may modify the effect of the Conditions of the Notes. Certain of these are summarised in this section.

For so long as a Series of Notes (or any part thereof) is represented by a Global Note, each person who has for the time being a particular principal amount of the Notes of such Series so represented credited to his securities account in the records of Euroclear or Clearstream, Luxembourg or such other clearing system or depository as set out in the relevant Final Terms shall be treated as the Noteholder in respect of that principal amount of the relevant Series for all purposes other than for the purposes of payment of principal and interest on such Notes, the right to which shall be vested, as against the Issuer, solely in the bearer of the relevant Global Note in accordance with and subject to its terms and the terms of the Issuing and Paying Agency Agreement (and the expressions "Noteholder" and "Holder" of the Notes and related expressions shall be construed accordingly). Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg or of such other clearing system or depository, as the case may be.

In respect of NGNs, each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note (each an "Accountholder") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by the Global Note, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the bearer of the Global Note. Each payment so made in respect of Notes when represented by a Permanent Global Note will discharge the Issuer's obligation in respect thereof and the Issuer shall procure that the amount so paid shall be entered *pro rata* in the records of the relevant clearing systems and shall seek confirmation from the Common Service Provider that Euroclear and Clearstream, Luxembourg have made appropriate entries in their records.

The records of the relevant clearing systems which reflect the amount of Noteholders' interests in the Notes shall be conclusive evidence of the nominal amount of Notes represented by the Global Notes.

Principal and interest (if any) payable with respect to a Temporary Global Note or a Permanent Global Note will be paid to Euroclear and/or Clearstream, Luxembourg and/or such other clearing system or depository as set out in the relevant Final Terms with respect to that portion of such Global Note which is held for its account (subject, in the case of a Temporary Global Note, to the certifications as provided therein). Each of Euroclear and/or Clearstream, Luxembourg and/or such other clearing system or depository will in such circumstances credit the principal or, as the case may be, interest in respect of such Global note to the persons credited in its records with an interest in such Global Note.

An exchange of a Temporary Global Note for Definitive Notes or, as the case may be, a Permanent Global Note will be made only on or after the Exchange Date (as set out in the relevant Final Terms) and provided certification as to the beneficial ownership thereof as required by the US Treasury regulations (in substantially the form set out in the Temporary Global Note or in such other form as is customarily issued in such circumstances by the relevant clearing system or depository) has been received. An exchange for Registered Notes will be made at any time after the Exchange Date without any requirement for certification, subject as set out in the relevant Global Note or Final Terms.

The bearer of any Temporary Global Note shall not (unless, upon due presentation of such Temporary Global Note for exchange (in whole or in part) for a Permanent Global Note or for delivery of Definitive Notes, such exchange or delivery is improperly withheld or refused and such withholding or

refusal is continuing at the relevant payment date) be entitled to receive any payment in respect of the Notes represented by such Temporary Global Note which falls due on or after the Exchange Date or be entitled to exercise any option on a date after the Exchange Date.

If any date on which a payment of principal or interest is due on the Notes of a Tranche occurs whilst any of the Notes of that Tranche are represented by a Temporary Global Note, the related principal or interest payment will be made on the Temporary Global Note only to the extent that certification as to the beneficial ownership thereof as required by the US Treasury regulations (in substantially the form set out in the Temporary Global Note or in such other form as is customarily issued in such circumstances by the relevant clearing system or depository) has been received by Euroclear or Clearstream, Luxembourg or any other relevant clearing system or depository. Payments of amounts due in respect of a Permanent Global Note will be made through any of Euroclear or Clearstream, Luxembourg or any other relevant clearing system or depository without any requirement for certification.

Interests in a Permanent Global Note will be exchanged, at the cost and expense of the Issuer, by the Issuer in whole (but not, subject to (b) below, in part only), for Definitive Notes (a) at the option of the holder of such Permanent Global Note, for Definitive Notes, (i) if the Notes of the relevant Series become immediately repayable in accordance with Condition 10 (*Events of Default*), or (ii) if any of Euroclear or Clearstream, Luxembourg or any other relevant clearing system or depository is closed for business for a continuous period of fourteen days (other than by reason of public holidays) or announces an intention to cease business permanently or in fact does so, or (b) at the option of the Issuer, if the Issuer would suffer a material disadvantage in respect of the notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction which would not be suffered were the Notes in definitive form or, as the case may be, in registered form (and, in the case of partly paid Notes, the Issuer may elect to effect such exchange in part only).

The Issuer may, at any time in writing, waive or limit its right to exchange a Permanent Global Note for Definitive Notes in the circumstances described above, where the Issuer at its sole discretion considers such limitation or waiver to be desirable in respect of a particular Series of Notes.

Definitive Bearer Notes will, if interest-bearing and if so specified in the relevant Final Terms, have interest coupons ("**Coupons**") and, if applicable, a talon for further Coupons attached. All Definitive Bearer Notes will, if the principal thereof is repayable by instalments, have endorsed thereon a grid for recording the payment of principal.

Following redenomination of the Notes pursuant to Condition 9 (*Redenomination*):

- (i) if Notes are required to be issued in definitive form, they shall be issued at the expense of the Issuer in the denominations of euro 0.01, euro 1,000, euro 10,000, euro 100,000 and such other denominations as the Principal Paying Agent shall determine and notify to the Noteholders; and
- (ii) the amount of interest due in respect of Notes represented by the Temporary Global Note and the Permanent Global Note will be calculated by reference to the aggregate principal amount of such Notes and the amount of such payment shall be rounded down to the nearest euro 0.01.

All notices to the Holders of Notes or the Coupons appertaining thereto will be valid, in the case of Notes in global form, if delivered to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, depository or common safekeeper (as may be agreed between the Issuer and the Dealer) for communication by them to the persons shown in their respective records as having interests therein; *provided that*, in each case, in the case of Notes that have been admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, the rules of

such listing authority, stock exchange and/or quotation system have been complied with. Any such notice shall be deemed to have been given on the date of such delivery or, if the Notes are admitted to listing, trading and/or quotation and publication is required under the applicable rules of the relevant listing authority, stock exchange and/or quotation system, on the date of publication or, if published more than once, on the date of the first such publication (or, if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers).

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

PART C - WARRANTS

TERMS AND CONDITIONS OF THE WARRANTS

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

This Warrant is one of a series (each, a "**Series**") of warrants (the "**Warrants**") issued by HSBC Bank plc in its capacity as issuer (the "**Issuer**") pursuant to a warrant agency agreement 24 February 1999 as modified, supplemented and/or restated on 3 March 2000, 10 April 2001, 18 June 2002, 1 August 2005, 2 August 2007, 31 July 2008 and 30 July 2009 (as further modified and/or amended from time to time, the "**Warrant Agency Agreement**") made between the Issuer, HSBC Bank plc and HSBC France in their capacity as calculation agents (each a "**Calculation Agent**", which expression shall include any successor calculation agent appointed in accordance with the Warrant Agency Agreement or, in respect of any Series of Warrants, such other calculation agent as may be specified in the relevant Final Terms (as defined below), HSBC Bank plc as principal warrant agent (the "**Principal Warrant Agent**", which expression includes any successor or substitute principal warrant agent appointed in accordance with the Warrant Agency Agreement, and together with any additional warrant agent specified in the relevant Final Terms or appointed pursuant to the Warrant Agency Agreement, the "**Warrant Agents**") and HSBC Bank plc in its capacity as authentication agent (the "**Authentication Agent**", which expression includes any successor or substitute authentication agent appointed in accordance with the Warrant Agency Agreement) and HSBC Bank USA, N.A. as warrant transfer agent (the "**Warrant Transfer Agent**", which expression includes any successor or substitute warrant transfer agent appointed in accordance with the Warrant Agency Agreement) and HSBC Bank USA, N.A. as warrant registrar (the "**Warrant Registrar**", which expression includes any additional or successor or substitute or other warrant registrar specified in the relevant Final Terms appointed in accordance with the Warrant Agency Agreement. As used herein, the expression "**Warrant Agents**" shall include the Principal Warrant Agent and any other warrant agents appointed in accordance with the Warrant Agency Agreement. The Warrants also have the benefit of a master warrant issuance agreement dated 24 February 1999 as modified, supplemented and/or restated on 3 March 2000, 10 April 2001, 18 June 2002, 1 August 2005, 2 August 2007, 31 July 2008 and 30 July 2009 (as further modified and/or amended from time to time, the "**Master Warrant Issuance Agreement**") and made between the Issuer and HSBC Bank plc as manager (the "**Manager**", which expression shall include any successor Manager specified in the relevant Final Terms). The following terms and conditions (the "**Conditions**") include brief summaries of, and are subject to, certain provisions of the Warrant Agency Agreement, a copy of which will be available for inspection at the specified office of the Principal Warrant Agent. The Warrantholders (as defined in Condition 1 (*Form and Transfer*)) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions (including the form of Exercise Notice referred to in Condition 4 (*Exercise Procedure*)) of the Warrant Agency Agreement.

Each Series of Warrants may comprise one or more tranches ("**Tranches**" and each, the "**Tranche**") of Warrants. Each Tranche will be the subject of Final Terms hereto (each, the "**Final Terms**"), a copy of which will, in the case of a Tranche in relation to which application has been made to admit to listing on the Official List of the UK Listing Authority (the "**UKLA**") and to trading on the Regulated Market of the London Stock Exchange plc (the "**London Stock Exchange**"), be lodged with the UKLA and with the London Stock Exchange and will be available at the specified office of each of the Warrant Agents. In the case of a Tranche of Warrants in relation to which application has not been made to

admit to trading on the London Stock Exchange or for admission to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system, copies of the relevant Final Terms will only be available to a Holder (as defined in Condition 1 (*Form and Transfer*)) of such Warrants.

References in the Conditions to Warrants are to the Warrants of the relevant Series and references to the Issuer, a Warrant Agent, the Calculation Agent, any Holder or the Warrantholders are to those persons in relation to the Warrants of the relevant Series. Capitalised terms used but not defined in these Conditions will have the meanings given to them in the relevant Final Terms, the absence of any such meaning indicating that such term is not applicable to the Warrants of the relevant Series.

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

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

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

"**Calculation Agent**" means with respect to a Series of Warrants, the entity specified as such in the relevant Final Terms, being either HSBC Bank plc or HSBC France;

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

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

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

"**Cash Settlement Payment Date**" has the meaning ascribed thereto in the relevant Final Terms;

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

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

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

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

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

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

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

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

"Exercise Date" means, in respect of any Warrant, the day on which an Exercise Notice relating to that Warrant is delivered in accordance with the provisions of Condition 4(a) (*Exercise Procedure - Exercise Notice*) provided that:

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

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

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

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

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

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

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

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

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

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

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

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

"Securities" means, in relation to a Series of Warrants, the equity securities, debt securities (including without limitation Government Bonds), depositary receipts or other securities or property to which such Warrants relate, as specified in the relevant Final Terms and "Security" shall be construed accordingly;

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

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

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

"**Settlement Disruption Event**" means, as determined by the Calculation Agent in its sole and absolute discretion, an event beyond the control of the Issuer as a result of which the Issuer cannot reasonably make delivery of the relevant Securities using the method specified in the relevant Final Terms;

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

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

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

"**Taxes**" has the meaning ascribed thereto in Condition 4(a)(vii);

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

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

1. **Form and Transfer**

(a) *Form*

Each Tranche of Warrants will be (unless so specified in the relevant Final Terms) either, if not offered in reliance on Rule 144A, in book-entry form ("**Book-Entry Form Warrants**") and be represented by a global warrant (the "**Global Warrant**") or, if and only if offered in reliance on Rule 144A, in registered form ("**Registered Warrants**") and be represented by global registered warrants ("**Global Registered Warrants**").

Book-Entry Form Warrants

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

Registered Warrants

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

"**Warrantholder**" or "**Holder**" of the Warrants represented thereby and shall be treated 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 all purposes other than payment, the persons for the time being appearing in the books of the relevant Clearing System shall be treated as the Warrantholders and these Conditions shall be construed accordingly.

(b) *Transfer*

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

Title to Registered Warrants pass by registration in the Register.

The Warrants have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), the state securities laws of any state of the United States or the securities laws of any other jurisdiction, and may not be offered or sold within the United States or to, or for the account or benefit of, "US 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.

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

(c) *Regulations concerning transfer and registration of Registered Warrants*

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

(d) *Rule 144A Legend*

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

2. **Status of the Warrants**

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

3. **Rights on Exercise**

(a) *"American Style" Exercise*

If the Warrants are specified in the relevant Final Terms as being American Style Warrants, then this Condition 3(a) is applicable and the Warrants are exercisable on any Business Day during the Exercise Period prior to termination of the Warrants as provided in Condition 6 (*Effects on European Economic and Monetary Union*) and Condition 9 (*Illegality*), *provided that* and subject to Condition 3(i) (*Automatic Exercise*) below, any American Style Warrant with respect to which no Exercise Notice has been delivered in the manner set out in Condition 4 (*Exercise Procedure*) shall become void in accordance with Condition 3(h) (*Warrants Void on Expiry*).

(b) *"European Style" Exercise*

If the Warrants are specified in the relevant Final Terms as being European Style Warrants, then this Condition 3(b) is applicable and the Warrants are exercisable only on the Expiry Date, or if that is not a Business Day, the next succeeding Business Day (unless otherwise specified in the relevant Final Terms) prior to termination of the Warrants as provided in Condition 6 (*Effects on European Economic and Monetary Union*) and Condition 9 (*Illegality*), *provided that* and subject to Condition 3(i) (*Automatic Exercise*) below, any European Style Warrant with respect to which no Exercise Notice has been delivered in the manner set out in Condition 4 (*Exercise Procedure*) shall become void in accordance with Condition 3(h) (*Warrants Void on Expiry*).

(c) *"Bermudan Style" Exercise*

If the Warrants are specified in the relevant Final Terms as being Bermudan Style Warrants, then this Condition 3(c) is applicable and the Warrants are exercisable on each date as specified in the Final Terms (each a "**Potential Exercise Date**") and on the Expiry Date, or if each such date is not a Business Day, the next succeeding Business Day (unless otherwise specified in the relevant Final Terms) prior to termination of the Warrants as provided in Condition 6 (*Effects on European Economic and Monetary Union*) and Condition 9 (*Illegality*), *provided that* and subject to Condition 3(i) (*Automatic Exercise*) below, any Bermudan Style Warrant with respect to which no Exercise Notice has been delivered in the manner set out in Condition 4 (*Exercise Procedure*) shall become void in accordance with Condition 3(h) (*Warrants Void on Expiry*).

(d) *Cash Settlement*

If the Warrants are specified in the relevant Final Terms as being Cash Settlement Warrants, then, subject to Condition 3(f) (*Optional Physical Settlement*) if applicable, each such Warrant, upon exercise, entitles the Holder thereof to receive from the Issuer on the Cash Settlement Payment Date (as specified in the relevant Final Terms) an amount ("**Cash Settlement**") calculated in accordance with the relevant Final Terms (the "**Cash Settlement Amount**") in the currency (the "**Settlement Currency**") specified in the relevant Final Terms. The Cash Settlement Amount will be rounded down to the nearest minimum unit of the Settlement Currency, with Warrants exercised at the same time by the same

Warrantholder being aggregated for the purpose of determining the aggregate Cash Settlement Amount payable in respect of such Warrants.

(e) *Physical Settlement*

If the Warrants are specified in the relevant Final Terms as being Physical Settlement Warrants, then, subject to Condition 3(g) (*Optional Cash Settlement*) if applicable, upon the exercise of a Warrant by a Warrantholder:

- (i) in the case of a Call Warrant, the Issuer will, on the Settlement Date in respect of such Warrant, procure the credit of the Securities to which such Warrant relates to the account with the relevant Clearing System specified, or as may otherwise be specified, for that purpose by the Warrantholder in the relevant Exercise Notice, following payment by the Warrantholder to or to the order of the Issuer on or before the Strike Price Payment Date of the Strike Price; and
- (ii) in the case of a Put Warrant, the Issuer will, on the Settlement Date in respect of such Warrant, procure the credit of the Strike Price in respect of the Warrant so exercised to the account with the relevant Clearing System specified, or as may otherwise be specified for that purpose by the Warrantholder in the relevant Exercise Notice, following the debit of the relevant Securities to which such Warrant relates to the account of the Warrantholder with the relevant Clearing System and the credit thereof to the account of the Principal Warrant Agent (in favour of the Issuer) as aforesaid on or before the Settlement Date in respect of such Warrant,

in each case less any applicable Transfer Expenses ("**Physical Settlement**") all as more fully described in Condition 4 (*Exercise Procedure*). In each case, the number of Securities so debited and credited will be rounded down to the nearest whole number of such Securities that may be separately transferred, with Warrants exercised at the same time by the same Warrantholder being aggregated for the purpose of determining the aggregate number of Securities applicable.

(f) *Optional Physical Settlement*

If this Condition 3(f) is specified in the relevant Final Terms as being applicable, then, upon the exercise of a Warrant by a Warrantholder, the Issuer may, on the Determination Date, elect Physical Settlement in accordance with Condition 3(e) (*Physical Settlement*) instead of Cash Settlement in accordance with Condition 3(d) (*Cash Settlement*). The Warrants do not confer on the Holder any right to acquire Securities and the Issuer is not obliged to purchase or hold Securities. By exercising a Warrant, the Warrantholder shall be deemed to have agreed to such form of settlement as the Issuer shall elect.

(g) *Optional Cash Settlement*

If this Condition 3(g) is specified in the relevant Final Terms as being applicable, then, upon the exercise of a Warrant by a Warrantholder, the Issuer may, on the Determination Date, elect Cash Settlement in accordance with Condition 3(d) (*Cash Settlement*) instead of Physical Settlement in accordance with Condition 3(e) (*Physical Settlement*). By exercising a Warrant, the Warrantholder shall be deemed to have agreed to such form of settlement as the Issuer shall elect.

(h) *Warrants Void on Expiry*

Warrants which are not deemed automatically exercised in accordance with Condition 3(i) (*Automatic Exercise*) below and with respect to which an Exercise Notice has not been duly completed and delivered to the relevant Clearing System and to the Principal Warrant Agent, in the manner set out in

Condition 4 (*Exercise Procedure*), before 10.00 a.m. (local time in the place where the Clearing System through which such Warrants are exercised is located) on the Expiry Date, shall become void.

(i) *Automatic Exercise*

Notwithstanding Condition 3(h) (*Warrants Void on Expiry*):

- (i) if the Warrants are Cash Settlement Warrants, unless Automatic Exercise is specified as "Not Applicable" in the relevant Final Terms, any such Warrant with respect to which no Exercise Notice has been delivered in the manner set out in Condition 4 (*Exercise Procedure*) by the Expiry Date shall be deemed to be automatically exercised on the Expiry Date and the provisions of Condition 4(f) (*Exercise Risk*) shall apply; and
- (ii) if the Warrants are Physical Settlement Warrants in respect of which, upon the Expiry Date (i) such Warrant is in the money in favour of the Warrantholder and (ii) no Exercise Notice has been delivered in the manner set out in Condition 4 (*Exercise Procedure*), unless Automatic Exercise is specified as "Not Applicable" in the relevant Final Terms, such Warrant shall be deemed to be automatically exercised on the Expiry Date, *provided that* such Warrant shall be settled as a Cash Settlement Warrant and the provisions of Condition 3(d) (*Cash Settlement*) and Condition 4(f) (*Exercise Risk*) shall apply,

and in these Conditions the expression "exercise" and any related expressions shall be construed to apply to any such Warrants which are deemed to be automatically exercised in accordance with this Condition 3(i).

(j) *Settlement Risk*

If, following the exercise of Physical Settlement Warrants or Cash Settled Warrants as applicable, in the opinion of the Calculation Agent, delivery of the Securities or payment of the Cash Settlement Amount, as the case may be, using the method of delivery specified in the applicable Final Terms is not practicable on any Settlement Date by reason of a Settlement Disruption Event having occurred, then such Settlement Date for such Warrants shall be postponed to the first following Business Day in the place where the Clearing System through which such Warrants are exercised is located in respect of which there is no Settlement Disruption Event, *provided that* the Issuer may elect in its sole discretion to satisfy its obligations in respect of the relevant Warrant by delivering the applicable Securities or paying of the Cash Settlement Amount, as the case may be, using such other commercially reasonable manner as it may select and in such event the Settlement Date shall be such day as the Issuer deems appropriate in connection with the delivery of the Securities or payment of the Cash Settlement Amount, as the case may be, in such other commercially reasonable manner. For the avoidance of doubt, in relation to Physical Settled Warrants, where the Settlement Disruption Event affects some but not all of the relevant Securities, the Settlement Date for the Securities not affected by the Settlement Disruption Event will be the originally designated Settlement Date. In the event that a Settlement Disruption Event will result in the delivery on the Settlement Date of some but not all of the relevant Securities, the Calculation Agent shall determine the appropriate pro rata portion of the Transfer Expenses and/or Taxes to be paid by the relevant Warrantholder in respect of that partial settlement. In the event of an occurrence of a Settlement Disruption Event, the Calculation Agent shall give notice to the relevant Warrantholders as soon as reasonably practicable in accordance with Condition 10 (*Notices*). No Warrantholder shall be entitled to any payment in respect of the relevant Warrant in the event of any delay in the delivery of the relevant Securities due to the occurrence of a Settlement Disruption Event and no liability in respect thereof shall attach to the Issuer.

(k) *Settlement within the United States*

Notwithstanding the foregoing, with respect to any Warrants that are Physical Settlement Warrants, no cash, securities or other property shall be delivered in the United States (as this term is defined in Regulation S) in connection with the settlement of such Warrants unless the holder thereof shall have delivered any required certifications (including an Exercise Notice) and other documentation (which may include legal opinions) in conjunction with any Exercise of such Warrants.

4. **Exercise Procedure**

(a) *Exercise Notice*

Subject to prior termination of the Warrants as provided in Condition 9 (*Illegality*), Warrants may be exercised on the Exercise Date by the sending of a fax, confirmed in writing, of a duly completed Exercise Notice (copies of which may be obtained from the relevant Clearing System or the Principal Warrant Agent) to (i) the relevant agent and (ii) the Principal Warrant Agent, not later than 10.00 a.m. (local time in the place where the Clearing System through which such Warrants are exercised is located):

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

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

Each Exercise Notice shall:

- (i) specify the name, address, telephone and facsimile details of the Warrantholder in respect of the Warrants being exercised;
- (ii) specify the number of Warrants of each Tranche being exercised (which must be not less than the Minimum Exercise Number (as defined in Condition 5) (*Minimum Number of Warrants Exercisable*));
- (iii) specify the number of the Warrantholder's account at the relevant Clearing System to be debited with the Warrants being exercised and irrevocably instruct, or, as the case may be, confirm that the Warrantholder has irrevocably instructed, the relevant Clearing System to debit the Warrantholder's account with the Warrants being exercised and to credit the same to the account of the Principal Warrant Agent;
- (iv) where applicable, specify the number of the Warrantholder's account at the relevant Clearing System to be credited with the Cash Settlement Amount for the Warrants being exercised;

- (v) in the case of Warrants offered and sold in reliance on Regulation S, certify that each person exercising such Warrants is not a US person, that such Warrants are not beneficially owned by or on behalf of US persons or persons within the United States, that such Warrants are not being exercised within the US or by or on behalf of US persons or persons within the United States, and that no cash, securities or other property have been or will be delivered within the United States or to or for the account or benefit of a US person in connection with the exercise of the Warrants and authorise the production of such certification in applicable administrative or legal proceedings (the terms "United States" and "US person" used in this paragraph having the meaning given to them in Regulation S);
- (vi) in the case of Warrants offered and sold in reliance on Rule 144A, certify that each person exercising such Warrants is a "qualified institutional buyer" (as defined in Rule 144A); and
- (vii) include an irrevocable undertaking to pay any applicable stamp duty, stamp duty reserve tax and/or other taxes or duties ("**Taxes**") and/or Transfer Expenses due by reason of the exercise of the Warrants and an authority to the Issuer and the relevant Clearing System to deduct an amount in respect thereof from any Cash Settlement Amount due to such Warrantholder or otherwise (on, or at any time after, the Cash Settlement Payment Date) to debit a specified account of the Warrantholder at the relevant Clearing System with an amount or amounts in respect thereof, all as provided in the Warrant Agency Agreement.

In addition, if the Warrants are specified in the relevant Final Terms as being Physical Settlement Warrants or if Condition 3(f) (*Optional Physical Settlement*) is specified in the relevant Final Terms as being applicable, the Exercise Notice shall also:

- (aa) irrevocably instruct the relevant Clearing System to debit on the Strike Price Payment Date a specified account of the Warrantholder with the aggregate Strike Price in respect of the Warrants being exercised (together with any applicable Taxes) and to transfer such amount to such account as shall have been specified by the Issuer to the relevant Clearing System for that purpose;
 - (bb) include an irrevocable undertaking to pay any applicable Taxes due by reason of the transfer (if any) of the Securities to the account at the relevant Clearing System specified, or as otherwise specified, by the Warrantholder and an authority to the Issuer and the relevant Clearing System to debit a specified account of the Warrantholder with an amount in respect thereof; and
 - (cc) specify the number of the Warrantholder's account with the relevant Clearing System to be credited with the relevant Securities or, as the case may be, the delivery details for such Securities.
- (b) *Verification of Warrantholder*

To exercise Warrants, the Holder must duly complete an Exercise Notice and must have Warrants in the amount being exercised in its securities account with the relevant Clearing System on the Exercise Date. The relevant Clearing System will, in accordance with its normal operating procedures, verify that each person exercising such Warrants is the Holder thereof according to the records of such Clearing System and that such Holder has an account at the relevant Clearing System which contains an amount equal to the aggregate Strike Price (if any) in respect of the Warrants being exercised. If the Exercise Notice is, in the determination of the relevant Clearing System, improperly completed, or sufficient Warrants or sufficient funds equal to the aggregate Strike Price are not available in the specified account(s) with the relevant Clearing System on the Exercise Date, the Exercise Notice will

be treated as null and void and a new duly completed Exercise Notice must be submitted if exercise of the Holder's Warrants is still desired.

On or prior to the Cash Settlement Payment Date or the Settlement Date, as the case may be, the relevant Clearing System will debit the Warrantholder's account with the Warrants being exercised.

(c) *Notification to Principal Warrant Agent*

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

(d) *Debit of Warrantholder's Account*

The relevant Clearing System will on or before the Cash Settlement Payment Date or the Settlement Date, as the case may be, debit the relevant account of the Warrantholder and credit the relevant account of the Principal Warrant Agent (in favour of the Issuer) with the Warrants being exercised and, if the Warrants are specified in the relevant Final Terms as being Physical Settlement Warrants or if the Issuer has elected for optional Physical Settlement in accordance with Condition 3(f) (*Optional Physical Settlement*), with the aggregate Strike Price, in the case of a Call Warrant, or the relevant number of Securities, in the case of a Put Warrant, in respect of the Warrants being exercised together in each case with any applicable Taxes. If the Warrants are specified in the relevant Final Terms as being Physical Settlement Warrants or if the Issuer has elected for optional Physical Settlement in accordance with Condition 3(f) (*Optional Physical Settlement*) and the aggregate Strike Price, in the case of a Call Warrant, or the relevant number of Securities, in the case of a Put Warrant, in respect of the Warrants being exercised together in each case with any applicable Taxes is not so credited, then the Issuer shall be under no obligation to transfer Securities or make payment of any nature to the relevant Warrantholder in respect of the Warrants being exercised, and the Exercise Notice delivered in respect of such Warrants shall thereafter be null and void for all purposes.

If Condition 3(f) (*Optional Physical Settlement*) or Condition 3(g) (*Optional Cash Settlement*) is specified in the relevant Final Terms as being applicable, the Issuer will, by the close of business (London time) on the Business Day following the relevant Determination Date, notify the relevant Clearing System, the Principal Warrant Agent and the relevant Warrantholder, if it has elected for Cash Settlement or Physical Settlement, as the case may be. Notice to the relevant Warrantholder shall be given by facsimile to the number specified in the relevant Exercise Notice and any notice so sent shall be deemed received by the relevant Warrantholder.

(e) *Payment*

In respect of Warrants which have been exercised, the Calculation Agent shall by close of business or such other time as is specified in the relevant Final Terms on the date specified therefor in the relevant Final Terms determine the Cash Settlement Amount (if any) to be paid on the relevant Cash Settlement Payment Date in respect of the relevant Warrants *provided that* the Calculation Agent has received notification from the relevant Clearing System specifying the number of Warrants which have been exercised in accordance with Condition 4(a) (*Exercise Notice*) and, shall notify the Issuer and the Principal Warrant Agent of such amounts on the Business Day following the date so specified.

Unless the Warrants are specified in the relevant Final Terms as being Physical Settlement Warrants and the Issuer has not elected for optional Cash Settlement in accordance with Condition 3(g) (*Optional*

Cash Settlement)) or the Issuer has elected for optional Physical Settlement in accordance with Condition 3(f) (*Optional Physical Settlement*), the Issuer will transfer to the Principal Warrant Agent the Cash Settlement Amount in respect of the Warrants being exercised, less any amount in respect of Taxes which the Issuer is authorised to deduct therefrom, for value on the Cash Settlement Payment Date, and the Principal Warrant Agent will cause the Warrantholder's account with the relevant Clearing System to be credited with such amount for value on the Cash Settlement Payment Date.

If, however, the Warrants are specified in the relevant Final Terms as being Physical Settlement Warrants (and the Issuer has not elected for optional Cash Settlement in accordance with Condition 3(g) (*Optional Cash Settlement*)) or if the Issuer elects for optional Physical Settlement in accordance with Condition 3(f) (*Optional Physical Settlement*), then:

- (i) in the case of a Call Warrant, subject to the debit of the relevant account of the Warrantholder with the Strike Price and any applicable Taxes and/or Transfer Expenses and the credit thereof to the relevant account of the Principal Warrant Agent (in favour of the Issuer) as aforesaid, the Issuer will, on the relevant Settlement Date, procure the credit of the relevant Securities to the account specified, or as may otherwise be specified, in the relevant Exercise Notice; and
- (ii) in the case of a Put Warrant, the Issuer will, on the Settlement Date in respect of such Warrant, procure the transfer for value to the Principal Warrant Agent of the Strike Price in respect of the Warrant being exercised, less any amount in respect of Taxes and/or Transfer Expenses which the Issuer is authorised to deduct therefrom, and the Principal Warrant Agent will, on the relevant Settlement Date, procure the credit of the relevant Strike Price to the account specified, or as may otherwise be specified, in the relevant Exercise Notice.

(f) *Exercise Risk*

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

(g) *Determinations*

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

(h) *Effect of Exercise Notice*

Delivery of an Exercise Notice shall constitute an irrevocable election and undertaking by the Warrantholder to exercise the Warrants specified therein, *provided that* the person exercising and

delivering such Exercise Notice is the person then appearing in the books of the relevant Clearing System as the Holder of the relevant Warrants. If the person exercising and delivering the Exercise Notice is not the person so appearing, such Exercise Notice shall for all purposes become null and void and shall be deemed not to have been so delivered.

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

(i) *Fractions*

No fraction of any Securities will be transferred on exercise of any Warrant pursuant to Conditions 3(d) (*Cash Settlement*) or 3(e) (*Physical Settlement*), *provided that* all Warrants exercised at the same time by the same Warrantholder shall be aggregated for the purpose of determining whether any (and if so what) fraction of any Securities arises. Instead the Issuer shall make a cash refund of the corresponding fraction (rounded down to the nearest minimum unit of the Settlement Currency) of the aggregate Strike Price in respect of the relevant Warrants. Such refund shall be made by transfer by the Issuer to the account of the Principal Warrant Agent whereupon the Principal Warrant Agent shall transfer such amount to the account at the relevant Clearing System specified in the relevant Exercise Notice as the account to be credited with the relevant Cash Settlement Amount or, if none, then to the relevant Clearing System for credit by it to the account of the relevant Warrantholder with that Clearing System from which the Strike Price was originally debited.

5. **Minimum Number of Warrants Exercisable**

The Warrants are exercisable in the minimum number (the "**Minimum Exercise Number**") specified in the relevant Final Terms and integral multiples thereof (or, if a "Permitted Multiple" is specified in the relevant Final Terms, integral multiples of the Permitted Multiple) on any particular occasion or such lesser Minimum Exercise Number or other Permitted Multiple as the Issuer may from time to time notify to the Warrantholders in accordance with Condition 10 (*Notices*).

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

- (a) Following the occurrence of an EMU Event (as defined below), the Calculation Agent may make such adjustment (and determine the effective date of such adjustment) as it, in its sole and absolute discretion, determines appropriate, if any, to the Strike Price (if any), the formula for the Cash Settlement Amount, the Settlement Price, the Relevant Price, the number of Securities to which each Warrant relates, the number of securities comprised in a Security Basket Warrant, the amount, the number of or type of shares, bonds, other securities or other property which may be delivered in respect of such Warrants and/or any other adjustment and, in any case, any other variable relevant to the exercise, settlement or payment terms of the relevant Warrants which in the sole and absolute discretion of the Calculation Agent have been or may be affected by such EMU Event.
- (b) Following the occurrence of an EMU Event, without prejudice to the generality of the foregoing, the Issuer shall be entitled to: (i) make such conversions between amounts

denominated in the national currency units (the "**National Currency Units**") of the member states of the European Union that have adopted the single currency in accordance with the Treaty establishing the European Communities is amended by the Treaty on European Union and the euro, and the euro and the National Currency Units, in each case, in accordance with the conversation rates and rounding rules established by the council of the European Union pursuant to the Treaty establishing the European Communities as amended by the Treaty a European Union as it, in its sole and absolute discretion, considers appropriate; (ii) make all payments in respect of the Warrants solely in euro as though references in the Warrants to the relevant National Currency Units were to euro and (iii) make such adjustments as it, in its sole and absolute discretion considers necessary to the Strike Price (if any), the formula for the Cash Settlement Amount, Settlement Price, Relevant Price and any other amount as it determines, in its sole and absolute discretion, to be appropriate.

- (c) None of the Issuer, a Warrant Agent or the Calculation Agent will be liable to any Warrantholder or other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection therewith.
- (d) For the purposes hereof, "**EMU Event**" means the occurrence of any of the following, as determined by the Calculation Agent, acting in a commercially reasonable manner:
 - (i) the withdrawal from legal tender of any currency that, before the introduction of the euro, was lawful currency in one of the member states;
 - (ii) the redenomination of any Security into euro;
 - (iii) any change in the currency of denomination of any Index;
 - (iv) any change in the currency in which some or all the securities or other property contained in any Index is denominated;
 - (v) the disappearance or replacement of a relevant rate option or other price source for the national currency of any member state, or the failure of the agreed sponsor (or successor sponsor) to publish or display a relevant rate, index, price, page or screen; or
 - (vi) the change by any organised market, exchange or clearance, payment or settlement system in the unit of account of its operating procedures to the euro.

7. **Warrant Agents and Calculation Agent**

(a) *Appointment of Agents*

The Issuer reserves the right at any time to vary or terminate the appointment of the Principal Warrant Agent or the Calculation Agent or the Authentication Agent or the Warrant Registrar or the Warrant Transfer Agent and to appoint another Principal Warrant Agent or a substitute Calculation Agent or a substitute Authentication Agent or a substitute Warrant Registrar or a substitute Warrant Transfer Agent, *provided that* (i) so long as any Warrant is outstanding, the Issuer will maintain a Principal Warrant Agent and a Calculation Agent and an Authentication Agent and (ii) so long as the Warrants have been admitted to the Official List of the UKLA and admitted to trading on the London Stock Exchange (or have been admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system), there will be a Warrant Agent with a specified office in London (or in such other place as may be required by such other listing authority, stock exchange and/or quotation system by which the Warrants have then been admitted to listing, trading and/or quotation). Notice of

any termination of appointment and of any change in the specified office of the Principal Warrant Agent or a Calculation Agent or an Authentication Agent or a Warrant Registrar or a Warrant Transfer Agent and of any appointment of a Warrant Agent or a Calculation Agent or an Authentication Agent or a Warrant Registrar or a Warrant Transfer Agent will be given to Warrantholders in accordance with Condition 10 (*Notices*). In acting under the Warrant Agency Agreement, the Principal Warrant Agent acts solely as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with, the Warrantholders.

(b) *Calculation Agent*

The Calculation Agent shall not act as an agent for the Warrantholders but shall be the agent of the Issuer. All calculation functions required of the Calculation Agent under these Conditions may be delegated to any such person as the Calculation Agent, in its absolute discretion, may decide.

Neither the Issuer nor the Calculation Agent shall have any responsibility for any errors or omissions in the calculation and dissemination of any variables used in any calculation made pursuant to these Conditions or in the calculation of any Cash Settlement Amount or of any entitlement to Physical Settlement arising from such errors or omissions.

(c) *Notifications*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the Warrants by the Principal Warrant Agent or the Calculation Agent shall (in the absence of manifest error or wilful misconduct) be binding on the Issuer and the 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.

8. Taxes

A Warrantholder subscribing for, purchasing or exercising a Warrant shall pay all Taxes and securities transfer taxes and any other charges, if any, payable in connection with the subscription, purchase or exercise of such Warrant and the delivery of the Cash Settlement Amount and/or any Securities as a result of such exercise. The Issuer shall have the right, but not the duty, to withhold or deduct from any amounts otherwise payable to a Warrantholder such amount as is necessary for the payment of any such taxes, duties or charges or for effecting reimbursement in accordance with the next sentence.

In any case where the Issuer is obliged to pay any such tax, duty or charge referred to in the previous paragraph, the relevant Warrantholder shall promptly reimburse the Issuer therefor.

The Issuer shall not be liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer or exercise of any Warrants.

9. Illegality

Subject to the following sentence, 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 shall have become unlawful or impracticable in whole or in part, in particular as a result of compliance with any applicable present or future law, rule, regulation, judgment, order or directive or with any requirement or request of any governmental, administrative, legislative or judicial authority or power. In such circumstances the Issuer will, however, pay to each Warrantholder in respect of each Warrant held by it an amount determined by the Calculation Agent after consultation with a merchant bank of international repute as representing the fair market value of such Warrant

immediately after such termination. Payment will be made in such manner as shall be notified to the Warrantheolders in accordance with Condition 10 (*Notices*).

10. Notices

All notices to Warrantheolders will, save where another means of communication has been specified in the relevant Final Terms, be deemed to have been duly given if notified to the relevant Clearing System and, in the case of Warrants admitted to the Official List of the UKLA and admitted to trading on the London Stock Exchange (or which have been admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system), if copies of such notifications are forwarded in final form to the London Stock Exchange no later than the date of dispatch (or, in the case of Warrants admitted to listing, trading and/or quotation by any other listing authority, stock exchange, and/or quotation system published in any publication required by such other listing authority, stock exchange and/or quotation system). Any such notice shall be deemed to have been given on the date of such notification or, in the case of any of Warrants listed on any other listing authority, stock exchange and/or quotation system, the date of such publication or, if notified or published more than once or on different dates, on the date of the first such notification or publication.

11. Further Issues

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

12. Purchase by the Issuer

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

13. Modification

The Issuer may modify the Conditions and the Warrant Agency Agreement (subject in the case of the Warrant Agency Agreement to the agreement of the other parties thereto) without the consent of the Warrantheolders for purposes of curing any ambiguity or correcting or supplementing any provision contained therein in any manner which the Issuer may deem necessary or desirable *provided that* such modification is not materially prejudicial to the interests of the Warrantheolders or to correct an inconsistency between the Final Terms and the relevant termsheet relating to the Warrants. Notice of any such modification will be given to the Warrantheolders but failure to give, or non-receipt of, such notice will not affect the validity of such modification.

14. Substitution

The Issuer shall be entitled at any time and from time to time, without the consent of the Warrantheolders, 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 on a subordinated basis. 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 Warrantheolders in accordance with Condition 10 (*Notices*). In connection with such right of substitution the Issuer shall not be obliged to have regard to the consequences of the exercise of such right for individual Warrantheolders resulting from their being for any purpose

domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory, and no Warrantholder shall be entitled to claim from the Issuer any indemnification or payment in respect of any tax consequence of any such substitution upon such Warrantholder.

15. **Governing Law**

(a) *Governing law*

The Warrants and all contractual and non-contractual matters arising from or connected with the Warrants are governed by, and shall be construed in accordance with, English law.

(b) *English courts*

The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**"), arising from or connected with the Warrants (including any Dispute regarding the existence, validity or termination of the Warrants) or the consequences of their nullity.

16. **Third Party Rights**

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

PRO FORMA FINAL TERMS FOR WARRANTS

Set out below is the form of Final Terms which will be completed for each Tranche of Warrants issued under the Programme.

[Warrants issued pursuant to these Final Terms are securities to be listed under Listing Rule 19.¹]

Final Terms dated []

Series No.: []

Tranche No.: []

HSBC Bank plc

Programme for the Issuance of Notes and Warrants

Issue of

[Number of Warrants]

[Title of Warrants]

PART A - CONTRACTUAL TERMS

This document constitutes the Final Terms relating to the issue of the Tranche of Warrants described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 30 July 2009 in relation to the above Programme [and the supplemental Prospectus dated []² which [together] constitute[s] 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 [as so supplemented]. Full information on the Issuer and the offer of the Warrants is only available on the basis of the combination of these Final Terms and the Prospectus. [The Prospectus [and the supplemental Prospectus] [is] [are] is available for viewing at [address] [and] [website]³ and copies may be obtained from [address].]

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Prospectus dated [original date] [and the supplemental Prospectus dated []]. 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 [current date] [and the supplemental Prospectus dated []], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the [Prospectus] dated [original date] [and

¹ To be included in respect of all Warrants which are to be admitted to listing.

² Only include details of supplement Prospectus in which the Conditions have been amended for the purposes of all issues under the Programme.

³ If required by the UKLA in accordance with Article 14 of the Prospectus Directive.

the supplemental Prospectus dated [] and are attached hereto. Full information on the Issuer and the offer of the Warrants is only available on the basis of the combination of these Final Terms and the Prospectus(es) dated [original date] and [current date] [and the supplemental Prospectus dated [] and []]. [The Prospectus(es) are available for viewing at [address] and copies may be obtained from [address].

[The Issuer accepts responsibility for the information set out in the Annex hereto (which forms part of these Final Terms) concerning [*description of underlying Index/Indices/Securities*] (the "[] **Information**"), which is derived from publicly available information and is intended as a summary only of the information from which it is derived. The Issuer confirms that the [] Information has been accurately reproduced from information available from the information source specified herein and that, so far as the Issuer is aware and is able to ascertain from Information available from such source, no facts have been omitted which would render the reproduced Information inaccurate or misleading. The Issuer accepts responsibility for having correctly extracted the [] Information from such publicly available information.]

The [] Information is of limited scope. In deciding whether or not to purchase Warrants, investors should conduct their own investigations of [*description of underlying*] and form their own view of the merits of [*description of underlying*] based upon such investigations and not in reliance upon the [•] Information.]]

[For Warrants offered and sold in the United States of America include:

IMPORTANT NOTICES

THE WARRANTS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), THE STATE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION, AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO US PERSONS 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-US PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")) 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.

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

Investing in the Warrants involves substantial risks. As a consequence, prospective investors should be aware that the warrants are only intended for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks of an investment in the warrants. In purchasing any warrants, an investor will be deemed to represent that it is such an investor and has such knowledge and experience. Prospective investors should consider the risk factors set forth under "Risk Factors" in the Prospectus and the risks described herein.

[Include whichever of the following apply or specify as "Not applicable". Note that the numbering should remain as set out below, even if "Not applicable" is indicated for individual paragraphs or subparagraphs. Italics denote guidance for completing the Final Terms.]

[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

- | | | |
|----|--------------------------|-------------------------------|
| 1. | Issuer: | HSBC Bank plc |
| 2. | Principal Warrant Agent: | HSBC Bank plc |
| 3. | Calculation Agent: | [HSBC Bank plc] [HSBC France] |
| 4. | Warrant Agent: | HSBC Bank plc |
| 5. | (i) Series number: | [] |
| | (ii) [Tranche number: | [] |

(If fungible with an existing Series, details of that Series, including the date on which the Warrants become fungible).]

- | | | |
|----|-------------------------|-----|
| 6. | Currency or currencies: | [] |
|----|-------------------------|-----|

7. Aggregate Number of Warrants in the:
- [(i) Series: []
- [(ii) Tranche:] []
8. Issue Date: []
9. Issue Price: [currency] [amount] per Warrant
10. Strike Price: [currency] [amount]
11. Listing of Warrants: [Application has been made for the Warrants to be admitted to the Official List of the UK Listing Authority and admitted to trading on the Regulated Market of the London Stock Exchange/other (specify)/ [on or around the Issue Date/ insert date/ None]
12. Date [Board] approval for the issuance of Warrants obtained: [] [and [], respectively]]
(*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Warrants*)
13. Type of Warrants: [Index-Linked/ Equity-Linked/ Currency-Linked/ Interest/ Inflation Rate Linked etc]
14. Series represented by: [Global Warrant⁴]/[Global Registered Warrant]. Warrants in definitive form [will/will not] be issued.] [other (specify)]
15. Style of Warrants: The Warrants are [American/European/Bermudan/ other (specify)] Style [Call/Put] Warrants. Condition [3(a)/3(b)] is applicable.
16. (i) Expiry Date: [Time] [City] time [specify fallback if Expiry Date is not a business day, if not the Following Business Day Convention]
- (ii) Exercise Procedure: [Condition 4 is applicable/other (specify)]
- (iii) Automatic Exercise: [Applicable/Not Applicable]⁵
- (iv) Exercise Period: [American Style Warrants only]. [The period beginning from (and including) [] and

⁴ Warrants will be in book-entry form represented by a Global Warrant. If, and only if Warrants are being sold in reliance on Rule 144A, will they be in registered form and represented by a Global Registered Warrant.

⁵ Refer to Listing Rule 19.2.6

ending on (and including) the Expiry Date].

- (v) Potential Exercise Date(s): [*Bermudan Style Warrants only*] [*insert date*]
17. (i) Minimum Exercise Number: [] Warrants
- (ii) Permitted Multiple: [] Warrants
18. Cash Settlement: [Applicable. The Warrants are Cash Settlement Warrants. Condition 3(d) (*Cash Settlement*) [and Condition 3(f) (*Optional Physical Settlement*)] [applies/apply]/[Not applicable].
- (i) Settlement Currency: []
- (ii) Cash Settlement Amount: []
- (iii) Cash Settlement Payment Date: []
19. Physical Settlement: [Applicable. The Warrants are Physical Settlement Warrants. Condition 3(e) (*Physical Settlement*) [and Condition 3(g) (*Optional Cash Settlement*)] [applies/apply]/[Not applicable].
- (i) Strike Price Payment Date: []
- (ii) Settlement Date: []
- [*Consider treatment of dividends*]
- Stamp duty [is/ is not] currently payable by the Warrantholder on Security delivery. There [are/are no] restrictions on the transferability of the Securities.
20. Averaging Date Market Disruption: [Omission / Postponement / Modified Postponement / Not applicable / *other (specify)*]
21. Averaging Dates: [Applicable/Not Applicable] [*If applicable, specify dates*]
22. Business Day: [As in the Conditions/*other (specify)*]
23. Determination Date: []⁶

⁶ If Condition 3(f) (*Optional Cash Settlement*) or 3(g) (*Optional Physical Settlement*) is applicable

24. Selling Restrictions: In addition to selling restrictions listed in "Purchase and Sale of the Warrants" contained in the Base Prospectus:

[Specify any selling restrictions applicable to the Warrants which are additional to, or in substitution for, those contained in the Base Prospectus]

[LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Warrants described herein pursuant to the Programme for the Issuance of Notes and Warrants of HSBC Bank plc.]

[In offer of Warrants pursuant to Rule 144A insert:

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers of Warrants offered in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Warrants.

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

- (a) such 144A Offeree acknowledges that these Final Terms and the accompanying Base Prospectus is personal to such 144A Offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Warrants other than pursuant to Rule 144A or in offshore transactions in accordance with Regulation S. Distribution of these Final Terms and the accompanying Base Prospectus, or disclosure of any of its contents, to any person other than such 144A Offeree and those persons, if any, retained to advise such 144A Offeree with respect thereto and other persons meeting the requirements of Rule 144A or Regulation S is 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 these Final Terms and the accompanying Base Prospectus or any documents referred to herein.

Each purchaser of Warrants sold in reliance on Rule 144A ("**Restricted Warrants**") will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A are used herein as defined therein):

- (1) The purchaser (A) is a qualified institutional buyer within the meaning of Rule 144A, (B) is acquiring the Warrants for its own account or for the account of a qualified institutional buyer, and (C) such person is aware that the sale of the Warrants to it is being made in reliance on Rule 144A.
- (2) The purchaser understands that the Rule 144A 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 Warrants will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

"THIS WARRANT [AND THE SECURITIES TO BE DELIVERED UPON EXERCISE HEREOF]⁷ HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), ANY STATE SECURITIES LAWS 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-US 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 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (D) TO THE ISSUER OR ITS AFFILIATES. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS WARRANT FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

ANY EXERCISE OF THIS WARRANT WILL BE CONDITIONED ON (1) THE DELIVERY OF A DULY EXECUTED EXERCISE NOTICE BY THE HOLDER HEREOF AND (2) WITH RESPECT TO EXERCISE BY ANY US PERSON, THE UNDERLYING SECURITIES BEING (A) REGISTERED UNDER THE SECURITIES ACT OR (B) SUBJECT TO AN EXEMPTION FROM REGISTRATION THEREUNDER AT THE TIME OF SUCH EXERCISE."

- (4) Each purchaser of Restricted Warrants acknowledges that the Issuer, the Warrant 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 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.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms.

⁷ To be included if the underlying securities have not been registered under the Securities Act.

CONFIRMED

HSBC BANK PLC

By: _____
Authorised Signatory

Date: _____

PART B - OTHER INFORMATION

1. **LISTING**

(i) Listing: [Application [will be/has been] made to admit the Warrants to listing on the Official List of the Financial Services Authority pursuant to Listing Rule 19. No assurance can be given as to whether or not, or when, such application will be granted.]

(ii) Admission to trading: [Application has been made for the Warrants to be admitted to trading [on the Regulated Market/*other (specify)*] with effect from [the Issue Date/ *[insert date]*]. No assurance can be given as to whether or not, or when, such application will be granted.] [Application has been made to have the Warrants admitted to trading on the PORTAL System of the US National Association of Securities Dealers.]/[Not applicable]

[(Where documenting a fungible issue need to indicate that original warrants are already admitted to trading.)]

2. **[NOTIFICATION**

The [*include name of competent authority in EEA home Member State*] [has been requested to provided/has provided - *include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues*] the [*include names of competent authorities of host Member States*] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

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

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in ["Purchase and Sale of the Warrants"], so far as the Issuer is aware, no person involved in the offer of the Warrants has an interest material to the offer."

4. **[REASONS FOR THE OFFER ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

[(i) Reasons for the offer: []

(See ["Use of Proceeds"] wording in Prospectus - if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]

(ii) Estimated net proceeds: *(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*

(iii) Estimated total expenses: *[Include breakdown of expenses]*

(If the Warrants are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above)

5. **[Index-Linked, Equity-Linked or other variable-linked Interest Warrants only - PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND**

OTHER INFORMATION CONCERNING THE UNDERLYING⁸

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained [and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident]. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Also include appropriate index disclaimers. Where the underlying is not an index, need to include equivalent information.]⁹

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)]

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information].

⁸ Refer to Prospectus Rules, Annex XII, paragraph 4.2.2 for disclosure requirements

⁹ Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies (i.e. if the Cash Settlement Amount is less than 100 per cent. of the issue price of the Warrants).

OPERATIONAL INFORMATION

- 6. ISIN Code: []
- 7. Common Code: []
- 8. CUSIP: []
- 9. Valoren Number: []
- 10. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [None/specify]
- 11. Delivery: Delivery [against/free of] payment
- 12. Additional Warrant Agent(s) (if any): [None/specify]
- 13. Common Depository: [specify]
- 14. Notices: (Condition 10) [specify any other means of effecting communication]
- 15. City in which specified office of Warrant Registrar to be maintained: [specify]
- 16. Other relevant Terms and Conditions: []
- 17. Other Final Terms: []¹⁰
- 18. ERISA Considerations: []

TERMS AND CONDITIONS OF THE OFFER [this section applies only to public offers]

- 19. Offer Price: [Issue Price][other (specify)]
- 20. Conditions to which the offer is subject: [Not applicable/give details]
- 21. Description of the application process: [Not applicable/give details]
- 22. Description of possibility to reduce subscriptions and

¹⁰ If new term constitutes a "significant new factor", consider whether supplement to the Prospectus is required

- manner for refunding excess amount paid by applicants:
23. Details of the minimum and/or maximum amount of application: [Not applicable/*give details*]
 24. Details of the method and time limits for paying up and delivering the Warrants: [Not applicable/*give details*]
 25. Manner in and date on which results of the offer are to be made public: [Not applicable/*give details*]
 26. Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not applicable/*give details*]
 27. Categories of potential investors to which the Warrants are offered and whether tranche(s) have been reserved for certain countries: [Not applicable/*give details*]
 28. Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not applicable/*give details*]
 29. Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not applicable/*give details*]
 30. Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place: [Not applicable/*give details*]

PURCHASE AND SALE OF WARRANTS

Other than with respect to the admission to listing, trading and/or quotation by such one or more listing authorities, stock exchanges and/or quotation systems as may be specified in the Final Terms, no action has been or will be taken in any jurisdiction by the Issuer that would permit a public offering of the Warrants, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. No offers, sales or deliveries of any Warrants or any securities to be issued or delivered upon their exercise, or distribution of any offering material relating to the Warrants or such securities, may be made in or from any jurisdiction, except in circumstances which will result in compliance with any applicable laws and regulations and will not impose any obligation on the Issuer.

General

- (1) Each Manager acknowledged that, other than with respect to the admission of the Warrants to listing, trading and/or quotation by the relevant listing authorities, stock exchanges and/or quotation systems, no action has been or will be taken in any jurisdiction by the Issuer that would permit a public offering of the Warrants, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required.
- (2) Each Manager undertook to the Issuer that it will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Warrants or has in its possession or distributes such offering material, in all cases at its own expense.
- (3) In accordance with the above, each Manager warranted to and undertook with the Issuer that any Warrant purchased by it which it wishes to offer for sale or resale shall not be offered in any jurisdiction in circumstances which would result in the Issuer being obliged to register any further prospectus or corresponding document relating to the Warrants in such jurisdiction.

United States of America

In relation to Warrants to be offered and sold outside the United States of America in reliance on Regulation S under the Securities Act:

The Warrants have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to or for the account or benefit of US persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except in accordance with Regulation S or pursuant to an exemption from or in a transaction not subject to the registration requirements of the Securities Act.

The Manager represented and agreed and each further Manager appointed under the Programme will be required to represent and agree that, with respect to the Warrants issued in reliance on Regulation S (the "**Regulation S Warrants**"), it has offered and sold Regulation S Warrants and will offer and sell Regulation S Warrants (i) as part of their distribution at any time and (ii) otherwise until forty days after the later of the closing date and the completion of the distribution of the Series of which such Regulation S Warrants are a part, as determined and certified to the Principal Warrant Agent or the Issuer by the relevant Manager (or, in the case of a sale of a Series of Regulation S Warrants to or through more than one Manager, by each of such Managers as to the Warrants of such Series purchased by or through it, in which case the Principal Warrant Agent or the Issuer shall notify each such Manager when all such Managers have so certified), only in accordance with Rule 903 of Regulation S.

Accordingly, each Manager represented and agreed that neither it nor its affiliates (if any) nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Regulation S Warrants, and each Manager, its affiliates (if any) and any person acting on its or their behalf have complied and will comply with the offering restrictions requirements of Regulation S under the Securities Act.

The Manager agreed that, at or prior to confirmation of sale of Regulation S Warrants it will have sent to each distributor, Manager or person receiving a selling concession, fee or other remuneration that purchases Regulation S Warrants from it or through it a confirmation or notice to substantially the following effect:

"The Warrants covered hereby have not been registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered and sold within the United States or to or for the account or benefit of US persons, except in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them by Regulation S."

The terms "United States" and "US person" have the meanings given to them by Regulation S under the Securities Act.

In relation to Warrants to be offered or sold in the United States of America pursuant to Rule 144A under the Securities Act:

- (1) Each Manager agreed that it will not, acting either as principal or agent, offer or sell any Warrants in the United States other than Warrants in registered form bearing a restrictive legend thereon, and it will not, acting either as principal or agent, offer, sell, reoffer or resell any of such Warrants (or approve the resale of any such Warrants):
 - (a) except (A) inside the United States through a US broker dealer that is registered under the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), to institutional investors, each of which such Manager reasonably believes is a "qualified institutional buyer" (as defined in Rule 144A under the United States Securities Act of 1933, as amended), or a fiduciary or agent purchasing Warrants for the account of one or more qualified institutional buyers or (B) otherwise in accordance with the restrictions on transfer set forth in such Warrants, the Manager Agreement, the Base Prospectus and the relevant Final Terms; or
 - (b) by means of any form of general solicitation or general advertisement, including but not limited to (A) any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast of television or radio and (B) any seminar or meeting whose attendees have been advised by any general solicitation or general advertising.

Prior to the sale of any Warrants in registered form bearing a restrictive legend thereof, the selling Manager shall have provided each offeree that is a US person (as defined in Regulation S) with a copy of the Base Prospectus and the corresponding Final Terms in the form the Issuer and Managers shall have most recently agreed shall be used for offers and sales in the United States.

- (2) Each Manager represented and agreed that in connection with each sale to a qualified institutional buyer, it has taken or will take reasonable steps to ensure that the purchaser is aware that the Warrants have not been and will not be registered under the Securities Act and that transfers of Warrants are restricted as set forth herein and, in the case of sales in reliance

upon Rule 144A, that the selling Manager may rely upon the exemption provided by Rule 144A under the Securities Act.

In addition, until 40 days after the commencement of the offering of any Tranche of Warrants, an offer or sale of Warrants of such Tranche within the United States by any manager (whether or not participating in the offering of such Warrants) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Each Manager (or, in the case of a sale of a Series of Warrants to or through more than one Manager, each of such Managers as to Warrants of such Series purchased by or through it, in which case the Principal Warrant Agent or the Issuer shall notify each such Manager when all such Managers have certified as provided in this paragraph) who has purchased Warrants of any Series in accordance with this Agreement shall determine and certify to the Principal Warrant Agent or the Issuer the completion of the distribution of such Series of Warrants as aforesaid. In order to facilitate compliance by each Manager with the foregoing, the Issuer agrees that, prior to such certification with respect to such Series, it will notify each Manager in writing of each acceptance by the Issuer of an offer to purchase and of any issuance of, Warrants or other debt obligations of the Issuer which are denominated in the same currency or composite currency and which have substantially the same interest rate and maturity date as the Warrants of such Series.

Each issuance of index-, commodity- or currency-linked Warrants shall be subject to additional US selling restrictions as the relevant Manager or Managers shall agree with the Issuer as a term of the issuance and purchase of such Warrants. Each Manager agrees that it shall offer, sell and deliver such Warrants only in compliance with such additional US selling restrictions.

Public Offer Selling Restriction Under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented (or in the case of those Member States which have not yet implemented the Prospectus Directive, will implement) the Prospectus Directive (each, a "**Relevant Member State**"), the Manager represented and agreed and each further Manager appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Warrants which are the subject for the offering contemplated by the Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Warrants to the public in that Relevant Member State:

- (a) if the final terms in relation to the Warrants specify that an offer of those Warrants may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-Exempt Offer**"), following the date of publication of a prospectus in relation to those Warrants which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, *provided that* any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (d) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Manager or Managers nominated by the Issuer for any such offer; or
- (e) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive.

provided that no such offer of Warrants referred to in (b) to (e) above shall require the Issuer or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Warrants to the public**" in relation to any Warrants in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Warrants to be offered so as to enable an investor to decide to purchase or subscribe the Warrants, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State by any measure implementing the Prospectus Directive in that Member State.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

The Manager represented and agreed and each further Manager appointed under the Programme will be required to represent and agree, that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Warrants in circumstances in which Section 21(1) of the FSMA would not, if it was not an authorised person, apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Warrants in, from or otherwise involving the United Kingdom.

Selling Restrictions Addressing Additional France Securities Laws

The Manager represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, Warrants to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Base Prospectus, the relevant Final Terms or any other offering material relating to the Warrants and such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*) all as defined in, and in accordance with, articles L.411-1, L.411-2, D.411-1 and D.411-2 of the French *Code monétaire et financier*, but excluding individuals referred to in Article D.411-1 II 2. Each Manager has represented and agreed that the offer of Warrants to the public in France will be made only in compliance with the Prospectus Directive and the applicable laws, regulations and procedures in France.

Hong Kong

Each Manager represented and agreed that it has not issued or had in its possession for the purposes of issue, and will not issue, or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Warrants, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Warrants which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) and any rules made thereunder.

Selling Restrictions Addressing Additional Republic of Italy Securities Laws

The offering of the Warrants has not been registered pursuant to Italian securities legislation and, accordingly, each Manager has represented and agreed that, save as set out below, it has not offered or sold, and will not offer or sell, any Warrants in the Republic of Italy in an offer to the public and that sales of the Warrants in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Accordingly, each Manager has represented and agreed that it will not offer, sell or deliver any Warrants or distribute copies of this Base Prospectus and any other document relating to the Warrants in the Republic of Italy except:

- (1) to "qualified investors", as referred to in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (" **Decree No. 58**"), and defined in article 34-ter of CONSOB Regulation no. 11971 of 14 May 1999, as amended ("**Regulation No. 11971**");
- (2) that it may offer, sell or deliver Warrants or distribute copies of any prospectus relating to such Warrants in an offer to the public in the period commencing on the date of publication of such prospectus, *provided that* such prospectus has been approved in another Relevant Member State and notified to CONSOB, all in accordance with the Prospectus Directive, as implemented in Italy under Decree No. 58 and Regulation No. 11971, and ending on the date which is 12 months after the date of publication of such prospectus; and
- (3) in any other circumstances where an express exemption from compliance with the solicitation restrictions applies, as provided under Decree No. 58 or Regulation No. 11971.

Any such offer, sale or delivery of the Warrants or distribution of copies of the Base Prospectus or any other document relating to the Warrants in the Republic of Italy must be:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993 as amended, Decree No. 58, CONSOB Regulation No. 16190 of 29 October 2007, as amended and any other applicable laws and regulations; and
- (b) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

Provisions relating to the secondary market in Italy

Investors should also note that, *in any subsequent distribution of the Warrants in the Republic of Italy, Article 100-bis of Decree No. 58 may require compliance with the law relating to public offers of securities. Furthermore, where the Warrants are placed solely with "qualified investors" and are then systematically resold on the secondary market at any time in the 12 months following such placing,*

purchasers of Warrants who are acting outside of the course of their business or profession may in certain circumstances be entitled to declare such purchase void and, in addition, to claim damages from any authorised person at whose premises the Warrants were purchased, unless an exemption provided for under Decree No. 58 applies.

Japan

The Warrants have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, each Manager has undertaken that it will not offer or sell any Warrants directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, "**Japanese Person**" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Selling Restrictions Addressing Additional The Netherlands Securities Laws

Zero Coupon Instruments (as defined below) in definitive form of the Issuer may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the Issuer or a member firm of NYSE Euronext Amsterdam in full compliance with the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) of 21 May 1985 (as amended) and its implementing regulations. No such mediation is required: (a) in respect of the transfer and acceptance of rights representing an interest in a Zero Coupon Instrument in global form, or (b) in respect of the initial issue of Zero Coupon Instruments in definitive form to the first holders thereof, or (c) in respect of the transfer and acceptance of Zero Coupon Instruments in definitive form between individuals not acting in the conduct of a business or profession, or (d) in respect of the transfer and acceptance of such Zero Coupon Instruments within, from or into The Netherlands if all Zero Coupon Instruments (either in definitive form or as rights representing an interest in a Zero Coupon Instrument in global form) of any particular Series are issued outside The Netherlands and are not distributed into The Netherlands in the course of initial distribution or immediately thereafter. As used herein, "**Zero Coupon Instruments**" are Instruments that are in book-entry form and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

Selling Restrictions Addressing Additional Kingdom of Spain Securities Laws

Each Manager has represented and agreed that the Warrants may not be offered, sold or distributed in the Kingdom of Spain save in accordance with the requirements of Law 24/1988, of 28 July, on the Securities Market (*Ley 24/1988, de 28 de julio, del Mercado de Valores*) (the "**LMV**") as amended and restated, and Royal Decree 1310/2005, of 4 November 2005, partially developing Law 24/1988, of 28 July, on the Securities Market in connection with listing of securities in secondary official markets, initial purchase offers, rights issues and the prospectus required in these cases (*Real Decreto 1310/2005, de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1 988, de 28 de Julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*), as amended and restated, and the decrees and regulations made thereunder and by institutions authorised under the LMV and Royal Decree 217/2008, of 15 February, on the legal regime applicable to investment services companies (*Real Decreto 217/2008, de 15 de febrero, sobre el régimen jurídico de las empresas de servicios de inversión y de las demás entidades que prestan servicios de inversión y por el que se modifica parcialmente el Reglamento de la Ley 35/2003, de 4 de noviembre, de Instituciones de*

Inversión Colectiva, aprobado por el Real Decreto 1309/2005, de 4 de noviembre) to provide investment services in Spain.

Switzerland

The Base Prospectus and any Final Terms relating to the Warrants do not constitute an issue prospectus pursuant to Art. 652a or Art. 1156 of the Swiss Code of Obligations and may not comply with the Directive for Notes of Foreign Borrowers of the Swiss Bankers Association. The Warrants are not listed on the SIX Swiss Exchange and, therefore, the Base Prospectus and any Final Terms may not comply with the disclosure standards of the listing rules of the SIX Swiss Exchange. As at the date of this Base Prospectus, the Issuer does not intend to list Warrants on the SIX Swiss Exchange.

Accordingly, the Warrants may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors, who do not subscribe to the Warrants with a view to distribution. The investors will be individually approached by the Manager(s) from time to time.

The Base Prospectus or any Final Terms do not constitute investment advice or an offer to any person to purchase the Warrants. The Base Prospectus and any Final Terms may not be publicly distributed or otherwise made publicly available in or from Switzerland. The Base Prospectus and any Final Terms may only be used by those persons to whom they have been delivered by the Issuer or any Manager and may neither be copied nor directly or indirectly distributed or made available to other persons without the express consent of the Issuer or the Manager(s).

Should any Series of Warrants be publicly issued in Switzerland, the Issuer will prepare supplemental documents to the extent required by Swiss law. Swiss investors should in such case also consult any such document before making any investment decision.

OFFERS AND SALES OF WARRANTS

In respect of each Tranche of Warrants, the Issuer may retain some of the Warrants which it may sell, cancel or otherwise dispose of from time to time, as the case may be, as it may determine. The Issuer is entitled, at any time before the expiry of the Warrants of any Tranche, to purchase or sell such Warrants in the open market or through private transactions.

The issue price of any Warrant specified in the relevant Final Terms is an indicative value set by the Issuer as at the date of the relevant Final Terms. The Issuer reserves the right to offer such Warrants at any other price or prices as conclusively determined by it and no Warrantholder shall have a claim against the Issuer by reason of the price offered to it or any other Warrantholder.

SUMMARY OF PROVISIONS RELATING TO THE WARRANTS WHILE IN GLOBAL FORM

Warrants may, subject to all applicable legal and regulatory requirements, be issued in Tranches or Series and will (unless so specified in the relevant Final Terms) either, if not offered in reliance on Rule 144A, be in book-entry form ("**Book-Entry Form Warrants**"), represented by a global warrant (the "**Global Warrant**") or if, and only if in reliance on Rule 144A, in registered form ("**Registered Warrants**") and represented by global registered warrants ("**Global Registered Warrants**").

Registered Warrants

In the case of Registered Warrants, unless specified otherwise in the Final Terms, Warrants will be issued as Global Registered Warrants if, and only if, offered in reliance on Rule 144A held in specified clearing systems, as described below.

Global Registered Warrants

If Registered Warrants are to be issued in the form of Global Registered Warrants, the Issuer will deliver an Unrestricted Global Registered Warrant and a Restricted Global Registered Warrant (as each such term is defined below), subject to the Warrant Issuance Agreement (as defined herein) in accordance with their respective terms and as specified in the relevant Final Terms.

Unrestricted and Restricted Global Registered Warrants

In the case of a Tranche of Registered Warrants offered and sold both pursuant to Regulation S and in reliance on Rule 144A such Tranche of Registered Warrants will be represented by two Global Registered Warrants (in the case of Registered Warrants forming part of such Tranche which are sold pursuant to Regulation S, an "**Unrestricted Global Registered Warrant**" and, in the case of Registered Warrants forming part of such Tranche which are sold in reliance on Rule 144A, a "**Restricted Global Registered Warrant**").

The Unrestricted Global Registered Warrant will be deposited on or about the issue date for the relevant Tranche with, and registered in the name of HSBC Issuer Services Common Depositary Nominee (UK) Limited as nominee for HSBC Bank plc, as common depositary for Euroclear and Clearstream, Luxembourg. A beneficial interest in the Unrestricted Global Registered Warrant may at all times be held only through Euroclear and Clearstream, Luxembourg. The Restricted Global Registered Warrant will, unless otherwise provided in the relevant Final Terms, be deposited on or about the issue date for the relevant Tranche with HSBC Bank USA, National Association as custodian (the "**Custodian**") for, and registered in the name of Cede & Co. as nominee for, DTC. In the circumstances described below under "Exchange and Transfer of Global Registered Warrants for Definitive Registered Warrants", interests in any Unrestricted Global Registered Warrant will be exchangeable for Regulation S Definitive Registered Warrants and interests in any Restricted Global Registered Warrant will be exchangeable for US Definitive Registered Warrants and Regulation S Definitive Registered Warrants. Restricted Global Registered Warrants (and any US Definitive Registered Warrants issued in exchange therefor) will be subject to certain restrictions on transfer contained in a legend appearing on the face of such Warrants as will be set out in the relevant Final Terms under "Transfer Restrictions".

Each Unrestricted Global Registered Warrant and each Restricted Global Registered Warrant will have an ISIN number and a CUSIP number.

Exchange of Interests in Unrestricted and Restricted Global Registered Warrants; Transfers within and between DTC, Euroclear and Clearstream, Luxembourg

On or prior to the 40th day after the later of the commencement of the offering of the relevant Tranche and the issue date for that Tranche, a beneficial interest in the relevant Unrestricted Global Registered Warrant may be transferred to a person who wishes to take delivery of such beneficial interest through the relevant Restricted Global Registered Warrant only upon receipt by the Warrant Registrar (as defined in the Warrant Issuance Agreement) of a written certification from the transferor (in the applicable form provided in the Warrant Issuance Agreement) to the effect that such transfer is being made to a person who the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other relevant jurisdiction. After such 40th day, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of such Restricted Global Registered Warrant, as will be set out in the relevant Final Terms under "Transfer Restrictions".

Beneficial interests in a Restricted Global Registered Warrant may be transferred to a person who wishes to take delivery of such beneficial interest through the relevant Unrestricted Global Registered Warrant, whether before, on or after such 40th day, only upon receipt by the Warrant Registrar of a written certification from the transferor (in the applicable form provided in the Warrant Issuance Agreement) to the effect that such transfer is being made in accordance with Regulation S or Rule 144A under the Securities Act (if available) or to the Issuer or its affiliates.

Any beneficial interest in either the Restricted Global Registered Warrant or the Unrestricted Global Registered Warrant relating to any Series that is transferred to a person who takes delivery in the form of a beneficial interest in the other Global Registered Warrant relating to such Series will, upon transfer, cease to be a beneficial interest in such Global Registered Warrant and become a beneficial interest in the other Global Registered Warrant and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other Global Registered Warrant for as long as it remains such an interest.

Owner of Global Registered Warrants and Payments

Subject to certain provisions of the Warrant Issuance Agreement relating to directions, sanctions and consents of Holders of Registered Warrants and to meetings of Holders of Warrants, so long as DTC or its nominee or Euroclear, Clearstream, Luxembourg or the nominee of their common depository, as the case may be, is the registered owner or holder of a Global Registered Warrant, DTC, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, will be considered the sole owner or holder of the Warrants represented by such Global Registered Warrant for all purposes under the Warrant Issuance Agreement and the Warrants. Payments on Global Registered Warrants will be made to DTC, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, as the registered holder thereof. None of the Issuer, the Warrant Registrar, or any Warrant Agent or any affiliate of any of the above or any person by whom any of the above is controlled for the purposes of the Securities Act will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in Global Registered Warrants or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Exchange and Transfer of Global Registered Warrants for Definitive Registered Warrants

In the case of Rule 144A Global Registered Warrants or Restricted Global Registered Warrants held through DTC, beneficial interests in a Rule 144A Global Registered Warrant or a Restricted Global Registered Warrant will be exchangeable for US Definitive Registered Warrants: (i) if DTC notifies the Issuer that it is no longer willing or able to properly discharge its responsibilities as depository with respect to the relevant Restricted Global Registered Warrant or ceases to be a "clearing agency" registered under the Exchange Act, or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of such depository; or (ii) if the Issuer, at its option, elects to terminate the book-entry system through DTC; or (iii) if so specified in the relevant Final Terms, if the holder of the relevant Rule 144A Global Registered Warrant or Restricted Global Registered Warrant requests that such interest be exchanged for US Definitive Registered Warrants; or (iv) at the option of the Issuer, if the Issuer, any Warrant Agent or the Warrant Registrar, by reason of any change in, or amendment to, the laws of the United Kingdom, is or will be required to make any deduction or withholding from any payment under the Warrants which would not be required if such Warrants were in definitive form.

Beneficial interests in a Regulation S Global Registered Warrant or an Unrestricted Global Registered Warrant will be exchangeable, in whole but not in part, for Regulation S Definitive Registered Warrants and, if held through Euroclear or Clearstream, Luxembourg, pursuant to the relevant Final Terms, beneficial interests in a Rule 144A Global Registered Warrant or a Restricted Global Registered Warrant will be exchangeable for US Definitive Registered Warrants: (i) if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or (ii) the Issuer, at its option, elects to terminate the book-entry system through Euroclear and Clearstream, Luxembourg; or (iii) at the option of the Issuer, if the Issuer would suffer a material disadvantage in respect of the Warrants as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction which would not be suffered were the Warrants in definitive form (and, in the case of Partly Paid Warrants, the Issuer may elect to effect such exchange in part only).

In such circumstances, (a) the Warrant Registrar will be required to notify all Holders of interests in the relevant Global Registered Warrants registered in the name of DTC or its nominee or Euroclear, Clearstream, Luxembourg or the nominee of their common depository, as the case may be, of the availability of Definitive Registered Warrants and (b) the Issuer will, at the cost of the Issuer, cause sufficient Regulation S Definitive Registered Warrants and/or US Definitive Registered Warrants, as the case may be, to be executed and delivered to the Warrant Registrar for completion, authentication and dispatch to the relevant Holders. A person having an interest in the relevant Global Registered Warrant must provide the Warrant Registrar with:

- (i) a written order containing instructions and such other information as the Issuer and the Warrant Registrar may require to complete, execute and deliver the relevant Definitive Registered Warrant; and
31. in the case of a Rule 144A Global Registered Warrant or a Restricted Global Registered Warrant only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. US Definitive Registered Warrants issued in exchange for a beneficial interest in a Rule 144A Global Registered Warrant or a Restricted Global Registered Warrant will bear the legends applicable to transfers pursuant to Rule 144A (as set out in the relevant Final Terms under "**Transfer Restrictions**").

If an Unrestricted Global Registered Warrant relating to a Series or (if issued in Tranches) Tranche of Warrants of which the Restricted Global Registered Warrant forms a part has, pursuant to its terms, been exchanged in whole, but not in part, for Regulation S Definitive Registered Warrants, beneficial interests in the Restricted Global Registered Warrant may be transferred to a person who wishes to take delivery thereof in the form of a Regulation S Definitive Registered Warrant. Such Regulation S Definitive Registered Warrants shall be registered in such name(s) as DTC, Euroclear or Clearstream, Luxembourg, as applicable, shall direct in writing.

Upon (i) notification to the Warrant Registrar by the Custodian that the appropriate debit entry has been made in the account of the relevant participant of DTC and (ii) receipt by the Warrant Registrar of a certificate, in the form scheduled to the Warrant Issuance Agreement, given by the transferee of the beneficial interest in the Restricted Global Registered Warrant and stating that the transfer of such interest has been made in compliance with the transfer restrictions applicable to the Warrants, and pursuant to and in accordance with Regulation S under the Securities Act, the Issuer shall procure that the Warrant Registrar will (against presentation by DTC or HSBC Bank USA, National Association, as custodian, of the Restricted Global Registered Warrant at the specified office of the Warrant Registrar or the Warrant Transfer Agent, all in accordance with the provisions of the Warrant Issuance Agreement), decrease the aggregate principal amount of Warrants registered in the name of the holder of, and represented by, the Restricted Global Registered Warrant and shall, without charge, procure, in exchange therefor, the delivery, within five Banking Days of the receipt by the Warrant Registrar of the Restricted Global Registered Warrant of the notification and certification referred to in paragraphs (i) and (ii) above, and registration information required to authenticate and deliver such Regulation S Definitive Registered Warrants, of an equal aggregate principal amount of duly authenticated and completed Regulation S Definitive Registered Warrants.

The holder of a Registered Warrant may transfer such Registered Warrant in accordance with the provisions of Condition 1 (*Form and Transfer*) of the Terms and Conditions of the Warrants.

The holder of a Definitive Registered Warrant may transfer such Warrant by surrendering it at the specified office of the Warrant Registrar or any Warrant Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of US Definitive Registered Warrants issued in exchange for beneficial interests in a Rule 144A Global Registered Warrant or a Restricted Global Registered Warrant bearing the legend referred to in the relevant Final Terms under "Transfer Restrictions", or upon specific request for removal of the legend on a US Definitive Registered Warrant, the Issuer will only deliver US Definitive Registered Warrants that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Warrant Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer, that neither the legend nor the restriction on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

The Warrant Registrar will not register the transfer of or exchange of interests in a Global Registered Warrant for Definitive Registered Warrants for a period of 15 calendar days preceding the due date for any payment in respect of the Warrants.

With respect to the registration of transfer of any US Definitive Registered Warrants, the Warrant Registrar will register the transfer of any such US Definitive Registered Warrants if the transferor, in the form of transfer on such US Definitive Registered Warrants, has certified to the effect that such transfer is (i) to persons who the transferor reasonably believes to be qualified institutional buyers within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other

jurisdiction, (ii) in accordance with Regulation S, (iii) pursuant to an exemption from Rule 144 under the Securities Act (if available) or (iv) to the Issuer or its affiliates.

Regulation S Definitive Registered Warrants may be exchangeable for or transferable to a person wanting to take delivery thereof in the form of interests in a Restricted Global Registered Warrant, and US Definitive Registered Warrants may be transferable to a person wanting to take delivery thereof in the form of interests in an Unrestricted Global Registered Warrant, in each case, upon receipt by the Warrant Registrar of a duly completed certificate in the form of Schedule 6 to the Warrant Issuance Agreement and in accordance with the requirements of the Warrant Issuance Agreement.

**PART D - PRODUCT SUPPLEMENT FOR EQUITY/INDEX-LINKED NOTES AND
WARRANTS**



HSBC BANK plc

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

as Issuer

PROGRAMME FOR THE ISSUANCE OF NOTES AND WARRANTS

Equity/Index-Linked Notes and Warrants

This product supplement in relation to Equity/Index-Linked Notes and Warrants constitutes Part D ("Part D") of the Base Prospectus dated 30 July 2009 (the "**Base Prospectus**") prepared by HSBC Bank plc (the "**Bank**" or the "**Issuer**") in relation to the Programme for the Issuance of Notes and Warrants (the "**Programme**") described therein in connection with the application made for Notes or Warrants to be admitted to listing on the Official List of the Financial Services Authority (in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (the "**FSA**")), and to trading on the Regulated Market of the London Stock Exchange plc (the "**London Stock Exchange**").

Notes and Warrants issued pursuant to the Programme may include "**Equity/Index-Linked Notes and Warrants**" being Notes or Warrants in relation to which the interest rate and/or the redemption amount payable at maturity is linked to a security, a basket of securities or one or more indices or the performance thereof over a defined period. The purpose of this Part D is to provide information in relation to Equity/Index-Linked Notes and Warrants, including Equity-Linked Notes, Cash Equity Notes, Index-Linked Notes, Security Warrants, Security Basket Warrants, Index Warrants and Index Basket Warrants (all as more particularly detailed herein). This Supplement should be read together with Parts A and B of the Base Prospectus (in the case of an issue of Equity/Index-Linked Notes) and Parts A and C of the Base Prospectus (in the case of an issue of Equity/Index-Linked Warrants).

An investment in Equity/Index-Linked Notes and Warrants involves risks. See "Risk Factors Relating to Equity/Index-Linked Notes and Warrants" (beginning on page D-4 of this Supplement) in addition to those included in Part A of the Base Prospectus under the heading "Risk Factors" (beginning on page A-6).

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Part D or any other information supplied in connection with the Equity/Index-Linked Notes and Warrants and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer.

Neither this Part D nor any further information supplied in connection with the Equity/Index-Linked Notes and Warrants (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or as constituting an invitation or offer by the Issuer that any recipient of this Part D or any other information supplied in connection with the Equity/Index-Linked Notes and Warrants should subscribe for or purchase the Equity/Index-Linked Notes and Warrants. Each investor contemplating subscribing for or purchasing the Equity/Index-Linked Notes and Warrants should make its own independent investigation of the affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Part D nor any other information supplied in connection with the Equity/Index-Linked Notes and Warrants constitutes an offer by or on behalf of the Issuer to subscribe for or purchase the Equity/Index-Linked Notes and Warrants.

The distribution of this Part D and the offer, distribution or sale of Equity/Index-Linked Notes and Warrants may be restricted by law in certain jurisdictions. The Issuer does not represent that this document may be lawfully distributed, or that the Equity/Index-Linked Notes and Warrants may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, action may be required to be taken to permit a public offering of the Equity/Index-Linked Notes and Warrants or a distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Equity/Index-Linked Notes and Warrants may be offered or sold, directly or indirectly, and neither this Part D 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 Part D or the Equity/Index-Linked Notes and Warrants come must inform themselves about, and observe, any such restrictions.

Equity/Index-Linked Notes and Warrants have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), the state securities laws of any state of the United States or the securities laws of any other jurisdiction, and may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes may include Notes in bearer form that are subject to US tax law requirements.

Arranger and Dealer
HSBC

30 July 2009

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Risk Factors relating to Equity/Index-Linked Notes and Warrants

Further to the risk factors set out in the Base Prospectus under the heading "Risk Factors" (beginning on page A-6 of the Base Prospectus), the risk factors applicable to Equity/Index-Linked Notes and Warrants are repeated below:

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

General - An investment in Equity-Linked Notes, Cash Equity Notes, Index-Linked Notes, Equity-Linked Warrants or Index-Linked Warrants (including Notes or Warrants linked to HSBC Managed Indices (as defined herein)) is speculative and entails substantial risks. Equity-Linked Notes, Cash Equity Notes, Index-Linked Notes, Security Warrants and Index Warrants are only intended for investors who have the necessary experience and knowledge in order to understand the risks involved in relation to the Notes and Warrants. Prospective Noteholders and Warrantholders should understand that in some instances they could suffer a partial or complete loss of their investment subject, if applicable, to any minimum redemption amount specified in the relevant Final Terms and that any investment return on a Note or Warrant determined by reference to changes in the value of the Reference Asset(s) described in the Final Terms is subject to fluctuation and may be less than would be received by investing in a conventional debt instrument. Changes in value of the Reference Asset(s) cannot be predicted. If so provided in the relevant Final Terms, the Notes may be subject to early redemption by reference to changes in value of the Reference Asset(s). On redemption, Equity-Linked Notes, Cash Equity Notes and Index-Linked Notes may be redeemed in such manner as the Final Terms provides or, in certain circumstances, may be exchanged for other securities. If Equity-Linked Notes, Cash Equity Notes or Index-Linked Notes are redeemed prior to maturity the value may be less than the nominal amount.

With respect to Index-Linked Notes linked to the performance of one or more HSBC Managed Indices, investors should understand that in some instances, such Notes may be automatically redeemed prior to their scheduled maturity if the performance of the relevant HSBC Managed Indices triggers certain thresholds (as specified in the relevant Final Terms) on any valuation date (as specified in the relevant Final Terms).

Calculation of HSBC Managed Indices / HSBC Bank plc as index sponsor - With respect to Index-Linked Notes and Index-Linked Warrants which are linked to one or more HSBC Managed Indices (as defined herein), investors should understand that although the Issuer is the sponsor of HSBC Managed Indices, such Indices are calculated independently and the HSBC Managed Indices Sponsor will make determinations of the level of the HSBC Managed Indices, and of any adjustments that need to be made to the HSBC Managed Indices, without considering the interests of investors in the Notes.

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

Certain Factors affecting value of Notes and Warrants - The value of Equity-Linked Notes, Cash Equity Notes, Index-Linked Notes, Equity-Linked Warrants or Index-Linked Warrants prior to maturity

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

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

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

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

Time remaining to maturity. The Notes and 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 maturity of the Notes and Warrants. As the time remaining to the stated maturity of the Notes or expiry of the exercise period of the Warrants decreases, this time premium may decrease, adversely affecting the value of the Notes and Warrants.

Hedging - Prospective investors intending to acquire Equity-Linked Notes, Cash Equity Notes, Index-Linked Notes, Equity-Linked Warrants or Index-Linked Warrants to hedge against the market risk associated with investing in any securities or indices should recognise the complexities of utilising Notes or Warrants in this manner. For instance, due to fluctuating supply and demand for the Notes or Warrants, there is no assurance that their value will correlate with fluctuations in value of the Reference Asset(s).

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

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

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

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

Product Description

Equity/Index-Linked Notes and Warrants issued under the Programme may include Notes and Warrants of the following product categories:

- (a) Equity-Linked Notes and Cash Equity Notes;
- (b) Index-Linked Notes; and
- (c) Security Warrants, Security Basket Warrants, Index Warrants and Index Basket Warrants (the "**Equity-Linked and Index-Linked Warrants**" or the "**Equity/Index-Linked Warrants**").

The Bank may issue Equity/Index-Linked Notes and Warrants under the Programme which combine elements of any of the Notes and Warrants described below, details of which will be provided in the relevant Final Terms.

(A) **Equity-Linked Notes and Cash Equity Notes**

Notes issued pursuant to the Programme may include Equity-Linked Notes and Cash Equity Notes, being Notes in relation to which the interest rate and/or the redemption amount payable at maturity is linked to, or to the performance over a defined period of, a security or basket of securities and may include details of the security or basket of securities to which Equity-Linked Notes or Cash Equity Notes are linked, the ISIN (international security identification number) or other security identification code thereof and the page(s) of Bloomberg, the Reuters Service and/or other source where information about the past and the future performance of such security or securities can be obtained will be specified in the Final Terms. Equity-Linked Notes and Cash Equity Notes may include:

- (a) Notes in relation to which the interest amount and/or the redemption amount payable at maturity is linked to the performance or percentage change in the share price of a single share in a selected corporate entity (or other security), or the value of the basket of shares in selected corporate entities (other such securities) over a defined period by way of a formula specified in the Final Terms;
- (b) Notes in relation to which the Noteholder has a right (exercisable within a certain period or on a certain date) to exchange the principal amount of the Notes for a specified quantity of securities in one or more selected corporate entities (or other securities); and/or
- (c) Notes in relation to which the Issuer has a right (exercisable within a certain period or on a certain date) to exchange the principal amount of the Notes for an equivalent value of securities in one or more selected corporate entities (or other securities).

(B) **Index-Linked Notes**

Notes issued pursuant to the Programme may include Index-Linked Notes, being Notes in relation to which the interest rate and/or the redemption amount payable at maturity is linked to the performance of one or more indices, by way of a specified formula or in such other manner as shall be specified in the Final Terms. Such indices may include, without limitation, the Dow Jones Euro STOXX[®] 50 Index (Bloomberg Code: SX5E), the Standard & Poor's 500[®] Index (Bloomberg Code: SPX), the Nasdaq 100 Index (Bloomberg Code: NDX), the Nikkei 225[®] Index (Bloomberg Code: NKY), the FTSE[™] 100 Index (Bloomberg Code: UKY), the CAC40[®] Index (Bloomberg Code: CAC) or the SMI[®] Index (Bloomberg Code: SMI) or a combination of these or any other published indices.

In addition to the published indices mentioned in the preceding paragraph, Index-Linked Notes may also be linked to the performance of one or more indices sponsored by the Issuer and/or any of its affiliates, which shall include (without limitation) the following: the HSBC Dragon 300 Index, the HSBC Emerging Europe Index, the HSBC Global Mining Index, the HSBC Sub-continent of India 200 Index, the HSBC Smaller South East Asia Companies Indices, the HSBC Smaller Japanese Companies Index, the HSBC World excluding / including US Companies Index, the HSBC Latin America 100 Index, the HSBC Smaller European Companies Indices, the HSBC Smaller European Leaders Indices, the HSBC Investible Climate Change Index (each a "**HSBC Managed Index**" and together the "**HSBC Managed Indices**"). Alternatively, Index-Linked Notes may be linked to a combination of one or more HSBC Managed Indices with any other published indices. Descriptions and ground rules relating to certain HSBC Managed Indices are set out in the Annex to this "Part D - Product Supplement for equity Linked Notes and Warrants- Product Description".

The name of the relevant (or each) relevant index and the website of the relevant index sponsor page(s) of the Reuters Service and/or other source where information about such index can be obtained will be specified in the relevant Final Terms.

(C) Equity/Index-Linked Warrants

Warrants issued pursuant to the Programme may include Security Warrants, Security Basket Warrants, Index Warrants and Index Basket Warrants (the "**Equity/Index-Linked Warrants**").

Security Warrants and Security Basket Warrants are Warrants in relation to which the Cash Settlement Amount or Physical Settlement Amount is linked to the performance or percentage change in the share price of a single share in a selected corporate entity (or other security), or the value of the basket of shares in selected corporate entities (other such securities) over a defined period by way of a formula specified in the Final Terms and may include details of the security or basket of securities to which Security Warrants and Security Basket Warrants are linked, the ISIN (international security identification number) or other security identification code thereof and the page(s) of Bloomberg, the Reuters Service and/or other source where information about the past and the future performance of such security or securities can be obtained will be specified in the Final Terms.

Index Warrants and Index Basket Warrants are Warrants in relation to which the settlement price is linked to, or to the performance over a defined period of one or more indices, by way of a specified formula or in such other manner as shall be specified in the Final Terms. Such indices may include, without limitation, the Dow Jones Euro STOXX[®] 50 Index (Bloomberg Code: SX5E), the Standard & Poor's 500[®] Index (Bloomberg Code: SPX), the Nasdaq 100 Index (Bloomberg Code: NDX), the Nikkei 225[®] Index (Bloomberg Code: NKY), the FTSE[™] 100 Index (Bloomberg Code: UKY), the CAC40[®] Index (Bloomberg Code: CAC) or the SMI[®] Index (Bloomberg Code: SMI) or a combination of these or any other published indices.

In addition to the published indices mentioned in the preceding paragraph, Index-Linked Warrants may also be linked to the performance of one or more indices sponsored by the Issuer and/or any of its affiliates, which shall include (without limitation) the following: the HSBC Dragon 300 Index, the HSBC Emerging Europe Index, the HSBC Global Mining Index, the HSBC Sub-continent of India 200 Index, the HSBC Smaller South East Asia Companies Indices, the HSBC Smaller Japanese Companies Index, the HSBC World excluding / including US Companies Index, the HSBC Latin America 100 Index, the HSBC Smaller European Companies Indices, the HSBC Smaller European Leaders Indices, the HSBC Investible Climate Change Index (each a "**HSBC Managed Index**" and together the "**HSBC Managed Indices**"). Alternatively, Index-Linked Warrants may be linked to a combination of one or more HSBC Managed Indices with any other published indices. Descriptions and ground rules relating

to certain HSBC Managed Indices are set out in the Annex to this "Part D - Product Supplement for equity Linked Notes and Warrants- Product Description".

The name of the relevant (or each) relevant index and the website of the relevant index sponsor page(s) of the Reuters Service and/or other source where information about such index can be obtained will be specified in the relevant Final Terms.

There follows a description of certain types of Equity/Index-Linked Notes and Warrants that may be issued under the Programme. In addition to these types of Equity/Index-Linked Notes and Warrants, the Bank may issue other Equity/Index-Linked Notes and Warrants which combine elements of any of the Equity/Index-Linked Notes and Warrants described below or are linked to a security, a basket of securities, an index or a basket of indices (each an "**Equity/Index-related Variable**" and each security or index in a basket of securities or indices as applicable, for the purposes of this Product Description a "**Component**") in a manner other than as described below, details of which will be provided in the relevant Final Terms.

Principal Protected Notes

Callable Notes: Notes which may be redeemed prior to their specified maturity date at the option of the Issuer, which option may be exercised periodically or on specified dates, as described in the Final Terms.

Coupon Notes: Notes in relation to which (i) the interest payable to the Noteholder is subject to the performance of the Equity/Index-Related Variable, and (ii) the redemption amount payable to the Noteholder is greater than or equal to the aggregate face amount of the Notes.

Callable Coupon Notes: Notes in relation to which (i) the interest payable to the Noteholder is subject to the performance of the Equity/Index-Related Variable (which may be independent of any condition relating to the redemption amount payable at maturity to such Noteholders), and (ii) the Issuer may redeem the Notes prior to their specified maturity date on dates specified in the Final Terms.

Growth Notes: Notes under which the redemption amount payable to the Noteholder at maturity is calculated as the *sum* of (i) the aggregate face amount of the Notes and (ii) an amount equal to the *product* of (A) the aggregate face amount of the Notes, (B) a multiplier or participation rate specified in the Final Terms and (C) any increase in the level or value of the Equity/Index-Related Variable expressed as a percentage of the initial level or value of the Equity Related Variable (such amount not being subject to a maximum amount payable to the Noteholder ("**No Fixed Cap**")).

Capped Growth Notes: Notes under which the redemption amount payable to the Noteholder at maturity is calculated as the *sum* of (i) the aggregate face amount of the Notes *plus* (ii) an amount equal to the *products* of (A) the aggregate face amount of the Notes, (B) a multiplier or participation rate specified in the Final Terms and (C) any increase in the level or value of the Equity/Index-Related Variable (such amount being subject to a maximum amount payable to the Noteholder set on the issue date and expressed as a predefined percentage of the aggregate face amount of the Notes (a "**Fixed Cap**")).

Average Growth Notes: Notes under which the redemption amount payable to the Noteholder at maturity is calculated by reference to the average level or value of the Equity/Index-Related Variable on a number of specified dates occurring on or after the issue date to but excluding the maturity date, as specified in the Final Terms.

Smart Growth Notes: Notes under which the redemption amount payable to the Noteholder on maturity is linked to the best performance of the Components in a basket of equities or indices. On certain dates specified in the Final Terms the Component that has the highest value or level expressed as a percentage of the value or level of that Component on a date specified in the Final Terms, shall be removed from the basket. The redemption amount payable on maturity is calculated as the *sum* of (i) the aggregate face amount of the Notes *plus* (ii) an amount equal to the *product* of (A) the aggregate face amount of the Notes, (B) a multiplier or participation rate specified in the Final Terms and (C) an amount equal to the level or value of the basket at maturity expressed as a percentage of the initial level of such basket plus each of the returns on those Components removed from the basket.

Accrual Notes: Notes in relation to which the accrual of interest amount and the rate of such accrual is dependent upon the performance of the Equity/Index-Related Variable, as specified in the Final Terms.

Range Accrual Notes: Notes in relation to which the interest is a variable amount (calculated by reference to a formula in the Final Terms) and only accrues for each day during a period that a specified Equity/Index-Related Variable remains within a specified range (which may vary during the term of the Notes), as specified in the Final Terms.

Range Binary Notes: Notes in relation to which, if the Equity/Index-Related Variable remains within a specified range, the interest payable is a specified variable amount (calculated by reference to a formula in the Final Terms).

Wedding Cake Range Binary Notes: Notes in relation to which, if the Equity/Index-Related Variable remains within one of a number of ranges specified in the Final Terms, the interest payable is a specified variable amount (calculated by reference to a formula in the Final Terms) relating to the relevant range.

Callable Floored Accrual Protected Notes: Notes in relation to which (i) interest accrues as set out in the relevant Final Terms and is payable to the Noteholders for each day on which if the level or value of each Component of the Equity/Index-Related Variable is greater than levels or values specified for such Components in the Final Terms (ii) the redemption amount payable to the Noteholder is equal to or greater than the aggregate face amount of the Note and (i) the Issuer may redeem the Notes prior to their scheduled maturity date on dates specified in the Final Terms.

Max Lookback Strike Growth Notes: Notes under which the principal amount payable to the Noteholder at maturity is calculated as the *sum* of (i) the aggregate face amount of the Notes and (ii) an amount equal to the *product* of (A) the aggregate face amount of the Notes, (B) a multiplier or participation rate specified in the Final Terms and (C) the highest increase in the level or value attained by the Equity/Index-Related Variable during a period specified in the Final Terms, expressed as a percentage of the initial level or value of such Equity/Index-Related Variable (such amount not being subject to a maximum amount payable to the Noteholder ("**No Fixed Cap**").

Captain Notes: Notes under which the principal amount payable to the Noteholder at maturity and/or the interest payable to the Noteholder are determined by reference to the average level or value of an Equity/Index-Related Variable in respect of which each Component has a maximum level or value (a "**Cap**") specified in the Final Terms.

Captain Notes may include additional provisions, including the following:

provisions under which, if the performance of the relevant Equity/Index-Related Variable or Component thereof is positive and/or exceeds a certain level or value, then for all future

observations the Cap is either replaced with a Cap at a new level or the level or value of such Component for all future observations is fixed at a new specified level or value;

provisions under which the negative performance of the Equity/Index-Related Variable or Component thereof has a minimum level or value (a "**Floor**") so that any negative performance beyond the Floor is disregarded;

provisions under which, if the performance of the Equity/Index-Related Variable is negative, then its level will be deemed to be one of several pre-determined levels or values, each a "digital floor", depending on where the performance falls within certain specified ranges; and

provisions under which the final level or value of the relevant Equity/Index-Related Variable or Component thereof is replaced by its highest level or value observed on the previous valuation dates under the Notes.

Binary Captain Notes: Notes under which the principal amount payable to the Noteholder at maturity and/or the interest payable to the Noteholder are determined by reference to the average level or value of an Equity/Index-Related Variable in respect of which each Component that has, on the relevant valuation date, a level or value higher than its initial level or value shall have a pre-determined level or value assigned to it for the purposes of calculating such average level or value of the Equity/Index-Related Variable.

Smart Average Notes: Notes under which the redemption amount payable to the Noteholder at maturity is linked to the performance of an Equity/Index-Related Variable having participations in Components which may be adjusted by reference to the average performance, such Components as specified in the Final Terms.

Rainbow Average Notes: Notes under which the redemption amount payable to the Noteholder at maturity is linked to the performance of an Equity/Index-Related Variable which has participations in the performance of its Components which may be varied as specified in the Final Terms. On certain dates specified in the Final Terms the average performance of each Component since the issue date will be determined and the participations for each Component will be adjusted, so that the best performing Components will have an increased participation and the worst performing Components will have a decreased participation.

Growing Average Notes: Notes under which the redemption amount payable to the Noteholder at maturity is calculated by reference to the average level or value of the Equity/Index-Related Variable in respect of certain periods specified in the Final Terms *provided, however, that* the average level or value for a given period shall not be less than the highest average level or value determined in respect of each preceding period.

Performance Spread Notes: Notes under which the interest payable to the Noteholder is linked to the performance of an Equity/Index-Related Variable, the level or value of which is dependent on the difference in the performance of the best performing Component and the worst performing Component during a given period, *provided, however, that* the interest shall be no greater than an amount specified in the Final Terms. If specified in the Final Terms, the interest may be greater than or equal to a minimum amount.

Target Redemption Notes: Notes in relation to which the interest payable to the Noteholder is determined by reference to the level or value of the Equity/Index-Related Variable provided, however, that the maximum cumulative amount of interest payable over the term of the Notes is specified on the issue date (the "**Lifetime Cap**") and the Issuer may redeem the Notes at par on the first interest

payment date on which the cumulative interest up to and including such interest payment date would exceed the Lifetime Cap (taking into account the interest scheduled to be made on such date), which interest amount will then be reduced so that Certificate holders receive, over the life of the Notes, interest in an aggregate amount equal to the Lifetime Cap.

Recovery Best Coupon Notes: Notes in relation to which, if the level or value of the Equity/Index-Related Variable is higher than predefined levels or values on specified dates, the interest payable in relation to such specified dates is a fixed amount. If the level or value of the Equity/Index-Related Variable is not higher than the relevant predefined levels or values on any of the specified dates the interest which would otherwise have been payable in respect of such interest payment date shall not be paid on such interest payment date but shall be deferred to the next interest payment date in respect of which the level or value of the Equity/Index-Related Variable is higher than the relevant predefined level or value.

Non-Principal Protected Notes

Absolute Performance Auto Callable Notes: Notes in relation to which the interest (if any) and/or the redemption amount payable is linked to the performance of an Underlying, as determined by the Calculation Agent. The performance of the Underlying on particular dates may result in the redemption of the Absolute Performance Auto Callable Notes and Warrants prior to their scheduled maturity at an amount which reflects the absolute performance of the Underlying. The performance of the Underlying will also determine the redemption amount of Absolute Performance Auto Callable Notes and Warrants at their scheduled maturity. Absolute Performance Auto Callable Notes and Warrants will be redeemed on their scheduled maturity at an amount which reflects the absolute performance of the Final Index Level (as defined in the relevant Final Terms) in relation to the Initial Index Level (as defined in the relevant Final Terms), as determined by the Calculation Agent. Accordingly, so long as no Trigger Event has occurred investors may receive on redemption of the Notes and Warrants an amount in excess of their nominal amount even if the performance of the Underlying has been negative. If a Trigger Event has occurred, Absolute Performance Auto Callable Notes and Warrants will be redeemed in whole (but not in part) at an amount (which may be less than their nominal amount) equal to the product of the nominal amount multiplied by the percentage decrease in value of the Underlying during the Observation Period (as defined in the relevant Final Terms) as determined by the Calculation Agent. Absolute Performance Auto Callable Notes and Warrants may or may not bear interest.

Barrier Notes: Notes under which the interest and/or the redemption amount payable to the Noteholder at maturity are determined by reference to the performance of the Equity/Index-Related Variable depending on the level or value of the Equity/Index-Related Variable attaining or falling below predefined levels or values. If the Final Terms so specify, the predefined level or value may be varied on a specified date or dates or during specified periods throughout the term of the Notes. The predefined levels or values may consist of any of the following:

Up and Out: if the level or value of the Equity/Index-Related Variable is higher than a predefined level or value at a specified date or during a specified period the interest and/or redemption amount payable to the Noteholder ceases to be linked to the performance of the Equity/Index-Related Variable as specified in the relevant Final Terms.

Up and In: if the level or value of the Equity/Index-Related Variable is higher than a predefined level or value at a specified date or during a specified period the interest and/or redemption amount payable to the Noteholder becomes linked to the performance of the Equity/Index-Related Variable as specified in the relevant Final Terms.

Down and Out: if the level or value of the Equity/Index-Related Variable is lower than a predefined level or value at a specified date or during a specified period the interest and/or redemption amount payable to the Noteholder cease to be linked to the performance of the Equity/Index-Related Variable as specified in the relevant Final Terms.

Down and In: if the level or value of the Equity/Index-Related Variable is lower than a predefined level or value at a specified date or during a specified period the interest and/or redemption amount payable to the Noteholder become linked to the performance of the Equity/Index-Related Variable as specified in the relevant Final Terms.

The specified date or dates or specified periods for the observation of the level or value of the Equity/Index-Related Variable against the relevant predefined level or value may include any of the following or may be as otherwise specified in the Final Terms:

American: the level or value of the Equity/Index-Related Variable is observed continuously during a specified period.

Bermudan: the level or value of the Equity/Index-Related Variable is observed during a period which consists of a number of specified dates.

Discrete: the level or value of the Equity/Index-Related Variable is observed daily at the closing of the Equity/Index-Related Variable.

European: the level or value of the Equity/Index-Related Variable is observed at maturity.

Parisian: the level or value of the Equity/Index-Related Variable is observed on the occurrence of a specified event.

Window: the level or value of the Equity/Index-Related Variable is only observed during a fixed period.

Cliquet Notes: Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated by reference to the performance of the Equity/Index-Related Variable in each of a number of periods specified in the Final Terms (each a "**Cliquet Period**"). The redemption amount payable at maturity is equal to the *sum* of the upside and/or downside in the level or value of the Equity/Index-Related Variable during each Cliquet Period. Variants of Cliquet Notes include:

Cliquet with local cap: the performance of the Equity/Index-Related Variable in each Cliquet Period is limited on the upside.

Cliquet with collar: the performance of the Equity/Index-Related Variable in each Cliquet Period is limited on both the upside and downside.

Digital Cliquet: the performance of the Equity/Index-Related Variable in each Cliquet Period corresponds to a different pre-determined amount according to whether the underlying rises or falls in each Cliquet Period.

Cliquet with local individual cap: the performance of each Component of the Equity/Index-Related Variable in each Cliquet Period is limited on the upside.

Cliquet with local cap on best performances: only a specified number of best performances are limited on the upside.

Double No Touch Notes: Notes in relation to which, provided the level or value of the Equity/Index-Related Variable or the levels of values of some or all of the Components of an Equity/Index-Related Variable do not fall below predefined levels or values or increase above predefined levels or values at any time, an "enhanced return" (calculated by reference to a formula in the Final Terms) is payable to the Noteholders at maturity.

Knock-out Straddle Notes: Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as the *sum* of (i) the aggregate face amount of the Notes and (ii) an amount equal to the *product* of (A) the aggregate face amount of the Notes, (B) a multiplier or participation rate specified in the Final Terms and (C) any increase or decrease in the level or value of the Equity/Index-Related Variable during the term of the Note expressed as a percentage of the initial level or value of the Equity/Index-Related Variable, *provided, however, that* if such level or value is less than a specified level or value ("**Performance Floor**") or greater than a specified level or value ("**Performance Cap**") at any time during the term of the Note, the Note shall be redeemed at par.

Airbag Notes: Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as either (i) the *product* of the aggregate face amount of the Notes and any increase or decrease in the level or value of the Equity/Index-Related Variable during the term of the Note expressed as a percentage of the initial level or value of the Equity/Index-Related Variable provided that the amount payable at maturity is no less than a specified amount, or (ii) the *product* of the aggregate face amount of the Notes and (A) if there is an increase in the level or value of the Equity/Index-Related Variable during the term of the Notes, the *product* of a multiplier or participation rate specified in the Final Terms and such level or value expressed as a percentage of the initial level or value of the Equity/Index-Related Variable, or (B) if there is a decrease in the level or value of the Equity/Index-Related Variable during the term of the Notes, such level or value expressed as a percentage of the initial level or value of the Equity/Index-Related Variable. No interest payments are payable in respect of such Notes.

Leverage Airbag Plus Notes: Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as the *product* of the aggregate face amount of the Notes and (A) if there is an increase in the level or value of the Equity/Index-Related Variable during the term of the Notes, the *product* of a multiplier or participation rate specified in the Final Terms and such level or value expressed as a percentage of the initial level or value of the Equity/Index-Related Variable, (B) if there is a decrease in the level or value of the Equity/Index-Related Variable during the term of the Notes but the level or value of the Equity/Index-Related Variable at maturity is greater than a specified level or value (the "**Performance Floor**"), 100 per cent., or (C) if there is a decrease in the level or value of the Equity/Index-Related Variable during the term of the Notes, the level or value of the Equity/Index-Related Variable has fallen below the Performance Floor at any time during the term of the Notes and the level or value of the Equity/Index-Related Variable at maturity is less than the initial level or value of the Equity/Index-Related Variable, such level or value at maturity expressed as a percentage of the initial level or value of the Equity/Index-Related Variable. No interest is paid in respect of such Notes.

Reverse Airbag Plus Notes: Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as the *product* of the aggregate face amount of the Notes and (A) if there is a decrease in the level or value of the Equity/Index-Related Variable during the term of the Notes, the *product* of a multiplier or participation rate specified in the Final Terms and the absolute value of such decrease in the level or value expressed as a percentage of the initial level or value of the Equity/Index-Related Variable, (B) if there is an increase in the level or value of the Equity/Index-Related Variable during the term of the Notes but the level or value of the Equity/Index-Related

Vehicle at maturity is less than a specified level or value (the "**Performance Cap**"), 100 per cent., or (C) if there is an increase in the level or value of the Equity/Index-Related Variable during the term of the Notes, the level or value of the Equity/Index-Related Variable has risen above the Performance Cap at any time during the term of the Notes and the level or value of the Equity/Index-Related Variable at maturity is higher than the initial level or value of the Equity/Index-Related Variable, 100 per cent. *minus* such increase in the level or value at maturity expressed as a percentage of the initial level or value of the Equity/Index-Related Variable. No interest is paid in respect of such Notes.

Booster Notes: Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as either (i) if there is an increase in the level or value of the Equity/Index-Related Variable during the term of the Notes, the *sum* of (1) the aggregate face amount of the Notes and (2) the *product* of the aggregate face amount of the Notes and (3) the *product* of a multiplier or participation rate specified in the Final Terms and (4) such level or value expressed as a percentage of the initial level or value of the Equity/Index-Related Variable, (such percentage being subject to a predefined maximum percentage (a "**Performance Cap**")), (ii) if the final level or value of the Equity/Index-Related Variable at maturity is less than the initial level or value of the Equity/Index-Related Variable but higher than a predefined level or value specified in the Final Terms, the *sum* of (1) the aggregate face amount of the Notes and (2) the *product* of the aggregate face amount of the Notes and (3) the predefined level or value specified in the Final Terms, or (iii) if the final level or value of the Equity/Index-Related Variable at maturity is less than the initial level or value of the Equity/Index-Related Variable and such level or value is also less than a predefined level or value specified in the Final Terms, the *product* of (1) the aggregate face amount of the Notes and (3) the final level or value of the Equity/Index-Related Variable.

Reverse Convertible Notes: Notes may include terms providing that in certain circumstances linked to the price or performance of a Reference Asset determined as specified in the applicable Final Terms, and, at the election of the Issuer, the Notes will be redeemed by the Issuer delivering, or procuring delivery, to the Noteholders of the relevant Securities or, as the case may be, Securities comprising the relevant Basket. Such terms may also provide that in such circumstances the Issuer may elect to redeem the Notes on an alternative cash payment basis, in an amount (which may be calculated on a formula basis) linked to such price or performance. Reverse Convertible Notes may also include Notes, the Final Terms of which specify Additional Disruption Events in respect of the unavailability of relevant Exchange Rates.

Callable Short DI Put Notes: Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as either (i) if the level or value of the Equity/Index-Related Variable has remained higher than a predetermined level or value of the Equity/Index-Related Variable during the term of the Notes, the *sum* of (1) the aggregate face amount of the Notes and (2) the *product* of the aggregate face amount of the Notes and (3) the *product* of a multiplier or participation rate specified in the Final Terms and (4) such level or value expressed as a percentage of the initial level or value of the Equity/Index-Related Variable, (such percentage being subject to a predefined maximum percentage (a "**Performance Cap**")), (ii) if the final level or value of the Equity/Index-Related Variable at maturity is less than the initial level or value of the Equity/Index-Related Variable but higher than a predefined level or value specified in the Final Terms, the aggregate face amount of the Notes, or (iii) if the final level or value of the Equity/Index-Related Variable at maturity is less than the initial level or value of the Equity/Index-Related Variable and the level or value of the Equity/Index-Related Variable has at any time been less than a predefined level or value specified in the Final Terms, the *product* of (1) the aggregate face amount of the Notes and (2) the final level or value of the Equity/Index-Related Variable expressed as a percentage of the initial level or value of the Equity/Index-Related Variable; provided, however, that on dates specified in the Final Terms, if the level or value of the Equity/Index-

Related Variable is higher than a predetermined level or value specified in the Final Terms, the Issuer may redeem the Notes prior to the scheduled maturity at an amount equal to the *sum* of (1) the aggregate face amount of the Notes and (2) the *product* of the aggregate face amount and either (a) a predetermined percentage or (b) the increase in the level or value of the Equity/Index-Related Variable expressed as a percentage of the initial level or value of the Equity/Index-Related Variable.

Growth Notes: Notes under which the redemption amount payable to the Noteholder at maturity is calculated as the *sum* of a predetermined percentage of the aggregate face amount of the Notes *plus* an amount equal to the *product* of the aggregate face amount of the Notes and a multiplier or participation rate specified in the Final Terms and any increase in the level or value of the Equity/Index-Related Variable (such amount not being subject to a maximum amount payable to the Noteholder ("**No Fixed Cap**")).

Tracker (Market Access) Notes: Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as either (i) if there is an increase in the level or value of the Equity/Index-Related Variable during the term of the Notes, the *product* of the aggregate face amount of the Notes and such level or value expressed as a percentage of the initial level or value of the Equity/Index-Related Variable, or (ii) if there is a decrease in the level or value of the Equity/Index-Related Variable during the term of the Notes, the *product* of the aggregate face amount of the Notes and such level or value expressed as a percentage of the initial level or value of the Equity/Index-Related Variable. No interest is payable in respect of such Notes.

Leverage Tracker Notes: Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as either (i) if there is an increase in the level or value of the Equity/Index-Related Variable during the term of the Notes, the *product* of the aggregate face amount of the Notes and the *product* of a multiplier or participation rate specified in the Final Terms and such level or value expressed as a percentage of the initial level or value of the Equity/Index-Related Variable, or (ii) if there is a decrease in the level or value of the Equity/Index-Related Variable during the term of the Notes, the *product* of the aggregate face amount of the Notes and such level or value expressed as a percentage of the initial level or value of the Equity/Index-Related Variable. No interest is payable in respect of such Notes.

Callable Floored Accrual

Callable Floored Accrual Note: Notes in relation to which (i) interest accrues on a daily basis and is payable to the Noteholders for each day on which if the level or value of each Component of the Equity/Index-Related Variable is greater than levels or values specified for such Components in the Final Terms and (ii) may provide that the Issuer has the option to redeem the Notes prior to their scheduled maturity date on specified dates, subject to a minimum early redemption amount payable to the Noteholders as specified in the Final Terms.

Hybrid Notes

Inflation and Equity Notes: Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated by reference to the performance of one or more non-Equity/Index-Related Variables together with an Equity/Index-Related Variable and which may be subject to a minimum redemption amount payable at maturity.

Underlying Variations

In relation to any of the Equity/Index Linked Notes described above or any other Equity/Index Linked Notes incorporating, some or none of the features described above, the following variations may be applicable:

Worst of: Notes in relation to which the interest and/or redemption amounts payable at maturity to the Noteholder are calculated by reference to the performance of the worst performing Component(s) of an Equity/Index-Related Variable.

Best of: Notes in relation to which the interest and/or redemption amounts payable at maturity to the Noteholder are calculated by reference to the performance of the best performing Component(s) of an Equity/Index-Related Variable.

Rainbow: Notes in relation to which the interest and/or redemption amounts payable at maturity to the Noteholder are calculated by reference to the performance of Components of an Equity/Index-Related Variable which has participations in the performance of its Components which may be varied as specified in the Final Terms.

Basket: Notes in relation to which the interest and/or redemption amounts payable at maturity to the Noteholder are calculated by reference to the performance of an Equity/Index-Related Variable consisting of a basket of equities or indices.

Mono: Notes in relation to which the interest and/or redemption amounts payable at maturity to the Noteholder are calculated by reference to the performance of an Equity/Index-Related Variable consisting of a single equity or index.

Spread: Notes in relation to which the interest and/or redemption amounts payable at maturity to the Noteholder are calculated by reference to the difference between the performance of two or more Components of an Equity/Index-Related Variable.

Himalaya: Notes in relation to which the interest and/or redemption amounts payable at maturity to the Noteholder are calculated by reference to the arithmetic mean of the best performing Component or the several best performing Components of the Equity/Index-Related Variable. Such best performing Component(s) of the Equity/Index-Related Variable are then removed from the Equity/Index-Related Variable.

Additional Provisions relating to Equity-Linked Notes, Cash Equity Notes and Index-Linked Notes

The following additional condition shall be deemed to be added as Condition 21 to the terms and conditions set out in the section headed "Terms and Conditions of the Notes" appearing in "Part B - Information relating to the Notes Generally" of the Base Prospectus in respect of any issue of Equity-Linked Notes, Cash Equity Notes and Index-Linked Notes.

The terms and conditions of the Equity-Linked Notes, Cash Equity Notes and Index-Linked Notes (the "**Terms and Conditions of the Equity-Linked Notes, Cash Equity Notes and Index-Linked Notes**") shall consist of Condition 21, the terms and conditions set out in the section headed "Terms and Conditions of the Notes" appearing in "Part B - Information relating to the Notes Generally" of the Base Prospectus, such information being incorporated by reference in this Prospectus (the "**Base Conditions**"), as amended or supplemented by the terms of each Tranche of Notes set out in the Final Terms (the "**Final Terms**"), examples of which are set out below.

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

(a) *Definitions*

As used in this Condition 21, and unless otherwise provided in the relevant Final Terms, the following expressions shall have the following meanings:

"**Additional Disruption Event**" has the meaning ascribed thereto in Condition 21(h);

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

"**Averaging Date**" means, in respect of each Valuation Date, each date specified as such or otherwise determined as provided in the relevant Final Terms (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day), subject to the provisions of Condition 21(e)(ii);

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

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

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

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

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

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

Exchange (or, where the Exchange is within the European Union, in any member state of the European Union);

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

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

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

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

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

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

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

"**Equity-Linked Note**" means a Series of Notes in respect of which either an amount, which shall be calculated by reference to the value of a Security or Securities and/or a formula, is

payable or a Securities Transfer Amount is deliverable (as indicated in the relevant Final Terms);

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

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

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

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

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

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

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

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

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

"Index" means, in relation to a Series of Notes, the index to which such Notes relates, as specified in the relevant Final Terms, subject to adjustment pursuant to this Condition 21, and **"Indices"** shall be construed accordingly;

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

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

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

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

"Insolvency" means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting an Underlying

Company, (A) all the Securities of that Underlying Company are required to be transferred to a trustee, liquidator or other similar official or (B) holders of the Securities of that Underlying Company become legally prohibited from transferring them;

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

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

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

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

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

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

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

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

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

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

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

such an event shall be readjusted upon any redemption of such rights; or (vii) any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Securities; or (viii) any other event specified as such in the relevant Final Terms.

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

"**Reference Level**" means (a) in respect of an Index and an Averaging Date, the level of such Index as determined by the Calculation Agent as of the Valuation Time on the Exchange on such Averaging Date and (b) in respect of a Multiple Exchange Index and an Averaging Date, the level of such Multiple Exchange Index as determined by the Calculation Agent as of the Valuation Time on the Exchange on such Averaging Date;

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

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

"**Release Index Level**" has the meaning ascribed thereto in the relevant Final Terms;

"**Release Price**" has the meaning ascribed thereto in the relevant Final Terms;

"**Relevant Level**" has the meaning ascribed thereto in the relevant Final Terms;

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

"**Residual Amount**" means, in relation to a Noteholder and a Note, the fraction of a Security rounded down pursuant to Condition 21(b), as determined by the Calculation Agent or such amount as otherwise specified in the relevant Final Terms;

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

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

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

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

"**Securities**" means, in relation to a Series of Notes, the equity securities, debt securities (including without limitation Government Bonds), depositary receipts or other securities or property, as adjusted pursuant to this Condition 21, to which such Notes relate, as specified in the relevant Final Terms and "**Security**" shall be construed accordingly;

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

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

"**Settlement Date**" means, in relation to Securities to be delivered in respect of an Equity-Linked Note (a) in the case of Equity-Linked Notes which relate to equity securities and unless otherwise specified in the relevant Final Terms, the later of (i) the Maturity Date and (ii) the date that falls one Settlement Cycle after the Exchange Business Day following the Valuation Date (the "**Notional Sale Date**") (or if such day is not a Clearing System Business Day, the next following Clearing System Business Day) subject to the provisions of Condition 21(b) or, (b) in any other case, and unless otherwise specified in the relevant Final Terms, the date specified as such in the relevant Final Terms, subject to adjustment in accordance with the Following Business Day Convention unless another Business Day Convention (as defined in Condition 19) is specified in the relevant Final Terms. In each case, if a Settlement Disruption Event prevents delivery of such Securities on that day, then the Settlement Date shall be determined in accordance with Condition 21(b)(i)(ii);

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

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

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

"**Successor Index**" has the meaning given in Condition 21(d);

"**Tender Offer**" means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent.

and less than 100 per cent. of the outstanding voting shares of the Underlying Company, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant;

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

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

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

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

Luxembourg, DTC and/or any other relevant clearing system, as the case may be, specified in the Transfer Notice with such Transfer Expenses;

- (viii) include a certificate of non-US beneficial ownership in the form required by the Issuer; and
- (ix) authorise the production of the Transfer Notice in any applicable administrative or legal proceedings;

"Underlying Company" means the issuer of the Security as specified in the relevant Final Terms and, if the Notes are DR Linked Notes, each of the Depositary and the issuer of the relevant Underlying Security, in each case subject to adjustment in accordance with Condition 21(g);

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

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

"Valuation Date" means each date specified or otherwise determined as provided in the relevant Final Terms (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day), in each case subject to Condition 21(e);

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

"Worst Performing Index" means, with respect to the Valuation Date, the Index which gives rise to the lowest percentage as determined by the Calculation Agent in accordance with the formula that is set out in the relevant Final Terms; and

"Worst Performing Security" means, in respect of a Valuation Date, the Security which gives rise to the lowest percentage as determined by the Calculation Agent in accordance with the formula that is set out in the relevant Final Terms.

(b) *Physical Delivery*

In relation to Equity-Linked Notes which are to be redeemed by the delivery of a Securities Transfer Amount, and subject to the other provisions of these Conditions and the relevant Final Terms:

- (i)

- (A) Each Noteholder shall, on or before the date five calendar days before the Maturity Date (or such earlier date as the Issuer shall determine is necessary for the Issuer, the Paying Agents, Euroclear, Clearstream, Luxembourg, DTC and/or any other relevant clearing system to perform their respective obligations in relation to the Notes and notify to the Paying Agents and the Noteholders) send to Euroclear, Clearstream, Luxembourg, DTC and/or any other relevant clearing system, as the case may be, in accordance with its then applicable operating procedures, and copied to the Principal Paying Agent, a duly completed Transfer Notice.
- (B) A Transfer Notice, once delivered to Euroclear, Clearstream, Luxembourg, DTC and/or any other relevant clearing system, shall be irrevocable and may not be withdrawn without the consent in writing of the Issuer. A Noteholder may not transfer any Note which is the subject of a Transfer Notice following delivery of such Transfer Notice to Euroclear, Clearstream, Luxembourg, DTC and/or any other relevant clearing system. A Transfer Notice shall only be valid to the extent that Euroclear, Clearstream, Luxembourg, DTC and/or any other relevant clearing system have not received conflicting prior instructions in respect of the Notes which are the subject of the Transfer Notice.
- (C) Failure properly to complete and deliver a Transfer Notice may result in such notice being treated as null and void. Any determination as to whether such notice has been properly completed and delivered as provided shall be made by the Principal Paying Agent and shall be conclusive and binding on the Issuer and the Noteholder.
- (D) The Principal Paying Agent shall promptly on the local banking day following receipt of a Transfer Notice send a copy thereof to the Issuer or such person as the Issuer may previously have specified.
- (E) Delivery of the Securities will be via the relevant Clearing System. The delivery or transfer of Securities to each Noteholder is at the relevant Noteholder's risk and if delivery occurs later than the earliest possible date for delivery, no additional amounts will be payable by the Issuer.
- (F) the Issuer shall discharge its obligation to redeem the relevant proportion of the Notes by delivering, or procuring the delivery of, the Securities Transfer Amount on the Settlement Date to the Clearing System for credit to the account with the Clearing System specified in the Transfer Notice of the relevant Noteholder.
- (G) The amount of Securities to be delivered to or for the account of each Noteholder shall be an amount of Securities equal to the number of Notes in respect of which such Noteholder is the holder as specified in the relevant Transfer Notice multiplied by the Securities Transfer Amount *provided, however, that* if a Noteholder would become entitled to a number of Securities which is not equal to a board lot of the Securities at such time, as determined by the Calculation Agent, or an integral multiple thereof, then the Noteholder's entitlement to delivery of Securities shall be rounded down to the nearest whole Security.

- (H) In relation to each Noteholder, the Calculation Agent shall calculate the Residual Amount and the Residual Cash Amount. The Residual Cash Amount shall be paid by the Issuer to the relevant Noteholder on the Settlement Date.
 - (I) Each Noteholder shall be required as a condition of its entitlement to delivery of Securities in respect of any Notes to pay all Transfer Expenses in respect of such Notes.
 - (J) After delivery to or for the account of a Noteholder of the relevant Securities Transfer Amount and for such period of time as the transferor or its agent or nominee shall continue to be registered in any clearing system as the owner of the Securities comprised in such Securities Transfer Amount (the "**Intervening Period**"), none of such transferor or any agent or nominee for the Issuer or such transferor shall (i) be under any obligation to deliver to such Noteholder or any other person any letter, certificate, notice, circular, dividend or any other document or payment whatsoever received by the Issuer or such transferor, agent or nominee in its capacity as holder of such Securities, (ii) be under any obligation to exercise any rights (including voting rights) attaching to such Securities during the Intervening Period, or (iii) be under any liability to such Noteholder or any other person in respect of any loss or damage which the Noteholder or any other person may sustain or suffer as a result, whether directly or indirectly, of the Issuer or such transferor, agent or nominee being registered in such clearing system during such Intervening Period as legal owner of such Securities.
 - (K) All dividends on Securities to be delivered will be payable to the party that would receive such dividends according to market practice for a sale of the Securities executed on the Notional Sale Date to be delivered in the same manner as such Securities. Any such dividends will be paid to or for credit to the account specified by the Noteholder in the relevant Transfer Notice. No right to dividends on the Securities will accrue to Noteholders prior to the Notional Sale Date.
- (ii) the Calculation Agent shall determine, in its sole and absolute discretion, whether or not at any time a Settlement Disruption Event has occurred and where it determines such an event has occurred and so has prevented delivery of Securities on the original day that but for such Settlement Disruption Event would have been the Settlement Date, then the Settlement Date will be the first succeeding day on which delivery of such Securities can take place through the relevant Clearing System unless a Settlement Disruption Event prevents settlement on each of the eight relevant Clearing System Business Days immediately following the original date (or during such other period (the "**Disruption Period**") specified in the relevant Final Terms) that, but for the Settlement Disruption Event, would have been the Settlement Date. In that case, if the Securities are debt securities, the Issuer shall use reasonable efforts to deliver such Securities promptly thereafter in a commercially reasonable manner (as determined by the Calculation Agent in its sole and absolute discretion) outside the Clearing System and in all other cases (a) if such Securities can be delivered in any other commercially reasonable manner (as determined by the Calculation Agent in its sole and absolute discretion), then the Settlement Date will be the first Business Day on which settlement of a sale of Securities executed on that eighth relevant Clearing System Business Day, or during such other period specified in the relevant Final Terms,

customarily would take place using such other commercially reasonable manner (as determined by the Calculation Agent in its sole and absolute discretion) of delivery (which other manner of delivery will be deemed the relevant Clearing System for the purposes of delivery of the relevant Securities), and (b) if such Securities cannot be delivered in any other commercially reasonable manner (as determined by the Calculation Agent in its sole and absolute discretion), then the Settlement Date will be postponed until delivery can be effected through the relevant Clearing System or in any other commercially reasonable manner.

For the avoidance of doubt, where a Settlement Disruption Event affects some but not all of the Securities comprised in a basket, the Settlement Date for Securities not affected by the Settlement Disruption Event will be the first day on which settlement of a sale of such Securities executed on the Maturity Date customarily would take place through the relevant Clearing System.

- (iii) if the Calculation Agent determines, in its sole and absolute discretion, that a Delivery Disruption Event has occurred, it shall notify the Issuer who shall promptly notify the relevant Noteholder(s) and the Issuer may then:
- (A) determine, in its sole and absolute discretion, that the obligation to deliver the relevant Securities Transfer Amount will be terminated and the Issuer will pay such amount as in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion) is fair in the circumstances by way of compensation for the non-delivery of the Securities Transfer Amount, in which event the entitlements of the respective Noteholder(s) to receive the relevant Securities Transfer Amount shall cease and the Issuer's obligations under the Notes shall be satisfied in full upon payment of such amount; or
 - (B) deliver on the Settlement Date such amount of the Securities Transfer Amount (if any) as it can deliver on that date and pay such amount as in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion) is fair in the circumstances by way of compensation for the non-delivery of the remainder of the Securities Transfer Amount, in which event the entitlements of the respective Noteholder(s) to receive the relevant Securities Transfer Amount shall cease and the Issuer's obligations under the Notes shall be satisfied in full upon payment of such amount.

Where this Condition 21(b)(iii) fails to be applied, insofar as the Calculation Agent determines in its sole and absolute discretion to be practical, the same shall be applied as between the Noteholders on a *pro rata* basis, but subject to such rounding down (whether of the amount of a payment or of a number of Securities to be delivered) and also to such other adjustments as the Calculation Agent determines, in its sole and absolute discretion, to be appropriate to give practical effect to such provisions.

(c) *Automatic Early Redemption*

This Condition 21(c) is applicable only to Automatic Early Redemption Notes.

If on any Automatic Early Redemption Valuation Date, the Automatic Early Redemption Event occurs, then unless previously redeemed or purchased and cancelled, the Notes will be automatically redeemed in whole, but not in part, on the Automatic Early Redemption Date immediately following such Automatic Early Redemption Valuation Date and the Redemption

Amount payable by the Issuer on such date upon redemption of each Note shall be an amount in the relevant currency equal to the relevant Automatic Early Redemption Amount.

As used herein:

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

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

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

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

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

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

"Automatic Early Redemption Valuation Date(s)" means each of the date(s) specified as such in the relevant Final Terms or, if any such date is not a Scheduled Trading Day, the next following Scheduled Trading Day, subject to the provisions of Condition 21(e)(i) which shall apply as if such Automatic Early Redemption Valuation Date were a Valuation Date.

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

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

For the purposes hereof:

"Knock-in Determination Day" means each Scheduled Trading Day during the Knock-in Determination Period, unless such day is a Disrupted Day due to the occurrence of an event giving rise to a Disrupted Day prior to the Knock-in Valuation Time on such day. If such day is a Disrupted Day due to the occurrence of such an event, then the Knock-in Determination Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the original date that, but for the occurrence of a Disrupted Day, would have been the Knock-in Determination Day is a Disrupted Day. In that case, that eighth Scheduled Trading Day shall be deemed to be the Knock-in Determination Day, notwithstanding the fact that such day is a Disrupted Day, and the

Calculation Agent shall determine the price of the Security or, as the case may be, the level of the Index in the same manner that it would determine a price of a Security or, as the case may be, a level of an Index on a deemed Valuation Date that is also a Disrupted Day in accordance with the provisions of Condition 21(e)(i)(A), (B) or (C), as the case may be;

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

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

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

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

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

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

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

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

For the purposes hereof:

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

may be, a level of an Index on a deemed Valuation Date that is a Disrupted Day in accordance with the provisions of Condition 21(e)(i)(A), (B) or (C), as the case may be;

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

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

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

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

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

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

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

(e) *Consequences of Disrupted Days*

For the purposes of this Condition 21(e) "**Limit Valuation Date**" shall mean, if any Valuation Date in respect of a Note is a Disrupted Day, the eighth Scheduled Trading Day following such Valuation Date, notwithstanding the Market Disruption Event, *provided that*:

- (i) if, as a result of the foregoing, the Valuation Date would be deemed to fall less than five local banking days prior to the Maturity Date, a relevant Interest Payment Date or (as the case may be) any due date for payment of any amount due in respect of such Note, the Limit Valuation Date shall be deemed to fall on the day which is five local banking days prior to the Maturity Date, such Interest Payment Date or (as the case may be) due date for payment of any amount due in respect of such Note or, if such local banking day is not a Scheduled Trading Day, the immediately preceding Scheduled Trading Day; and
- (ii) if the Scheduled Valuation Date falls on a day which is five local banking days or less prior to the Maturity Date, a relevant Interest Payment Date or (as the case may be) any due date for payment of any amount due in respect of such Note, the Limit Valuation Date shall be deemed to be such Scheduled Valuation Date,

in each case notwithstanding the fact that such day is a Disrupted Day.

- (i) If any Valuation Date is a Disrupted Day, then:
- (A) in the case of an Equity-Linked Note, a Cash Equity Note or an Index-Linked Note which, in each case, relates to a single Security or Index, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, *provided that* the Valuation Date shall not fall after the Limit Valuation Date. In that case:
- (1) in respect of an Index-Linked Note, the Calculation Agent shall determine in its absolute discretion that either:
- (aa) the Valuation Date shall be the Limit Valuation Date; or
- (bb) the Valuation Date shall be the first succeeding Exchange Business Day on which there is no Market Disruption Event,
- and, in the case of (aa) above, the Calculation Agent shall determine the level of the Index as of the Valuation Time on the Limit Valuation Date determined in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on the Limit Valuation Date of each security or other property comprised in the Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security or other property on the Limit Valuation Date, its good faith estimate of the value for the relevant security or other property as of the Valuation Time on the Limit Valuation Date); and
- (2) in respect of an Equity-Linked Note or a Cash Equity Note, the Limit Valuation Date shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day and the Calculation Agent shall determine its good faith estimate of the value for the relevant Security as of the Valuation Time on that Limit Valuation Date;
- (B) in the case of an Index-Linked Note which relates to a basket of Indices, the Valuation Date for each Index not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date and the Valuation Date for each Index affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day which is not a Disrupted Day relating to that Index, unless each of the succeeding Scheduled Trading Days up to and including the Limit Valuation Date is a Disrupted Day relating to that Index. In that case, the Calculation Agent shall determine in its absolute discretion that either:
- (1) the Limit Valuation Date shall be the Valuation Date for the relevant Index notwithstanding the fact that such day is Disrupted Day relating to that Index; or
- (2) the Valuation Date shall be the first succeeding Scheduled Trading Day which is not a Disrupted Day relating to that Index,

and, in the case of (1) above, the Calculation Agent shall determine, in its sole and absolute discretion, the level of that Index, as of the Valuation Time on the Limit Valuation Date in accordance with the formula for and method of calculating that Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on the Limit Valuation Date of each security or other property comprised in the relevant Index (or, if an event giving rise to a Disrupted Day has occurred in respect to the relevant security or other property on the Limit Valuation Date, its good faith estimate of the value for the relevant security or other property as of the Valuation Time on the Limit Valuation Date); and

- (C) in the case of an Equity-Linked Note or a Cash Equity Note which, in each case, relates to a basket of Securities, the Valuation Date for each Security not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Security affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to that Security, unless each of the Scheduled Trading Days (up to and including the Limit Valuation Date) immediately following the Scheduled Valuation Date is a Disrupted Day relating to that Security. In that case, (1) the Limit Valuation Date shall be deemed to be the Valuation Date for the relevant Security, notwithstanding the fact that such day is a Disrupted Day, and (2) the Calculation Agent shall determine, in its sole and absolute discretion, its good faith estimate of the value for that Security as of the Valuation Time on the Limit Valuation Date.
- (ii) If Averaging Dates are specified in the relevant Final Terms, then notwithstanding any other provisions of these Conditions, the following provisions will apply to the valuation of the relevant Index or Securities:
- (A) For the purpose of determining the Relevant Price or Relevant Level in respect of a Valuation Date, the Final Price or Final Index Level will be:
 - (1) in respect of an Index-Linked or an Equity-Linked Note settled by way of Cash Settlement or a Cash Equity Note which, in each case, relates to a single Security or Index (as the case may be), the arithmetic mean of the Relevant Prices of the Index or the Security on each Averaging Date;
 - (2) in respect of an Index-Linked Note settled by way of Cash Settlement or a Cash Equity Note which, in each case, relates to a basket of indices, the arithmetic mean of the amounts for such basket determined by the Calculation Agent in its sole and absolute discretion as provided in the relevant Final Terms as of the relevant Valuation Time(s) on each Averaging Date or, if no means for determining the Final Index Level is so provided, the arithmetic mean of the amounts for such basket calculated on each Averaging Date as the sum of the Relevant Level of each Index comprised in such basket (weighted or adjusted in relation to each Index as provided in the relevant Final Terms); and
 - (3) in respect of an Equity-Linked Note settled by way of Cash Settlement or a Cash Equity Note which relates to a basket of Securities, the arithmetic mean of the prices for such basket determined by the Calculation Agent in

its sole and absolute discretion as provided in the relevant Final Terms as of the relevant Valuation Time(s) on each Averaging Date or, if no means for determining the Final Price is so provided, the arithmetic mean of the prices for such basket calculated on each Averaging Date as the sum of the values calculated for the Securities of each Underlying Company as the product of (aa) the Relevant Price of such Security and (bb) the number of such Securities comprised in such basket (weighted or adjusted in relation to each Security as provided in the relevant Final Terms).

- (B) If any Averaging Date is a Disrupted Day, then, if the consequence specified in the relevant Final Terms in relation to "**Averaging Date Market Disruption**" is:
- (1) "**Omission**", then such Averaging Date will be deemed not to be a relevant Averaging Date for purposes of determining the relevant Final Price or Final Index Level, as applicable, *provided that*, if through the operation of this provision no Averaging Date would occur with respect to the relevant Valuation Date, then Condition 21(e)(i) will apply for purposes of determining the relevant level, price or amount on the final Averaging Date in respect of that Valuation Date as if such final Averaging Date were a Valuation Date that was a Disrupted Day. If any Averaging Dates in relation to a Valuation Date occur after that Valuation Date as a result of the occurrence of a Disrupted Day, then (i) the relevant Cash Settlement Payment Date or the relevant Settlement Date, as the case may be, or (ii) the occurrence of an Extraordinary Event or a Potential Adjustment Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date;
 - (2) "**Postponement**", then Condition 21(e)(i) will apply for purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that already is or is deemed to be an Averaging Date for the relevant Notes. If any Averaging Dates in relation to a Valuation Date occur after that Valuation Date as a result of the occurrence of a Disrupted Day, then (i) the relevant Cash Settlement Payment Date or the relevant Settlement Date, as the case may be, or (ii) the occurrence of an Extraordinary Event or a Potential Adjustment Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date; or
 - (3) "**Modified Postponement**", then:
 - (aa) in the case of an Index-Linked Note or an Equity-Linked Note or a Cash Equity Note which relates to a single Index or Security, the Averaging Date shall be the first succeeding Valid Date. If the first succeeding Valid Date has not occurred as of the Valuation Time on the Limit Valuation Date immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final

Averaging Date (the "**Scheduled Final Averaging Date**") in relation to the relevant Scheduled Valuation Date, then:

- (i) in respect of an Index-Linked Note, the Calculation Agent shall determine in its absolute discretion that either:
 - (a) the Limit Valuation Date shall be deemed to be the Averaging Date, (irrespective of whether that Limit Valuation Date is already an Averaging Date); or
 - (b) the Averaging Date shall be the first succeeding Valid Date,and, in each case, the Calculation Agent shall determine the relevant level for that Averaging Date in accordance with Condition 21(e)(i)(A)(1); and
- (ii) in respect of an Equity-Linked Note or a Cash Equity Note, the Limit Valuation Date shall be the Averaging Date (irrespective of whether the Limit Valuation Date is already an Averaging Date), and the Calculation Agent shall determine, in its sole and absolute discretion, the relevant price for that Averaging Date in accordance with Condition 21(e)(i)(A)(2); and
- (bb) in the case of an Index-Linked Note, an Equity-Linked Note or a Cash Equity Note which relates to a basket of Indices or Securities, the Averaging Date for each Index or Security not affected by the occurrence of a Disrupted Day shall be the day specified in the relevant Final Terms as an Averaging Date in relation to the relevant Valuation Date (the "**Scheduled Averaging Date**") and the Averaging Date for an Index or Security affected by the occurrence of a Disrupted Day shall be the first succeeding Valid Date in relation to such Index or Security. If the first succeeding Valid Date in relation to such Index or Security has not occurred as of the Valuation Time on the Limit Valuation Date immediately following the Scheduled Final Averaging Date, then:

- (i) in respect of an Index-Linked Note, the Calculation Agent shall determine in its absolute discretion that either:
 - (a) the Limit Valuation Date shall be deemed to be the Averaging Date, (irrespective of whether that Limit Valuation Date is already an Averaging Date) in relation to such Index; or
 - (b) the Averaging Date shall be the first succeeding Valid Date,

and, in each case, the Calculation Agent shall determine the relevant level for that Averaging Date in accordance with Condition 21(e)(i)(B); and

- (ii) in respect of an Equity-Linked Note or a Cash Equity Note, the Limit Valuation Date shall be the Averaging Date (irrespective of whether that Limit Valuation Date is already an Averaging Date) in relation to such Security, and the Calculation Agent shall determine, in its sole and absolute discretion, the relevant amount for that Averaging Date in accordance with Condition 21(e)(i)(C).

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

- (C) If (1) on or prior to any Averaging Date, in respect of an Index-Linked Note, an Index Modification, Index Cancellation or Index Disruption (each as defined in Condition 21(f)(ii) occurs, or (2) on any Averaging Date in respect of an Index-Linked Note an Index Disruption Event occurs, then the Calculation Agent shall determine, in its sole and absolute discretion, the Final Index Level using, in lieu of a published level of the relevant Index, the level for that Index as determined by the Calculation Agent in its sole and absolute discretion in accordance with the formula for and method of calculating that Index last in effect prior to that change or failure, but using only those securities that comprised that Index immediately prior to that change or failure (other than those securities that have since ceased to be listed on any relevant Exchange).

(f) *Adjustments to Indices*

This Condition 21(f) is applicable only in relation to Index-Linked Notes.

(i) **Successor Index**

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

(ii) **Index Adjustment Events**

If (A) on or prior to any Valuation Date, a relevant Index Sponsor announces that it will make a material change in the formula for or the method of calculating that Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in

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

(iii) Correction of Index Levels

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

(g) *Adjustments and Events affecting Securities*

This Condition 21(g) is applicable only in relation to Equity-Linked Notes and Cash Equity Notes.

(i) Potential Adjustment Events

The Calculation Agent shall determine, in its sole and absolute discretion, whether or not at any time a Potential Adjustment Event has occurred and where it determines such an event has occurred, the Calculation Agent will, in its sole and absolute discretion, determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Securities and, if so, will make such adjustment(s) as it in its sole and absolute discretion determines to be appropriate, if any, to the formula for the Final Redemption Amount set out in the relevant Final Terms, the number of Securities to which each Note relates, the number of Securities comprised in a basket, the amount, the number of or type of shares, other securities or other property which may be delivered pursuant to such Notes and/or any other adjustment(s) and, in any case, any other variable relevant to the

settlement or payment terms of the relevant Notes as the Calculation Agent determines, in its sole and absolute discretion, to be appropriate to account for that diluting or concentrative effect and determine, in its sole and absolute discretion, the effective date(s) of such adjustment(s).

(ii) **Extraordinary Events**

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

(iii) **Conversion**

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

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

(iv) Correction of Prices

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

(h) *Additional Disruption Events*

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

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

- (i) "**Change in Law**" means that, on or after the Issue Date, (A) due to the adoption of or any change in any applicable law or regulation (including without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines in its sole and absolute discretion that (x) it has become illegal for the Issuer to hold, acquire or dispose of Securities relating to such Notes, (y) it has become illegal for the Issuer to hold, acquire, purchase, sell or maintain one or more (i) positions or contracts in respect of any securities, options, futures, derivatives or foreign exchange in relation to such Notes, (ii) stock loan transactions in relation to such Notes or (iii) other instruments or arrangements (howsoever described) held by the Issuer in order to hedge, individually or on a portfolio basis, such Notes or (z) the Issuer will incur a materially increased cost in performing its obligations under the Notes (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position);
- (ii) "**Failure to Deliver**" means the failure of a party to deliver, when due, the relevant Securities in respect of the Notes, where such failure is due to illiquidity in the market for such Securities;
- (iii) "**Insolvency Filing**" means that the issuer of the Securities institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, or it consents to a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such petition, *provided that* proceedings instituted or petitions presented by creditors and not consented to by the issuer of the Securities shall not be deemed an Insolvency Filing;
- (iv) "**Hedging Disruption**" means that the Issuer is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk of issuing and performing its obligations with respect to the Notes or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s); and
- (v) "**Increased Cost of Hedging**" means that the Issuer would incur a materially increased costs (as compared with circumstances existing on the Issue Date), amount of tax, duty, expense or fee (other than brokerage commissions) to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk of entering into and performing its obligations with respect to the Notes, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s), *provided that* any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer shall not be deemed an Increased Cost of Hedging.

(i) *Effects of European Economic and Monetary Union*

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

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

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

For the purposes hereof:

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

- (i) the redenomination of any security into euro;
- (ii) the change by any organised market, exchange or clearing, payment or settlement system in the unit of account of its operating procedures to the euro;
- (iii) any change in the currency of denomination of any Index; or
- (iv) any change in the currency in which some or all of the securities or other property comprising any Index is denominated; and

"**Participating Member State**" means any member state of the European Union which adopts the single currency in accordance with the Treaty.

(j) *Other Adjustments*

Upon the occurrence of any event(s) that the Calculation Agent determines (in its discretion, but acting reasonably) affects or could potentially affect the value of an Index-Linked Note, an Equity-Linked Note or a Cash Equity Note, the Calculation Agent may (in its discretion, but acting reasonably) make any additional adjustments to the Strike Price, the number and/or type of Securities and/or Indices to which such an Index-Linked Note, an Equity-Linked Note or a Cash Equity Note relates, and to any other exercise, settlement, payment or other term of such an Index-Linked Note, an Equity-Linked Note or a Cash Equity Note including, without limitation, the amount, number or type of cash, shares, other securities or property which may

Part D - Product Supplement for Equity/Index-Linked Notes and Warrants - Additional Provisions relating to Equity-Linked Notes, Cash Equity Notes and Index-Linked Notes

be transferred under such Index-Linked Note, an Equity-Linked Note or a Cash Equity Note, and determine the effective date(s) of such adjustments.

Index Disclaimers

Where a Series of Notes relates to any of the Indices specified in the table below, a statement regarding such Index will be included in the relevant Final Terms in or substantially in the form for such Index set out below.

STATEMENTS REGARDING THE DOW JONES EURO STOXX 50SM INDEX

The following statement is required by the licensor of the Dow Jones Euro STOXX[®] 50 Index:

STOXX Limited ("STOXX") and Dow Jones & Company, Inc. ("Dow Jones") have no relationship to the Issuer other than the licensing of the Dow Jones Euro STOXX[®] 50 Index and the related trademarks for use in connection with the Notes.

STOXX and Dow Jones do not:

- Sponsor, endorse, sell or promote the Notes.
- Recommend that any person invest in the Notes or any other securities.
- Have any responsibility or liability for or make any decisions about the timing, amount or pricing of Notes.
- Have any responsibility or liability for the administration, management or marketing of the Notes.
- Consider the needs of the Notes or the owners of the Notes in determining, composing or calculating the Dow Jones Euro STOXX[®] 50 Index or have any obligation to do so.

STOXX and Dow Jones will not have any liability in connection with the Notes. Specifically,

- **STOXX and Dow Jones do not make any warranty, express or implied and disclaim any and all warranty about:**
 - **The results to be obtained by the Notes, the owner of the Notes or any other person in connection with the use of the Dow Jones Euro STOXX[®] 50 Index, and the data included in the Dow Jones Euro STOXX[®] 50 Index;**
 - **The accuracy or completeness of the Dow Jones Euro STOXX[®] 50 Index and its data;**
 - **The merchantability and the fitness for a particular purpose or use of the Dow Jones Euro STOXX[®] 50 Index and its data;**
- **STOXX and Dow Jones will have no liability for any errors, omissions or interruptions in the Dow Jones Euro STOXX[®] 50 Index or its data;**
- **Under no circumstances will STOXX or Dow Jones be liable for any lost profits or indirect, punitive, special or consequential damages or losses, even if STOXX or Dow Jones knows that they might occur.**

The licensing agreement between the Issuer and STOXX is solely for their benefit and not for the benefit of the owners of the Notes or any other third parties.

(Source: STOXX Limited)

STATEMENTS REGARDING THE STANDARD & POOR'S 500® INDEX (THE "S&P 500 INDEX")

The Notes are not sponsored, endorsed, sold or promoted by Standard & Poor's Corporation ("S&P"). S&P makes no representation or warranty, express or implied, to any Noteholders in respect of the Notes or any member of the public regarding the advisability of investing in securities generally or in the Notes in particular or the ability of the S&P 500 Index to track general stock market performance. S&P's only relationship with the Issuer is the licensing of certain trademarks and trade names of S&P and of the S&P 500 Index which is determined, composed and calculated by S&P without regard to the Issuer or the Notes.

S&P has no obligation to take the needs of the Issuer or any holders of the Notes into consideration in determining, composing or calculating the S&P 500 Index. S&P is not responsible for and has not participated in the determination of the timing of, prices at, or quantities of the Notes to be offered or taken or in the determination or calculation of the equation by which the Notes are to be converted into cash. S&P has no obligation or liability in connection with the administration, marketing or trading of the Notes.

S&P DOES NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE S&P 500 INDEX OR ANY DATA INCLUDED THEREIN AND S&P SHALL HAVE NO LIABILITY FOR ANY ERRORS, OMISSIONS, OR INTERRUPTIONS THEREIN. S&P MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY THE ISSUER IN RESPECT OF THE NOTES, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE S&P 500 INDEX OR ANY DATA INCLUDED THEREIN. S&P MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE S&P 500 INDEX OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL S&P HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, INDIRECT, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

"Standard & Poor's®", "S&P®", "S&P 500®", "Standard & Poor's 500" and "500" are trademarks of The McGraw-Hill Companies, Inc. and have been licensed for use by the Issuer. The Notes are not sponsored, endorsed, sold or promoted by S&P and S&P makes no representation regarding the **advisability of investing in the Notes.**

(Source: Standard & Poor's Corporation)

STATEMENTS REGARDING THE NASDAQ-100 INDEX®

The Notes are not sponsored, endorsed, sold or promoted by The Nasdaq Stock Market, Inc. (including its affiliates) (Nasdaq, with its affiliates, are referred to as the *Corporations*). The Corporations have not passed on the legality or suitability of, or the accuracy or adequacy of descriptions and disclosures relating to, the Notes. The Corporations make no representation or warranty, express or implied to the owners of the Notes or any member of the public regarding the advisability of investing in securities generally or in the Notes particularly, or the ability of the NASDAQ-100 Index® to track general stock market performance. The Corporations' only relationship to the HSBC Bank plc (*Licensee*) is in the licensing of the NASDAQ-100®, NASDAQ-100 Index®, and Nasdaq® trademarks or service marks, and certain trade names of the Corporations and the use of the NASDAQ-100 Index® which is determined, composed and calculated by Nasdaq without regard to Licensee or the Notes. Nasdaq has no obligation to take the needs of the Licensee or the owners of the Notes into consideration in determining,

composing or calculating the NASDAQ-100 Index[®]. The Corporations are not responsible for and have not participated in the determination of the timing of, prices at, or quantities of the Notes to be issued or in the determination or calculation of the equation by which the Notes are to be converted into cash. The Corporations have no liability in connection with the administration, marketing or trading of the Notes.

THE CORPORATIONS DO NOT GUARANTEE THE ACCURACY AND/OR UNINTERRUPTED CALCULATION OF THE NASDAQ-100 INDEX[®] OR ANY DATA INCLUDED THEREIN. THE CORPORATIONS MAKE NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY LICENSEE, OWNERS OF THE NOTES, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE NASDAQ-100 INDEX[®] OR ANY DATA INCLUDED THEREIN. THE CORPORATIONS MAKE NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIM ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE NASDAQ-100 INDEX[®] OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL THE CORPORATIONS HAVE ANY LIABILITY FOR ANY LOST PROFITS OR SPECIAL, INCIDENTAL, PUNITIVE, INDIRECT, OR CONSEQUENTIAL DAMAGES, EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

(Source: The Nasdaq Stock Market, Inc.)

STATEMENTS REGARDING THE NIKKEI 225[®] INDEX (THE "NIKKEI INDEX")

The Nikkei Index is an intellectual property of Nihon Keizai Shinbun, Inc. ("NKS"). "Nikkei", "Nikkei Stock Average" and "Nikkei 225" are the service marks of NKS. NKS reserves all the rights, including copyright to the index.

The Notes are not in any way sponsored, endorsed or promoted by NKS. NKS does not make any warranty or representation whatsoever, express or implied, either as to the results to be obtained as to the use of the Nikkei Index or the figure as to which the Nikkei Index stands at any particular day or otherwise. The Nikkei Index is compiled and calculated solely by NKS. However, NKS shall not be liable to any person for any error in the Nikkei Index and NKS shall not be under any obligation to advise any person, including a Noteholder, of any error therein.

In addition, NKS gives no assurance regarding any modification or change in any methodology used in calculating the Nikkei Index and is under no obligation to continue the calculation, publication and dissemination of the Nikkei Index.

(Source: Nihon Keizai Shinbun, Inc.)

STATEMENTS REGARDING THE FTSE[™] 100 INDEX

The Notes are not in any way sponsored by FTSE International Limited ("FTSE") or by The London Stock Exchange plc (the "Exchange") or by The Financial Times Limited ("FT") and neither FTSE or Exchange or FT makes any warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the FTSE[™] 100 Index (the "Index") and/or the figure at which the said Index stands at any particular time on any particular day or otherwise. The Index is compiled and calculated solely by FTSE. However, neither FTSE or Exchange or FT shall be liable (whether in negligence or otherwise) to any person for any error in the Index and neither FTSE or Exchange or FT shall be under any obligation to advise any person of any error therein.

"FTSE™" and "Footsie™" are trademarks of The London Stock Exchange plc and The Financial Times Limited and are used by FTSE International Limited under licence.

(Source: The Financial Times Limited)

STATEMENTS REGARDING THE CAC40® INDEX

Euronext Paris S.A. has all proprietary rights with respect to the Index. In no way Euronext Paris S.A. sponsors, endorses or is otherwise involved in the issue and offering of the product. Euronext Paris S.A. disclaims any liability to any party for any inaccuracy in the data on which the Index is based, for any mistakes, errors, or omissions in the calculation and/or dissemination of the Index, or for the manner in which it is applied in connection with the issue and offering thereof.

"CAC40®" and "CAC®" are registered trademarks of Euronext N.V. subsidiary: Euronext Paris S.A.

(Source: Euronext Paris S.A.)

STATEMENTS REGARDING THE SMI® INDEX

These securities are not in any way sponsored, endorsed, sold or promoted by SWX Swiss Exchange and SWX Swiss Exchange makes no warranty or representation whatsoever, express or implied, either as to the results to be obtained from the use of the SMI® Index (the "**Index**") and/or the figure at which the said Index stands at any particular time on any particular day or otherwise. The Index is compiled and calculated solely by SWX Swiss Exchange. However, SWX Swiss Exchange shall not be liable (whether in negligence or otherwise) to any person for any error in the Index and SWX Swiss Exchange shall not be under any obligation to advise any person of any error therein.

The SMI® is a registered trademark of SWX Swiss Exchange and any use thereof is subject to a license fee.

(Source: SWX Swiss Exchange)

DISCLAIMERS

Notes or Warrants issued by the Issuer are not sponsored, endorsed, sold or promoted by any index sponsor or the affiliates of any such index sponsor (collectively, the "**Publisher**"). The Publisher shall not be liable (whether as a result of negligence or otherwise) to any person for any error in the relevant index and the Publisher is under no obligation to advise any person of any error therein. The Publisher does not make any representation or warranty, express or implied, to the prospective investors or any member of the public regarding the advisability of investing in securities generally or in the Notes or Warrants particularly.

The Issuer shall have no liability to the Holders of the Notes or Warrants for any act or failure to act by any index sponsor in connection with the calculation, adjustment or maintenance of any index relating to the Notes or Warrants. The Issuer has no affiliation with or control over any index or any index sponsor or any control over the computation, composition or dissemination of any index. The only relationship the Publisher has with the Issuer is as licensee (the "**Licensee**") regarding the licensing of certain trademarks and trade names of the Publisher and of the relevant index which is determined, composed and calculated without regard to the Licensee or the Notes or Warrants. The Publisher is not responsible for and neither has participated in the determination of the timing of, prices at, or quantities of the Notes or Warrants to be offered or issued or in the determination or calculation of the equation by which the Notes or Warrants to be offered or issued are to be converted into cash or otherwise disposed of. The Publisher does not have any obligation or liability in connection with the administration, marketing or trading of the Notes or Warrants to be offered or issued.

Although the Issuer will obtain information concerning various indices from publicly available sources it believes reliable, it will not independently verify this information.

The provisions of this section are without prejudice to the responsibilities assumed by the Issuer in this Base Prospectus.

The relevant index disclaimer relating to each index to which any Notes or Warrants are linked (which may be substantially in one of the forms set out in "Part D - Index Disclaimers") shall be reproduced in full in the relevant Final Terms for such issue.

***Pro Forma* Final Terms for Equity-Linked Notes, Cash Equity Notes and Index-Linked Notes**

Set out below is the form of Final Terms which will be completed for each Tranche of Equity-Linked Note, Cash Equity Note or Index-Linked Notes issued under the Programme.

[Notes issued pursuant to these Final Terms are securities to be listed under Listing Rule [17/19]¹.]

FINAL TERMS

Final Terms dated []

Series No.: []

Tranche No.: []

HSBC Bank plc

Programme for the Issuance of Notes and Warrants

Issue of

[Aggregate Principal Amount of Tranche]

[Title of Notes]

PART A - CONTRACTUAL TERMS

This document constitutes the Final Terms relating to the issue of the Tranche of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 30 July 2009 in relation to the above Programme [and the supplemental Prospectus dated []² which [together] constitute[s] 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 Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. [The Prospectus [and the supplemental Prospectus] [is] [are] is available for viewing at [address] [and] [website]³ and copies may be obtained from [address].]

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Prospectus dated [original date] [and the supplemental Prospectus dated []]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus dated [current date] [and the supplemental Prospectus

¹ To be included in respect of all issues which are to be admitted to listing. Delete as appropriate. Please refer to the Listing Rules. Listing Rule 17 applies to debt securities, asset backed securities and convertible securities. Listing Rule 19 applies to securitised derivatives.

² Only include details of supplemental Prospectus in which the Conditions have been amended for the purposes of all issues under the Programme.

³ If required by the UKLA in accordance with Article 14 of the Prospectus Directive.

dated [], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the [Prospectus] dated [original date] [and the supplemental Prospectus dated []] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus(es) dated [original date] and [current date] [and the supplemental Prospectus dated []] and []. [The Prospectus(es) are available for viewing at [address] and copies may be obtained from [address].

[For Notes offered and sold in the United States of America include:

IMPORTANT NOTICES

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), THE STATE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION, AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, US PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. ACCORDINGLY, THE NOTES 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-US PERSONS (AS DEFINED IN REGULATION S) IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLERS OF NOTES PURSUANT TO CLAUSE (A) ABOVE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

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

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act in connection with resales of the Notes, the Issuer will promptly furnish, upon request of a holder of a Note, to such holder and a prospective purchaser designated by such holder the information required to be delivered under Rule 144A(d)(4) if,

at the time of such request, the Issuer is neither a reporting company under Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.]

Investing in the Notes involves substantial risks. As a consequence, prospective investors should be aware that the Notes are only intended for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks of an investment in the Notes. In purchasing any Notes, an investor will be deemed to represent that it is such an investor and has such knowledge and experience. Prospective investors should consider the risk factors set forth under "Risk Factors" in the Prospectus and the risks described herein.

[Include whichever of the following apply or specify as "Not applicable". Note that the numbering should remain as set out below, even if "Not applicable" is indicated for individual paragraphs or subparagraphs. Italics denote guidance for completing the Final Terms.]

[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

- | | | | |
|----|--------|--|---|
| 1. | (i) | Issuer | HSBC Bank plc |
| | (ii) | Arranger(s): | [HSBC Bank plc] |
| 2. | (i) | Series number: | [] |
| | (ii) | [Tranche number: | [] |
| | | (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).] | |
| | (iii) | Whether issue is of Notes or Certificates: | [Notes/Certificates] (if the issue is of Certificates, all references in this Final Terms and in the Prospectus to Notes shall be deemed to be "Certificates" for the purposes of this issue) |
| 3. | | Specified Currency or Currencies: | |
| | (i) | of denomination: | [] |
| | (ii) | of payment: | [] |
| 4. | | Aggregate Principal Amount [of Notes admitted to trading] ⁴ : | |
| | [(i)] | Series: | [] |
| | [(ii)] | Tranche:] | [] |

⁴ Delete for debt securities with a denomination per unit of less than EUR50,000

Part D - Product Supplement for Equity/Index-Linked Notes and Warrants - Pro Forma Final Terms for Equity-Linked Notes, Cash Equity Notes and Index-Linked Notes

5. (i) Issue Price: [] per cent. of the Aggregate Principal Amount [plus accrued interest from *[insert date]* (in the case of fungible issues only, if applicable)]
- (ii) Commission payable: [[] per cent./None]
- (iii) Selling concession: [[] per cent./None]
6. (i) Denomination(s) []⁵
(Condition 1(b)):
- (ii) Calculation Amount⁶: []
7. (i) Issue Date: []
- (ii) Interest Commencement Date: []
8. Maturity Date: *[Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year. In case of undated Notes, specify undated.]*
(Condition 6(a))
9. Interest basis: [[] per cent. Fixed Rate]
(Conditions 3 to 5)
[[specify reference rate]+/- [] per cent. Floating Rate Notes]
[Variable Coupon Amount]
[Zero Coupon Notes]
[Index-Linked Interest Notes]
[Other (specify)]
(further particulars specified below)
10. Redemption basis: [Redemption at par]
(Condition 6)
[Index-Linked Redemption]
[Cash Equity Redemption]
[Equity-Linked Redemption]
[Currency-Linked Redemption]
[Credit-Linked Redemption]
[Interest Rate-Linked Redemption]
[Dual Currency]
[Partly Paid]

⁵ If denominations in excess of and smaller than the minimum specified denomination are to be permitted then the Issuer should normally waive its right to elect to exchange the Permanent Global Note for definitive Notes in paragraph (d) of the Permanent Global Note - see item 29(iii) below.

⁶ The applicable Calculation Amount (which is used for the calculation of redemption and interest amounts (if any)) will be (i) if there is only one Denomination, the Denomination; or (ii) if there are several Denominations, the highest common factor of those Denominations. Note that a Calculation Amount of less than 1,000 units of the relevant currency may result in practical difficulties for Paying Agents and/or ICSDs who should be consulted if such an amount is proposed.

- [Instalment]
[Other (specify)]
11. Change of interest or redemption basis: [Specify details of any provision for convertibility of Notes to another interest or redemption/payment basis]
12. Put/Call options: [Condition 6[(c)][(d)] will apply as specified below]
13. (i) Status of the Notes: Unsubordinated, unsecured
(Condition 2)
- (ii) Date [Board] approval for issuance of Notes obtained: [] [and []], respectively]] (N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)]
14. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. Fixed Rate Note provisions: [Applicable/Not applicable]
(Condition 3) (If not applicable, delete the remaining subparagraphs of this paragraph.)
- (i) Rate of Interest: [] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrears]
- (ii) Fixed Interest Payment Date(s): [] in each year
[adjusted in accordance with [specify Business day Convention and any applicable Business Centre(s) for the definition of "Business Day"] [not adjusted]
- (iii) Fixed Coupon Amount(s): [] per Calculation Amount
- (iv) Day Count Fraction: [30/360 / Actual/Actual (ICMA/ISDA) / other (specify)]
- (v) Determination Date: [] in each year (insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon, N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)).
- (vi) Broken Amount(s): [] per Calculation Amount, payable on the Fixed Interest Payment Date falling [in/on] [].
[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount(s)]

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- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not applicable/give details] (Consider if day count fraction, particularly for Euro denominated issues, should be on an Actual/Actual basis)
16. Floating Rate Note provisions: [Applicable/Not applicable]
(Condition 4) (If not applicable, delete the remaining subparagraphs of this paragraph.)
- (i) Interest Period(s): [specify]
- (ii) Specified Interest Payment Dates: [specify dates]
[If Business Day Convention embedded in Condition 4(b) is not to apply, specify alternative convention]
- (iii) First Interest Payment Date: []
- (iv) Business Day Convention [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
- (v) Business Centre(s) [Not applicable/give details]
- (vi) Screen Rate Determination: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
- (1) Benchmark: [specify LIBOR or other]
- (2) Interest Determination Date: []
- (3) Relevant Screen Page: []
- (4) Relevant Financial Centre: []
- (vii) ISDA Determination:
- (1) Floating Rate Option: []
- (2) Designated Maturity: []
- (3) Reset Date: []
- (viii) Margin: [+/-][] per cent. per annum
- (ix) Day Count Fraction: []
- (x) Relevant time: []
- (xi) Minimum Interest Rate: [] per cent. per annum

Part D - Product Supplement for Equity/Index-Linked Notes and Warrants - Pro Forma Final Terms for Equity-Linked Notes, Cash Equity Notes and Index-Linked Notes

- (xii) Maximum Interest Rate: [] per cent. per annum
- (xiii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
17. Variable Coupon Amount Note provisions: [Applicable/Not applicable]
(Condition 5) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Interest Payment Dates: []
- (ii) Method of calculating interest: []
18. Zero Coupon Note provisions: [Applicable/Not applicable]
(Condition 5) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Amortisation Yield: [] per cent. per annum
- (ii) Rate of interest on overdue amounts: []
- (iii) Redemption formula: []
19. Index-Linked Interest Note/other variable-linked interest Note Provisions: [Applicable/Not applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Index/Formula/other variable: *[give or annex details]*
- (ii) Calculation Agent responsible for calculating the interest due: []
- (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: []
- (iv) Determination Date(s): []
- (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [] *[Need to include a description of market disruption or settlement disruption events and adjustment provisions]*
- (vi) Interest or calculation period(s): []
- (vii) Specified Interest Payment []

- Dates:
- (viii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other *(give details)*]
- (ix) Business Centre(s): []
- (x) Minimum Rate/Amount of Interest: [] per cent. per annum
- (xi) Maximum Rate/Amount of Interest: [] per cent. per annum
- (xii) Day Count Fraction: []
20. Dual Currency Note provisions/Multi-currency Note provisions: [Applicable/Not applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Currencies: []
- (ii) Exchange Rate(s): [*give details*]⁷
- (iii) Provisions applicable where calculation by reference to Exchange Rate impossible or impracticable: [*Need to include a description of Market disruption or settlement disruption events and adjustment provisions.*]

PROVISIONS RELATING TO REDEMPTION

21. Issuer's optional redemption (Call): [Applicable/Not applicable]
(Condition 6(c))
- (i) Redemption amount (Call): [] per Calculation Amount [*specify — if not par, also specify details of any formula*]
- (ii) Series redeemable in part: [] per Calculation Amount [*specify — otherwise redemption will only be permitted of entire Series*]
- (iii) Call option date(s)/Call option period: [*specify*]
22. Noteholder's optional redemption (Put): [Applicable/Not applicable]
(Condition 6(d))
- (i) Redemption amount (Put): [] per Calculation Amount [*specify — if not par, also specify details of any formula*]

⁷ If denomination per unit is less than EUR50,000, include details of where past and future performance and volatility of the relevant rate(s) can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying.

Part D - Product Supplement for Equity/Index-Linked Notes and Warrants - Pro Forma Final Terms for Equity-Linked Notes, Cash Equity Notes and Index-Linked Notes

- (ii) Put Option date(s)/Put Option Period: [specify]
23. Final Redemption Amount of each Note: [] per Calculation Amount [specify — if not par, also specify details of any formula]
(Condition 6(a))
24. Final Redemption Amount of each Note in cases where the Final Redemption Amount is Equity-Linked/ Index-Linked or other variable-linked: [] per Calculation Amount
- (i) Index/Formula/other variable: [give or annex details]
- (ii) Calculation Agent responsible for calculating the Final Redemption Amount: []
- (iii) Provisions for determining Final Redemption Amount where calculated by reference to Equity/Index and/or Formula and/or other variable; []
- (iv) Determination Date(s): []
- (v) Provisions for determining Final Redemption Amount where calculation by reference to Equity/Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: []
- (vi) Payment Date []
- (vii) Minimum Final Redemption Amount []
- (viii) Maximum Final Redemption Amount: []
25. Instalment Notes: [specify/Not applicable]
(Condition 6(a)) (If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Instalment Amounts: []
- (ii) Dates for payment of Instalments: []
26. Early redemption amount: Yes
- (i) Early redemption amount (upon redemption for taxation reasons, force majeure or following an Event of Default): [] per Calculation Amount [specify — if not par, also specify details of any formula]
(Conditions 6(b), 6(h) or 10)

- (ii) Other redemption provisions: [] per Calculation Amount [*specify - if (Condition 6(i)) not par, also specify details of any formula*]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

27. Form of Notes:
(*Condition 1(a)*)
- (i) Form of Notes: [Bearer/Registered]
- (ii) Bearer Notes exchangeable for Registered Notes: [Yes/No] [*Answer will be no where no Registered Notes or where the issue is wholly or partly a Rule 144A issue*]
28. New Global Note: [Yes/No] [*Answer will be No if the Notes are not Bearer Notes*]
29. If issued in bearer form:
- (i) Initially represented by a Temporary Global Note or Permanent Global Note: [*specify*] [*Notes may only be represented initially by a Permanent Global Note if these Final Terms specifies that TEFRA C rules apply*]
- (ii) Temporary Global Note exchangeable for Permanent Global Note and/or Definitive Notes and/or Registered Notes: Yes [*specify*]
(*Condition 1(a)*)
- (iii) Permanent Global Note exchangeable at the option of the bearer for Definitive Notes and/or Registered Notes: [Yes - *specify*/No]
- (iv) Coupons to be attached to Definitive Notes: [Yes/No/Not applicable]
[*N.B. This will need to be considered even if Permanent Global Notes are not exchangeable at the bearer's option into Definitive Notes because of exchangeability upon "melt down" of clearing systems - see provisions contained in Permanent Global Note*]
- (v) Talons for future Coupons to be attached to Definitive Notes: [Yes/No/Not applicable]
[*N.B. The above comment also applies here*]
- (vi) (a) Definitive Notes to be security printed: [Yes/No]
[*N.B. The above comment also applies here*]
- (b) if the answer to (a) is yes, whether steel engraved plates will be used: [Yes/No/Not applicable]

Part D - Product Supplement for Equity/Index-Linked Notes and Warrants - Pro Forma Final Terms for Equity-Linked Notes, Cash Equity Notes and Index-Linked Notes

- (vii) Definitive Notes to be in ICMA or successor's format: [Yes/No]
[N.B. The above comment also applies here]
- (viii) Issuer or Noteholder to pay costs of security printing: [Issuer/Noteholder/Not applicable]
30. Exchange Date for exchange of Temporary Global Note: [specify]
31. Payments:
(Condition 8)
- (i) Method of payment: [specify if other than by cheque or transfer to a designated account]
- (ii) Relevant Financial Centre Day: [specify any additional places]
- (iii) Local banking day specified for payments in respect of the Notes in global form: [Yes/ No]⁸
32. Party Paid Notes: [Yes/No]
(Condition 1)
If yes, specify number, amounts and dates for, and method of, payment of instalments of subscription monies and any further additional provisions (including forfeiture dates in respect of late payments of partly paid instalments) [specify]
33. Redenomination: [Applicable/Not applicable]
(Condition 9)
- (i) Redenomination: [Applicable/Not applicable]
- (ii) Exchange: [Applicable/Not applicable]
34. Other final terms: [Not applicable/specify/See Annex]
(When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)

PROVISIONS APPLICABLE TO INDEX-LINKED NOTES, CASH EQUITY NOTES AND EQUITY-LINKED NOTES

35. Security Delivery (for Equity-Linked Notes only): Condition 21(b) [applies/does not apply]

⁸ This should specify "No" unless, exceptionally, location of Principal Paying Agent is to be included as a business day for the purposes of payments whilst Notes are in global form in the clearing systems.

36. Provisions for Cash Equity Notes and Equity-Linked Notes:
- (i) Securities: [The Securities are Depositary Receipts]
 - (ii) Underlying Company(ies): [and with respect to the Underlying Securities
 - (iii) Exchange(s):
 - (iv) Related Exchange(s): [All Exchanges]
 - (v) Initial Price: [The definition in Condition 21(a) applies]
 - (vi) Strike Date:
 - (viii) Securities Transfer Amount:
(for Equity-Linked Notes only)
 - (ix) Settlement Date:
(for Equity-Linked Notes only)
 - (x) Settlement Disruption Event: Condition 21(b)(iii) [applies/does not apply]
(for Equity-Linked Notes only)
 - Disruption Period (if other than as specified in Condition 21(b)(iii)):
 - (xi) Delivery Disruption Event: Condition 21(b)(iv) [applies/does not apply]
(for Equity-Linked Notes only)
 - (xii) Potential Adjustment Event: Condition 21(g)(i) [applies/does not apply]
 - Extraordinary Dividend (if other than as specified in the definition in Condition 21(a))
 - additional Potential Adjustment Event (for purposes of paragraph (viii) of the definition thereof)
 - (xiii) Extraordinary Event: Condition 21(g)(ii) [applies/does not apply]
 - (xiv) Conversion: Condition 21(g)(iii) [applies/does not apply]
(for Notes relating to Government Bonds and debt securities only)
 - (xv) Correction of prices: Condition 21(g)(iv) [applies/does not apply]
 - (xvi) Additional Disruption Event [The following Additional Disruption Events apply: [Change in Law, Hedging Disruption, Increased Cost of Hedging] *[other - give details]*] [Not applicable]
37. Additional provisions for Equity-Linked Notes:

- []
38. Provisions for Index-Linked Notes:
- (i) Index(ices): [] [The Index. Each of *[specify relevant indices in a basket]*[] is a Multiple Exchange Index]
 - (ii) Index Sponsor: [] [The definition in Condition 21(a) applies]
 - (iii) Exchange(s): []
 - (iv) Related Exchange(s): [] [All Exchanges]
 - (v) Initial Index Level: [] [The definition in Condition 21(a) applies]
 - (vi) Strike Date: []
 - (viii) Adjustments to Indices: Condition 21(f) [applies/does not apply]
 - (ix) Additional Disruption Event: [The following Additional Disruption Events apply: [Change in Law, Hedging Disruption, Increased Cost of Hedging] *[Other - give details]* [Not applicable]
39. For Equity-Linked and Credit-Linked Notes: US Federal Income Tax Considerations
40. Valuation Date(s): []. [If, pursuant to Condition 21(e) such date is postponed to *[the Limit Valuation Date/ other (specify)]*, and either, such date is not a Scheduled Trading Day or is a Disrupted Day, such date shall nevertheless be deemed to be the Valuation Date and the [Final Price/Final Index Level] shall be the [price/level] determined by the Calculation Agent in its sole discretion.]
41. Valuation Time: [] [The definition in Condition 21(a) applies]
42. Averaging Dates: [Yes/No. *If yes, specify dates*]
- (i) Relevant Prices/ Relevant Levels: *[Specify how level of Index or market value of Securities is to be determined]*
 - (ii) Details relating to how Final Redemption Amount will be calculated where the Notes relate to a basket of Indices or Securities: []
 - (iii) Averaging Date Market Disruption: [Omission/Postponement/Modified Postponement/Not applicable/*other*

- (*specify*)]
43. Other terms or special conditions relating to Index-Linked Notes, Cash Equity Notes or Equity-Linked Notes: [*specify*]
- (i) Knock-in Event: [Applicable to [*specify relevant payment or delivery*]]
- Knock-in Event: [] is [greater than/greater than or equal to/less than/less than or equal to] the Knock-in Price/ Knock-in Level
- Knock-in Period Beginning Date (if other than as specified in the definition thereof in Condition 21(d)): []
- Knock-in Period Ending Date (if other than as specified in the definition thereof in Condition 21(d)): []
- Knock-in Price/ Knock-in Level: []
- Knock-in Valuation Time (if other than as specified in the definition thereof in Condition 21(d)): []
- (ii) Knock-out Event: [Applicable to [*specify relevant payment or delivery*]]
- Knock-out Event: [] is [greater than/greater than or equal to/less than/less than or equal to] the Knock-out Price/Knock-out Level
- Knock-out Period Beginning Date (if other than as specified in the definition thereof in Condition 21(d)): []
- Knock-out Period Ending Date (if other than as specified in the definition thereof in Condition 21(d)): []
- Knock-out Price/ Knock-out Level: []
- Knock-out Valuation Time (if other than as specified in the definition thereof in Condition 21(d)): []
- (iii) Automatic Early Redemption: Condition 21(c) [applies/does not apply]

- Automatic Early Redemption Event: [] is [greater than/greater than or equal to/less than/less than or equal to] the Automatic Early Redemption [Price/Level/Rate] as of [the/any] Automatic Early Redemption Valuation Date]
- Automatic Early Redemption Valuation Date(s): []
- Automatic Early Redemption [Level/Price/Rate]: []
- Automatic Early Redemption Date(s): [] [Subject to adjustment in accordance with *[specify relevant Business Day Convention]*]
- Automatic Early Redemption Amount: []

DISTRIBUTION

44. (i) If syndicated, names [, addresses and underwriting commitments]⁹ of Relevant Dealer(s)/Lead Manager(s): [Not applicable/HSBC Bank plc/other - give name]
[Give addresses and underwriting commitments]⁹
- (ii) If syndicated, names [, addresses and underwriting commitments]⁹ of other Dealers/Managers (if any): [Not applicable/other - give name]
[Give addresses and underwriting commitments]⁹
(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)
- (iii) Date of Subscription Agreement⁹: []
- (iv) Stabilising Manager (if any): [Not applicable/give name]
45. If non-syndicated, name [and address]⁹ of Relevant Dealer: [Not applicable/give name [and address]]⁹
46. Total commission and concession: [] per cent. of the Aggregate Principal Amount⁹
47. Selling restrictions: [For Bearer Notes: TEFRA C Rule/TEFRA D Rule]
United States of America: [Notes may not be offered or sold within the United States of America or to or for the account or the benefit of a US person

⁹ Not required for debt securities with a denomination per unit of at least EUR50,000.

(as defined in Regulation S)]

[Notes may be offered or sold within the United States of America or to or for the account or the benefit of a US person (as defined in Regulation S) only in compliance with the provisions set forth under "Transfer Restrictions."]

Non-exempt Offer:

[Not applicable] [An offer of the Notes may be made by the Managers [and [*specify, if applicable*]] other than pursuant to Article 3(2) of the Prospectus Directive in [*specify relevant Member State(s) - which must be jurisdictions where the Prospectus and any supplements have been passported*] ("**Public Offer Jurisdictions**") during the period from [*specify date*] until [*specify date*] ("**Offer Period**"). See further paragraphs 25 - 36 of Part B below.

Other:

[*specify any modifications of, or additions to, selling restrictions contained in Dealer Agreement*]

48.

Stabilisation:

[Not applicable / **In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf**

of any Stabilising Manager(s) in accordance with all applicable laws and rules.]

[LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the Programme for the Issuance of Notes and Warrants of HSBC Bank plc.]

[In offers of Notes pursuant to Rule 144A insert:

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers of Notes offered in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Notes.

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

- (a) such 144A Offeree acknowledges that these Final Terms and the accompanying Base Prospectus is personal to such 144A Offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes other than pursuant to Rule 144A or in offshore transactions in accordance with Regulation S. Distribution of these Final Terms and the accompanying Base Prospectus, or disclosure of any of its contents, to any person other than such 144A Offeree and those persons, if any, retained to advise such 144A Offeree with respect thereto and other persons meeting the requirements of Rule 144A or Regulation S is 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 these Final Terms and the accompanying Base Prospectus or any documents referred to herein.

Each purchaser of Notes in reliance on Rule 144A ("**Restricted Notes**") will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A are used herein as defined therein):

- (1) The purchaser (A) is a qualified institutional buyer within the meaning of Rule 144A, (B) is acquiring the Notes for its own account or for the account of such a qualified institutional buyer, and (C) such person is aware that the sale of the Notes to it is being made in reliance on Rule 144A.
- (2) The purchaser understands that the Rule 144A Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and the Notes offered hereby have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except in accordance with the legend set forth below.
- (3) The purchaser understands that the Rule 144A Global Registered Notes, the Restricted Global Registered Notes and any US Definitive Registered Notes (as defined in "Summary of Provisions relating to the Notes while in Global Form" in the accompanying Base Prospectus) issued in exchange for interests therein will bear a legend (the "**Rule 144A Legend**") to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR ANY STATE SECURITIES LAWS OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF THE ISSUER THAT THIS NOTE MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (A) IN THE UNITED STATES ONLY TO "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**")), (B) TO NON-US 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 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (D) TO THE ISSUER OR ITS AFFILIATES. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE."

In addition, each purchaser of Restricted Notes acknowledges that the Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Restricted Notes for the account of one or more qualified institutional buyers it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Before any interest in a Note represented by a Restricted Global Registered Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Registered Note, it will be required to provide the Registrar with written certification as to compliance with the transfer restrictions referred to in sub-clause (B) and (C) of the legend set forth above. See "Summary of Provisions relating to the Notes While in Global Form" in the accompanying Base Prospectus.]

[RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [*Indices/share information*] has been extracted from [*insert name of source of information e.g. FTSE 100, Dow Jones etc.*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*insert name of source of information e.g. FTSE 100, Dow Jones etc.*], no facts have been omitted which would render the reproduced inaccurate or misleading.]

CONFIRMED

HSBC BANK PLC

By: _____
Authorised Signatory

Date: _____

PART B - OTHER INFORMATION

1. LISTING

(i) Listing: [Application [will be/has been] made to admit the Notes to listing on the Official List of the Financial Services Authority pursuant to Listing Rule [17/19¹⁰]. No assurance can be given as to whether or not, or when, such application will be granted/*other (specify)*

[Not applicable]

(ii) Admission to trading: [Application [will be/has been] made for the Notes to be admitted to trading [on the Regulated Market/*other (specify)*] with effect from []. No assurance can be given as to whether or not, or when, such application will be granted.] [Application has been made to have the Notes admitted to trading on the PORTAL System of the US National Association of Securities Dealers.] [Not applicable]

[(Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)]¹¹

(NB: Notes admitted to trading to the UK Regulated Market will also be admitted to the Official List as a matter of course.)

2. RATINGS

Ratings: [The long term senior debt of HSBC Bank plc has been rated:]

[S&P: [•]]

[Moody's: [•]]

[[other]: [•]]

[The Notes have not specifically been rated.]

3. [NOTIFICATION]

¹⁰ To be included in respect of all issues which are to be admitted to listing. Delete as appropriate. Please refer to the Listing Rules. Listing Rule 17 applies to debt securities, asset backed securities and convertible securities. Listing Rule 19 applies to securitised derivatives.

¹¹ Not required for debt securities with a denomination per unit of at least EUR50,000.

The [include name of competent authority in EEA home Member State] [has been requested to provided/has provided - include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues] the [include names of competent authorities of host Member States] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

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

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in ["Subscription and Sale"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)]

5. **[REASONS FOR THE OFFER ESTIMATED NET PROCEEDS AND TOTAL EXPENSES]**

(i) Reasons for the offer: []

[If reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.]

(ii) Estimated net proceeds: *(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*

(iii) Estimated total expenses: *[Include breakdown of expenses]¹²*

(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above)

¹² Not required for debt securities with a denomination per unit of at least EUR50,000.

6. **[Fixed Rate Notes only - YIELD]**

Indication of yield: [Calculated as *[include details of method of calculation in summary form]* on the Issue Date]¹³

[As set out above, the] [The] yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]]

7. **[Floating Rate Notes only - HISTORIC INTEREST RATES]**

[Details of historic [LIBOR/EURIBOR/*other (specify)*] rates can be obtained from [Reuters].]¹⁴

8. **[Index-Linked, Equity-Linked or other variable-linked Interest Notes only - PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING]¹⁵**

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained [and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident]¹⁶. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Also include appropriate index disclaimers. Where the underlying is not an index, need to include equivalent information.]¹⁷

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)]

The Issuer [intends to provide post-issuance information [*specify what information will be reported and where it can be obtained*]] [does not intend to provide post-issuance information].

9. **[Dual Currency/Multi-currency Notes only - PERFORMANCE OF EXCHANGE RATE(S) [AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS]**

Need to include details of where past and future performance and volatility of the relevant

¹³ Not required for debt securities with a denomination per unit of at least EUR50,000.

¹⁴ Not required for debt securities with a denomination per unit of at least EUR50,000.

¹⁵ Refer to Prospectus Rules, Annex XII, paragraph 4.2.2 for disclosure requirements

¹⁶ Not required for debt securities with a denomination per unit of at least EUR50,000.

¹⁷ Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies (i.e. if the Final Redemption Amount is less than 100 per cent. of the nominal value of the Notes).

*rate[s] can be obtained [and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident].]*¹⁸

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)]

OPERATIONAL INFORMATION

- | | | |
|-----|--|---|
| 10. | ISIN Code: | [] |
| 11. | Common Code: | [] |
| 12. | CUSIP: | [] |
| 13. | New Global Note intended to be held in a manner which would allow Eurosystem eligibility: | <p>[Yes] [No]</p> <p><i>[Note that the designation "Yes" simply means that the Notes are intended upon issue to be delivered to the Common Safekeeper acting as agent for Euroclear or Clearstream, Luxembourg and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] [include this text if "yes" selected in which case the Notes must be issued in NGN form]</i></p> |
| 14. | Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): | [None/specify] |
| 15. | Delivery: | Delivery [against/free of] payment |
| 16. | Settlement procedures: | [Eurobond/Medium Term Note/other (specify)] |
| 17. | Additional Paying Agent(s) (if any): | [None/specify] |
| 18. | Common Depositary: | [specify] |
| 19. | Agent Bank/Calculation Agent: | [HSBC Bank plc] [HSBC France] [specify] |
| | — is Calculation Agent to make | [Yes/No] |

¹⁸ Not required for debt securities with a denomination per unit of at least EUR50,000.

calculations?

— if not, identify calculation agent: *[N.B. Calculation agent appointment letter required]*

20. Notices: *[specify any other means of effecting communication]*
(Condition 13)
21. City in which specified office of Registrar to be maintained: *[specify]*
(Condition 14)
22. Other relevant Terms and Conditions: []
23. Other Final Terms: []¹⁹
24. ERISA Considerations: []

TERMS AND CONDITIONS OF THE OFFER *[this section applies only to public offers – to be deleted if no public offer]*

25. Offer Price: *[Issue Price][other (specify)]*
26. Conditions to which the offer is subject: *[Not applicable/give details]*
27. Description of the application process: *[Not applicable/give details]*
28. Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: *[Not applicable/give details]*
29. Details of the minimum and/or maximum amount of application: *[Not applicable/give details]*
30. Details of the method and time limits for paying up and delivering the Notes: *[Not applicable/give details]*
31. Manner in and date on which results of the offer are to be made public: *[Not applicable/give details]*
32. Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: *[Not applicable/give details]*
33. Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries: *[Not applicable/give details]*
34. Process for notification to applicants of the *[Not applicable/give details]*

¹⁹ If new term constitutes a "significant new factor", consider whether supplement to the Prospectus is required.

amount allotted and the indication whether dealing may begin before notification is made:

35. Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not applicable/*give details*]
36. Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place: [None/*give details*]

Additional Provisions relating to Equity-Linked Warrants and Index-Linked Warrants

The following additional conditions shall be deemed to be added as Conditions 17 and 18 to terms and conditions set out in the section headed "Terms and Conditions of the Warrants" appearing in "Part C - Warrants" of the Base Prospectus in respect of any issue of Equity-Linked Warrants and Index-Linked Warrants.

17. Provisions relating to Equity-Linked Warrants and Index-Linked Warrants

As used in this Condition 17 and Condition 18, and in respect of Equity-Linked Warrants and Index-Linked Warrants, and unless otherwise provided in the relevant Final Terms, the following expressions shall have the following meanings:

"**Additional Disruption Event**" has the meaning ascribed thereto in Condition 18(g);

"**Averaging Date**" means, in respect of each Valuation Date, each date specified as such or otherwise determined as provided in the relevant Final Terms (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day), subject to the provisions of Condition 18(b);

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

"**Clearing System**" means, in relation to a Series of Warrants, such of Euroclear, Clearstream, Luxembourg or any domestic clearance system through which transfers of the Securities are customarily settled as is specified as such in the relevant Final Terms or any successor to such clearance system;

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

"**Clearing System**" means Euroclear, Clearstream, Luxembourg and/or any other clearing system located outside the United States 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;

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

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

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

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

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

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

"**DR Linked Warrants**" means a Series of Security Warrants which relate to one or more Securities which are Depository Receipts;

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

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

"**Exchange Business Day**" means (a) any Scheduled Trading Day on which each Exchange and any relevant Related Exchange are open for trading during their respective regular trading

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

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

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

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

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

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

"Index" means, in relation to a Series of Warrants, the index to which such Warrants relates, as specified in the relevant Final Terms, subject to adjustment pursuant to Condition 18, and **"Indices"** shall be construed accordingly;

"**Index Basket Warrants**" means a Series of Warrants relating to a basket of Indices, as specified in the relevant Final Terms;

"**Index Warrants**" means a Series of Warrants relating to a single Index, as specified in the relevant Final Terms;

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

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

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

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

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

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

Disruption or an Early Closure occurs or exists comprises 20 per cent. or more of the level of the Index; OR

- (B) the occurrence or existence, in respect of futures or options contracts relating to the Index of: (aa) a Trading Disruption, (bb) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that (i) for the purposes of the occurrence of a Knock-in Event or a Knock-out Event begins and/or ends at the time at which the relevant price or level triggers the Knock-in Level or the Knock-out Level, as the case may be, or (ii) in all other circumstances, ends at the relevant Valuation Time in respect of the Related Exchange; or (cc) an Early Closure.

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

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

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

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

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

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

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

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

"**Put Warrant**" means a warrant entitling, but not obligating the Warrantholder upon exercise (i) to receive the relevant Cash Settlement Amount or (ii) to sell the relevant securities, in each case subject to and in accordance with these Conditions;

"**Reference Level**" means (a) in respect of an Index and an Averaging Date, the level of such Index as determined by the Calculation Agent as of the Valuation Time on the Exchange on such Averaging Date and (b) in respect of a Multiple Exchange Index and an Averaging Date, the level of such Multiple Exchange Index as determined by the Calculation Agent as of the Valuation Time on the Exchange on such Averaging Date;

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

"**Related Exchange**" means, subject to the proviso below, in respect of a Security or Index, each exchange or quotation system specified as such for such Security or Index in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Security or

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

"**Relevant Company**" has the meaning ascribed thereto in the relevant Final Terms;

"**Relevant Level**" has the meaning ascribed thereto in the relevant Final Terms;

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

"**Reuters Screen**" means, when used in connection with any designated page and any designated information, the display page so designated on the Reuters service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor for the purpose of displaying comparable information);

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

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

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

"**Securities**" means, in relation to a Series of Warrants, the equity securities, debt securities (including without limitation Government Bonds), Depositary Receipts or other securities or property, as adjusted pursuant to Condition 18 (*Valuations, Adjustments and Extraordinary Events affecting Securities*), to which such Warrants relate, as specified in the relevant Final Terms and "**Security**" shall be construed accordingly;

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

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

"**Settlement Cycle**" means, in respect of a Security or an Index, the period of Clearing System Business Days following a trade in the relevant Security or the securities underlying such Index,

as the case may be, on the Exchange in which settlement will customarily occur according to the rules of such Exchange (or, if there are multiple Exchanges in respect of an Index, the longest such period);

"**Settlement Date**" means, in relation to Securities to be delivered in respect of an Exercise Date and unless otherwise specified in the relevant Final Terms, the first day on which settlement of a sale of such Securities executed on that Exercise Date customarily would take place through the relevant Clearing System *provided that* if a Settlement Disruption Event prevents delivery of such Securities on that day, then the Settlement Date shall be determined in accordance with Condition 18(e);

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

"**Successor Index**" has the meaning given in Condition 18(c);

"**Settlement Level**" has the meaning given in the relevant Final Terms;

"**Settlement Price**" has the meaning given in the relevant Final Terms;

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

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

"**Underlying Company**" means the issuer of the Security as specified in the relevant Final Terms (or, if the Warrants are DR Linked Warrants, each of the Depository and the issuer of the relevant Underlying Security), subject to adjustment in accordance with this Condition;

"**Underlying Security**" means, with respect to DR Linked Warrants and a Depository Receipt, the security and any other property to which such Depository Receipt relates;

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

"**Valuation Date**" means each date specified or otherwise determined as provided in the relevant Final Terms (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day), in each case subject to Condition 18; and

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

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

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

If "Knock-in Event" is specified as applicable in the Final Terms in relation to any Warrant, then, unless otherwise specified in such Final Terms, the terms of the Warrants as to exercise and/or payment and/or delivery under the relevant Warrants subject to a Knock-in Event shall be conditional upon the occurrence of such Knock-in Event.

For the purposes hereof:

"**Knock-in Determination Day**" means each Scheduled Trading Day during the Knock-in Determination Period, unless such day is a Disrupted Day due to the occurrence of an event giving rise to a Disrupted Day prior to the Knock-in Valuation Time on such day. If such day is a Disrupted Day due to the occurrence of such an event, then the Knock-in Determination Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the original date that, but for the occurrence of a Disrupted Day, would have been the Knock-in Determination Day is a Disrupted Day. In that case, that eighth Scheduled Trading Day shall be deemed to be the Knock-in Determination Day, notwithstanding the fact that such day is a Disrupted Day, and the Calculation Agent shall determine the price of the Security or, as the case may be, the level of the Index in the same manner that it would determine a price of a Security or, as the case may be, a level of an Index on a deemed Valuation Date that is also a Disrupted Day in accordance with the provisions of Condition 18(b)(i)(A), (B) or (C), as the case may be;

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

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

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

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

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

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

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

If "**Knock-out Event**" is specified as applicable in the Final Terms in relation to any Warrants, then, unless otherwise specified in such Final Terms, the terms of the Warrants as to exercise and/or payment and/or delivery under the relevant Warrants subject to a Knock-out Event shall be conditional upon the occurrence of such Knock-out Event.

For the purposes hereof:

"**Knock-out Determination Day**" means each Scheduled Trading Day during the Knock-out Determination Period, unless such day is a Disrupted Day due to the occurrence of an event giving rise to a Disrupted Day prior to the Knock-out Valuation Time on such day. If such day is a Disrupted Day due to the occurrence of such an event, then the Knock-out Determination Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the original date that, but for the occurrence of a Disrupted Day, would have been the Knock-out Determination Day is a Disrupted Day. In that case, that eighth Scheduled Trading Day shall be deemed to be the Knock-out Determination Day, notwithstanding the fact that such day is a Disrupted Day, and the Calculation Agent shall determine the price of the Security or, as the case may be, the level of the Index in the same manner that it would determine a price of a Security or, as the case may be, a level of an Index on a deemed Valuation Date that is a Disrupted Day in accordance with the provisions of Condition 18(b)(i)(A), (B) or (C), as the case may be;

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

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

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

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

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

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

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

(b) *Consequences of Disrupted Days*

For the purposes of this Condition 18(b) "**Limit Valuation Date**" shall mean, if any Valuation Date in respect of a Warrant is a Disrupted Day, the eighth Scheduled Trading Day following such Valuation Date, notwithstanding the Market Disruption Event, *provided that*:

- (i) if, as a result of the foregoing, the Valuation Date would be deemed to fall less than five local banking days prior to the Cash Settlement Payment Date, a relevant Settlement Date or (as the case may be) any due date for payment of any amount due in respect of such Warrant, the Limit Valuation Date shall be deemed to fall on the day which is five local banking days prior to the Cash Settlement Payment Date, such Settlement Date or (as the case may be) due date for payment of any amount due in respect of such Warrant or, if such local banking day is not a Scheduled Trading Day, the immediately preceding Scheduled Trading Day; and
- (ii) if the Scheduled Valuation Date falls on a day which is five local banking days or less prior to the relevant Cash Settlement Payment Date, a relevant Settlement Date or (as the case may be) any due date for payment of any amount due in respect of such Warrant, the Limit Valuation Date shall be deemed to be such Scheduled Valuation Date,

in each case notwithstanding the fact that such day is a Disrupted Day.

- (i) If any Valuation Date is a Disrupted Day, then:
 - (A) in the case of an Equity-Linked Warrant or an Index-Linked Warrant, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, *provided that* the Valuation Date shall not fall after the Limit Valuation Date. In that case:
 - (1) in respect of an Index Warrant, the Calculation Agent shall determine in its absolute discretion that either:
 - (aa) the Valuation Date shall be the Limit Valuation Date; or

(bb) the Valuation Date shall be the first succeeding Exchange Business Day on which there is no Market Disruption Event,

and, in the case of (aa) above, the Calculation Agent shall determine the level of the Index as of the Valuation Time on that Limit Valuation Date determined in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that Limit Valuation Date of each security or other property comprised in the Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security or other property on that Limit Valuation Date, its good faith estimate of the value for the relevant security or other property as of the Valuation Time on that Limit Valuation Date); and

- (2) in respect of a Equity-Linked Warrant, that Limit Valuation Date shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day and the Calculation Agent shall determine its good faith estimate of the value for the relevant Security as of the Valuation Time on that Limit Valuation Date;
- (B) in the case of an Index Basket Warrant, the Valuation Date for each Index not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date and the Valuation Date for each Index affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day which is not a Disrupted Day relating to that Index, unless each of the eight succeeding Scheduled Trading Days is a Disrupted Day relating to that Index. In that case, the Calculation Agent shall determine in its absolute discretion that either:
- (1) the Limit Valuation Date shall be deemed to be the Valuation Date for the relevant Index notwithstanding the fact that such day is Disrupted Day relating to that Index; or
- (2) the Valuation Date shall be the first succeeding Scheduled Trading Day which is not a Disrupted Day relating to that Index,

and, in each case, the Calculation Agent shall determine, in its sole and absolute discretion, the level of that Index, as of the Valuation Time on that eighth in accordance with the formula for and method of calculating that Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that Limit Valuation Date of each security or other property comprised in the relevant Index (or, if an event giving rise to a Disrupted Day has occurred in respect to the relevant security or other property on that Limit Valuation Date, its good faith estimate of the value for the relevant security or other property as of the Valuation Time on that Limit Valuation Date); and

- (C) in the case of a Security Basket Warrant, the Valuation Date for each Security not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Security affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to that Security, unless each of the

eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to that Security. In that case, (1) that Limit Valuation Date shall be deemed to be the Valuation Date for the relevant Security, notwithstanding the fact that such day is a Disrupted Day, and (2) the Calculation Agent shall determine, in its sole and absolute discretion, its good faith estimate of the value for that Security as of the Valuation Time on that Limit Valuation Date.

- (ii) If Averaging Dates are specified in the relevant Final Terms, then notwithstanding any other provisions of these Conditions, the following provisions will apply to the valuation of the relevant Index or Securities:
- (A) For the purpose of determining the Settlement Price or the Settlement Level in relation to a Valuation Date, the Settlement Price or the Settlement Level will be:
- (1) in respect of an Index-Linked Warrant or Cash Settlement Equity-Linked Warrant, the arithmetic mean of the Relevant Levels of the Index or the Relevant Prices of the Securities on each Averaging Date;
 - (2) in respect of an Index Basket Warrant, the arithmetic mean of the amounts for the Basket determined by the Calculation Agent in its sole and absolute discretion as provided in the relevant Final Terms as of the relevant Valuation Time(s) on each Averaging Date or, if no means for determining the Settlement Level is so provided, the arithmetic mean of the amounts for such basket calculated on each Averaging Date as the sum of the Relevant Levels of each Index comprised in the Basket (weighted or adjusted in relation to each Index as provided in the relevant Final Terms); and
 - (3) in respect of a Cash Settlement Security Basket Warrant, the arithmetic mean of the prices for the Basket determined by the Calculation Agent in its sole and absolute discretion as provided in the relevant Final Terms as of the relevant Valuation Time(s) on each Averaging Date or, if no means for determining the Settlement Price is so provided, the arithmetic mean of the prices for the Basket calculated on each Averaging Date as the sum of the values calculated for the Securities of each Underlying Company as the product of (aa) the Relevant Price of such Security and (bb) the number of such Securities comprised in such basket.
- (B) If any Averaging Date is a Disrupted Day, then, if the consequence specified in the relevant Final Terms in relation to "**Averaging Date Market Disruption**" is:
- (1) "**Omission**", then such Averaging Date will be deemed not to be a relevant Averaging Date for purposes of determining the relevant Settlement Price *provided that*, if through the operation of this provision no Averaging Date would occur with respect to the relevant Valuation Date, then Condition 18(b)(i) will apply for purposes of determining the relevant level, price or amount on the final Averaging Date in respect of that Valuation Date as if such final Averaging Date were a Valuation Date

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

(2) "**Postponement**", then Condition 18(b)(i) will apply for purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that already is or is deemed to be an Averaging Date for the Warrant. If any Averaging Dates in relation to a Valuation Date occur after that Valuation Date as a result of the occurrence of a Disrupted Day, then (i) the relevant Cash Settlement Payment Date or the relevant Settlement Date, as the case may be, or (ii) the occurrence of an Extraordinary Event or a Potential Adjustment Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date; or

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

(aa) in the case of an Index-Linked Warrant or Equity-Linked Warrant, the Averaging Date shall be the first succeeding Valid Date. If the first succeeding Valid Date has not occurred as of the Valuation Time on the Limit Valuation Date immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date (the "Scheduled Final Averaging Date") in relation to the relevant Scheduled Valuation Date, then:

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

(a) the Limit Valuation Date shall be deemed to be the Averaging Date, (irrespective of whether that Limit Valuation Date is already an Averaging Date); or

(b) the Averaging Date shall be the first succeeding Valid Date,

and, in each case, the Calculation Agent shall determine the relevant level for that Averaging Date in accordance with Condition 18(b)(i)(A)(1); and

(ii) in respect of a Equity-Linked Warrant, the Limit Valuation Date shall be deemed to be the Averaging Date (irrespective of whether that Limit Valuation Date is already an Averaging Date), and the Calculation Agent shall determine, in its sole and absolute discretion, the Relevant Price for

that Averaging Date in accordance with Condition 18(b)(i)(A)(2); and

(bb) in the case of an Index Basket Warrant or a Security Basket Warrant, the Averaging Date for each Index or Security not affected by the occurrence of a Disrupted Day shall be the day specified in the relevant Final Terms as an Averaging Date in relation to the relevant Valuation Date (the "**Scheduled Averaging Date**") and the Averaging Date for an Index or Security affected by the occurrence of a Disrupted Day shall be the first succeeding Valid Date in relation to such Index or Security. If the first succeeding Valid Date in relation to such Index or Security has not occurred as of the Valuation Time on the Limit Valuation Date immediately following the Scheduled Final Averaging Date, then:

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

- (a) the Limit Valuation Date shall be deemed to be the Averaging Date, (irrespective of whether that Limit Valuation Date is already an Averaging Date) in relation to such Index; or
- (b) the Averaging Date shall be the first succeeding Valid Date,

and, in each case, the Calculation Agent shall determine the relevant level for that Averaging Date in accordance with Condition 18(b)(i)(B); and

(ii) in respect of a Security Basket Warrant, that Limit Valuation Date shall be deemed the Averaging Date (irrespective of whether that Limit Valuation Date is already an Averaging Date) in relation to such Security, and the Calculation Agent shall determine, in its sole and absolute discretion, the relevant amount for that Averaging Date in accordance with Condition 18(b)(i)(C).

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

(C) If (1) on or prior to any Averaging Date, in respect of an Index Warrant or Index Basket Warrant, an Index Modification, an Index Cancellation or an Index Disruption (each as defined in Condition 18(c)(ii)) occurs, or (2) on any Averaging Date in respect of an Index Warrant or Index Basket Warrant an Index Disruption Event occurs, then the Calculation Agent shall determine, in its sole and absolute discretion, the relevant Settlement Price using, in lieu of a

published level of the relevant Index, the level for that Index as determined by the Calculation Agent in its sole and absolute discretion in accordance with the formula for and method of calculating that Index last in effect prior to that change or failure, but using only those securities or other property that comprised that Index immediately prior to that change or failure (other than those securities or other property that have since ceased to be listed on any relevant Exchange).

(c) *Adjustments to Indices*

This Condition 18(c) is applicable only in relation to Index-Linked Warrants and Index Basket Warrants.

(i) Successor Index

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

(ii) Index Adjustment Events

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

(iii) Correction of Index Levels

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

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

(d) *Delivery Disruption of Physical Settlement Warrants*

This Condition 18(d) is applicable only in relation to Warrants specified in the relevant Final Terms as being Physical Settlement Warrants and to Warrants in relation to which the Issuer has elected for optional Physical Settlement in accordance with Condition 3(f).

If the Calculation Agent determines, in its sole and absolute discretion, that a Delivery Disruption Event has occurred, it shall notify the Issuer who shall promptly notify the relevant Warrantholder(s) and the Issuer may then:

- (A) determine, in its sole and absolute discretion, that the obligation to deliver the relevant Securities Transfer Amount will be terminated and the Issuer will pay such amount as in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion) is fair in the circumstances by way of compensation for the non-delivery of the Securities Transfer Amount, in which event the entitlements of the respective Warrantholder(s) to receive the relevant Securities Transfer Amount shall cease and the Issuer's obligations under the Warrants shall be satisfied in full upon payment of such amount; or
- (B) deliver on the Settlement Date such amount of the Securities Transfer Amount (if any) as it can deliver on that date and pay such amount as in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion) is fair in the circumstances by way of compensation for the non-delivery of the remainder of the Securities Transfer Amount, in which event the entitlements of the respective Warrantholder(s) to receive the relevant Securities Transfer Amount shall cease and the Issuer's obligations under the Warrants shall be satisfied in full upon payment of such amount.

Where this Condition 18(d) fails to be applied, insofar as the Calculation Agent determines in its sole and absolute discretion to be practical, the same shall be applied as between the Warrantholders on a *pro rata* basis, but subject to such rounding down (whether of the amount of a payment or of a number of Securities to be delivered) and also to such other adjustments as the Calculation Agent determines, in its sole and absolute discretion, to be appropriate to give practical effect to such provisions.

(e) *Settlement Disruption of Physical Settlement Warrants*

This Condition 18(e) is applicable only in relation to Warrants specified in the relevant Final Terms as being Physical Settlement Warrants.

The Calculation Agent shall determine, in its sole and absolute discretion, whether or not at any time a Settlement Disruption Event has occurred and where it determines such an event has occurred and so has prevented delivery of Securities on the original day that but for such Settlement Disruption Event would have been the Settlement Date, then the Settlement Date will be the first succeeding day on which delivery of such Securities can take place through the relevant Clearing System unless a Settlement Disruption Event prevents settlement on each of the eighth relevant Clearing System Business Days immediately following the original date (or during such other period (the "**Disruption Period**") specified in the relevant Final Terms) that, but for the Settlement Disruption Event, would have been the Settlement Date. In that case, if the Securities are debt securities, the Issuer shall use reasonable efforts to deliver such Securities promptly thereafter in a commercially reasonable manner (as determined by the Calculation Agent in its sole and absolute discretion) outside the Clearing System and in all other cases (a) if such Securities can be delivered in any other commercially reasonable manner (as determined by the Calculation Agent in its sole and absolute discretion), then the Settlement Date will be the first day on which settlement of a sale of Securities executed on the eighth relevant Clearing System Business Day, or during such other period specified in the relevant Final Terms, customarily would take place using such other commercially reasonable manner (as determined by the Calculation Agent in its sole and absolute discretion) of delivery (which other manner of delivery will be deemed the relevant Clearing System for the purposes of delivery of the relevant Securities), and (b) if such Securities cannot be delivered in any other commercially reasonable manner (as determined by the Calculation Agent in its sole and absolute discretion), then the Settlement Date will be postponed until delivery can be effected through the relevant Clearing System or in any other commercially reasonable manner.

For the avoidance of doubt, where a Settlement Disruption Event affects some but not all of the Securities comprised in a basket, the Settlement Date for Securities not affected by the Settlement Disruption Event will be the first day on which settlement of a sale of such Securities executed on the Settlement Date customarily would take place through the relevant Clearing System.

(f) *Adjustments and Events affecting Securities*

This Condition 18(f) 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 as it in its sole and absolute discretion determines to be appropriate, if any, to the Strike Price, the number of Securities to which each Warrant relates and to any other exercise, settlement, payment or other term of the relevant Warrants, including without limitation the amount, number or type of cash, Securities, other securities or other property which may be transferred under such Warrants and determine the effective date(s) of such adjustment(s).

(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 adjustments to be made. If the Calculation Agent determines that the relevant Warrants shall continue, it may make such adjustment as it, in its sole and absolute discretion, determines to be appropriate, if any, to the amount, number or type of Securities, other property or securities which may be transferred under the Warrants, including, without limitation, the Strike Price, the formula for the Cash Settlement Amount set out in the relevant Final Terms and/or any other adjustment which change or adjustment shall be effective on such date selected by the Calculation Agent in its sole and absolute discretion determine. If the Calculation Agent determines in its sole and absolute discretion that the relevant Warrants shall be terminated, then the Warrants shall cease to be exercisable (or, in the case of Warrants which have been exercised, the entitlements of the respective exercising Warrantholders to receive Securities or the Cash Settlement Amount, as the case may be, pursuant to such exercise shall cease) and the Issuer's obligations under the relevant Warrants shall be satisfied in full upon payment of such amount as in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion) is fair in the circumstances by way of compensation for the termination of the Warrants.

(iii) Conversion

In respect of a Security Warrant or a Security Basket Warrant which relates to debt securities, following the occurrence of any Conversion, the Calculation Agent will, in its sole and absolute discretion, determine whether or not the Warrants will continue and, if so, determine, in its sole and absolute discretion, any adjustments to be made. If the Calculation Agent determines that the Warrants shall continue, it may make such adjustment as it, in its sole and absolute discretion, determines to be appropriate to the amount, number or type of Securities, other property or securities which may be transferred under the Warrants, including without limitation the Strike Price, the formula for the Cash Settlement Amount set out in the relevant Final Terms and/or any other adjustment and determine, in its sole and absolute discretion, the effective date(s) of such adjustment. If the Calculation Agent determines, in its sole and absolute discretion, that the Warrants shall be terminated, then the Warrants shall cease to be exercisable (or, in the case of any Warrants which have been exercised, the entitlements of the respective exercising Warrantholders to receive Securities or the Cash Settlement Amount, 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 Warrants shall be satisfied in full upon payment of such amount as, in the opinion of the Calculation Agent (such opinion to be made by the Calculation Agent in its sole discretion) is fair in the circumstances by way of compensation for the termination of the Warrants.

(iv) Correction of Prices

In the event that any price published or announced on a given day and utilised or to be utilised for the purpose of any calculation or determination under the Warrants is subsequently corrected and the correction is published or announced by the Exchange within one Settlement Cycle after the original publication, the Calculation Agent will

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

(g) *Additional Disruption Events*

Following the occurrence of any Additional Disruption Event, the Calculation Agent will, in its sole and absolute discretion, determine whether or not the 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 as it, in its sole and absolute discretion, determines to be appropriate, if any, to the amount, number or type of Securities, other property or securities which may be transferred under the Warrants, including, without limitation, the Strike Price, the formula for the Cash Settlement Amount set out in the relevant Final Terms and/or any other adjustment which change or adjustment shall be effective on such date selected by the Calculation Agent in its sole and absolute discretion determine. If the Calculation Agent determines in its sole and absolute discretion that the relevant Warrants shall be terminated, then the Warrants shall cease to be exercisable (or, in the case of Warrants which have been exercised, the entitlements of the respective exercising Warrantholders to receive Securities or the Cash Settlement Amount, as the case may be, pursuant to such exercise shall cease) and the Issuer's obligations under the relevant Warrants shall be satisfied in full upon payment of such amount as in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion) is fair in the circumstances by way of compensation for the termination of the Warrants.

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 has become illegal for the Issuer to hold, acquire or dispose of Securities relating to such Warrants, (y) it has

become illegal for the Issuer to hold, acquire, purchase, sell or maintain one or more (i) positions or contracts in respect of any securities, options, futures, derivatives or foreign exchange in relation to such Warrants, (ii) stock loan transactions in relation to such Warrants or (iii) other instruments or arrangements (howsoever described) held by the Issuer in order to hedge, individually or on a portfolio basis, such Warrants or (z) the Issuer 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) "**Failure to Deliver**" means the failure of a party to deliver, when due, the relevant Securities in respect of the Warrants, where such failure is due to illiquidity in the market for such Securities;
 - (iii) "**Insolvency Filing**" means that the issuer of the Securities institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, or it consents to a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such petition, *provided that* proceedings instituted or petitions presented by creditors and not consented to by the issuer of the Securities shall not be deemed an Insolvency Filing;
 - (iv) "**Hedging Disruption**" means that the Issuer is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk of issuing and performing its obligations with respect to the Warrants or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s); and
 - (v) "**Increased Cost of Hedging**" means that the Issuer would incur a materially increased costs (as compared with circumstances existing on the Issue Date), amount of tax, duty, expense or fee (other than brokerage commissions) to (A) acquire, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk of entering into and performing its obligations with respect to the Warrants, or (B) realise, recover or remit the proceeds of any such transaction(s), *provided that* any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer shall not be deemed an Increased Cost of Hedging.
- (h) *Other Adjustments*

Upon the occurrence of any event(s) that the Calculation Agent determines (in its discretion, but acting reasonably) affects or could potentially affect the value of the Warrants, the Calculation Agent may (in its discretion, but acting reasonably) make any adjustments to the Strike Price, the number and/or type of Securities and/or Indices to which such Warrants relate, or to any exercise, settlement, payment or other terms of such Warrants including, without limitation, the amount, number or type of cash, Securities, other securities or property which may be transferred under such Warrants and determine the effective date(s) of such adjustments.

***Pro Forma* Final Terms for Equity-Linked Warrants and Index-Linked Warrants**

Set out below is the form of Final Terms which will be completed for each Tranche of Equity-Linked Warrant or Index-Linked Warrant issued under the Programme.

[Warrants issued pursuant to these Final Terms are securities to be listed under Listing Rule 19.¹]

Final Terms dated []

Series No.: []

Tranche No.: []

HSBC Bank plc

Programme for the Issuance of Notes and Warrants

Issue of

[Aggregate Principal Amount of Tranche]

[Title of Warrants]

PART A - CONTRACTUAL TERMS

This document constitutes the Final Terms relating to the issue of the Tranche of Warrants described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 30 July 2009 in relation to the above Programme [and the supplemental Prospectus dated []² which [together] constitute[s] 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 [as so supplemented]. Full information on the Issuer and the offer of the Warrants is only available on the basis of the combination of these Final Terms and the Prospectus. [The Prospectus [and the supplemental Prospectus] [is] [are] is available for viewing at [address] [and] [website]³ and copies may be obtained from [address].]

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Prospectus dated [original date] [and the supplemental Prospectus dated [•]]. 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 [current date] [and the supplemental Prospectus dated []], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the [Prospectus] dated [original date] [and the supplemental Prospectus dated []] and are attached hereto. Full information on the Issuer and the

¹ To be included in respect of all issues which are to be admitted to listing.

² Only include details of supplement Prospectus in which the Conditions have been amended for the purposes of all issues under the Programme.

³ If required by the UKLA in accordance with Article 14 of the Prospectus Directive.

offer of the Warrants is only available on the basis of the combination of these Final Terms and the Prospectus(es) dated [original date] and [current date] [and the supplemental Prospectus dated [] and []]. [The Prospectus(es) are available for viewing at [address] and copies may be obtained from [address].

The Issuer accepts responsibility for the information set out in the Annex hereto (which forms part of these Final Terms) concerning [description of underlying Index/Indices/Securities] (the "[] **Information**"), which is derived from publicly available information and is intended as a summary only of the information from which it is derived. The Issuer confirms that the [•] Information has been accurately reproduced from information available from the information source specified herein and that, so far as the Issuer is aware and is able to ascertain from Information available from such source, no facts have been omitted which would render the reproduced Information inaccurate or misleading. The Issuer accepts responsibility for having correctly extracted the [] Information from such publicly available information.

[For Warrants offered and sold in the United States of America include:

IMPORTANT NOTICES

THE WARRANTS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), THE STATE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION, AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, US PERSONS (AS DEFINED IN REGULATION S OF THE SECURITIES ACT ("**REGULATION S**")) AS 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-US PERSONS (AS DEFINED IN REGULATION S) 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.

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 under the Securities Act 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.]

HSBC Bank plc

Investing in the Warrants involves substantial risks. As a consequence, prospective investors should be aware that the warrants are only intended for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks of an investment in the warrants. In purchasing any warrants, an investor will be deemed to represent that it is such an investor and has such knowledge and experience. Prospective investors should consider the risk factors set forth under "Risk Factors" in the Prospectus and the risks described herein.

The [] information is of limited scope. In deciding whether or not to purchase Warrants, investors should conduct their own investigations of [description of underlying] and form their own view of the merits of [description of underlying] based upon such investigations and not in reliance upon the [•] information.]]

[Include whichever of the following apply or specify as "Not applicable". Note that the numbering should remain as set out below, even if "Not applicable" is indicated for individual paragraphs or subparagraphs. Italics denote guidance for completing the Final Terms.]

[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

1. Issuer: HSBC Bank plc
2. Principal Warrant Agent: HSBC Bank plc
3. Calculation Agent: [HSBC Bank plc / HSBC France]
4. Warrant Agent: HSBC Bank plc
5. (i) Series number: [•]
(ii) [Tranche number: [•]

(If fungible with an existing Series, details of that Series, including the

- date on which the Warrants become fungible).]
6. Specified Currency or Currencies: [•]
7. Aggregate Number of Warrants in the:
- [(i) Series: [•]
- [(ii) Tranche:] [•]
8. Issue Date: [•]
9. Issue Price: [currency] [amount] per Warrant
10. Strike Price: [currency] [amount]
11. Date [Board] approval for the issuance of Warrants obtained: [•] [and [•], respectively]]
(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Warrants)
12. Type of Warrants: [Security Warrant / Security Basket Warrant / Index Warrant / Index Basket Warrant]
13. Series represented by: [Global Warrant⁴ / Global Registered Warrant. Warrants in definitive form [will / will not] be issued.] [other (specify)]
14. Style of Warrants: The Warrants are [American / European / Bermudan / other (specify)] Style [Call/Put] Warrants. Condition [3(a)/3(b)] is applicable.
15. (i) Expiry Date: [Time] [City] time [specify fallback if Expiry Date is not a business day]
- (ii) Exercise Procedure: [Condition 4 is applicable / other (specify)]
- (vi) Automatic Exercise [Applicable/Not Applicable]
- (iv) Exercise Period: [American Style Warrants only]. [The period beginning from (and including) [] and ending on (and including) the Expiry Date]
- (v) Potential Exercise Date(s): [Bermudan Style Warrants only] [insert date]
- (vi) Automatic Exercise: [Applicable/ Not Applicable]

⁴ Warrants will be in bearer form represented by a Global Warrant. If and only if Warrants are being sold in reliance on Rule 144A will they be in registered form and represented by a Global Registered Warrant.

- (vii) Knock-in Event: [Applicable to *[specify relevant payment or delivery]*]
- Knock-in Event: [•] [Greater than / greater than or equal to / less than / less than or equal to / the Knock-in [Price/Level]]
 - Knock-in Period Beginning Date (if other than as specified in the definition thereof in Condition 18(a)): [•]
 - Knock-in Period Ending Date (if other than as specified in the definition thereof in Condition 18(a)): [•]
 - Knock-in Price: [•]
 - Knock-in Valuation Time (if other than as specified in the definition thereof in Condition 18(a)): [•]
- (viii) Knock-out Event: [Applicable to *[specify relevant payment or delivery]*]
- Knock-out Event: [•] [Greater than / greater than or equal to / less than / less than or equal to / the Knock-out [Price/Level]]
 - Knock-out Period Beginning Date (if other than as specified in the definition thereof in Condition 18(a)): [•]
 - Knock-out Period Ending Date (if other than as specified in the definition thereof in Condition 18(a)): [•]
 - Knock-out Price: [•]
 - Knock-out Valuation Time (if other than as specified in the definition thereof in Condition 18(a)): [•]
16. (i) Minimum Exercise Number: [•] Warrants

- (ii) Permitted Multiple: Warrants
17. Cash Settlement: [Applicable. The Warrants are Cash Settlement Warrants. Condition 3(d) (*Cash Settlement*) [and Condition 3(f) (*Optional Physical Settlement*)] [applies/apply]/[Not applicable].
- (vii) Settlement Currency:
- (viii) Cash Settlement Amount:
- (ix) Cash Settlement Payment Date:
18. Physical Settlement: [Applicable. The Warrants are Physical Settlement Warrants. Condition 3(e) (*Physical Settlement*) [and Condition 3(g) (*Optional Cash Settlement*)] [applies/apply]/[Not applicable].
- (i) Strike Price Payment Date:
- (ii) Settlement Date:
- [*Consider treatment of dividends*].
- Stamp duty [is / is not] currently payable by the Warrantholder on Security delivery. There [are / are no] restrictions on the transferability of the Securities.
19. Index Warrant or Index Basket Warrant: [Applicable. The Warrants are [Index Warrants / Index Basket Warrants]]/[Not applicable].
- (i) Index/Indices: [] [The Exchanges/[] [] [is / are] Multiple Index Exchange(s)]
- (ii) Basket: [*specify each Index in the Basket and indicate the relative proportions*]/Not applicable]
- (iii) Index Sponsor(s): [] [The definition in Condition 17(a) applies]
- (iv) Exchange(s): []
- (v) Related Exchange(s): [] [All Exchanges]
- (vi) Valuation Time: []
- (vii) Valuation Date: []
- (viii) Averaging Dates: [Applicable / Not applicable] [*If applicable, specify dates*]
- (ix) Relevant Level: []
- (x) Settlement Level: [Condition 18 applies / *other (specify)*]

Part D - Product Supplement for Equity/Index-Linked Notes and Warrants - Pro Forma Final Terms for Equity-Linked Warrants and Index-Linked Warrants

- | | | |
|--------|--|--|
| (xi) | Additional Disruption Event: | [The following Additional Disruption Events apply: [Change in Law, Hedging Disruption, Increased Cost of Hedging] <i>[other (specify)]</i> [Not applicable]] |
| (xii) | Other Information: | [] |
| 20. | Security Warrant or Security Basket Warrant: | [Applicable. The Warrants are [Security Warrants / Security Basket Warrants]/[Not applicable]. |
| (i) | Securities: | [Ordinary/ <i>other (specify)</i>] shares of [par value] <i>[currency/amount]</i> of [] and "Security" means any one of them. |
| (ii) | Basket: | <i>[specify each Security in the Basket and indicate the relative proportions/Not applicable]</i> |
| (iii) | Exchange(s): | <i>[specify exchange on which the Securities are listed]</i> |
| (iv) | Related Exchange: | <i>[specify/Not applicable]</i> |
| (v) | Relevant Company/Companies: | [] |
| (vi) | Valuation Time: | [] |
| (vii) | Valuation Date: | [] |
| (viii) | Averaging Dates: | [Applicable / Not applicable] <i>[If applicable, specify dates]</i> |
| (ix) | Relevant Price: | [] |
| (x) | Settlement Price: | [Condition 18 applies / <i>other (specify)</i>] |
| (xi) | Clearing System: | [] |
| (xii) | Additional Disruption Event: | [The following Additional Disruption Events apply: [Change in Law, Hedging Disruption, Increased Cost of Hedging] <i>[other (specify)]</i>]/[Not applicable]] |
| 21. | Averaging Date Market Disruption: | [Omission / Postponement / Modified Postponement / Not applicable / <i>other (specify)</i>] |
| 22. | Business Day: | [As in the Conditions / <i>other (specify)</i>] |
| 23. | Determination Date: | [] |

24. Selling Restrictions: In addition to selling restrictions listed in "Purchase and Sale of the Warrants" contained in the Base Prospectus:

[Specify any selling restrictions applicable to the Warrants which are additional to, or in substitution for, those contained in the Base Prospectus]

[Include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident]

[LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Warrants described herein pursuant to the Programme for the Issuance of Notes and Warrants of HSBC Bank plc.]

[In offer of Warrants pursuant to Rule 144A insert:

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers of Warrants offered in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Warrants.

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

- (a) such 144A Offeree acknowledges that these Final Terms and the accompanying Base Prospectus is personal to such 144A Offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Warrants other than pursuant to Rule 144A or in offshore transactions in accordance with Regulation S. Distribution of these Final Terms and the accompanying Base Prospectus, or disclosure of any of its contents, to any person other than such 144A Offeree and those persons, if any, retained to advise such 144A Offeree with respect thereto and other persons meeting the requirements of Rule 144A or Regulation S is 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 these Final Terms and the accompanying Base Prospectus or any documents referred to herein.

Each purchaser of Warrants sold in reliance on Rule 144A ("**Restricted Warrants**") will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A are used herein as defined therein):

- (1) The purchaser (A) is a qualified institutional buyer within the meaning of Rule 144A, (B) is acquiring the Warrants for its own account or for the account of a qualified institutional buyer, and (C) such person is aware that the sale of the Warrants to it is being made in reliance on Rule 144A.

- (2) The purchaser understands that the Rule 144A 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 Warrants will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

"THIS WARRANT [AND THE SECURITIES TO BE DELIVERED UPON EXERCISE HEREOF]⁵ HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), ANY STATE SECURITIES LAWS 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-US 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 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (D) TO THE ISSUER OR ITS AFFILIATES. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS WARRANT FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

ANY EXERCISE OF THIS WARRANT WILL BE CONDITIONED ON (1) THE DELIVERY OF A DULY EXECUTED EXERCISE NOTICE BY THE HOLDER HEREOF AND (2) WITH RESPECT TO EXERCISE BY ANY US PERSON, THE UNDERLYING SECURITIES BEING (A) REGISTERED UNDER THE SECURITIES ACT OR (B) SUBJECT TO AN EXEMPTION FROM REGISTRATION THEREUNDER AT THE TIME OF SUCH EXERCISE."

- (4) Each purchaser of Restricted Warrants acknowledges that the Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Restricted 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 To be included if the underlying securities have not been registered under the Securities Act.

[RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [*Indices/share information*] has been extracted from [*insert name of source of information e.g. FTSE 100, Dow Jones etc.*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*insert name of source of information e.g. FTSE 100, Dow Jones etc.*], no facts have been omitted which would render the reproduced inaccurate or misleading.]

CONFIRMED

HSBC BANK PLC

By: _____
Authorised Signatory

Date: _____

PART B - OTHER INFORMATION

1. LISTING

- (i) Listing: [Application [will be/has been] made to admit the Warrants to listing on the Official List of the Financial Services Authority pursuant to Listing Rule 19. No assurance can be given as to whether or not, or when, such application will be granted/Not applicable]
- (ii) Admission to trading: [Application has been made for the Warrants to be admitted to trading [Regulated Market/*other (specify)*] with effect from []. 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 US National Association of Securities Dealers.] [Not applicable]

[(Where documenting a fungible issue need to indicate that original warrants are already admitted to trading.)]⁶

2. [NOTIFICATION

The [*include name of competent authority in EEA home Member State*] [has been requested to provided/has provided - *include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues*] the [*include names of competent authorities of host Member States*] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

⁶ Not required for debt securities with a denomination per unit of at least EUR50,000.

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

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in ["Purchase and Sale of the Warrants"], so far as the Issuer is aware, no person involved in the offer of the Warrants has an interest material to the offer."

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)]

4. **[Index-Linked, Equity-Linked or other variable-linked Interest Warrants only - PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING⁷**

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained [and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident]⁸. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Also include appropriate index disclaimers. Where the underlying is not an index, need to include equivalent information.]⁹

5. **[REASONS FOR THE OFFER ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

(i) Reasons for the offer: []

(See ["Use of Proceeds"] wording in Prospectus - if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]

(ii) Estimated net proceeds: *(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*

⁷ Refer to Prospectus Rules, Annex XII, paragraph 4.2.2 for disclosure requirements

⁸ Not required for debt securities with a denomination per unit of at least EUR50,000.

⁹ Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies (i.e. if the Final Redemption Amount is less than 100 per cent. of the nominal value of the Notes).

(iii) Estimated total expenses: [Include breakdown of expenses]¹⁰

(If the Warrants are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above)

OPERATIONAL INFORMATION

6. ISIN Code: []
7. Common Code: []
8. CUSIP: []
9. Valorem Number: []
10. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [None/specify]
11. Delivery: Delivery [against/free of] payment
12. Additional Paying Agent(s) (if any): [None/specify]
13. Common Depository: [specify]
14. Notices: [specify any other means of effecting communication]
(Condition 10)
15. City in which specified office of Registrar to be maintained: Not applicable
16. Other relevant Terms and Conditions: []
17. Other Final Terms: []¹¹
18. ERISA Considerations: []

TERMS AND CONDITIONS OF THE OFFER *[this section applies only to public offers]*

19. Offer Price: [Issue Price][other (specify)]
20. Conditions to which the offer is subject: [Not applicable/give details]
21. Description of the application process: [Not applicable/give details]

¹⁰ Not required for debt securities with a denomination per unit of at least EUR50,000.

¹¹ If new term constitutes a "significant new factor", consider whether supplement to the Prospectus is required

Part D - Product Supplement for Equity/Index-Linked Notes and Warrants - Pro Forma Final Terms for Equity-Linked Warrants and Index-Linked Warrants

- | | | |
|-----|--|--|
| 22. | Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: | [Not applicable/ <i>give details</i>] |
| 23. | Details of the minimum and/or maximum amount of application: | [Not applicable/ <i>give details</i>] |
| 24. | Details of the method and time limits for paying up and delivering the Warrants: | [Not applicable/ <i>give details</i>] |
| 25. | Manner in and date on which results of the offer are to be made public: | [Not applicable/ <i>give details</i>] |
| 26. | Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: | [Not applicable/ <i>give details</i>] |
| 27. | Categories of potential investors to which the Warrants are offered and whether tranche(s) have been reserved for certain countries: | [Not applicable/ <i>give details</i>] |
| 28. | Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: | [Not applicable/ <i>give details</i>] |
| 29. | Amount of any expenses and taxes specifically charged to the subscriber or purchaser: | [Not applicable/ <i>give details</i>] |
| 30. | Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place: | [None/ <i>give details</i>] |

ANNEX 1 TO PART D - HSBC MANAGED INDICES GROUND RULES

**REGISTERED AND HEAD OFFICE
OF THE ISSUER**

HSBC Bank plc
8 Canada Square
London E14 5HQ
UK

DEALER
HSBC Bank plc
8 Canada Square
London E14 5HQ
UK

**PRINCIPAL PAYING AGENT,
PRINCIPAL WARRANT AGENT,
ISSUE AGENT, REGISTRAR,
TRANSFER AGENT AND
AUTHENTICATION AGENT**

HSBC Bank plc
8 Canada Square
London E14 5HQ
UK

CALCULATION AGENT
HSBC Bank plc
8 Canada Square
London E14 5HQ
UK

**LEGAL ADVISERS TO THE ISSUER
AND THE DEALER**

as to English law
Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ
UK

AUDITORS OF THE ISSUER

KPMG Audit plc
7th Floor
1 Canada Square
London E14 5AG
UK

HSBC Indices

Ground Rules for HSBC Climate Change Indices

March 2008

HSBC Indices

Ground Rules for HSBC Climate Change Indices

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1. Introduction

1.1 Aims and Objectives of the Index

HSBC has created a family of climate change indices to track and reflect the stock market performance of key companies best placed to profit from the challenges of climate change. These include industries and companies involved in, and engaged in, reducing emissions; those involved in reacting to the impacts of climate change; and those focussed on adapting to the effects of climate change.

HSBC believes that these indices are ideal for investors with strategic, tactical or thematic investment objectives.

1.2 Climate Change Universe Overview

HSBC's Global Climate Change Benchmark, Global Climate Change 100 Index, and Investable Indices are representative of global companies directly associated with low carbon energy production, energy management, energy efficiencies and water, waste & pollution management. First, a universe of companies is constructed for all companies above with revenues associated with climate change, then screened for eligibility and liquidity. We use this universe (The Climate Change Universe) to select our index constituents.

1.3 Climate Change Index Family

Companies with revenues associated with climate change are assigned climate exposure factors as follows:

Revenues Associated with climate change	Climate Exposure Factor
Between 0% - 10%	0.10
Between 10% - 25%	0.25
Between 25% - 50%	0.50
Greater than 50%	1.00

Once the companies have been assigned the climate exposure factors, the family of indices is constructed with the criteria summarised as follows. (The market capitalisation and turnover figures are based on the September 2007 position.)

Index / Sector indices	Climate Exposure Factors	Minimum Market Cap	Liquidity Criteria
Index			
HSBC Global Climate Change Benchmark	0.25, 0.50, 1.00	USD 500m	Minimum Threshold
Sector indices			
HSBC Benchmark Low Carbon Energy Production	0.25, 0.50, 1.00	USD 500m	Minimum Threshold
HSBC Benchmark Energy Efficiency & Management	0.25, 0.50, 1.00	USD 500m	Minimum Threshold
HSBC Benchmark Water, Waste & Pollution	0.25, 0.50, 1.00	USD 500m	Minimum Threshold
HSBC Benchmark Financials	0.25, 0.50, 1.00	USD 500m	Minimum Threshold
Index			
HSBC Global Climate Change 100	0.25, 0.50, 1.00	USD 500m	100 most liquid
Index			
HSBC Investable Climate Change	1.00	USD 1bn	USD 5m daily
Sector indices			
HSBC Investable Low Carbon Energy Production	1.00	USD 1bn	USD 5m daily
HSBC Investable Energy Efficiency & Management	1.00	USD 1bn	USD 5m daily
HSBC Investable Water, Waste & Pollution	1.00	USD 1bn	USD 5m daily

The sub-sectors for the HSBC Global Climate Change Benchmark and HSBC Investable Climate Change Index are as follows:

Low Carbon Energy Production

Agrochemical, Biofuels, Diversified Renewable Energy, Gas, Geothermal / Hydro, Integrated Power, Nuclear, Solar, Wind

Energy Efficiency & Management

Building Insulation, Energy Efficient Solutions, Fuel Efficiency Autos, Fuelcells, Power Storage

Water, Waste & Pollution

Pollution, Waste, Water

Financials

Carbon Trading, Investment Company

1.4 Calculation Overview

HSBC's Climate Change Indices are calculated Monday to Friday using closing prices, and are market capitalisation weighted, adjusted for free floats and revenue associated with climate change. The HSBC Climate Change Indices are rebalanced quarterly, with changes effective the Monday following the 3rd Friday in March, June, September, and December. Corporate actions affecting the price of a security are processed immediately.

1.5 Index Calculation Formula

The Index return is a weighted average return of its constituent companies, where the weights are the market capitalisation, converted to US Dollars (USD). The exchange rates used to convert to USD are the Global Treasury Information Services (GTIS) 4:00 p.m. (UK time) rates as provided to HSBC by IDC. The weights are adjusted to accommodate capitalisation issues and corporate actions; this is the same method of calculation as that used for standard indices. The Index calculation formula is provided in Appendix A.

1.6 Initial Values

The HSBC Climate Change Indices base date is 31 December 2003, with initial values of 100.

1.7 Daily Calculations

Index values are calculated and released normally before 10:00 a.m. (UK time) and are distributed to data vendors, where they are available on the following pages:

Vendor	Page
Bloomberg:	HSWW
Thomson Financial Datastream:	please use vendor's Search facility
Micropal:	please use vendor's Search facility
Reuters:	HSBC/INDICES1
HSBC Indices Website:	http://www.research.hsbc.com/ibcom/out/indices/facility/summary

1.8 Index Data Sources

Closing prices are obtained from HSBC's database which sources data each day from IDC. The Database is supplemented with other information and is then subjected to verification procedures making it the most accurate database of its type in the world. Data is available as a service to clients of HSBC. Please contact HSBC for more details.

2 Stock Universe

2.1 Country Coverage

Countries and territories are included in one of HSBC's regions if: (i) shares are legally available to foreign investors; (ii) HSBC is able to source all data required to calculate indices; and (iii) there is a liquid equity market in domestic issues or depository receipts. The full country and exchanges list is shown in Appendix B.

2.2 Share Classes

Most shares included in HSBC's indices will be ordinary voting shares. However, where appropriate, other share classes are also included. For example: A and B shares in Denmark, Norway and Sweden; and Preference Shares in Brazil, Germany and Korea.

2.3 Liquidity Screening

Liquidity screening takes place at each quarterly review and is based on the daily turnover for the quarter preceding each review date. The screening also identifies the most liquid line of stock for each company. In some instances, there may be only one issue whilst in others the most liquid line may not necessarily be the largest.

The median daily turnover of the most liquid lines of stock from each of the last three months preceding the review is then calculated. To qualify for the Climate Change Universe, a stock's median daily turnover must be greater than the Minimum Threshold for at least 2 of the 3 month review periods. Typically the Minimum Threshold is set at 0.02% of a company's total market capitalisation.

The HSBC Investable Climate Change Index is rebalanced using the Climate Change Universe, but the minimum liquidity is raised to a daily average turnover of 0.5% of the minimum market capitalisation threshold for the Investable Index over the 6 months preceding the review date. IPOs may be included after 1 month's trading if average daily turnover exceeds the 0.5% criterion. Please refer to Section 5 for the constituent selection and review procedures.

2.4 Multiple Share Classes

As mentioned in 2.3, where a stock has more than one line (or share class) issued, the most liquid of these is used to measure liquidity, as long as that share class is available to foreign investors. All eligible share classes are included in the index provided the market capitalisation of the line of stock is greater than 30% of the minimum USD market capitalisation threshold as defined in section 5.1.

3. Industry Classification

3.1 The HSBC Climate Classification Structure

All constituents of the HSBC Climate Change Indices are classified according to a 2-tier structure consisting of 4 economic groups and 19 sectors. HSBC exercises its judgement when classifying constituents, using publicly available information about each company.

The full sector and sub-sector classification structure is shown in Appendix C.

4. Free Float

4.1 Indices Using Free Float Shares

HSBC Indices use free float market capitalisations in their calculations. A company must have a minimum of 10% free float to qualify for the index.

4.2 Monitoring

Free floats are monitored on an ongoing, rolling basis using a variety of data services. In practice, the monitoring rate and size of universe results in each company being checked at least once per year. Any adjustments to free floats will be effective on the following review date.

4.3 Banding

Free float market capitalisations are calculated by applying a factor to a company's issued share capital. The factor is calculated by first calculating the number of closely-held shares in the company, defined as the sum of all holdings which are 5% of the issued share capital or above. This figure is then rounded down to the nearest multiple of 20%. The free float factor is 100% minus this number. Consequently, free float factors are 20%, 40%, 60%, 80%, or 100%.

Actual Free Float	Free Float Factor Banding
0% - 10%	0%
10% - 20%	20%
20% - 40%	40%
40% - 60%	60%
60% - 80%	80%
80% - 100%	100%

5. Constituent Selection and Review

5.1 Review Procedure

At each quarterly Review Date, the Climate Change Universe is screened using revenue data based on HSBC's analysis of publicly available information and an external source specialising in renewable energy, low carbon technology and the carbon market. We apply a climate exposure factor to each company within the universe. From this universe we create 3 sets of indices.

The HSBC Global Climate Change Benchmark

As at September 2007, this Index represents all companies with a total market capitalisation above USD500m and a climate exposure factor of 0.25, 0.50 or 1.00.

The HSBC Global Climate Change 100 Index

As at September 2007, the Index represents the 100 most liquid stocks in the HSBC Global Climate Change Benchmark.

The HSBC Investable Climate Change Index

As at September 2007, this Index represents companies with a daily average volume greater than USD5m, with a total market capitalisation above USD1bn, and a climate exposure factor of 1.00.

The steps to rebalance the HSBC Global Climate Change Benchmark, the HSBC Global Climate Change 100 Index, and the HSBC Investable Climate Change Index are as follows.

The HSBC Global Climate Change Benchmark

1. All securities with a climate exposure factor of 0.25, 0.50 or 1.00 are eligible for inclusion in the Benchmark.
2. A minimum USD market capitalisation threshold for inclusion in the Benchmark is calculated. The minimum market capitalisation threshold represents the 95th percentile of “live” securities on the HSBC Global Equities Database rounded to the nearest USD 50 million. The September 2007 threshold value is USD 500m.
3. At each rebalance a security is included in the Benchmark where the market capitalisation is 10% above the minimum market capitalisation threshold and the climate exposure factor criterion in step 1 is satisfied.
4. At each rebalance a security is removed from the benchmark where the market capitalisation is 10% below the minimum market capitalisation threshold or the climate exposure factor falls below 0.25.

The HSBC Global Climate Change 100 Index

1. The rebalanced Benchmark constituents (see above) are ranked by average six month traded USD volume, and the top 100 selected for inclusion in the Index. The selection ensures that a minimum of 18 stocks is selected from the three main subsectors: Low Carbon Energy Production; Energy Efficiency & Management; and Water, Waste & Pollution.

2. The 100 constituents are further screened to ensure that none of the following rules are breached:
 - Maximum allocation to the sector = > 60%
 - Top 10 largest stock holdings < 45%
 - Top 5 largest stock holdings < 30%
 - Top 3 largest stock holdings < 20%
 - Aggregate value of the stocks that make up more than 5% of the portfolio value cannot exceed 40%
 - No single stocks > 10% of the portfolio value

When any of the above limits are breached, constraint factors are applied to the appropriate securities in order to bring the weightings within these limits.

HSBC Investable Climate Change Index

1. The constituents of the HSBC Global Climate Change Benchmark with a climate exposure factor of 1.00 are selected.
2. The minimum USD market capitalisation threshold calculated for the benchmark (see step 2 above) is doubled to obtain the minimum market capitalisation threshold for the Investable Index. The September 2007 threshold value is USD 1bn.
3. The six month (minimum one month) average daily turnover in USD is calculated for each security. The average USD turnover value must exceed 0.5% of the minimum Investable Index threshold as defined in step 2. The September 2007 average daily turnover value is USD 5m.
4. At each rebalance a security is eligible for inclusion in the Investable Index where the market capitalisation is 10% above the minimum Investable Index market capitalisation threshold (step 2) and the average daily turnover criterion in step 3 is satisfied. Where more than one line of a company passes the criteria in steps 2 and 3, the most liquid line is selected.
5. At each rebalance a security is not eligible for inclusion in the Investable Index where the market capitalisation is 10% below the minimum Investable Index market capitalisation threshold or the average daily turnover criterion in step 3 is not satisfied.
6. Five highest ranking securities by free-float market capitalisation which pass the filters in steps 1 to 5 are selected from each of the three main climate change sectors (Low Carbon Energy Production; Energy Efficiency & Management; Water, Waste & Pollution,) and are automatically included in the Index.

7. The remaining securities passing each of the filters in steps 1 to 5 are ranked by free float market capitalisation and a fixed number of Index constituents are determined by selecting a number which covers at least 90% of the Index. The Investable Index fixed number of constituents at September 2007 was set at 50. A 10% banding above and below the fixed number of constituents is used as in step 5 to determine inclusions / exclusions from the Investable Index, i.e., securities ranked 45 and above are automatically included and those below 55 are excluded.

This final step is included in order to keep the number of constituents at a practical level while ensuring sector and market capitalisation exposure is close to the corresponding weights of the overall investable universe which meet the criteria in steps 2 and 3 above.

5.2 Climate Change Exposure Factor

Once the index is rebalanced, all companies have the following weighting factors applied to represent their revenue from climate change. Where the revenue is derived from more than one climate sector, the weight is applied to the largest sector.

Revenue Associated with climate change	Weight in Index
Between 10% and 25%	25%
Between 25% and 50%	50%
Above 50%	100%

5.3 Index Review Adjustments

Ordinary adjustment dates

The number of securities and free-float shares are adjusted on four ordinary adjustment dates a year:

- The third Friday in March (after close of trading)
- The third Friday in June (after close of trading)
- The third Friday in September (after close of trading)
- The third Friday in December (after close of trading)

Where the third Friday is a holiday, the preceding business day is used.

The announcement of the provisional new index occurs at least four trading days before the adjustment date. Typically this will be the Monday preceding the third Friday. The dataset used for the review will be the Friday preceding the third Friday of the month. HSBC reserves the right to take account of recent changes before the adjustment date.

5.4 Number Of Constituents

The HSBC Global Climate Change Benchmark does not have a fixed number of constituents. The HSBC Global Climate Change 100 Index is fixed at 100 at each rebalance. The HSBC Investable Climate Change Index is currently fixed at 50 at each rebalance. The following table shows the number of constituents based on the September 2007 position.

Index	Number Of Constituents
HSBC Global Climate Change Benchmark	300
HSBC Global Climate Change 100 Index	100
HSBC Investable Climate Change Index	50

5.5 HSBC Policy Committee

HSBC reviews its indices policies and coverage once per quarter preceding the review dates. This review process is internal to HSBC; however, being a product of HSBC Research, the review process is independent of banking, trading, and other non-research activities of HSBC.

6. Daily Review

6.1 Shares Changes

Shares Changes which affect the price of a constituent are processed just before the action takes effect. Such actions include subdivisions, bonus issues, consolidations, rights issues, capital repayments, and complex issues.

6.2 Mergers, Acquisitions and Restructurings

Corporate Actions which affect the eligibility of a constituent to be in an index are processed after the close of the business day following an announcement by HSBC. Such corporate actions include takeovers, mergers, and schemes of arrangement. These are generally processed at the start of the date on which they are effective. If an index constituent has a spin off, the committee will review both the original company and the resultant company prior to the effective date and announce if the resultant company will enter the index and if the original company is to be removed.

6.3 IPOs

In exceptional circumstances, newly listed companies may gain fast entry into the benchmark index, out with the review dates subject to committee approval and the following rules.

IPO market capitalisation, one week prior to listing date, adjusted for free float and revenue factor, must be greater than 1% of the benchmark index. The price used for the IPO market capitalisation is determined in the following order:

1. If grey market exists, grey market traded price one week prior to listing is used.
2. If no grey market exists, official IPO issue price is used.
3. If no grey market price exists, and official IPO price is not known, publicly sourced estimated valuation (mid) will be used.

If the IPO exceeds the 1% criteria one week before listing, the IPO will enter the benchmark index effective immediately following the first trading day. The IPO is an addition to the benchmark index, no constituents are removed.

6.4 Suspension

A stock's quotation may be suspended for a number of reasons but, for index purposes, these fall into two categories. If the purpose of the suspension is to comply with regulations during takeover discussions, regulatory arrangements, or other corporate restructurings, then the constituent is not removed from the index.

If the suspension is attributable to the possibility that the constituent is insolvent, is in breach of regulations or laws which may prevent the continuance of the constituent's quote, or is likely to be suspended for an indefinite period, then the constituent is removed with zero value. Removal of suspended constituents takes place after the tenth business day of suspension, but the time period can be longer if the consequences of the reasons for suspension are unclear.

If a suspended company resumes trading it will be reinstated in the index at zero value.

6.5 Replacement of Constituents

As there is no fixed number of constituents in the benchmark, if a company is removed from the index due to takeover, delisting or suspension, there is no replacement. For the HSBC Global Climate Change 100 Index and the HSBC Investable Climate Change Index there are also no replacements. However, at the rebalance, the number of constituents is reset to the fixed number – as described in section 5.1.

6.6 Dividends

For the purposes of calculating a total return index, dividends are processed when a company is quoted ex-dividend. Dividends which appear to be paid from a company's capital are treated as capital repayments (please see section 6.1).

For gross total return purposes, indices adjust for dividends at the time the stock is quoted ex-dividend, using gross dividends with the exception of UK stocks, where the net dividend (10% tax) is used. For net total return purposes, the withholding tax rates provided in Appendix D are applied to the gross dividend rate.

7. Announcements

7.1 Index Reviews

HSBC will typically announce Quarterly Review constituent changes on the Monday following the 2nd Friday in March, June, September, and December. Where the Monday is a UK bank holiday, the announcement will be made on the next UK business day.

7.2 Constituent Changes

Announcements concerning constituent changes (apart from Quarterly Reviews) are made as soon as HSBC has verified and processed the implications of the reasons for the change. Normally, any changes take effect following the business day after the announcement is made.

7.3 Amendments

If an announcement needs to be amended, then HSBC issues a replacement announcement as soon as is reasonably practicable. HSBC makes every attempt to be as accurate as possible, and it cannot be held responsible for any actions subscribers take relating to announcements which are subsequently amended.

8. Distribution

8.1 Index Values

Index Values are calculated daily in arrears and supplied to clients and data providers at 10:00 a.m. daily (UK time). HSBC cannot be held responsible for any errors, intentional or unintentional, on the part of the data provider.

8.2 Constituent Data

Constituent Data is only available electronically directly from HSBC or through an approved re-seller. It is a condition that a customer of HSBC or of the re-seller enters into a contract with HSBC which states the terms of use regarding constituent data. Constituent data is available daily, weekly or monthly.

8.3 Reports

HSBC provides index values and constituent data in the form of a monthly report. This is normally distributed to customers of HSBC by the third business day of each month. Data pertains to the closing values at the end of the previous month.

8.4 Historic Data

Historic Data, other than index values covered by data providers, is only available directly from HSBC. Please contact HSBC for more information.

9. About HSBC Quantitative Techniques

9.1 About HSBC Indices

HSBC started publishing indices in 1993 with the launch of the HSBC (formerly James Capel) Smaller European Companies Indices. Other Indices followed, such as HSBC Dragon 300 (June 1996), HSBC Latin America 100 (May 1994), and HSBC Subcontinent of India (February 1996). HSBC has remained focussed on smaller companies indices, emerging markets indices, and custom indices.

HSBC calculates a total of 5,471 indices covering 69 countries and territories worldwide.

9.2 Responsibility for Indices

The HSBC Indices are maintained and distributed by HSBC Quantitative Techniques (QT). QT is part of HSBC's Global Research business, which in turn is part of HSBC's Corporate, Investment Banking and Markets division (CIBM). QT provides advisory services, indices and data products to customers on a commercial basis. QT is both structurally and physically separated from other parts of HSBC and hence provides an independent service to users of the HSBC Indices and its other customers.

9.3 Contacts

For information on all aspects of the HSBC Indices, please contact QT on +44 8455 847360.

Appendix A: Index Calculation Formula

The Index return is a weighted average return of its constituent companies, where the weights are the market capitalisation. The weights are adjusted to accommodate capitalisation issues and corporate actions; this is the same method of calculation as that used for standard indices. The Index calculation formula is:

$$Index_t = Index_0 \times \frac{\sum (P_{it} X_{it} N_{it} F_{it} CF_{it})}{D_t}$$

where:

$Index_t$	=	Index at time t.
$Index_0$	=	Index value at the inception of the Index.
P_{it}	=	The closing price (or last traded price) of constituent i at time t.
X_{it}	=	USD cross rate of underlying currency of constituent i at time t.
N_{it}	=	The issued share capital of constituent i at time t.
F_{it}	=	The free-float factor of constituent i at time t.
CF_{it}	=	The climate change factor of constituent i at time t.
D_t	=	Divisor at time t. The Divisor is a figure that represents the total market capitalisation at the base date of the Index. It is only adjusted (formula below) to accommodate changes to constituents and changes in the constituents' share capital, thus avoiding distortions in the Index.

Divisor Adjustments

The Divisor adjustment formula is :

$$D_t = D_{t-1} \times \left(1 + \frac{\sum CA_{it} X_{it}}{M_{t-1}} \right)$$

where:

D_t	=	Divisor at time t.
D_{t-1}	=	Divisor at time t minus 1 day.
CA_{it}	=	The capital adjustment of constituent i at time t.
X_{it}	=	USD cross rate of underlying currency of constituent i at time t.
M_{t-1}	=	Market Capitalisation of the Index at time t minus 1 day.

Appendix B: The HSBC Country & Exchanges Universe

Region	Country	Exchange
Asia	AUSTRALIA	Australian Stock Exchange
Asia	CHINA	Shenzen Stock Exchange Shanghai Stock Exchange
Asia	HONG KONG	Stock Exchange of Hong Kong
Asia	INDIA	National Stock Exchange Mumbai Stock Exchange
Asia	INDONESIA	Jakarta Stock Exchange
Asia	JAPAN	Tokyo Stock Exchange Regional Exchanges
Asia	KOREA	Korea Exchange
Asia	MALAYSIA	Malaysia Stock Exchange
Asia	NEW ZEALAND	New Zealand Stock Exchange
Asia	PAKISTAN	Karachi Stock Exchange
Asia	PHILIPPINES	Philippines Stock Exchange
Asia	SINGAPORE	Singapore Exchange
Asia	SRI LANKA	Colombo Stock Exchange
Asia	TAIWAN	Taiwan Stock Exchange
Asia	THAILAND	Stock Exchange of Thailand
Developed Europe	AUSTRIA	Vienna Stock Exchange
Developed Europe	BELGIUM	Euronext
Developed Europe	DENMARK	Copenhagen Stock Exchange
Developed Europe	FINLAND	Helsinki Stock Exchange
Developed Europe	FRANCE	Euronext
Developed Europe	GERMANY	Deutsche Börse
Developed Europe	GREECE	Athens Exchange
Developed Europe	IRELAND	Irish Stock Exchange
Developed Europe	ITALY	Borsa Italiana
Developed Europe	NETHERLANDS	Euronext
Developed Europe	NORWAY	Oslo Stock Exchange
Developed Europe	PORTUGAL	Euronext

Region	Country	Exchange
Developed Europe	SPAIN	Madrid Stock Exchange
Developed Europe	SWEDEN	Stockholm Stock Exchange
Developed Europe	SWITZERLAND	Swiss Exchange
Developed Europe	UNITED KINGDOM	London Stock Exchange
Emerging Europe	CZECH REPUBLIC	Prague Stock Exchange
Emerging Europe	HUNGARY	Budapest Stock Exchange
Emerging Europe	POLAND	Warsaw Stock Exchange
Emerging Europe	RUSSIA	Russian Trading System (RTS)
Emerging Europe	TURKEY	Istanbul Stock Exchange
Latin America	ARGENTINA	Buenos Aires Stock Exchange
Latin America	BRAZIL	Bolsa de Valores de Sao Paulo
Latin America	CHILE	Santiago Stock Exchange
Latin America	COLOMBIA	Colombian Stock Exchange
Latin America	MEXICO	Mexican Stock Exchange
Latin America	PERU	Lima Stock Exchange
Latin America	VENEZUELA	Caracas Stock Exchange
Middle East & North Africa	BAHRAIN	Bahrain Stock Exchange
Middle East & North Africa	EGYPT	Cairo & Alexandria Stock Exchanges
Middle East & North Africa	ISRAEL	Tel Aviv Stock Exchange
Middle East & North Africa	JORDAN	Amman Stock Exchange
Middle East & North Africa	KUWAIT	Kuwait Stock Exchange
Middle East & North Africa	MOROCCO	Casablanca Stock Exchange
Middle East & North Africa	OMAN	Oman Securities Market
Middle East & North Africa	QATAR	Doha Securities Market
Middle East & North Africa	UAE	Abu Dhabi Stock Exchange Dubai Stock Exchange
South Africa	SOUTH AFRICA	Johannesburg Stock Exchange
North America	CANADA	Toronto Stock Exchange
North America	USA	New York Stock Exchange NASDAQ American Stock Exchange

Appendix C: The HSBC Climate Classification Structure

Sector	Sub-Sector
LOW CARBON ENERGY PRODUCTION	AGROCHEMICAL
LOW CARBON ENERGY PRODUCTION	BIOFUELS
LOW CARBON ENERGY PRODUCTION	DIVERSIFIED RENEWABLE ENERGY
LOW CARBON ENERGY PRODUCTION	GAS
LOW CARBON ENERGY PRODUCTION	GEOTHERMAL / HYDRO
LOW CARBON ENERGY PRODUCTION	INTEGRATED POWER
LOW CARBON ENERGY PRODUCTION	NUCLEAR
LOW CARBON ENERGY PRODUCTION	SOLAR
LOW CARBON ENERGY PRODUCTION	WIND
ENERGY EFFICIENCY & MANAGEMENT	BUILDING INSULATION
ENERGY EFFICIENCY & MANAGEMENT	ENERGY EFFICIENT SOLUTIONS
ENERGY EFFICIENCY & MANAGEMENT	FUEL EFFICIENCY AUTOS
ENERGY EFFICIENCY & MANAGEMENT	FUELCELLS
ENERGY EFFICIENCY & MANAGEMENT	POWER STORAGE
WATER, WASTE & POLLUTION	POLLUTION
WATER, WASTE & POLLUTION	WASTE
WATER, WASTE & POLLUTION	WATER
FINANCIALS	CARBON TRADING
FINANCIALS	INVESTMENT COMPANY

Appendix D: Withholding Tax Rates

Region	Country	Withholding Tax Rate %
Asia	AUSTRALIA	30
Asia	CHINA	0
Asia	HONG KONG	0
Asia	INDIA	0
Asia	INDONESIA	20
Asia	JAPAN	7
Asia	KOREA	27.5
Asia	MALAYSIA	0
Asia	NEW ZEALAND	30
Asia	PAKISTAN	10
Asia	PHILIPPINES	35
Asia	SINGAPORE	0
Asia	SRI LANKA	10
Asia	TAIWAN	20
Asia	THAILAND	10
Developed Europe	AUSTRIA	25
Developed Europe	BELGIUM	25
Developed Europe	DENMARK	28
Developed Europe	FINLAND	28
Developed Europe	FRANCE	25
Developed Europe	GERMANY	21.1
Developed Europe	GREECE	0
Developed Europe	IRELAND	20
Developed Europe	ITALY	27
Developed Europe	NETHERLANDS	15
Developed Europe	NORWAY	25
Developed Europe	PORTUGAL	20

Region	Country	Withholding Tax Rate
Developed Europe	SPAIN	18
Developed Europe	SWEDEN	30
Developed Europe	SWITZERLAND	35
Developed Europe	UNITED KINGDOM	0
Emerging Europe	CZECH REPUBLIC	15
Emerging Europe	HUNGARY	0
Emerging Europe	POLAND	19
Emerging Europe	RUSSIA	15
Emerging Europe	TURKEY	15
Latin America	ARGENTINA	0
Latin America	BRAZIL	0
Latin America	CHILE	21.69
Latin America	COLOMBIA	0
Latin America	MEXICO	0
Latin America	PERU	4.1
Latin America	VENEZUELA	0
Middle East & North Africa	BAHRAIN	0
Middle East & North Africa	EGYPT	0
Middle East & North Africa	ISRAEL	25
Middle East & North Africa	JORDAN	0
Middle East & North Africa	KUWAIT	0
Middle East & North Africa	MOROCCO	10
Middle East & North Africa	OMAN	0
Middle East & North Africa	QATAR	0
Middle East & North Africa	UAE	0
South Africa	SOUTH AFRICA	0
North America	CANADA	25
North America	USA	30

Appendix E:

Ground Rules for the HSBC UCITS III Compliant Indices

Aims and Objectives of the HSBC UCITS Indices

The HSBC UCITS Indices have been created to give fund managers a series of indices that can be replicated within the constraints of the UCITS III Directive.

UCITS III Restrictions

The restriction

- (1) The Directive is only relevant to open-ended collective vehicles that promote to the general public, so schemes that are restricted in their promotion fall outside the Directive's scope. Furthermore, the Directive applies to any collective investment scheme falling within its scope, regardless of whether it is promoted in other EEA States.

Within this range of investment assets there are some detailed spread and concentration rules. The main requirements can be summarised as:

No more than 5% in transferable securities or money market instruments with one issuer. This can be raised to 10% but only in respect of a maximum 40% of the scheme value.

HSBC UCITS Indices Methodology

The HSBC UCITS Indices are all rules based versions of existing HSBC Indices. Providing an index has a minimum of 18 constituents, the following rules are applied.

1. The weight of any index constituent is capped at 9.5% at each rebalance date, with the excess weight being evenly redistributed across the remaining constituents.
2. The combined weight of any constituents greater than 5% is restricted to 38%. All constituents with weights greater than 5%, but less than 10% are reweighted evenly, with the excess weight being evenly redistributed across the remaining constituents. Constituents with weights capped at 9.5% will remain with a 9.5% weight.

HSBC UCITS Indices Rebalance

The HSBC UCITS Indices are rebalanced at each index review date, as at the previous business day. The indices are not rebalanced out with these review dates unless there has been a significant change to the underlying index. These changes may include

1. There has been an IPO fast tracked into an underlying index.
2. A constituent with a capped weight is removed from an underlying index due to delisting or takeover.
3. A constituent with a capped weight has a merger or spin off.

HSBC UCITS Indices

- HSBC Global Climate Change Investable 50 UCITS
- HSBC Global Climate Change 100 Low Carbon Energy Production UCITS
- HSBC Global Climate Change 100 Energy Efficiency & Management UCITS
- HSBC Global Climate Change 100 Water, Waste & Pollution UCITS

HSBC Global Markets Indices

HSBC Optimised Vietnam Index

March 2008

HSBC Global Markets Indices

Ground Rules for HSBC Optimised Vietnam Index

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Definitions

Average Daily Traded Value	Average daily value of shares traded over a specified period of time
Calculation Agent	HSBC's Quantitative Techniques business (QT) – a division of HSBC and an independent Calculation Agent which provides data and calculates indices for parts of HSBC Group, including to the Global Research Department and to organisations outside of HSBC
Capital Adjustment	Adjustment to a company's share capital resulting from bonus issues, rights issues, subdivisions, consolidations, capital repayments, mergers, demergers and other events of a related nature
Creation Date	1 January 2008
Currency Adjusted Market Capitalisation	Total value of a company's issued share capital expressed in US dollars
Data Disruption	Event involving unavailability of data as defined in Section 4.6
Effective Date	Date on which constituent changes from a Quarterly Review take effect in the calculation of the Index
Foreign Ownership	Non-Vietnamese investment into Vietnamese shares as defined and monitored by the Saigon Securities Institute
Foreign Ownership Review	Monthly procedure for adjusting the Index Shares of a company to reflect changes to an Index Constituent's Foreign Ownership Room. Also takes place when Foreign Ownership Room falls to below 2% for an Index Constituent (Section 2.7)
Foreign Ownership Room	The difference between the maximum number of shares available for Foreign Ownership and the actual number of shares in Foreign Ownership. Can also be expressed as a value in USD by multiplying by the stock price and USD/VND exchange rate
Free-float	Shares of a company which are freely available for purchase in stock markets
Ground Rules	The rules defining calculation, maintenance, governance and publication of the Index
Index	HSBC Optimised Vietnam Index
Index Constituent	Company whose shares are used to calculate the Index Value
Index Shares	The number of shares of an Index Constituent used to calculate the Index Value
Index Value	Calculated value of the Index. Applies to both capital (price) return and total return calculations
Optimised Indices Oversight Committee	A committee of HSBC Global Markets professionals charged with issues of index governance
Market Disruption	Event where trading or index calculation does not take place as defined in Section 4.6
Quarterly Review	Procedure for reviewing the list of constituents which make up the Index
Quarterly Review Date	Date from which data for the Quarterly Review is taken which is the last Business Day on the Ho Chi Minh Exchange in the months of February, May,

August and November

Weighting Factor

Multiplier applied to Index Shares in order to restrict maximum weight at Quarterly Review or Foreign Ownership Review to 15%

1. Introduction

1.1 HSBC Optimised Vietnam Index overview

The HSBC Optimised Vietnam Index (the “Index”) is promoted by HSBC Global Markets, a business area of HSBC Bank plc. The Index is provided as two series: The HSBC Optimised Vietnam Total Return Index, which includes ex-dividend adjustments; and the HSBC Optimised Vietnam Price Return Index, which excludes the effects of dividends.

The purpose of the Index is to provide investors with a benchmark which gives exposure to up to 20 liquid stocks listed on the Ho Chi Minh Stock Exchange. Each stock must have sufficient shares available for Foreign Ownership. Please refer to Section 2.7 for further information about Foreign Ownership Limits. Each stock must have a minimum Currency Adjusted Market Capitalisation of USD 200 million and minimum Average Daily Traded Value of USD 250,000 at the launch date and at each Quarterly Review Date. The 20 largest stocks (by market capitalisation) are selected.

Index Constituents are weighted by full market capitalisation, although the largest Index Constituents have a reduced weighting in the Index to limit their dominance. Please refer to Section 1.3 for further information about weighting factors.

Appendix B details the list of constituents and their weightings as of 31 January 2008.

1.2 HSBC Optimised Vietnam Index currencies

The Index Values shall be calculated in VND and USD. Please refer to Section 4.5 for information about exchange rates used to calculate Index Values.

1.3 Weighting

For rebalancing purposes, the starting point is that all constituents of the universe from which Index Constituents are selected are represented by their full market capitalisation. For Index calculation purposes, the maximum weight per Index Constituent on each Quarterly Review Date or following changes resulting from a Foreign Ownership Review (please see Section 2.7) is 15%.

If the largest Index Constituent is greater than 15% then this constituent’s weight is set at 15% by the multiplication of a Weighting Factor, with lower-ranked Index Constituents having their weights increased pro-rata. If the second Index Constituent is 15% or more then the process is repeated and is repeated again with the third Index Constituent onwards until all Index Constituents have 15% weight or lower. The consequent Weighting Factor is the ratio between the weight before applying this rule

and the weight after. Where no Index Constituent has a weight of 15% or above should the Index be represented by Index Constituents at their full market capitalisations, all Weighting Factors are set to 1.

1.4 Weighting and Constituent Numbers

Only securities incorporated in Vietnam and listed on the Ho Chi Minh Stock Exchange (stock exchange) are eligible for inclusion in the Index. However please see Section 1.7 (below).

The maximum number of constituents in the index is 20 and the minimum is 7. If the total number of eligible companies is lower than 7 then the liquidity criterion is lowered progressively until at least 7 companies are eligible.

For historic simulation purposes, the same procedures apply at each historic Quarterly Review Date that apply at the Creation Date.

1.5 Exclusions

The following securities are ineligible as Index Constituents and are excluded from Quarterly Reviews:

- Companies with below 10% free float
- Companies in whose shares HSBC Global Markets is prohibited from dealing and which have been notified to the Calculation Agent by HSBC Global Banking and Markets Compliance.
- Companies where the remaining Foreign Ownership Limit is 4% (2% if already an Index Constituent) of the total market capitalisation, subject to a minimum USD 15 million.

Index Constituents which become ineligible between Quarterly Reviews are replaced with the eligible non-constituent with the highest market capitalisation (please see Section 1.1). Results of actions affecting the Index will be published on the HSBC Global Markets website for indices www.hsbcinvestorsolutions.com.

1.6 Liquidity screening

At the date of launch and on subsequent Quarterly Review Dates, each company must have a minimum Average Daily Traded Value over 3 months of USD 250,000 (however this may be lowered under certain circumstances– please see Section 1.4). When companies are newly listed on the Ho Chi Minh Exchange (or relevant exchange where ADRs or GDRs are used in their place), and 3-month data is not available, the Average Daily Traded Value over the period since trading began is used provided that at least four weeks of price and volume data is available.

1.7 Multiple share classes

Other than ordinary shares listed on the Ho Chi Minh Exchange, American Depositary Receipts (ADRs) and Global Depositary Receipts (GDRs) are also permitted. The substitution by an ADR or GDR of a Ho Chi Minh listed security will arise only where either insufficient liquidity renders an eligible security ineligible (please see Section 1.6) or where the shares available for Foreign Ownership on the Ho Chi Minh listed security has dropped below 4% (2% for Index Constituents) (please see Section 2.7).

2. Index Maintenance

2.1 Changes to number of shares in issue and Capital Adjustments

Changes to the number of shares in issue and Capital Adjustments which affect the price of an Index Constituent (bonus issues, rights issues, subdivisions, consolidations, capital repayments, mergers and demergers) are processed on the day the action takes effect.

Share changes resulting from IPOs, additional listings and conversions (of warrants, convertibles etc), or partial cancellations and buy-backs would not normally be processed before the subsequent Quarterly Review Date.

2.2 Mergers, acquisitions and restructurings

Corporate actions which affect the eligibility of an Index Constituent are processed after the close of the business day. Such corporate actions include takeovers, mergers, acquisitions, restructurings and schemes of arrangement. These are processed at the start of the date on which they are effective. If an Index Constituent is no longer eligible then it is removed without replacement. If an Index Constituent has a spin off (or de-merger), then the Calculation Agent (see Section 4 below) will review both the original company and the resultant company prior to the effective date and announce on the HSBC Global Market website for indices if the resultant company will become an Index Constituent with the original company removed.

2.3 IPOs

Newly listed companies only become eligible for inclusion into the Index at the next Quarterly Review Date, provided that four weeks of price and volume data are available to the Calculation Agent to ensure that liquidity criteria are met. Consequently there may be more than three months between the

date when a company's shares are first traded and the date when they are considered for inclusion into the Index.

2.4 Suspension

A stock's quotation may be suspended for a number of reasons but, for index purposes, these fall into two categories. If the purpose of the suspension is to comply with regulations during takeover discussions, regulatory arrangements, or other corporate restructurings, then the Index Constituent is not removed from the index and its price remains static at the value when it was suspended.

If the suspension is attributable to the possibility that the Index Constituent is insolvent, is in breach of regulations or laws which may prevent the continuance of the Index Constituent's quote, or is likely to be suspended for an indefinite period, then the Index Constituent is removed with zero value. Removal of suspended Index Constituents takes place after the tenth business day of suspension, but the time period can be longer where the reason for suspension has not been clearly established.

If a suspended company which was removed from the Index at zero value resumes trading it will be reinstated in the Index at zero value, thereafter being valued at its closing price. Notification of constituent suspensions will be posted on the HSBC Global Markets website for indices.

2.5 Replacement of Index Constituents

If a company is removed for reasons of Free-float or restrictions on ownership by HSBC (please see Section 1.5) or Foreign Ownership (please see Section 2.7) then it is replaced by the eligible company with the highest current market capitalisation which is not already an Index Constituent. If a company is removed from the Index due to takeover, delisting or suspension, there is no replacement before the following Effective Date as a consequence of the Quarterly Review. Notice of removal shall be posted on the HSBC Global Markets website for indices.

2.6 Dividends

For the purposes of calculating a total return index, net dividends, meaning the dividend amount received after deduction of any local and withholding taxes based on the tax treatment of a Luxembourg based investor, are processed when a company is quoted ex-dividend. Net Dividends which appear to be paid from a company's capital are treated as capital repayments (please see Section 2.1). See Appendix C: HSBC Optimised Vietnam Index withholding tax rates.

The indices are calculated to act as reference values for financial products which are linked to their performance. Should the tax regulations as they relate to the withholding tax on corporate actions (dividends) in Luxembourg change, the Optimised Indices Oversight Committee may change the

withholding tax rates applied to properly reflect the financial impact. Changes will be posted on the HSBC Global Markets website for indices.

2.7 Foreign Ownership Reviews

A Foreign Ownership Review takes place during the first week of each month, coinciding once per quarter with the Quarterly Review. A Foreign Ownership Review also takes place on any day in a month following a Foreign Ownership Review when QT discovers that an Index Constituent's Foreign Ownership Room has dropped to below 2% of the number of shares in issue. The consequences of a Foreign Ownership Review are stated below:

- (i) If an Index Constituent's Foreign Ownership Room is below 2% or USD 15million for one regular monthly Foreign Ownership Review then its Index Shares are reduced to two thirds of its number of issued shares
- (ii) If an Index Constituent's Foreign Ownership Room is below 2% or USD 15million for two regular monthly Foreign Ownership Reviews then its Index Shares are reduced to one third of its number of issued shares
- (iii) If an Index Constituent's Foreign Ownership Room is below 2% or USD 15million for three regular monthly Foreign Ownership Reviews then its Index Shares are removed completely from the Index and the shares become ineligible until Foreign Ownership Room is 4% and USD 15million or higher at a subsequent Quarterly Review
- (iv) If an Index Constituent's Index Shares have been reduced following (i) or (ii) (above) at a previous Foreign Ownership Review and its Foreign Ownership Room has increased to 4% and USD 15million or greater then the Index Shares are restored to the full number of shares in issue for the Index Constituent.
- (v) If an Index Constituent's Foreign Ownership Room is below 4% but is not below 2% or USD 15million at a regular monthly Foreign Ownership Review then its Index Shares remain at the level at which they were set at the previous Foreign Ownership Review
- (vi) Weighting Factors based on Index Shares arising from the application of (i) to (v) (above) are recalculated (Section 3.3) following a Foreign Ownership Review whenever any changes to Index Shares take place. Where all Index Shares remain unchanged there will be no recalculation of Weighting Factors.

If there exists an ADR or a GDR whose underlying share is listed on the Ho Chi Minh stock exchange with Foreign Ownership Room causing Index Shares to be reduced or removed following the

application of (i) to (iii) (above) and which satisfies liquidity criteria then the ADR or GDR becomes eligible as a Index Constituent, replacing the Index Constituent whose Index Shares would otherwise have been reduced. ADRs and GDRs are not subjected to Foreign Ownership Reviews. The replacement of Index Shares with ADRs and GDRs is used in preference to the weight-reducing procedure described in the previous paragraph. ADRs and GDRs remain Index Constituents until at a Quarterly Review the underlying shares have Foreign Ownership Room of 4% and USD 15million or greater at which time the underlying shares are again used.

3. Index governance

3.1 Overview

The HSBC Optimised Vietnam Index is a Rules Based Index sponsored by HSBC Global Markets. The Index is calculated independently by the Calculation Agent. HSBC Global Markets has formed an Optimised Indices Oversight Committee to review policies and coverage of the HSBC Global Markets Indices, meeting between Quarterly Review Dates as and when required. Whilst, it is not envisaged that the Rules will change, any modification to the Rules, including notification of when HSBC Global Markets resolves to cease publishing the Index, will be available directly from the HSBC Global Markets website for indices (please refer to Section 4.4) with a 3-month notice period prior to the proposed change. Any decision to cease publication shall only be taken once HSBC Global Markets has made sure all products which use the Index as a reference have expired or have been redeemed.

3.2 Oversight Committee

The HSBC Optimised Indices Oversight Committee has the following constituents:

HSBC Global Markets:

1. Structured Equities
2. Execution Services
3. Third Party Structured Product Development
4. Compliance

The names of Oversight Committee members can be obtained by contacting HSBC Global Markets. Any changes to the Index Rules made by the Oversight Committee will be published on the HSBC Global Markets website for indices. The amendments will be updated in the Index Rules.

3.3 Information about the Index

All data and information concerning the Index, such as

- a) Ground Rules
- b) Change of Ground Rules (if any)
- c) Index Values
- d) Index Constituents
- e) Announcements
- f) Information as to historical volatilities etc.

is available directly from the HSBC Global Markets website for indices.

3.4 About HSBC Global Markets Indices

This Index has been created by HSBC Global Markets. The aim of the HSBC Optimised Indices is to provide reference benchmarks for investment products. HSBC Global Markets has attempted to optimise the Index Rules so that investment products which reference these indices can be serviced on a long-term basis. These indices are characterised by their relatively small number of constituents and their strong emphasis on foreign availability and market liquidity.

Investors should be aware that the Index is constituted by the Global Markets Division of HSBC Bank plc (“HSBC Global Markets”) and is not an independent research index operated by the Global Research Department.

The HSBC Global Markets Indices are a distinct series of indices from the range offered by HSBC Global Research, of which the Calculation Agent is a part. HSBC Global Research operates as a separate business within HSBC from HSBC Global Markets (please see Appendix D: Important Note).

4 Role of the Calculation Agent

The role of the Calculation Agent is to calculate the daily value of the constituted Index and to Review the Index on each Review date in order to reconstitute the Index in accordance with the rules of the Index as specified by HSBC Global Markets.

The Calculation Agent:

1. Reviews the Vietnam Stock Universe.
2. Reviews liquidity.
3. Identifies Index Constituent changes.
4. Revises weighting factors.
5. Compiles the new constituents for the Index

All removals and inclusions are effective on the Effective Date.

4.1 Calculation

Index Values are calculated daily, after the close of business at the Ho Chi Minh stock exchange.

Corporate actions affecting the price of a security (bonus issues, rights issues, subdivisions, consolidations, capital repayments, mergers and de-mergers) are processed on the day when they are effective. See Section 2 for further details of how corporate actions affect the Index calculation.

The list of constituents forming the Index is rebalanced quarterly, based on prices, numbers of shares and exchange rates as at the last business day of the Ho Chi Minh stock exchange in the months of February, May, August and November. These are the Quarterly Review Dates. Index Constituent changes resulting from the Quarterly Review are effective after the close of business on the Effective Date, which is the Wednesday preceding the second Friday in March, June, September and December.

4.2 Index calculation formula

Each daily index return is a weighted average of the returns of its Index Constituents, where the weights are defined according to the methodology in Section 1.3. The weights are subsequently adjusted to accommodate capital changes (rights issues, capital repayments, mergers and de-mergers). The Index calculation formula is provided in Appendix A.

The index calculation method does not incorporate any deductions for transaction costs, taxes or fees other than taxes used in the calculation of net dividends for the purpose of calculating the total return series (please see Section 2.6).

4.3 Initial values

Each index series' Creation Date is 1 January 2008. Index Values are available from 1 March 2007.

4.4 Daily calculations

Index Values are calculated and released normally before 3:30 p.m. (UK time) and are distributed to data vendors, where they are available on the following pages:

Data Vendor	Page
Bloomberg:	HSIP
Reuters:	HSBC/OPTIMISED1
HSBC Global Markets website for indices	www.hsbcinvestorsolutions.com

Remark: Market Disruptions (please see Section 4.6) may prevent Index Values being published before 3:30 pm.

4.5 Index calculation and maintenance data sources

The Calculation Agent obtains closing prices, traded volumes and numbers of issued shares used for both calculation and maintenance of the Index Values each day from Reuters. The Calculation Agent may supplement data from Reuters with other sources such as Interactive Data Corporation, Bedford, USA (IDC) at its absolute discretion.

The Calculation Agent obtains exchange rates used for both calculation and maintenance of the Index Values each day from IDC. The exchange rate data provided by IDC are composite; meaning they are calculated using a number of quotes taken at 12:00 noon in London. The Calculation Agent may supplement data from IDC with other sources such as Reuters at its absolute discretion.

Free-float percentages are sourced from the Ho Chi Minh Stock Exchange website.

Foreign ownership data is currently collected from the Saigon Securities Institute website.

The Calculation Agent does not guarantee the accuracy of the data from its data vendors or independently verify such data.

4.6 Market Disruptions and Data Disruptions

In the event of a Market Disruption (including but not restricted to: the Ho Chi Minh Stock Exchange not opening for or severely curtailing hours of business or; trading on the Ho Chi Minh Stock Exchange being conducted without timely electronic dissemination of closing price data or; disruptions preventing HSBC staff from calculating and/or disseminating Index Values), HSBC shall not publish Index Values until such time as the Market Disruption is over and that it believes it can once again accurately calculate the Index Values.

In the event of a Data Disruption (including but not restricted to: failure of electronic data delivery by data providers contracted to HSBC; unavailability of electronic or internet access to data obtained from an online source; or a disruption of any of HSBC's data systems rendering data inaccessible to processes required to calculate the Index) HSBC shall use its best endeavours to source data from alternative sources with the aim of publishing Index Values by 3:30 p.m. on a day of calculation. HSBC shall not publish Index Values until the Data Disruption is over or data from an alternative source has been acquired. The unavailability of Free-float and Foreign Ownership data shall not be considered sufficient reason to delay the calculation of Index Values and until such time that Free-float

or Foreign Ownership data is once again available HSBC shall continue using the last data available to it for the maintenance of the Index.

5. Announcements

5.1 Index reviews

The Calculation Agent will typically announce Quarterly Review constituent changes during the first week in March, June, September and December. All changes to constituents, including those arising from Foreign Ownership Reviews will be notified to HSBC Global Markets one day (excluding UK bank holidays and non-trading days in Vietnam) before constituent or weighting changes, if any, take effect.

5.2 Index Constituent changes

Announcements concerning Index Constituent changes (apart from Quarterly Reviews) are made as soon as the Calculation Agent has verified and processed the implications of the reasons for the change. Normally, any changes take effect following the business day after the announcement is made.

5.3 Amendments

If an announcement needs to be amended, then HSBC issues a replacement announcement as soon as is reasonably practicable. HSBC makes every attempt to be as accurate as possible, and it cannot be held responsible for any actions subscribers take relating to announcements which are subsequently amended.

5.4 Information about announcements

Details of announcements are available on the HSBC Global Markets website for indices (please see Section 4.4) by following the link to “Announcements”.

5.5 Index Values

The Calculation Agent is acting in an arm’s length capacity to provide independent calculation services to HSBC Global Markets. Index Values are calculated daily and supplied to clients and data providers at 3:30 p.m. (UK time). Neither HSBC Global Markets nor the Calculation Agent can be held responsible for any errors, intentional or unintentional, on the part of external data providers nor for any delays in publishing the Index.

6. Contacts

For general information about the HSBC Optimised Vietnam Index and other HSBC Global Markets Indices please contact your local HSBC Global Markets representative or contact HSBC Global Markets Third Party Structured Products Development on +44 (0)20 7992 6002, email structured.investments@hsbcib.com, or visit the HSBC Global Markets website for indices, www.hsbcinvestorsolutions.com

For more information concerning these Ground Rules and the calculation of the HSBC Global Markets Indices please contact the Calculation Agent, QT, on + 44 8455 847360 or email qt-inquiries@hsbcib.com.

Appendix A: Index Calculation Formula

The Index return is a weighted average return of its constituent companies, where the weights are the market capitalisation. The weights are adjusted to accommodate capitalisation issues and corporate actions; this is the standard method of calculation for indices. The Index calculation formula is:

$$Index_t = Index_0 \times \frac{\sum (P_{it} N_{it} F_{it})}{D_t}$$

where:

$Index_t$	=	Index Value at time t.
$Index_0$	=	Index Value as at the inception date of the Index.
P_{it}	=	The closing price of Index Constituent i at time t.
N_{it}	=	The number of Index Shares of Index Constituent i at time t.
F_{it}	=	The Weighting Factor of Index Constituent i at time t.
D_t	=	Divisor at time t.

The Divisor is a figure that represents the total market capitalisation at the base date of the Index. It is only adjusted (formula below) to accommodate changes to Index Constituents and changes in the Index Constituents' share capital, thus avoiding distortions in the Index.

Divisor Adjustments

The Divisor adjustment formula is:

$$D_t = D_{t-1} \times \left(1 + \frac{\sum CA_{it}}{M_{t-1}} \right)$$

where:

D_t	=	Divisor at time t.
D_{t-1}	=	Divisor at time t minus 1 day.
CA_{it}	=	The capital adjustment of Index Constituent i at time t.
M_{t-1}	=	Market Capitalisation of the Index at time t minus 1 day

Appendix B:

HSBC Optimised Vietnam Index Constituents

The following table shows the constituents of the HSBC Optimised Vietnam Index as at 1 January 2008.

HSBC Vietnam Optimised Index				
Rank	Symbol	Name	Factor	Weight
1	VNM	Vietnam Dairy Products	1	13.26%
2	DPM	Petrovietnam Fertiliser	1	12.82%
3	PPC	Pha Lai Thermal Power	1	8.82%
4	FPT	Corp For Financing & Promoting	1	9.34%
5	SSI	Saigon Securities	1	9.19%
6	PVD	Petrovietnam Drilling	1	7.63%
7	ITA	Tan Tao Industries	1	4.60%
8	HPG	Hoa Phat Group	1	5.72%
9	VIC	Vincom	1	5.65%
10	SJS	SongDa Urban	1	4.56%
11	KDC	Kinhdo Corporation	1	3.18%
12	SAM	Sacom	1	3.40%
13	VSH	Vinh Son – Song	1	2.93%
14	DHG	DHG Pharmaceutical	1	2.20%
15	TRC	Tay Ninh Rubber	1	1.67%
16	MPC	Minh Phu Seafood Corporation	1	1.91%
17	VTO	Vietnam Tanker	1	1.63%
18	VIP	Vietnam Petroleum	1	1.47%
19	-	-	-	-
20	-	-	-	-

Appendix C:

IMPORTANT NOTE

This document is issued by HSBC Bank plc (“HSBC”). HSBC is authorised and regulated by the Financial Services Authority (“FSA”) and is a member of the HSBC Group of companies (“HSBC Group”). Any member of the HSBC Group, together with their directors, officers and employees may have traded for their own account as principal, or together with its officers, directors and employees may have a long or short position in any related instrument mentioned in this material.

The HSBC Optimised Vietnam Index (the “Index”) is promoted by the Global Banking and Markets business of HSBC Bank plc (“Global Banking and Markets”). The Index is not an independent Research product of the Global Research Department. The Index is calculated by HSBC Bank plc’s Quantitative Techniques business (“QT”). Global Banking and Markets has no responsibility for the calculation of the Index and does not guarantee or represent or warrant the accuracy or completeness of the Index or the data comprised therein.

QT provides an independent service offering indices and data products to customers including users of the HSBC Indices. QT operates independently from the Global Banking and Markets business from which it is both structurally and physically separated. Whilst QT calculates and publishes the level of the Index in good faith based on sources which it believes to be reliable, it does not guarantee, represent or warrant the accuracy or completeness of the Index or the data comprised therein.

Except in the case of fraudulent misrepresentation, no liability is accepted by either Global Banking and Markets or QT whatsoever for any direct, indirect or consequential loss arising from the Index.

Neither Global Banking and Markets nor QT make any representation, warranty or guarantee whatsoever as to the performance of the Index. Investments can fluctuate in price or value and prices, values or income may fall against an investor’s interests. Changes in rates of exchange and rates of interest may have an adverse effect on the value, price or income of the Index. You are solely responsible for making your own independent appraisal of and investigation into the Index referred to in this document and you should not rely on any information in this document as constituting investment advice. Neither HSBC nor any of its affiliates are responsible for providing you with legal, tax or other specialist advice and you should make your own arrangements in respect of this accordingly. This document is intended solely for professional clients and eligible counterparties (as defined in the rules of the FSA) and is not intended for the use of retail clients. No opinions are expressed as to the merits or suitability of the Index. Investments in the Index may not be suitable for all requirements and if you have any doubts, seek advice from your investment adviser.

These index rules are a “financial promotion” within the scope of the rules of the FSA.

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HSBC Global Markets Indices

HSBC Optimised GEM Index

March 2008

HSBC Global Markets Indices

Ground Rules for HSBC Optimised GEM Index

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Definitions

Annual Review	Annual Review of market / regional weightings as described in Section 1.8
Annual Review Date	The Semi-annual Review date which occurs in February each year
Average Daily Traded Value	Average daily value of shares traded over a specified period of time
Calculation Agent	HSBC's Quantitative Techniques business (QT) – a division of HSBC and an independent Calculation Agent which provides data and calculates indices for parts of HSBC Group, including to the Global Research Department and to organisations outside of HSBC
Capital Adjustment	Adjustment to a company's share capital resulting from bonus issues, rights issues, subdivisions, consolidations, capital repayments, mergers, demergers and other events of a related nature
Creation Date	31 January 2008
Currency Adjusted Market Capitalisation	Total value of a company's issued share capital expressed in US dollars
Data Disruption	Event involving unavailability of data as defined in Section 4.6
Effective Date	Date on which constituent changes from a Semi-annual Review take effect in the calculation of the Index
Financial Stock	A stock which has one of the following GICS (Global Industry Classification Standard) sector classifications: Banks (4010), Diversified Financials (4020), Insurance (4030).
Free-float	Shares of a company which are freely available for purchase in stock markets
GEM	Global Emerging Markets
Ground Rules	The rules defining calculation, maintenance, governance and publication of the Index
Index	HSBC Optimised GEM Index
Index Constituent	Company whose shares are used to calculate the Index Value
Index Shares	The number of shares of an Index Constituent used to calculate the Index Value
Index Value	Calculated value of the Index. Applies to both capital (price) return and total return calculations
Optimised Indices Oversight Committee	A committee of HSBC Global Markets professionals charged with issues of index governance
Market Disruption	Event where trading or index calculation does not take place as defined in Section 4.6
Semi-annual Review	Procedure for reviewing the list of constituents which make up the Index
Semi-annual Review Date	Date from which data for the Semi-annual Review is taken which is the last Business Day in the UK in the months of February and August
Weighting Factor	Multiplier applied to Index Shares in order to restrict maximum weight at Semi-annual Review or Foreign Ownership Review to 15%

1. Introduction

1.1 HSBC Optimised GEM Index overview

The HSBC Optimised GEM Index (the “Index”) is promoted by HSBC Global Markets, a business area of HSBC Bank plc. The Index is provided as two series: The HSBC Optimised GEM Total Return Index, which includes ex-dividend adjustments; and the HSBC Optimised GEM Price Return Index, which excludes the effects of dividends.

The purpose of the Index is to provide investors with a benchmark which gives exposure to up to 50 companies from up to 10 emerging market countries or regions. Each stock must be open to foreign investment and normally have a minimum Average Daily Traded Value of USD 2 million over a three-month period at each Semi-annual Review Date. The largest stocks (by market capitalisation) in each market or region are selected. The minimum Average Daily Traded Value may be lowered if there are below 30 companies or only 5 markets/regions represented.

Table 1 gives the weights for each country/region, the number of constituents for each country/region and weights constituents on the start date in the Index. Only securities incorporated and listed on regulated stock exchanges in the following markets are eligible for inclusion in the Index.

Table 1

Market or Region	Initial weight (%)	Number of constituents	Weight per constituent	Notes
China	30	10	3%	Only “H” shares listed on the Hong Kong Stock Exchange are included.
Russia	14	5	2.8%	
Brazil	12	5	2.4%	
India	10	5	2%	
South Korea	7	5	1.4%	Until HSBC Global Markets is able to freely access the Indian domestic market, only eligible ADRs and GDRs will be included.
New Europe	7	5	1.4%	
Mexico	6	4	1.5%	
Taiwan	5	4	1.25%	Excluding securities with primary listing outside of South Africa
South Africa	5	4	1.25%	
Turkey	4	3	1.333%	
Total	100	50		

Appendix B details the list of constituents and their weightings as of 31 January 2008.

1.2 HSBC Optimised GEM Index currencies

The Index Values shall be calculated in USD only.

1.3 Weighting

For rebalancing purposes, the starting point is that all constituents of the universe from which Index Constituents are selected are represented by their full USD market capitalisation. Although the largest stocks by full market capitalisation in each market/region are selected for the Index, the maximum number of Financial Stocks is limited to 40% of the number of constituents for the market/region (rounded down). Further, if Financial Stocks represent more than 30% of the constituents in any market/region then such Financial Stocks are equally weighted with a total weight of 30% of the weight of the market/region whilst non-Financial Stocks are equally weighted with a total weight of 70% of the weight of the market/region. At each Semi-annual Review Date, constituents are equally weighted within their market/region, according to Table 1. The weights are subsequently adjusted to accommodate capital changes (rights issues, capital repayments, mergers, and de-mergers). The Index calculation formula is provided in Appendix A.

1.4 Market/Region Weighting and Constituent Distribution

The maximum number of constituents in the index is 50 and the minimum is 30. The maximum number of markets/regions is 10 and the minimum is 5. If there are fewer eligible companies than the numbers shown in the Table 1 in any market/region then the number available is used. If the total number of companies is consequently lower than 30 or the number of markets/regions is lower than 5 then the liquidity criterion is lowered by USD100,000 progressively until at least 30 companies are eligible and 5 markets/regions are represented.

If during the above process a market/region is not represented then its weight is distributed *pro-rata* amongst remaining markets/regions and its constituents are re-distributed into one market/region at a time starting with the remaining market/region with the most constituents and repeating from the start if necessary until all the excluded market's/region's allocation has been reallocated.

In the event of two markets/regions having the same number of constituents, preference is given to the market/region with the highest market capitalisation as defined in the last paragraph in this section (below). For example if there are no Chinese constituents eligible for the Index then China's 30% weight is *pro-rated* amongst the other nine markets/regions by multiplying each by $100/(100-30)$. Russia's weight therefore rises from 14% to 20%. China's constituents are distributed one by one starting with the market/region with the highest number and highest market capitalisation. This means that eight of the nine markets/regions will have one extra constituent allocated to them and another will have two more constituents. The market/region with two extra constituents will be the market/region

with the highest market capitalisation out of Russia, Brazil, India, South Korea and New Europe as each have an initial five constituents.

For historic simulation purposes, the same procedures apply at each historic Semi-annual Review Date that apply at the Creation Date.

1.5 Exclusions

The following securities are ineligible as Index Constituents and are excluded from Semi-annual Reviews:

- Companies with below 10% free float
- Companies in whose shares HSBC Global Markets is prohibited from dealing and which have been notified to the Calculation Agent by HSBC Global Banking and Markets Compliance.

Index Constituents which become ineligible between Semi-annual Reviews are replaced with the eligible non-constituent with the highest market capitalisation (please see Section 1.1). Results of actions affecting the Index will be published on the HSBC Global Markets website for indices www.hsbcinvestorsolutions.com.

1.6 Liquidity screening

At the date of launch and on subsequent Semi-annual Review Dates, each company must have a minimum Average Daily Traded Value over 3 months of USD 2,000,000 (however this may be lowered under certain circumstances– please see Section 1.4). When companies are newly listed on the relevant stock exchange (or relevant exchange where ADRs or GDRs are used in their place), and 3-month data is not available, the Average Daily Traded Value over the period since trading began is used provided that at least four weeks of price and volume data is available.

1.7 Multiple share classes

Other than ordinary shares listed on the relevant exchanges for each market/region, American Depositary Receipts (ADRs) and Global Depositary Receipts (GDRs) and equivalent issuances are also permitted. The substitution by an ADR or GDR of a domestic listed security will arise where its liquidity renders it eligible even if the domestic listed security is also eligible, where these Ground Rules prohibit domestic listed securities, or where the foreign ownership limit on the domestic listed security has been reached. For example, at the time of this document Indian regulations prevent access to local Indian stocks and HSBC Global Markets does not have access to local shares. Thus only ADRs and GDRs are eligible for Indian companies, subject to the Ground Rules. In the event of more than one ADR/GDR issue or different classes of shares e.g. A and B shares becoming eligible the most liquid of ADR/GDR or of A/B shall be selected.

1.8 Annual Review

In addition to the Semi-annual Review, the Annual Review looks at the weights assigned to each country/region. The Annual Review Date falls on an anniversary of the Creation Date, market/region weightings are reviewed according to the relative change in market capitalisation since the Creation Date. The market capitalisation is defined as the sum of the market capitalisations of the largest 20 eligible securities in the market/region. Market/region weightings are revised in proportion to changes in market capitalisation up to a maximum change of 20% of the market/region weight at the Creation Date. In the event of one or more market/region weightings being in excess of 20% of their weighting as at the Creation Date, market/region weightings are fixed at the maximum change (increase or decrease) with the excess weight *pro-rated* amongst remaining markets/regions. The review procedures for constituent distribution (above) are then applied.

2. Index Maintenance

2.1 Changes to number of shares in issue and Capital Adjustments

Changes to the number of shares in issue and Capital Adjustments which affect the price of an Index Constituent (bonus issues, rights issues, subdivisions, consolidations, capital repayments, mergers and demergers) are processed on the day the action takes effect.

Shares changes resulting from IPOs, additional listings and conversions (of warrants, convertibles etc), or partial cancellations and buy-backs would not normally be processed before the subsequent Semi-annual Review Date.

2.2 Mergers, acquisitions and restructurings

Corporate actions which affect the eligibility of an Index Constituent are processed after the close of the business day. Such corporate actions include takeovers, mergers, acquisitions, restructurings and schemes of arrangement. These are processed at the start of the date on which they are effective. If an Index Constituent is no longer eligible then it is removed without replacement. If an Index Constituent has a spin off (or de-merger), then the Calculation Agent (see Section 4 below) will review both the original company and the resultant company prior to the effective date and announce on the HSBC Global Market website for indices if the resultant company will become an Index Constituent with the original company removed.

2.3 IPOs

Newly listed companies only become eligible for inclusion into the Index at the next Semi-annual Review Date, provided that four weeks of price and volume data are available to the Calculation Agent to ensure that liquidity criteria are met. Consequently there may be more than three months between the date when a company's shares are first traded and the date when they are considered for inclusion into the Index.

2.4 Suspension

A stock's quotation may be suspended for a number of reasons but, for index purposes, these fall into two categories. If the purpose of the suspension is to comply with regulations during takeover discussions, regulatory arrangements, or other corporate restructurings, then the Index Constituent is not removed from the index and its price remains static at the value when it was suspended.

If the suspension is attributable to the possibility that the Index Constituent is insolvent, is in breach of regulations or laws which may prevent the continuance of the Index Constituent's quote, or is likely to be suspended for an indefinite period, then the Index Constituent is removed with zero value. Removal of suspended Index Constituents takes place after the tenth business day of suspension, but the time period can be longer where the reason for suspension has not been clearly established.

If a suspended company which was removed from the Index at zero value resumes trading it will be reinstated in the Index at zero value, thereafter being valued at its closing price. Notification of constituent suspensions will be posted on the HSBC Global Markets website for indices.

2.5 Replacement of Index Constituents

If a company is removed from the Index due to takeover, delisting or suspension, there is no replacement before the following Effective Date as a consequence of the Semi-annual Review. Notice of removal shall be posted on the HSBC Global Markets website for indices.

2.6 Dividends

For the purposes of calculating a total return index, net dividends, meaning the dividend amount received after deduction of any local and withholding taxes based on the tax treatment of a Luxembourg based investor, are processed when a company is quoted ex-dividend. Net Dividends which appear to be paid from a company's capital are treated as capital repayments (please see Section 2.1). See Appendix C: HSBC Optimised GEM Index withholding tax rates.

The indices are calculated to act as reference values for financial products which are linked to their performance. Should the tax regulations as they relate to the withholding tax on corporate actions (dividends) in Luxembourg change, the Optimised Indices Oversight Committee may change the withholding tax rates applied to properly reflect the financial impact. Changes will be posted on the HSBC Global Markets website for indices.

3. Index governance

3.1 Overview

The HSBC Optimised GEM Index is a Rules Based Index sponsored by HSBC Global Markets. The Index is calculated independently by the Calculation Agent. HSBC Global Markets has formed an Optimised Indices Oversight Committee to review policies and coverage of the HSBC Global Markets Indices, meeting between Semi-annual Review Dates as and when required. Whilst, it is not envisaged that the Rules will change, any modification to the Rules, including notification of when HSBC Global Markets resolves to cease publishing the Index, will be available directly from the HSBC Global Markets website for indices (please refer to Section 4.4) with a 3-month notice period prior to the proposed change. Any decision to cease publication shall only be taken once HSBC Global Markets has made sure all products which use the Index as a reference have expired or have been redeemed.

3.2 Oversight Committee

The HSBC Optimised Indices Oversight Committee has the following constituents:

HSBC Global Markets:

1. Structured Equities
2. Execution Services
3. Third Party Structured Product Development
4. Compliance

The names of Oversight Committee members can be obtained by contacting HSBC Global Markets. Any changes to the Index Rules made by the Oversight Committee will be published on the HSBC Global Markets website for indices. The amendments will be updated in the Index Rules.

3.3 Information about the Index

All data and information concerning the Index, such as

- a) Ground Rules
- b) Change of Ground Rules (if any)

- c) Index Values
- d) Index Constituents
- e) Announcements
- f) Information as to historical volatilities etc.

is available directly from the HSBC Global Markets website for indices.

3.4 About HSBC Global Markets Indices

This Index has been created by HSBC Global Markets. The aim of the HSBC Optimised Indices is to provide reference benchmarks for investment products. HSBC Global Markets has attempted to optimise the Index Rules so that investment products which reference these indices can be serviced on a long-term basis. These indices are characterised by their relatively small number of constituents and their strong emphasis on foreign availability and market liquidity.

Investors should be aware that the Index is constituted by the Global Markets Division of HSBC Bank plc (“HSBC Global Markets”) and is not an independent research index operated by the Global Research Department.

The HSBC Global Markets Indices are a distinct series of indices from the range offered by HSBC Global Research, of which the Calculation Agent is a part. HSBC Global Research operates as a separate business within HSBC from HSBC Global Markets (please see Appendix D: Important Note).

4 Role of the Calculation Agent

The role of the Calculation Agent is to calculate the daily value of the constituted Index and to Review the Index on each Review date in order to reconstitute the Index in accordance with the rules of the Index as specified by HSBC Global Markets.

The Calculation Agent:

1. Reviews the GEM Stock Universe.
2. Reviews liquidity.
3. Identifies Index Constituent changes.
4. Revises weighting factors.
5. Compiles the new constituents for the Index

All removals and inclusions are effective on the Effective Date.

4.1 Calculation

Index Values are calculated daily, after the close of business at the US stock exchanges.

Corporate actions affecting the price of a security (bonus issues, rights issues, subdivisions, consolidations, capital repayments, mergers and de-mergers) are processed on the day when they are effective. See Section 2 for further details of how corporate actions affect the Index calculation.

The list of constituents forming the Index is rebalanced semi-annually, based on prices, numbers of shares and exchange rates as at the last business day of the relevant exchange in the months of February and August. These are the Semi-annual Review Dates. Index Constituent changes resulting from the Semi-annual Review are effective after the close of business on the Effective Date, which is the Wednesday preceding the second Friday in February and August.

4.2 Index calculation formula

Each daily index return is a weighted average of the returns of its Index Constituents, where the weights are defined according to the methodology in Section 1.3. The weights are subsequently adjusted to accommodate capital changes (rights issues, capital repayments, mergers and de-mergers). The Index calculation formula is provided in Appendix A.

The index calculation method does not incorporate any deductions for transaction costs, taxes or fees other than taxes used in the calculation of net dividends for the purpose of calculating the total return series (please see Section 2.6).

4.3 Initial values

Each index series Creation Date is 31 January 2008. Index Values are available from 30 January 2004 when the Index Value is set at 100.

4.4 Daily calculations

Index Values are calculated and released normally before 8:00 a.m. (UK time) and are distributed to data vendors, where they are available on the following pages:

Data Vendor	Page
Bloomberg:	HSIP
Reuters:	HSBC/OPTIMISED1
HSBC Global Markets website for indices	www.hsbcinvestorsolutions.com

Remark: Market Disruptions (please see Section 4.6) may prevent Index Values being published before 8:00 am.

4.5 Index calculation and maintenance data sources

The Calculation Agent obtains exchange rates, closing prices, traded volumes and numbers of issued shares used for both calculation and maintenance of the Index Values each day from Interactive Data Corporation, Bedford, USA (IDC). The exchange rate data provided by IDC are composite; meaning they are calculated using a number of quotes taken at 4:00 p.m. in London. The Calculation Agent may supplement data from IDC with other sources such as Reuters at its absolute discretion. The Calculation Agent does not guarantee the accuracy of the data from its data vendors or independently verify such data.

4.6 Market Disruptions and Data Disruptions

In the event of a Market Disruption (including but not restricted to: a relevant stock exchange not opening for or severely curtailing hours of business or; trading on a relevant stock exchange being conducted without timely electronic dissemination of closing price data or; disruptions preventing HSBC staff from calculating and/or disseminating Index Values), HSBC shall not publish Index Values until such time as the Market Disruption is over and that it believes it can once again accurately calculate the Index Values.

In the event of a Data Disruption (including but not restricted to: failure of electronic data delivery by data providers contracted to HSBC; unavailability of electronic or internet access to data obtained from an online source; or a disruption of any of HSBC's data systems rendering data inaccessible to processes required to calculate the Index) HSBC shall use its best endeavours to source data from alternative sources with the aim of publishing Index Values by 8:00 a.m. on a day of calculation. HSBC shall not publish Index Values until the Data Disruption is over or data from an alternative source has been acquired. The unavailability of Free-float and Foreign Ownership data shall not be considered sufficient reason to delay the calculation of Index Values and until such time that Free-float or Foreign Ownership data is once again available HSBC shall continue using the last data available to it for the maintenance of the Index.

5. Announcements

5.1 Index reviews

The Calculation Agent will typically announce Semi-annual Review constituent changes during the first week in February and August. All changes to constituents, including those arising from Foreign Ownership Reviews will be notified to HSBC Global Markets one day (excluding UK bank holidays) before constituent or weighting changes, if any, take effect.

5.2 Index Constituent changes

Announcements concerning Index Constituent changes (apart from Semi-annual Reviews) are made as soon as the Calculation Agent has verified and processed the implications of the reasons for the change. Normally, any changes take effect following the business day after the announcement is made.

5.3 Amendments

If an announcement needs to be amended, then HSBC issues a replacement announcement as soon as is reasonably practicable. HSBC makes every attempt to be as accurate as possible, and it cannot be held responsible for any actions subscribers take relating to announcements which are subsequently amended.

5.4 Information about announcements

Details of announcements are available on the HSBC Global Markets website for indices (please see Section 4.4) by following the link to “Announcements”.

5.5 Index Values

The Calculation Agent is acting in an arm’s length capacity to provide independent calculation services to HSBC Global Markets. Index Values are calculated daily and supplied to clients and data providers at 8:00 a.m. (UK time). Neither HSBC Global Markets nor the Calculation Agent can be held responsible for any errors, intentional or unintentional, on the part of external data providers nor for any delays in publishing the Index.

6. Contacts

For general information about the HSBC Optimised GEM Index and other HSBC Global Markets Indices please contact your local HSBC Global Markets representative or contact HSBC Global Markets Third Party Structured Products Development on +44 (0)20 7992 6002, email

structured.investments@hsbcib.com, or visit the HSBC Global Markets website for indices,
www.hsbcinvestorsolutions.com

For more information concerning these Ground Rules and the calculation of the HSBC Global Markets Indices please contact the Calculation Agent, QT, on + 44 8455 847360 or email qt-inquiries@hsbcib.com.

Appendix A: Index Calculation Formula

The Index return is a weighted average return of its constituent companies, where the weights are the market capitalisation. The weights are adjusted to accommodate capitalisation issues and corporate actions; this is the standard method of calculation for indices. The Index calculation formula is:

$$Index_t = Index_0 \times \frac{\sum(P_{it}N_{it}F_{it})}{D_t}$$

where:

$Index_t$	=	Index Value at time t.
$Index_0$	=	Index Value as at the inception date of the Index.
P_{it}	=	The closing price of Index Constituent i at time t.
N_{it}	=	The number of Index Shares of Index Constituent i at time t.
F_{it}	=	The Weighting Factor of Index Constituent i at time t.
D_t	=	Divisor at time t.

The weighting factor, F_{it} is calculated at each Semi-annual Review Date to comply with the requirement to equally-weight constituents in the same market/region.

$$F_{it} = \frac{W_m \times \sum(P_{jt}N_{jt})}{N_m \times P_{it}N_{it}}$$

Where Financial Stocks exceed 30% and must be capped to 30% of a market/region the above formula becomes for Financial Stocks:

$$F_{it} = \frac{0.30 \times W_m \times \sum(P_{jt}N_{jt})}{NF_m \times P_{it}N_{it}}$$

Whilst for non-Financial Stocks:

$$F_{it} = \frac{0.70 \times W_m \times \sum(P_{jt}N_{jt})}{(N_m - NF_m) \times P_{it}N_{it}}$$

Where W_m and N_m are the weight and number of constituents in market/region m (in which the i th constituent is domiciled) (see Sections 1.1 and 1.4). N_{Fm} is the number of Financial Stocks in market/region m (see Section 1.3)

The Divisor is a figure that represents the total market capitalisation at the base date of the Index. It is only adjusted (formula below) to accommodate changes to Index Constituents and changes in the Index Constituents' share capital, thus avoiding distortions in the Index.

Divisor Adjustments

The Divisor adjustment formula is:

$$D_t = D_{t-1} \times \left(1 + \frac{\sum CA_{it}}{M_{t-1}} \right)$$

where:

D_t = Divisor at time t .

D_{t-1} = Divisor at time t minus 1 day.

CA_{it} = The capital adjustment of Index Constituent i at time t .

M_{t-1} = Market Capitalisation of the Index at time t minus 1 day

Appendix B:

HSBC Optimised GEM Index Constituents

The following table shows the constituents of the HSBC Optimised GEM Index as at 31 January 2008.

HSBC Optimised GEM Index				
Market/Region	Constituent	Bloomberg	US Exchange	Weight
BRAZIL				
	BCO BRADESCO SA ADR	BBD US	UN	1.80%
	BCO ITAU HOLDING ADR	ITU US	UN	1.80%
	SIDER NACIONAL ADR	SID US	UN	2.80%
	CIA VALE RIO DOC ADR	RIO US	UN	2.80%
	PETROL BRASILEIR ADR	PBR US	UN	2.80%
BRAZIL Total				12.00%
CHINA				
	BANK OF CHINA LTD H	3988 HK		2.25%
	INDUST & COM BK 'H'	1398 HK		2.25%
	CHINA LIFE INS ADR	LFC US	UN	2.25%
	CHINA CONST BK H	939 HK		2.25%
	CHINA TELECOM CP ADR	CHA US	UN	3.50%
	CHINA PETROLEUM ADS	SNP US	UN	3.50%
	PETROCHINA 'H' ADR	PTR US	UN	3.50%
	CHINA SHENHUA ENER	1088 HK		3.50%
	CHINA COMM CONSTR	1800 HK		3.50%
	CHINA COAL ENERGY	1898 HK		3.50%
CHINA Total				30.00%
EASTERN EUROPE				
	BK PEKAO	PEO PW		1.05%
	POWSZECHNA KASA OS	PKO PW		1.05%
	TELEKOMUNIKACJA PO	TPS PW		1.63%
	CEZ	CEZ CP		1.63%
	MOL HUNGARIAN OIL	MOL HB		1.63%
EASTERN EUROPE Total				7.00%
INDIA				
	HDFC BANK ADR	HDB US	UN	1.50%
	ICICI BANK ADR	IBN US	UN	1.50%
	WIPRO ADR	WIT US	UN	2.33%
	INFOSYS TECH ADR	INFY US	UQ	2.33%
	SATYAM COMP ADR	SAY US	UN	2.33%
INDIA Total				10.00%
KOREA				
	KOOKMIN BANK ADR	KB US	UN	1.40%
	KOREA ELEC POWER ADR	KEP US	UN	1.40%
	SAMSUNG ELECTR GDR	SMSN LI		1.40%
	HYUNDAI HEAVY INDS	009540 KS		1.40%
	POSCO ADR	PKX US	UN	1.40%
KOREA Total				7.00%

HSBC Optimised GEM Index

Market/Region	Constituent	Bloomberg	US Exchange	Weight
MEXICO				
	TELMEX ADR	TMX US	UN	1.50%
	CEMEX ADR	CX US	UN	1.50%
	AMERICA MOVIL SA ADR	AMX US	UN	1.50%
	WAL-MART DE MEX ADR	WMMVY US	UN	1.50%
MEXICO Total				6.00%
RUSSIA				
	LUKOIL OIL COMP ADR	LKOD LI		2.80%
	ROSNEFT OJSC GDR	ROSN LI		2.80%
	GAZPROM ADR	OGZD LI		2.80%
	SBERBANK RUSSIA	SBER RU		2.80%
	JSC MMC NORILSK 'ADR	MNOD LI		2.80%
RUSSIA Total				14.00%
SOUTH AFRICA				
	IMPALA PLATINUM	IMP SJ		1.25%
	ANGLO PLATINUM LTD	AMS SJ		1.25%
	MTN GROUP LTD	MTN SJ		1.25%
	SASOL ADR	SSL US	UN	1.25%
SOUTH AFRICA Total				5.00%
TAIWAN				
	TAIWAN SEMICON ADR	TSM US	UN	1.25%
	FORMOSA PETROCHEMI	6505 TT		1.25%
	HON HAI PREC GDR	HHPD LI		1.25%
	CATHAY FINL HLDG	2882 TT		1.25%
TAIWAN Total				5.00%
TURKEY				
	AKBANK	AKBNK TI		1.20%
	TURKCELL ILET ADR	TKC US	UN	1.40%
	ENKA INSAAT	ENKAI TI		1.40%
TURKEY Total				4.00%
TOTAL				100.00%

UN: New York Listing

UA: American Stock Exchange

UQ: Nasdaq

Appendix C:

HSBC Optimised GEM Index withholding tax rates

Country	Withholding Tax Rate %
BRAZIL	0
CZECH REPUBLIC	15
HONG KONG	0
HUNGARY	0
INDIA	0
KOREA	27.5
MEXICO	0
POLAND	19
ROMANIA	16
RUSSIA	15
SOUTH AFRICA	0
TAIWAN	20
TURKEY	15
UNITED KINGDOM	0
USA	30

Appendix D:

IMPORTANT NOTE

This document is issued by HSBC Bank plc (“HSBC”). HSBC is authorised and regulated by the Financial Services Authority (“FSA”) and is a member of the HSBC Group of companies (“HSBC Group”). Any member of the HSBC Group, together with their directors, officers and employees may have traded for their own account as principal, or together with its officers, directors and employees may have a long or short position in any related instrument mentioned in this material.

The HSBC Optimised GEM Index (the “Index”) is promoted by the Global Banking and Markets business of HSBC Bank plc (“Global Banking and Markets”). The Index is not an independent Research product of the Global Research Department. The Index is calculated by HSBC Bank plc’s Quantitative Techniques business (“QT”). Global Banking and Markets has no responsibility for the calculation of the Index and does not guarantee or represent or warrant the accuracy or completeness of the Index or the data comprised therein.

QT provides an independent service offering indices and data products to customers including users of the HSBC Indices. QT operates independently from the Global Banking and Markets business from which it is both structurally and physically separated. Whilst QT calculates and publishes the level of the Index in good faith based on sources which it believes to be reliable, it does not guarantee, represent or warrant the accuracy or completeness of the Index or the data comprised therein.

Except in the case of fraudulent misrepresentation, no liability is accepted by either Global Banking and Markets or QT whatsoever for any direct, indirect or consequential loss arising from the Index.

Neither Global Banking and Markets nor QT make any representation, warranty or guarantee whatsoever as to the performance of the Index. Investments can fluctuate in price or value and prices, values or income may fall against an investor’s interests. Changes in rates of exchange and rates of interest may have an adverse effect on the value, price or income of the Index. You are solely responsible for making your own independent appraisal of and investigation into the Index referred to in this document and you should not rely on any information in this document as constituting investment advice. Neither HSBC nor any of its affiliates are responsible for providing you with legal, tax or other specialist advice and you should make your own arrangements in respect of this accordingly. This document is intended solely for professional clients and eligible counterparties (as defined in the rules of the FSA) and is not intended for the use of retail clients. No opinions are expressed as to the merits or suitability of the Index. Investments in the Index may not be suitable for all requirements and if you have any doubts, seek advice from your investment adviser.

These index rules are a “financial promotion” within the scope of the rules of the FSA.

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HSBC Global Markets Indices

HSBC Optimised Global Agriculture Index

March 2008

HSBC Global Markets Indices

Ground Rules for HSBC Optimised Global Agriculture Index

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March 2008

Definitions

Average Daily Traded Value	Average daily value of shares traded over a specified period of time
Calculation Agent	HSBC's Quantitative Techniques business (QT) – a division of HSBC and an independent Calculation Agent which provides data and calculates indices for parts of HSBC Group, including to the Global Research Department and to organisations outside of HSBC
Capital Adjustment	Adjustment to a company's share capital resulting from bonus issues, rights issues, subdivisions, consolidations, capital repayments, mergers, demergers and other events of a related nature
Creation Date	31 January 2008
Currency Adjusted Market Capitalisation	Total value of a company's issued share capital expressed in US dollars
Data Disruption	Event involving unavailability of data as defined in Section 4.6
Effective Date	Date on which constituent changes from a Semi-annual Review take effect in the calculation of the Index
Free-float	Shares of a company which are freely available for purchase in stock markets
Ground Rules	The rules defining calculation, maintenance, governance and publication of the Index
Index	HSBC Optimised Global Agriculture Index
Index Constituent	Company whose shares are used to calculate the Index Value
Index Shares	The number of shares of an Index Constituent used to calculate the Index Value.
Index Value	Calculated value of the Index. Applies to both capital (price) return and total return calculations.
Optimised Indices Oversight Committee	A committee of HSBC Global Markets professionals charged with issues of index governance
Market Disruption	Event where trading or index calculation does not take place as defined in Section 4.6
Semi-annual Review	Procedure for reviewing the list of constituents which make up the Index
Semi-annual Review Date	Date from which data for the Semi-annual Review is taken which is the last Business Day in the UK in the months of February, and August
Weighting Factor	Multiplier applied to Index Shares in order to restrict maximum weight at Semi-annual Review or Foreign Ownership Review to 15%

1. Introduction

1.1 HSBC Optimised Global Agriculture Index Overview

The HSBC Optimised Global Agriculture Index (the “Index”) is promoted by HSBC Global Markets, a business area of HSBC Bank plc. The Index is provided as two series: The HSBC Optimised Global Agriculture Total Return Index, which includes ex-dividend adjustments; and the HSBC Optimised Global Agriculture Price Return Index, which excludes the effects of dividends.

The purpose of the Index is to capture the performance of up to 30 companies engaged in the production of fertilisers and agricultural chemicals or in agricultural production.

1.2 Global Constituents Selection

Companies from all countries in which HSBC has market access are eligible to be included in the Index. GICS sectors must be one of the following:

15101030	Fertilizers and Agricultural Chemicals
30202010	Agricultural Products

Each stock must be open to foreign investment and normally have a minimum Average Daily Traded Value of USD 1 million over a three-month period at each Semi-annual Review Date with preference given to the largest stocks by market capitalisation.

1.3 Liquidity screening

At the date of launch and on subsequent Semi-annual Review Dates, each company must have a minimum Average Daily Traded Value over 3 months of USD 1,000,000 (however this may be lowered under certain circumstances– please see Section 1.4). When companies are newly listed on the relevant stock exchange (or relevant exchange where ADRs or GDRs are used in their place), and 3-month data is not available, the Average Daily Traded Value over the period since trading began is used provided that at least four weeks of price and volume data is available.

1.4 Weighting & Constituent Numbers

For rebalancing purposes, the starting point is that all constituents of the universe from which Index Constituents are selected are represented by their full USD market capitalisation. The weights are subsequently adjusted to accommodate capital changes (rights issues, capital repayments, mergers, and de-mergers). The Index calculation formula is provided in Appendix A.

Index constituents are weighted using the modified market capitalisation methodology, where the largest Index Constituents have a reduced weighting in the Index to limit their dominance.

If the largest Index Constituent is greater than 7% then this constituent's weight is set at 7% by the multiplication of a Weighting Factor, with lower-ranked Index Constituents having their weights increased pro-rata. If the second Index Constituent is 7% or more following pro-rating of weight from the first constituent then the process is repeated and is repeated again with the third Index Constituent onwards until all Index Constituents have 7% weight or lower. The consequent Weighting Factor is the ratio between the weight before applying this rule and the weight after. Where no Index Constituent has a weight of 7% or above the Index is represented by Index Constituents at their full market capitalisations and all Weighting Factors are set to 1.

The maximum number of constituents in the index is 30 and the minimum is 20. If the total number of companies is less than 20 the liquidity criterion is lowered by USD100,000 progressively until at least 20 companies are eligible.

For historic simulation purposes, the same procedures apply at each historic Semi-annual Review Date that apply at the Creation Date.

1.5 Exclusions

The following securities are ineligible as Index Constituents and are excluded from Semi-annual Reviews:

- Companies with below 10% free float
- Companies in whose shares HSBC Global Markets is prohibited from dealing and which have been notified to the Calculation Agent by HSBC Global Banking and Markets Compliance.

Index Constituents which become ineligible between Semi-annual Reviews are replaced with the eligible non-constituent with the highest market capitalisation (please see Section 1.1). Results of actions affecting the Index will be published on the HSBC Global Markets website for indices www.hsbcinvestorsolutions.com.

1.6 Multiple share classes

Other than ordinary shares listed on the relevant exchanges for each market/region, American Depositary Receipts (ADRs) and Global Depositary Receipts (GDRs) and equivalent issuances are also permitted. If more than one class of shares is available, the more liquid share class is selected. This is subject to HSBC having access to the local shares. If there is no access to local shares ADRs/GDRs are used. The substitution by an ADR or GDR of a domestic listed security will also arise where its liquidity renders it eligible even if the domestic listed security is also eligible, where these Ground Rules prohibit domestic listed securities, or where the foreign ownership limit on the domestic listed security has been reached. For example, at the time of this document Indian regulations prevent access to local Indian stocks and HSBC Global Markets does not have access to local shares. Thus only ADRs and GDRs are eligible for Indian companies, subject to the Ground Rules. In the event of more than one ADR/GDR issue or different classes of shares e.g. A and B shares becoming eligible the most liquid of ADR/GDR or of A/B shall be selected.

1.7 Index currencies

The HSBC Optimised Global Agriculture Index Values shall be calculated in USD.

2. Index Maintenance

2.1 Changes to number of shares in issue and Capital Adjustments

Changes to the number of shares in issue and Capital Adjustments which affect the price of an Index Constituent (bonus issues, rights issues, subdivisions, consolidations, capital repayments, mergers and demergers) are processed on the day the action takes effect.

Share changes resulting from IPOs, additional listings and conversions (of warrants, convertibles etc), or partial cancellations and buy-backs would not normally be processed before the subsequent Semi-annual Review Date.

2.2 Mergers, acquisitions and restructurings

Corporate actions which affect the eligibility of an Index Constituent are processed after the close of the business day. Such corporate actions include takeovers, mergers, acquisitions, restructurings and schemes of arrangement. These are processed at the start of the date on which they are effective. If an Index Constituent is no longer eligible then it is removed without replacement. If an Index Constituent has a spin off (or de-merger), then the Calculation Agent (see Section 4 below) will review both the

original company and the resultant company prior to the effective date and announce on the HSBC Global Market website for indices if the resultant company will become an Index Constituent with the original company removed.

2.3 IPOs

Newly listed companies only become eligible for inclusion into the Index at the next Semi-annual Review Date, provided that four weeks of price and volume data are available to the Calculation Agent to ensure that liquidity criteria are met. Consequently there may be more than three months between the date when a company's shares are first traded and the date when they are considered for inclusion into the Index.

2.4 Suspension

A stock's quotation may be suspended for a number of reasons but, for index purposes, these fall into two categories. If the purpose of the suspension is to comply with regulations during takeover discussions, regulatory arrangements, or other corporate restructurings, then the Index Constituent is not removed from the index and its price remains static at the value when it was suspended.

If the suspension is attributable to the possibility that the Index Constituent is insolvent, is in breach of regulations or laws which may prevent the continuance of the Index Constituent's quote, or is likely to be suspended for an indefinite period, then the Index Constituent is removed with zero value. Removal of suspended Index Constituents takes place after the tenth business day of suspension, but the time period can be longer where the reason for suspension has not been clearly established.

If a suspended company which was removed from the Index at zero value resumes trading it will be reinstated in the Index at zero value, thereafter being valued at its closing price. Notification of constituent suspensions will be posted on the HSBC Global Markets website for indices.

2.5 Replacement of Index Constituents

If a company is removed from the Index due to takeover, delisting or suspension, there is no replacement before the following Effective Date as a consequence of the Semi-annual Review. Notice of removal shall be posted on the HSBC Global Markets website for indices.

2.6 Dividends

For the purposes of calculating a total return index, net dividends, meaning the dividend amount received after deduction of any local and withholding taxes based on the tax treatment of a Luxembourg based investor, are processed when a company is quoted ex-dividend. Net Dividends

which appear to be paid from a company's capital are treated as capital repayments (please see Section 2.1). See Appendix C: HSBC Optimised Global Agriculture Index withholding tax rates.

The indices are calculated to act as reference values for financial products which are linked to their performance. Should the tax regulations as they relate to the withholding tax on corporate actions (dividends) in Luxembourg change, the Optimised Indices Oversight Committee may change the withholding tax rates applied to properly reflect the financial impact. Changes will be posted on the HSBC Global Markets website for indices.

3. Index governance

3.1 Overview

The HSBC Optimised Global Agriculture Index is a Rules Based Index sponsored by HSBC Global Markets. The Index is calculated independently by the Calculation Agent. HSBC Global Markets has formed an Optimised Indices Oversight Committee to review policies and coverage of the HSBC Global Markets Indices, meeting between Semi-annual Review Dates as and when required. Whilst, it is not envisaged that the Rules will change, any modification to the Rules, including notification of when HSBC Global Markets resolves to cease publishing the Index, will be available directly from the HSBC Global Markets website for indices (please refer to Section 4.4) with a 3-month notice period prior to the proposed change. Any decision to cease publication shall only be taken once HSBC Global Markets has made sure all products which use the Index as a reference have expired or have been redeemed.

3.2 Oversight Committee

The HSBC Optimised Indices Oversight Committee has the following constituents:

HSBC Global Markets:

1. Structured Equities
2. Execution Services
3. Third Party Structured Product Development
4. Compliance

The names of Oversight Committee members can be obtained by contacting HSBC Global Markets. Any changes to the Index Rules made by the Oversight Committee will be published on the HSBC Global Markets website for indices. The amendments will be updated in the Index Rules.

3.3 Information about the Index

All data and information concerning the Index, such as

- a) Ground Rules
- b) Change of Ground Rules (if any)
- c) Index Values
- d) Index Constituents
- e) Announcements
- f) Information as to historical volatilities etc.

is available directly from the HSBC Global Markets website for indices.

3.4 About HSBC Global Markets Indices

This Index has been created by HSBC Global Markets. The aim of the HSBC Optimised Indices is to provide reference benchmarks for investment products. HSBC Global Markets has attempted to optimise the Index Rules so that investment products which reference these indices can be serviced on a long-term basis. These indices are characterised by their relatively small number of constituents and their strong emphasis on foreign availability and market liquidity.

Investors should be aware that the Index is constituted by the Global Markets Division of HSBC Bank plc (“HSBC Global Markets”) and is not an independent research index operated by the Global Research Department.

The HSBC Global Markets Indices are a distinct series of indices from the range offered by HSBC Global Research, of which the Calculation Agent is a part. HSBC Global Research operates as a separate business within HSBC from HSBC Global Markets (please see Appendix D: Important Note).

4 Role of the Calculation Agent

The role of the Calculation Agent is to calculate the daily value of the constituted Index and to Review the Index on each Review date in order to reconstitute the Index in accordance with the rules of the Index as specified by HSBC Global Markets.

The Calculation Agent:

1. Reviews the Global Agriculture Stock Universe.
2. Reviews liquidity.
3. Identifies Index Constituent changes.

4. Revises weighting factors.
5. Compiles the new constituents for the Index

All removals and inclusions are effective on the Effective Date.

4.1 Calculation

Index Values are calculated daily, after the close of business at the US stock exchanges.

Corporate actions affecting the price of a security (bonus issues, rights issues, subdivisions, consolidations, capital repayments, mergers and de-mergers) are processed on the day when they are effective. See Section 2 for further details of how corporate actions affect the Index calculation.

The list of constituents forming the Index is rebalanced semi-annually, based on prices, numbers of shares and exchange rates as at the last business day of the relevant exchange in the months of February and August. These are the Semi-annual Review Dates. Index Constituent changes resulting from the Semi-annual Review are effective after the close of business on the Effective Date, which is the Wednesday preceding the second Friday in February and August.

4.2 Index calculation formula

Each daily index return is a weighted average of the returns of its Index Constituents, where the weights are defined according to the methodology in Section 1.3. The weights are subsequently adjusted to accommodate capital changes (rights issues, capital repayments, mergers and de-mergers). The Index calculation formula is provided in Appendix A.

The index calculation method does not incorporate any deductions for transaction costs, taxes or fees other than taxes used in the calculation of net dividends for the purpose of calculating the total return series (please see Section 2.6).

4.3 Initial values

Each index series Creation Date is 31 January 2008. Index Values are available from 31 January 2003 when the Index Value is set at 100.

4.4 Daily calculations

Index Values are calculated and released normally before 8:00 a.m. (UK time) and are distributed to data vendors, where they are available on the following pages:

Data Vendor	Page
Bloomberg:	HSIP
Bloomberg Tickers	HSIXAGRT and HSIXAGRP
Reuters:	HSBC/OPTIMISED1
HSBC Global Markets website for indices	www.hsbcinvestorsolutions.com

Remark: Market Disruptions (please see Section 4.6) may prevent Index Values being published before 8:00 am.

4.5 Index calculation and maintenance data sources

The Calculation Agent obtains closing prices, traded volumes and numbers of issued shares used for both calculation and maintenance of the Index Values each day from Reuters.

The Calculation Agent obtains exchange rate data used for both calculation and maintenance of the Index Values each day from Reuters. The exchange rate data provided by IDC are composite; meaning they are calculated using a number of quotes taken at 4:00 p.m. in London. The Calculation Agent may supplement data from IDC with other sources such as Reuters at its absolute discretion. The Calculation Agent does not guarantee the accuracy of the data from its data vendors or independently verify such data.

4.6 Market Disruptions and Data Disruptions

In the event of a Market Disruption (including but not restricted to: a relevant stock exchange not opening for or severely curtailing hours of business or; trading on a relevant stock exchange being conducted without timely electronic dissemination of closing price data or; disruptions preventing HSBC staff from calculating and/or disseminating Index Values), HSBC shall not publish Index Values until such time as the Market Disruption is over and that it believes it can once again accurately calculate the Index Values.

In the event of a Data Disruption (including but not restricted to: failure of electronic data delivery by data providers contracted to HSBC; unavailability of electronic or internet access to data obtained from an online source; or a disruption of any of HSBC's data systems rendering data inaccessible to processes required to calculate the Index) HSBC shall use its best endeavours to source data from alternative sources with the aim of publishing Index Values by 8:00 a.m. on a day of calculation. HSBC shall not publish Index Values until the Data Disruption is over or data from an alternative source has been acquired. The unavailability of Free-float and Foreign Ownership data shall not be considered sufficient reason to delay the calculation of Index Values and until such time that Free-float

or Foreign Ownership data is once again available HSBC shall continue using the last data available to it for the maintenance of the Index.

5. Announcements

5.1 Index reviews

The Calculation Agent will typically announce Semi-annual Review constituent changes during the first week in February and August. All changes to constituents, including those arising from Foreign Ownership Reviews will be notified to HSBC Global Markets one day (excluding UK bank holidays) before constituent or weighting changes, if any, take effect.

5.2 Index Constituent changes

Announcements concerning Index Constituent changes (apart from Semi-annual Reviews) are made as soon as the Calculation Agent has verified and processed the implications of the reasons for the change. Normally, any changes take effect following the business day after the announcement is made.

5.3 Amendments

If an announcement needs to be amended, then HSBC issues a replacement announcement as soon as is reasonably practicable. HSBC makes every attempt to be as accurate as possible, and it cannot be held responsible for any actions subscribers take relating to announcements which are subsequently amended.

5.4 Information about announcements

Details of announcements are available on the HSBC Global Markets website for indices (please see Section 4.4) by following the link to “Announcements”.

5.5 Index Values

The Calculation Agent is acting in an arm’s length capacity to provide independent calculation services to HSBC Global Markets. Index Values are calculated daily and supplied to clients and data providers at 8:00 a.m. (UK time). Neither HSBC Global Markets nor the Calculation Agent can be held responsible for any errors, intentional or unintentional, on the part of external data providers nor for any delays in publishing the Index.

6. Contacts

For general information about the HSBC Optimised Global Agriculture Index and other HSBC Global Markets Indices please contact your local HSBC Global Markets representative or contact HSBC Global Markets Third Party Structured Products Development on +44 (0)20 7992 6002, email structured.investments@hsbcib.com, or visit the HSBC Global Markets website for indices, www.hsbcinvestorsolutions.com

For more information concerning these Ground Rules and the calculation of the HSBC Global Markets Indices please contact the Calculation Agent, QT, on + 44 8455 847360 or email qt-inquiries@hsbcib.com.

Appendix A: Index Calculation Formula

The Index return is a weighted average return of its constituent companies, where the weights are the market capitalisation. The weights are adjusted to accommodate capitalisation issues and corporate actions; this is the standard method of calculation for indices. The Index calculation formula is:

$$Index_t = Index_0 \times \frac{\sum(P_{it}N_{it}F_{it})}{D_t}$$

where:

$Index_t$	=	Index Value at time t.
$Index_0$	=	Index Value as at the inception date of the Index.
P_{it}	=	The closing price of Index Constituent i at time t.
N_{it}	=	The number of Index Shares of Index Constituent i at time t.
F_{it}	=	The Weighting Factor of Index Constituent i at time t.
D_t	=	Divisor at time t.

The Divisor is a figure that represents the total market capitalisation at the base date of the Index. It is only adjusted (formula below) to accommodate changes to Index Constituents and changes in the Index Constituents' share capital, thus avoiding distortions in the Index.

Divisor Adjustments

The Divisor adjustment formula is:

$$D_t = D_{t-1} \times \left(1 + \frac{\sum CA_{it}}{M_{t-1}} \right)$$

where:

D_t	=	Divisor at time t.
D_{t-1}	=	Divisor at time t minus 1 day.
CA_{it}	=	The capital adjustment of Index Constituent i at time t.
M_{t-1}	=	Market Capitalisation of the Index at time t minus 1 day

Appendix B:

HSBC Optimised Global Agriculture Index Constituents

The following table shows the constituents of the HSBC Optimised Global Agriculture Index as at 31 January 2008.

HSBC Optimised Global Agriculture Index

Company	Bloomberg	Country	Sector	Weight
ARCHER DANIELS MID	ADM US	USA	Fertilizers and Agricultural Chemicals	7.00%
MONSANTO	MON US	CANADA	Fertilizers and Agricultural Chemicals	7.00%
POTASH CORP SASKATCH	POT CN	USA	Fertilizers and Agricultural Chemicals	7.00%
MOSAIC CO	MOS US	USA	Agricultural Products	7.00%
SYNGENTA	SYNN VX	SWITZERLAND	Fertilizers and Agricultural Chemicals	7.00%
WILMAR INTERL LTD	WIL SP	SINGAPORE	Agricultural Products	6.46%
ICL-ISRAEL CHEM	ICL IT	ISRAEL	Fertilizers and Agricultural Chemicals	5.66%
BUNGE	BG US	BERMUDA	Agricultural Products	4.89%
YARA INTL	YAR NO	NORWAY	Fertilizers and Agricultural Chemicals	4.88%
URALKALIY 'GDR'	URKA LI	RUSSIA	Fertilizers and Agricultural Chemicals	4.68%
IOI CORP	IOI MK	MALAYSIA	Agricultural Products	4.62%
K & S	SDF GR	GERMANY	Fertilizers and Agricultural Chemicals	3.55%
AGRIUM	AGU CN	CANADA	Fertilizers and Agricultural Chemicals	3.50%
ISRAEL CORP	ILCO IT	ISRAEL	Fertilizers and Agricultural Chemicals	2.63%
GOLDEN AGRI RESOUR	GGR SP	SINGAPORE	Agricultural Products	2.32%
CF INDUSTRIES HLDGS	CF US	USA	Fertilizers and Agricultural Chemicals	2.06%
KUALA LUMPUR KEPONG	KLK MK	MALAYSIA	Agricultural Products	1.99%
INCITEC PIVOT	IPL AU	AUSTRALIA	Fertilizers and Agricultural Chemicals	1.86%
ASTRA AGRO LESTARI	AALI IJ	INDONESIA	Agricultural Products	1.78%
SINOFERT HOLDINGS	297 HK	BERMUDA	Fertilizers and Agricultural Chemicals	1.70%
DANGOTE SUGAR REF	DANGSUGA NL	NIGERIA	Agricultural Products	1.54%
COSAN SA INDUSTRIALS	CSAN3 BZ	BRAZIL	Agricultural Products	1.47%
TERRA INDS	TRA US	USA	Fertilizers and Agricultural Chemicals	1.39%
SUEDZUCKER	SZU GR	GERMANY	Agricultural Products	1.38%
PPB GROUP	PEP MK	MALAYSIA	Agricultural Products	1.35%
MAKHTESHIM AGAN INDS	MAIN IT	ISRAEL	Fertilizers and Agricultural Chemicals	1.21%
DANISCO	DCO DC	DENMARK	Agricultural Products	1.12%
TAIWAN FERTILIZER	1722 TT	TAIWAN	Fertilizers and Agricultural Chemicals	1.10%
FOSFERTIL FERT PN	FFTL4 BZ	BRAZIL	Fertilizers and Agricultural Chemicals	0.98%
TERRA NITROGEN LP	TNH US	USA	Fertilizers and Agricultural Chemicals	0.88%

Appendix C:

HSBC Optimised Global Agriculture Index withholding tax rates

Region	Country	Withholding Tax Rate %
Asia	AUSTRALIA	30
Asia	CHINA	0
Asia	HONG KONG	0
Asia	INDIA	0
Asia	INDONESIA	20
Asia	JAPAN	7
Asia	KOREA	27.5
Asia	MALAYSIA	0
Asia	NEW ZEALAND	30
Asia	PAKISTAN	10
Asia	PHILIPPINES	35
Asia	SINGAPORE	0
Asia	SRI LANKA	10
Asia	TAIWAN	20
Asia	THAILAND	10
Developed Europe	AUSTRIA	25
Developed Europe	BELGIUM	25
Developed Europe	DENMARK	28
Developed Europe	FINLAND	28
Developed Europe	FRANCE	25
Developed Europe	GERMANY	21.1
Developed Europe	GREECE	0
Developed Europe	IRELAND	20
Developed Europe	ITALY	27
Developed Europe	NETHERLANDS	15
Developed Europe	NORWAY	25
Developed Europe	PORTUGAL	20

Appendix D:

IMPORTANT NOTE

This document is issued by HSBC Bank plc (“HSBC”). HSBC is authorised and regulated by the Financial Services Authority (“FSA”) and is a member of the HSBC Group of companies (“HSBC Group”). Any member of the HSBC Group, together with their directors, officers and employees may have traded for their own account as principal, or together with its officers, directors and employees may have a long or short position in any related instrument mentioned in this material.

The HSBC Optimised Global Agriculture Index (the “Index”) is promoted by the Global Banking and Markets business of HSBC Bank plc (“Global Banking and Markets”). The Index is not an independent Research product of the Global Research Department. The Index is calculated by HSBC Bank plc’s Quantitative Techniques business (“QT”). Global Banking and Markets has no responsibility for the calculation of the Index and does not guarantee or represent or warrant the accuracy or completeness of the Index or the data comprised therein.

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These index rules are a “financial promotion” within the scope of the rules of the FSA.

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HSBC Global Markets Indices

HSBC Optimised Middle East Index Series

June 2008

HSBC Global Markets Indices

Ground Rules for HSBC Optimised Middle East Index Series

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Definitions

Average Daily Traded Value	Average daily value of shares traded over a specified period of time
BOQ	Bahrain, Oman, Qatar
Calculation Agent	HSBC's Quantitative Techniques business (QT) – a division of HSBC and an independent Calculation Agent which provides data and calculates indices for parts of HSBC Group, including to the Global Research Department and to organisations outside of HSBC
Capital Adjustment	Adjustment to a company's share capital resulting from bonus issues, rights issues, subdivisions, consolidations, capital repayments, mergers, demergers and other events of a related nature
Creation Date	30 May 2008
Currency Adjusted Market Capitalisation	Total value of a company's issued share capital expressed in US dollars
Data Disruption	Event involving unavailability of data as defined in Section 4.6
Effective Date	Date on which constituent changes from a Semi-annual Review take effect in the calculation of the Index
Free-float	Shares of a company which are freely available for purchase in stock markets
Ground Rules	The rules defining calculation, maintenance, governance and publication of the Index
GCC Countries	Gulf Cooperation Council consists of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and UAE
Index	HSBC Optimised Middle East Index Series
Index Constituent	Company whose shares are used to calculate the Index Value
Index Shares	The number of shares of an Index Constituent used to calculate the Index Value
Index Value	Calculated value of the Index. Applies to both capital (price) return and total return calculations
Optimised Indices Oversight Committee	A committee of HSBC Global Markets professionals charged with issues of index governance
Market Disruption	Event where trading or index calculation does not take place as defined in Section 4.6
Semi-annual Review	Procedure for reviewing the list of constituents which make up the Index
Semi-annual Review Date	Date from which data for the Semi-annual Review is taken which is the last Business Day in the UK in the months of February and August
UAE	United Arab Emirates (Abu Dhabi, Ajman, Dubai, Fujairah, Ras al-Khaimah, Sharjah and Umm al-Quwain). Most companies in this region are listed on the stock exchanges in Dubai and Abu Dhabi.
Weighting Factor	Multiplier applied to Index Shares in order to restrict maximum weight at Semi-annual Review or Foreign Ownership Review to 10%

1. Introduction

1.1 HSBC Optimised Middle East Index Series overview

The HSBC Optimised Middle East Index Series (the “Indices”) are promoted by HSBC Global Markets, a business area of HSBC Bank plc. Each of the Indices is provided as two series: The HSBC Optimised Total Return Index, which includes ex-dividend adjustments; and the HSBC Optimised Price Return Index, which excludes the effects of dividends.

The purpose of each Index is to provide investors with a benchmark which gives exposure to companies from countries specified in Table 1. Each stock must be open to foreign investment and normally have a minimum Average Daily Traded Value of USD 1 million over a three-month period at each Semi-annual Review Date. The largest stocks (by market capitalisation) in each market or region are selected. The minimum Average Daily Traded Value may be lowered if there are less than the minimum number of constituents specified for each Index.

The maximum weight per constituent in an Index is 10% and this criterion is set on the Index start date and on each Periodic Review Date.

Table 1 gives the number of constituents for each Index. Only securities incorporated and listed on regulated stock exchanges in the markets or regions are eligible for inclusion in each of the Indices. Indices are constructed with the aim of having the Maximum number of constituents in each index subject to the constituent selection criteria.

Table 1

Market or Region	Minimum constituents	Maximum constituents
GCC Markets		
Abu Dhabi	10	15
Bahrain (see Smaller Markets)	na	na
Dubai	10	15
Kuwait	10	15
Oman (see Smaller Markets)	na	na
Qatar (see Smaller Markets)	na	na
GCC + Egypt	30	40
GCC + Egypt + Jordan	30	40
Egypt	15	20
Jordan	10	15
Smaller Markets		

Bahrain, Oman, Qatar (“BOQ”)	10	15
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Appendix B details the list of constituents and their weightings as of 30 May 2008 for each Index.

1.2 HSBC Optimised Middle East Index Series currencies

The Index Values shall be calculated in USD. Single market Indices will also be calculated in the local market currency.

1.3 Weighting

For rebalancing purposes, the starting point is that all constituents of the universe from which Index Constituents are selected are represented by their full USD market capitalisation.

The maximum constituent weighting in an Index is 10% with the exception of the HSBC Optimised GCC+Egypt+Jordan Index where the maximum constituent weighting is 5%.

At each Semi-annual Review Date, if the largest constituent of the Index is greater than 10% then this constituent’s weight is set at 10% by the multiplication of a weighting factor, with lower-ranked constituents having their weights increased pro-rata. If the second constituent is 10% or more then the process is repeated and is repeated again with the third constituent onwards until all constituents are 10% weight or lower. The consequent Weighting Factor is the ratio between the weight before applying this rule and the weight after. Where no constituent has a weight of 10% or above, all Weighting Factors are set to 1.

Similarly, for the HSBC Optimised GCC+Egypt+Jordan Index, at each Semi-annual Review Date, if the largest constituent of the Index is greater than 5% then this constituent’s weight is set at 5% by the multiplication of a weighting factor, with lower-ranked constituents having their weights increased pro-rata. If the second constituent is 5% or more then the process is repeated and is repeated again with the third constituent onwards until all constituents are 5% weight or lower. The consequent Weighting Factor is the ratio between the weight before applying this rule and the weight after. Where no constituent has a weight of 10% or above, all Weighting Factors are set to 1.

The weights are subsequently adjusted to accommodate capital changes (rights issues, capital repayments, mergers, and de-mergers). The Index calculation formula is provided in Appendix A.

1.4 Market/Region Weighting and Constituent Distribution

The maximum and minimum number of constituents for each Index are specified in Table 1. If there are fewer eligible companies than the maximum numbers shown in the Table 1 in any Index then the

number available is used. If the total number of companies is consequently lower than the minimum number for any given Index, then the liquidity criterion is lowered by USD100,000 progressively until at least the minimum number of companies are eligible for each Index.

For purposes of clarity the indices consisting of more than one country have the largest constituents as measured by their full USD market capitalisation which satisfy the minimum liquidity criteria are selected.

For historic simulation purposes, the same procedures apply at each historic Semi-annual Review Date that apply at the Creation Date.

1.5 Exclusions

The following securities are ineligible as Index Constituents and are excluded from Semi-annual Reviews:

- Companies with below 10% free float
- Companies in whose shares HSBC Global Markets is prohibited from dealing and which have been notified to the Calculation Agent by HSBC Global Banking and Markets Compliance.

Index Constituents which become ineligible between Semi-annual Reviews are replaced with the eligible non-constituent with the highest market capitalisation (please see Section 1.1). Results of actions affecting the Index will be published on the HSBC Global Markets website for indices www.hsbcinvestorsolutions.com.

1.6 Liquidity screening

At the date of launch and on subsequent Semi-annual Review Dates, each company must have a minimum Average Daily Traded Value over 3 months of USD 1,000,000 (however this may be lowered under certain circumstances– please see Section 1.4). When companies are newly listed on the relevant stock exchange (or relevant exchange where ADRs or GDRs are used in their place), and 3-month data is not available, the Average Daily Traded Value over the period since trading began is used provided that at least four weeks of price and volume data is available.

1.7 Multiple share classes

Other than ordinary shares listed on the relevant exchanges for each market/region, American Depositary Receipts (ADRs) and Global Depositary Receipts (GDRs) and equivalent issuances are also permitted. The substitution by an ADR or GDR of a domestic listed security will arise where its liquidity renders it eligible even if the domestic listed security is also eligible, where these Ground

Rules prohibit domestic listed securities, or where the foreign ownership limit on the domestic listed security has been reached.

2. Index Maintenance

2.1 Changes to number of shares in issue and Capital Adjustments

Changes to the number of shares in issue and Capital Adjustments which affect the price of an Index Constituent (bonus issues, rights issues, subdivisions, consolidations, capital repayments, mergers and demergers) are processed on the day the action takes effect.

Share changes resulting from IPOs, additional listings and conversions (of warrants, convertibles etc), or partial cancellations and buy-backs would not normally be processed before the subsequent Semi-annual Review Date.

2.2 Mergers, acquisitions and restructurings

Corporate actions which affect the eligibility of an Index Constituent are processed after the close of the business day. Such corporate actions include takeovers, mergers, acquisitions, restructurings and schemes of arrangement. These are processed at the start of the date on which they are effective. If an Index Constituent is no longer eligible then it is removed without replacement. If an Index Constituent has a spin off (or de-merger), then the Calculation Agent (see Section 4 below) will review both the original company and the resultant company prior to the effective date and announce on the HSBC Global Market website for indices if the resultant company will become an Index Constituent with the original company removed.

2.3 IPOs

Newly listed companies only become eligible for inclusion into the Index at the next Semi-annual Review Date, provided that four weeks of price and volume data are available to the Calculation Agent to ensure that liquidity criteria are met. Consequently there may be more than three months between the date when a company's shares are first traded and the date when they are considered for inclusion into the Index.

2.4 Suspension

A stock's quotation may be suspended for a number of reasons but, for index purposes, these fall into two categories. If the purpose of the suspension is to comply with regulations during takeover

discussions, regulatory arrangements, or other corporate restructurings, then the Index Constituent is not removed from the index and its price remains static at the value when it was suspended.

If the suspension is attributable to the possibility that the Index Constituent is insolvent, is in breach of regulations or laws which may prevent the continuance of the Index Constituent's quote, or is likely to be suspended for an indefinite period, then the Index Constituent is removed with zero value. Removal of suspended Index Constituents takes place after the tenth business day of suspension, but the time period can be longer where the reason for suspension has not been clearly established.

If a suspended company which was removed from the Index at zero value resumes trading it will be reinstated in the Index at zero value, thereafter being valued at its closing price. Notification of constituent suspensions will be posted on the HSBC Global Markets website for indices.

2.5 Replacement of Index Constituents

If a company is removed from the Index due to takeover, delisting or suspension, there is no replacement before the following Effective Date as a consequence of the Semi-annual Review. Notice of removal shall be posted on the HSBC Global Markets website for indices.

2.6 Dividends

For the purposes of calculating a total return index, net dividends, meaning the dividend amount received after deduction of any local and withholding taxes based on the tax treatment of a Luxembourg based investor, are processed when a company is quoted ex-dividend. Net Dividends which appear to be paid from a company's capital are treated as capital repayments (please see Section 2.1). See Appendix C: HSBC Optimised Middle East Index Series withholding tax rates.

The indices are calculated to act as reference values for financial products which are linked to their performance. Should the tax regulations as they relate to the withholding tax on corporate actions (dividends) in Luxembourg change, the Optimised Indices Oversight Committee may change the withholding tax rates applied to properly reflect the financial impact. Changes will be posted on the HSBC Global Markets website for indices.

3. Index governance

3.1 Overview

The HSBC Optimised Middle East Index Series is a Rules Based Index sponsored by HSBC Global Markets. The Index is calculated independently by the Calculation Agent. HSBC Global Markets has

formed an Optimised Indices Oversight Committee to review policies and coverage of the HSBC Global Markets Indices, meeting between Semi-annual Review Dates as and when required. Whilst, it is not envisaged that the Rules will change, any modification to the Rules, including notification of when HSBC Global Markets resolves to cease publishing the Index, will be available directly from the HSBC Global Markets website for indices (please refer to Section 4.4) with a 3-month notice period prior to the proposed change. Any decision to cease publication shall only be taken once HSBC Global Markets has made sure all products which use the Index as a reference have expired or have been redeemed.

3.2 Oversight Committee

The HSBC Optimised Indices Oversight Committee has the following constituents:

HSBC Global Markets:

1. Structured Equities
2. Execution Services
3. Third Party Structured Product Development
4. Compliance

The names of Oversight Committee members can be obtained by contacting HSBC Global Markets. Any changes to the Index Rules made by the Oversight Committee will be published on the HSBC Global Markets website for indices. The amendments will be updated in the Index Rules.

3.3 Information about the Index

All data and information concerning the Index, such as

- a) Ground Rules
- b) Change of Ground Rules (if any)
- c) Index Values
- d) Index Constituents
- e) Announcements
- f) Information as to historical volatilities etc.

is available directly from the HSBC Global Markets website for indices.

3.4 About HSBC Global Markets Indices

This Index has been created by HSBC Global Markets. The aim of the HSBC Optimised Indices is to provide reference benchmarks for investment products. HSBC Global Markets has attempted to optimise the Index Rules so that investment products which reference these indices can be serviced on

a long-term basis. These indices are characterised by their relatively small number of constituents and their strong emphasis on foreign availability and market liquidity.

Investors should be aware that the Index is constituted by the Global Markets Division of HSBC Bank plc (“HSBC Global Markets”) and is not an independent research index operated by the Global Research Department.

The HSBC Global Markets Indices are a distinct series of indices from the range offered by HSBC Global Research, of which the Calculation Agent is a part. HSBC Global Research operates as a separate business within HSBC from HSBC Global Markets (please see Appendix D: Important Note).

4 Role of the Calculation Agent

The role of the Calculation Agent is to calculate the daily value of the constituted Index and to Review the Index on each Review date in order to reconstitute the Index in accordance with the rules of the Index as specified by HSBC Global Markets.

The Calculation Agent:

1. Reviews the Stock Universe for each of the Index Series.
2. Reviews liquidity.
3. Identifies Index Constituent changes.
4. Revises weighting factors.
5. Compiles the new constituents for the Index.

All removals and inclusions are effective on the Effective Date.

4.1 Calculation

Index Values are calculated daily, after the close of business at the US stock exchanges.

Corporate actions affecting the price of a security (bonus issues, rights issues, subdivisions, consolidations, capital repayments, mergers and de-mergers) are processed on the day when they are effective. See Section 2 for further details of how corporate actions affect the Index calculation.

The list of constituents forming the Index is rebalanced semi-annually, based on prices, numbers of shares and exchange rates as at the last business day of the relevant exchange in the months of February and August. These are the Semi-annual Review Dates. Index Constituent changes resulting from the

Semi-annual Review are effective after the close of business on the Effective Date, which is the Wednesday preceding the second Friday in February and August.

4.2 Index calculation formula

Each daily index return is a weighted average of the returns of its Index Constituents, where the weights are defined according to the methodology in Section 1.3. The weights are subsequently adjusted to accommodate capital changes (rights issues, capital repayments, mergers and de-mergers). The Index calculation formula is provided in Appendix A.

The index calculation method does not incorporate any deductions for transaction costs, taxes or fees other than taxes used in the calculation of net dividends for the purpose of calculating the total return series (please see Section 2.6).

4.3 Initial values

Each index series Creation Date is 30 May 2008. Index Values are available from the Creation Date when each Index Value is set at 100.

4.4 Daily calculations

Index Values are calculated and released normally before 8:00 a.m. (UK time) and are distributed to data vendors, where they are available on the following pages:

Data Vendor	Page
Bloomberg:	HSIP
Reuters:	HSBC/OPTIMISED1
HSBC Global Markets website for indices	www.hsbcinvestorsolutions.com

Index	Bloomberg Ticker
HSBC Optimised Abu Dhabi Total Return Index	HSIXABUT Index
HSBC Optimised Abu Dhabi Price Return Index	HSIXABUP Index
HSBC Optimised BOQ Total Return Index	HSIXBOQT Index
HSBC Optimised BOQ Price Return Index	HSIXBOQP Index
HSBC Optimised Dubai Total Return Index	HSIXDUBT Index
HSBC Optimised Dubai Price Return Index	HSIXDUBP Index
HSBC Optimised Egypt Total Return Index	HSIXEGYT Index
HSBC Optimised Egypt Price Return Index	HSIXEGYP Index

HSBC Optimised Jordan Total Return Index	HSIXJORT Index
HSBC Optimised Jordan Price Return Index	HSIXJORP Index
HSBC Optimised Kuwait Total Return Index	HSIXKUWT Index
HSBC Optimised Kuwait Price Return Index	HSIXKUWP Index
HSBC Optimised GCC+Egypt Total Return Index	HSIXGCET Index
HSBC Optimised GCC+Egypt Price Return Index	HSIXGCEP Index
HSBC Optimised GCC+Egypt+Jordan Total Return Index	HSIXGEJT Index
HSBC Optimised GCC+Egypt+Jordan Price Return Index	HSIXGEJP Index

Remark: Market Disruptions (please see Section 4.6) may prevent Index Values being published before 8:00 am.

4.5 Index calculation and maintenance data sources

The Calculation Agent obtains exchange rates for both calculation and maintenance of the Index Values each day from Interactive Data Corporation, Bedford, USA (IDC). The exchange rate data provided by IDC are composite; meaning they are calculated using a number of quotes taken at 4:00 p.m. in London.

The Calculation Agent obtains closing prices, traded volumes and numbers of issued shares used for both calculation and maintenance of the Index Values each day from Reuters. The Calculation Agent does not guarantee the accuracy of the data from its data vendors or independently verify such data.

4.6 Market Disruptions and Data Disruptions

In the event of a Market Disruption (including but not restricted to: a relevant stock exchange not opening for or severely curtailing hours of business or; trading on a relevant stock exchange being conducted without timely electronic dissemination of closing price data or; disruptions preventing HSBC staff from calculating and/or disseminating Index Values), HSBC shall not publish Index Values until such time as the Market Disruption is over and that it believes it can once again accurately calculate the Index Values.

In the event of a Data Disruption (including but not restricted to: failure of electronic data delivery by data providers contracted to HSBC; unavailability of electronic or internet access to data obtained from an online source; or a disruption of any of HSBC's data systems rendering data inaccessible to

processes required to calculate the Index) HSBC shall use its best endeavours to source data from alternative sources with the aim of publishing Index Values by 8:00 a.m. on a day of calculation. HSBC shall not publish Index Values until the Data Disruption is over or data from an alternative source has been acquired. The unavailability of Free-float and Foreign Ownership data shall not be considered sufficient reason to delay the calculation of Index Values and until such time that Free-float or Foreign Ownership data is once again available HSBC shall continue using the last data available to it for the maintenance of the Index.

5. Announcements

5.1 Index reviews

The Calculation Agent will typically announce Semi-annual Review constituent changes during the first week in February and August. All changes to constituents, including those arising from Foreign Ownership Reviews will be notified to HSBC Global Markets one day (excluding UK bank holidays) before constituent or weighting changes, if any, take effect.

5.2 Index Constituent changes

Announcements concerning Index Constituent changes (apart from Semi-annual Reviews) are made as soon as the Calculation Agent has verified and processed the implications of the reasons for the change. Normally, any changes take effect following the business day after the announcement is made.

5.3 Amendments

If an announcement needs to be amended, then HSBC issues a replacement announcement as soon as is reasonably practicable. HSBC makes every attempt to be as accurate as possible, and it cannot be held responsible for any actions subscribers take relating to announcements which are subsequently amended.

5.4 Information about announcements

Details of announcements are available on the HSBC Global Markets website for indices (www.hsbcinvestorsolutions.com) by following the link to “Announcements”.

5.5 Index Values

The Calculation Agent is acting in an arm’s length capacity to provide independent calculation services to HSBC Global Markets. Index Values are calculated daily and supplied to clients and data providers at 8:00 a.m. (UK time). Neither HSBC Global Markets nor the Calculation Agent can be held

responsible for any errors, intentional or unintentional, on the part of external data providers nor for any delays in publishing the Index.

6. Contacts

For general information about the HSBC Optimised Middle East Index Series and other HSBC Global Markets Indices please contact your local HSBC Global Markets representative or contact HSBC Global Markets Third Party Structured Products Development on +44 (0)20 7992 6002, email structured.investments@hsbcib.com, or visit the HSBC Global Markets website for indices, www.hsbcinvestorsolutions.com

For more information concerning these Ground Rules and the calculation of the HSBC Global Markets Indices please contact the Calculation Agent, QT, on + 44 8455 847360 or email qt-inquiries@hsbcib.com.

Appendix A: Index Calculation Formula

The Index return is a weighted average return of its constituent companies, where the weights are the market capitalisation. The weights are adjusted to accommodate capitalisation issues and corporate actions; this is the standard method of calculation for indices. The Index calculation formula is:

$$Index_t = Index_0 \times \frac{\sum P_{it}N_{it}F_{it}}{D_t}$$

where:

$Index_t$	=	Index Value at time t.
$Index_0$	=	Index Value as at the inception date of the Index.
P_{it}	=	The closing price of Index Constituent i at time t.
N_{it}	=	The number of Index Shares of Index Constituent i at time t.
F_{it}	=	The Weighting Factor of Index Constituent i at time t.
D_t	=	Divisor at time t.

The weighting factor, F_{it} is calculated at each Semi-annual Review Date to comply with the requirement to equally-weight constituents in the same market/region.

$$F_{it} = \frac{P_{it}N_{it}}{\sum P_{jt}N_{jt}}$$

For all Index Constituents j at time t

Where a stock is capped at 10% the factor F_{it} is defined as

$$F_{it} = 10\% \times \frac{\sum P_{kt}N_{kt}}{P_{it}N_{it}}$$

For a stock not capped at 10% the factor F_{it} is defined by

$$F_{it} = [1 - (N \times 10\%)] \times \frac{\sum P_{kt}N_{kt}}{\sum P_{jt}N_{jt}}$$

j	=	1 .. all constituents not capped at 10%
k	=	1 .. all constituents of the index

Note that if $N = 0$ then $F_{it} = 1$ for all i. This is the case when all stocks are fully weighted and none are capped.

In the case of the HSBC Optimised GCC+Egypt+Jordan Index, where a stock is capped at 5% the factor F_{it} is defined as

$$F_{it} = 5\% \times \frac{\sum P_{kt}N_{kt}}{P_{it}N_{it}}$$

For a stock not capped at 5% the factor F_{it} is defined by

$$F_{it} = [1 - (N \times 5\%)] \times \frac{\sum P_{kt}N_{kt}}{\sum P_{jt}N_{jt}}$$

j = 1 .. all constituents not capped at 5%

k = 1 .. all constituents of the index

Note that if $N = 0$ then $F_{it} = 1$ for all i . This is the case when all stocks are fully weighted and none are capped.

The Divisor is a figure that represents the total market capitalisation at the base date of the Index. It is only adjusted (formula below) to accommodate changes to constituents and changes in the constituents' share capital, thus avoiding distortions in the Index.

Divisor Adjustments

The Divisor adjustment formula is:

$$D_t = D_{t-1} \times \left(1 + \frac{\sum CA_{it}}{M_{t-1}} \right)$$

where:

D_t = Divisor at time t.

D_{t-1} = Divisor at time t minus 1 day.

CA_{it} = The capital adjustment of Index Constituent i at time t.

M_{t-1} = Market Capitalisation of the Index at time t minus 1 day

Appendix B:

HSBC Optimised Middle East Index Series Constituents

The following table shows the constituents of the HSBC Optimised Middle East Index Series as at 30 May 2008.

Abu Dhabi

Weights as at 30 May 2008

HSBC Optimised Abu Dhabi Index			
Name	Country	Bloomberg	Index wt
ABU DHABI COMM BK	UAE	ADCB UH	10.0%
DANA GAS	UAE	DANA UH	10.0%
ALDAR PROPERTIES	UAE	ALDAR UH	10.0%
NATL BK ABU DHABI	UAE	NBAD UH	10.0%
UNION NATIONAL BK	UAE	UNB UH	10.0%
SOROUH REAL ESTATE	UAE	SOROUH UH	10.0%
FIRST GULF BANK	UAE	FGB UH	10.0%
ABU DHABI NAT HTLS	UAE	ADNH UH	6.8%
GULF CEMENT CO	UAE	GCEM UH	5.1%
BANK OF SHARJAH	UAE	BOS UH	4.7%
RAS AL KHAIMAH PRO	UAE	RAKPROP UH	4.2%
AL WAHA CAPITAL	UAE	WAHA UH	3.6%
AABAR PETROLEUM	UAE	AABAR UH	2.7%
EMIRATES FOOD STUF	UAE	AGTHIA UH	1.5%
RAS AL KHAIMAH CEM	UAE	RAKCC UH	1.4%

Dubai

Weights as at 30 May 2008

HSBC Optimised Dubai Index

Name	Country	Bloomberg	Index wt
DUBAI INVESTMENTS	UAE	DIC UH	10.0%
DUBAI ISLAMIC BANK	UAE	DIB UH	10.0%
DUBAI FINANCIAL MKT	UAE	DFM UH	10.0%
UNION PROPERTIES	UAE	UPP UH	10.0%
DP WORLD	UAE	DPW DU	10.0%
EMAAR PROPERTIES	UAE	EMAAR UH	10.0%
ARABTEC HOLDING CO	UAE	ARTC UH	8.2%
AIR ARABIA	UAE	AIRARABI UH	7.9%
TAMWEEL LLC	UAE	TAMWEEL UH	6.9%
AMLAK FINANCE	UAE	AMLAK UH	6.2%
ISLAMIC ARAB INSUR	UAE	IAIC UH	3.2%
ARAMEX COMPANY	UAE	ARMX UH	2.7%
GULF NAVIGATION HO	UAE	GULFNAV UH	2.5%
NATL CENTRAL COOLING	UAE	TABREED UH	2.5%

Kuwait

Weights as at 30 May 2008

HSBC Optimised Kuwait Index

Name	Country	Bloomberg	Index wt
NATIONAL INDS GP HOL	KUWA	NIND KK	10.0%
NAT BK OF KUWAIT	KUWA	NBK KK	10.0%
KUWAIT FINANCE HOU	KUWA	KFIN KK	10.0%
MOBILE TELEPH SYS	KUWA	ZAIN KK	10.0%
COMM BK OF KUWAIT	KUWA	CBK KK	9.1%
GULF BNK OF KUWAIT	KUWA	GBK KK	8.8%
PUBLIC WAREHOUSING	KUWA	AGLTY KK	6.4%
KUWAIT INVEST PROJ	KUWA	KPROJ KK	6.4%
NATL MOBILE TELECOM	KUWA	NMTC KK	5.6%
GLOBAL INV HOUSE	KUWA	GLOBAL KK	4.9%
BURGAN BANK	KUWA	BURG KK	4.7%
INVESTMENT DAR CO	KUWA	TID KK	4.3%
BOUBYAN BANK (K.S.C)	KUWA	BOUBYAN KK	3.4%
NATL INVESTMENT CO	KUWA	NINV KK	3.4%
BOUBYAN PETROCHEM	KUWA	BPCC KK	3.0%

GCC+Egypt

Weights as at 30 May 2008

HSBC Optimised GCC+Egypt Index

Name	Country	Bloomberg	Index wt
MOBILE TELEPH SYS	KUWA	ZAIN KK	7.8%
KUWAIT FINANCE HOU	KUWA	KFIN KK	6.3%
EMAAR PROPERTIES	UAE	EMAAR UH	5.6%
NAT BK OF KUWAIT	KUWA	NBK KK	5.4%
QATAR NATIONAL BK	QATA	QNBK QD	5.0%
DP WORLD	UAE	DPW DU	4.9%
ORASCOM TELECOM GDR	EGYP	OTLD LI	4.7%
ORASCOM CONSTRN	EGYP	OCIC EY	4.4%
DUBAI FINANCIAL MKT	UAE	DFM UH	3.7%
NATL BK ABU DHABI	UAE	NBAD UH	3.4%
COMM BK OF QATAR	QATA	CBQK QD	2.7%
FIRST GULF BANK	UAE	FGB UH	2.6%
DUBAI ISLAMIC BANK	UAE	DIB UH	2.5%
QATAR TELECOM	QATA	QTEL QD	2.4%
ALDAR PROPERTIES	UAE	ALDAR UH	2.3%
NATIONAL INDS GP HOL	KUWA	NIND KK	2.3%
QATAR ISLAMIC BANK	QATA	QIBK QD	2.2%
ABU DHABI COMM BK	UAE	ADCB UH	2.0%
COMM BK OF KUWAIT	KUWA	CBK KK	2.0%
GULF BNK OF KUWAIT	KUWA	GBK KK	1.9%
SOROUH REAL ESTATE	UAE	SOROUH UH	1.9%
TELECOM EGYPT	EGYP	ETEL EY	1.7%
BANK MUSCAT GDR	OMAN	BKM LI	1.7%
BARWA REAL ESTATE	QATA	BRES QD	1.6%
PUBLIC WAREHOUSING	KUWA	AGLTY KK	1.4%
KUWAIT INVEST PROJ	KUWA	KPROJ KK	1.4%
MASRAF AL-RAYAN	QATA	MARK QD	1.4%
UNION NATIONAL BK	UAE	UNB UH	1.3%
UNION PROPERTIES	UAE	UPP UH	1.3%
OMANTEL	OMAN	OTEL OM	1.3%
NATL MOBILE TELECOM	KUWA	NMTC KK	1.2%
DOHA BANK	QATA	DHBK QD	1.2%
TALAAAT MOSTAFA GROUP	EGYP	TMGH EY	1.2%
EL EZZ ALDEKHELA STE	EGYP	IRAX EY	1.1%
EFG HERMES HLDGS	EGYP	HRHO EY	1.1%
GLOBAL INV HOUSE	KUWA	GLOBAL KK	1.1%
BURGAN BANK	KUWA	BURG KK	1.0%
DANA GAS	UAE	DANA UH	1.0%
MOBINIL	EGYP	EMOB EY	1.0%
DUBAI INVESTMENTS	UAE	DIC UH	1.0%

GCC+Egypt+Jordan

Weights as at 30 May 2008

HSBC Optimised GCC+Egypt+Jordan Index

Name	Country	Bloomberg	Index wt
MOBILE TELEPH SYS	KUWA	ZAIN KK	5.0%
NAT BK OF KUWAIT	KUWA	NBK KK	5.0%
EMAAR PROPERTIES	UAE	EMAAR UH	5.0%
KUWAIT FINANCE HOU	KUWA	KFIN KK	5.0%
QATAR NATIONAL BK	QATA	QNBK QD	5.0%
DP WORLD	UAE	DPW DU	4.9%
ORASCOM TELECOM GDR	EGYP	OTLD LI	4.7%
ORASCOM CONSTRN	EGYP	OCIC EY	4.4%
ARAB BANK	JORD	ARBK JR	4.4%
DUBAI FINANCIAL MKT	UAE	DFM UH	3.7%
NATL BK ABU DHABI	UAE	NBAD UH	3.4%
COMM BK OF QATAR	QATA	CBQK QD	2.7%
FIRST GULF BANK	UAE	FGB UH	2.6%
ARAB POTASH	JORD	APOT JR	2.6%
DUBAI ISLAMIC BANK	UAE	DIB UH	2.5%
QATAR TELECOM	QATA	QTEL QD	2.4%
ALDAR PROPERTIES	UAE	ALDAR UH	2.3%
NATIONAL INDS GP HOL	KUWA	NIND KK	2.3%
QATAR ISLAMIC BANK	QATA	QIBK QD	2.2%
ABU DHABI COMM BK	UAE	ADCB UH	2.0%
COMM BK OF KUWAIT	KUWA	CBK KK	2.0%
GULF BNK OF KUWAIT	KUWA	GBK KK	1.9%
SOROUH REAL ESTATE	UAE	SOROUH UH	1.9%
TELECOM EGYPT	EGYP	ETEL EY	1.7%
BANK MUSCAT GDR	OMAN	BKM LI	1.7%
BARWA REAL ESTATE	QATA	BRES QD	1.6%
PUBLIC WAREHOUSING	KUWA	AGLTY KK	1.4%
KUWAIT INVEST PROJ	KUWA	KPROJ KK	1.4%
MASRAF AL-RAYAN	QATA	MARK QD	1.4%
UNION NATIONAL BK	UAE	UNB UH	1.3%
UNION PROPERTIES	UAE	UPP UH	1.3%
OMANTEL	OMAN	OTEL OM	1.3%
NATL MOBILE TELECOM	KUWA	NMTC KK	1.2%
DOHA BANK	QATA	DHBK QD	1.2%
TALAAAT MOSTAFA GROUP	EGYP	TMGH EY	1.2%
EL EZZ ALDEKHELA STE	EGYP	IRAX EY	1.1%
EFG HERMES HLDGS	EGYP	HRHO EY	1.1%
GLOBAL INV HOUSE	KUWA	GLOBAL KK	1.1%
JORDAN PHOSPHATE	JORD	JOPH JR	1.1%
BURGAN BANK	KUWA	BURG KK	1.0%

Egypt

Weights as at 30 May 2008

HSBC Optimised Egypt Index

Name	Country	Bloomberg	Index wt
ORASCOM CONSTRN	EGYP	OCIC EY	10.0%
ORASCOM TELECOM GDR	EGYP	OTLD LI	10.0%
TELECOM EGYPT	EGYP	ETEL EY	9.0%
TALAAAT MOSTAFA GROUP	EGYP	TMGH EY	6.2%
EL EZZ ALDEKHELA STE	EGYP	IRAX EY	6.2%
EFG HERMES HLDGS	EGYP	HRHO EY	6.1%
MOBINIL	EGYP	EMOB EY	5.4%
EGYPT-KUWAIT HLDG	EGYP	EKHO EY	5.2%
COMMERCIAL INTL GDR	EGYP	CBKD LI	5.2%
ELSWEDY CABLES HOL	EGYP	SWDY EY	4.9%
ORASCOM HOTELS & D	EGYP	ORHD EY	4.8%
AL EZZ STEEL REBAR	EGYP	ESRS EY	4.6%
ABU KIR FERTILIZER	EGYP	ABUK EY	3.9%
NATL SOC GEN BK	EGYP	NSGB EY	3.6%
SIDI KERIR PETROCHEM	EGYP	SKPC EY	3.4%
SOUTH VALLEY CMNT	EGYP	SVCE EY	3.0%
EGYPT ALUMINIUM	EGYP	ENAL EY	2.7%
GB AUTO	EGYP	AUTO EY	2.0%
EGYPT FOR TOURISM	EGYP	EGTS EY	1.9%
ALEXANDRIA MINERAL	EGYP	AMOC EY	1.9%

Jordan

Weights as at 30 May 2008

HSBC Optimised Jordan Index

Name	Country	Bloomberg	Index wt
JORDAN PETROL REF PF	JORD	JOPT JR	10.0%
JORDAN PHOSPHATE	JORD	JOPH JR	10.0%
TAAMEER JORDAN HOL	JORD	TAMR JR	10.0%
ARAB POTASH	JORD	APOT JR	10.0%
ARAB BANK	JORD	ARBK JR	10.0%
JORDAN ELEC POWER	JORD	JOEP JR	10.0%
UTD ARAB INVESTORS	JORD	UAIC JR	9.2%
ROYAL JORDANIAN AI	JORD	RJAL JR	7.4%
MIDDLE EAST COMPLE	JORD	MECE JR	6.8%
SPECIALISED INVEST	JORD	SPIC JR	6.4%
JORDAN STEEL	JORD	JOST JR	5.4%
UNION LAND DEVELOP	JORD	ULDC JR	2.6%
UNION INVESTMNT CO	JORD	UINV JR	2.2%

BOQ

Weights as at 30 May 2008

HSBC Optimised BOQ Index

Name	Country	Bloomberg	Index wt
QATAR TELECOM	QATA	QTEL QD	10.0%
COMM BK OF QATAR	QATA	CBQK QD	10.0%
QATAR NATIONAL BK	QATA	QNBK QD	10.0%
QATAR ISLAMIC BANK	QATA	QIBK QD	10.0%
BANK MUSCAT GDR	OMAN	BKM LI	8.2%
BARWA REAL ESTATE	QATA	BRES QD	7.9%
MASRAF AL-RAYAN	QATA	MARK QD	6.8%
OMANTEL	OMAN	OTEL OM	6.2%
DOHA BANK	QATA	DHBK QD	5.7%
BAHRAIN TELECOM.	BAHR	BATELCO BI	4.6%
GULF FINANCE GDR	BAHR	GFH LI	4.5%
AL KHALIJ COMMERCIAL	QATA	KCBK QD	4.3%
QATAR INT ISLAM BK	QATA	QIIK QD	4.3%
QATAR INSURANCE	QATA	QATI QD	3.9%
NAT BK OF OMAN	OMAN	NBOB OM	3.4%

Appendix C:

HSBC Optimised Middle East Index Series withholding tax rates

All markets considered in the Middle East Index Series are zero-rated for withholding tax.

Appendix D:

IMPORTANT NOTE

This document is issued by HSBC Bank plc (“HSBC”). HSBC is authorised and regulated by the Financial Services Authority (“FSA”) and is a member of the HSBC Group of companies (“HSBC Group”). Any member of the HSBC Group, together with their directors, officers and employees may have traded for their own account as principal, or together with its officers, directors and employees may have a long or short position in any related instrument mentioned in this material.

The HSBC Optimised Middle East Index Series (the “Index”) is promoted by the Global Banking and Markets business of HSBC Bank plc (“Global Banking and Markets”). The Index is not an independent Research product of the Global Research Department. The Index is calculated by HSBC Bank plc’s Quantitative Techniques business (“QT”). Global Banking and Markets has no responsibility for the calculation of the Index and does not guarantee or represent or warrant the accuracy or completeness of the Index or the data comprised therein.

QT provides an independent service offering indices and data products to customers including users of the HSBC Indices. QT operates independently from the Global Banking and Markets business from which it is both structurally and physically separated. Whilst QT calculates and publishes the level of the Index in good faith based on sources which it believes to be reliable, it does not guarantee, represent or warrant the accuracy or completeness of the Index or the data comprised therein.

Except in the case of fraudulent misrepresentation, no liability is accepted by either Global Banking and Markets or QT whatsoever for any direct, indirect or consequential loss arising from the Index.

Neither Global Banking and Markets nor QT make any representation, warranty or guarantee whatsoever as to the performance of the Index. Investments can fluctuate in price or value and prices, values or income may fall against an investor’s interests. Changes in rates of exchange and rates of interest may have an adverse effect on the value, price or income of the Index. You are solely responsible for making your own independent appraisal of and investigation into the Index referred to in this document and you should not rely on any information in this document as constituting investment advice. Neither HSBC nor any of its affiliates are responsible for providing you with legal, tax or other specialist advice and you should make your own arrangements in respect of this accordingly. This document is intended solely for professional clients and eligible counterparties (as defined in the rules of the FSA) and is not intended for the use of retail clients. No opinions are expressed as to the merits or suitability of the Index. Investments in the Index may not be suitable for all requirements and if you have any doubts, seek advice from your investment adviser.

These index rules are a “financial promotion” within the scope of the rules of the FSA.

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Member HSBC Group
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PART E - PRODUCT SUPPLEMENT FOR SPICES



HSBC BANK plc

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

as Issuer

PROGRAMME FOR THE ISSUANCE OF NOTES AND WARRANTS

SPICE Notes and SPICE Warrants

This product supplement in relation to SPICE Notes and SPICE Warrants constitutes Part E ("**Part E**") of the Base Prospectus dated 30 July 2009 (the "**Base Prospectus**") prepared by HSBC Bank plc (the "**Bank**" or the "**Issuer**") in relation to the Programme for the Issuance of Notes and Warrants (the "**Programme**") described therein in connection with the application made for Notes or Warrants to be admitted to listing on the Official List of the Financial Services Authority (in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (the "**FSA**")), and to trading on the Regulated Market of the London Stock Exchange plc (the "**London Stock Exchange**").

Notes and Warrants issued pursuant to the Programme may include Notes and Warrants referred to as "**Securities Participating in Indian Company Equity**", "**SPICES**", "**SPICE Notes**" or "**SPICE Warrants**", being Notes and Warrants in relation to which the interest rate and/or the final redemption amount payable at maturity or Cash Settlement Amount at Exercise is linked to specific securities or basket of securities issued by one or more underlying companies which are, or are expected on issue to be, listed and/or admitted to trading on one or more stock exchanges in India (together the "**Reference Assets**" and each a "**Reference Asset**"). The purpose of this Part E is to provide information in relation to SPICES. This Supplement should be read together with Parts A, B and D of the Base Prospectus (in the case of an issue SPICE Notes) and Parts A, C and D of the Base Prospectus (in the case of an issue of SPICE Warrants).

An investment in SPICE Notes and Warrants involves risks. See "Risk Factors relating to SPICE Notes" (beginning on page E-4 of this Supplement) in addition to those included in Part A of the Base Prospectus under the heading "Risk Factors" (beginning on page A-6).

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Part E or any other information supplied in connection with SPICES and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer.

Neither this Part E nor any further information supplied in connection with SPICES (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or as constituting an invitation or offer by the Issuer that any recipient of this Part E or any other information supplied in connection with SPICES should subscribe for or purchase SPICES. Each investor contemplating subscribing for or purchasing SPICES should make its own independent investigation of the affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this

Part E nor any other information supplied in connection with SPICES constitutes an offer by or on behalf of the Issuer to subscribe for or purchase SPICES.

The distribution of this Part E and the offer, distribution or sale of SPICES may be restricted by law in certain jurisdictions. The Issuer does not represent that this document may be lawfully distributed, or that SPICES may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, action may be required to be taken to permit a public offering of SPICES or a distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no SPICES may be offered or sold, directly or indirectly, and neither this Part E 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 Part E or SPICES come must inform themselves about, and observe, any such restrictions.

SPICES have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), the state securities laws of any state of the United States or the securities laws of any other jurisdiction, and may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S of the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. SPICES may include Notes in bearer form that are subject to US tax law requirements.

Arranger and Dealer
HSBC

30 July 2009

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Risk Factors relating to SPICES

Further to the risk factors set out in the Base Prospectus under the heading "Risk Factors" (beginning on page A-6 of the Base Prospectus), the risk factors applicable to SPICE Notes are repeated below:

General - An investment in the SPICES is speculative and entails risks not associated with a similar investment in fixed or floating rate securities, including the risk of a total or partial loss of their investment, subject only to a minimum amount of 0.03 per cent. of the principal amount being payable if the SPICES are redeemed at scheduled maturity. SPICES are only intended for investors who have the necessary experience and knowledge in order to understand the risks involved in relation to the Notes. Prospective investors considering acquiring any SPICES should understand the risks of transactions involving the SPICES and should reach an investment decision only after carefully considering, with their financial, legal, regulatory, tax, accounting and other advisers, the suitability of the SPICES in light of their particular circumstances (including without limitation their own financial circumstances and investment objectives) and the information contained in this document.

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

An investment in SPICES linked to Reference Assets entails associated risks. The SPICES are unrelated to the underlying company issuing the underlying share or shares (each an "**Underlying Company**").

No assurance is given as to the availability of a secondary market in the SPICES or the Reference Assets. The Issuer may purchase the SPICES in the secondary trading market but is under no obligation to do so and the price at which it may do so will depend upon, among other things, the liquidity and prevailing market price of the Reference Assets, the currency of denomination, and the risks referred to herein. If a secondary market does develop, there can be no assurance that the holders of SPICES will be provided with liquidity of investment or that it will continue throughout the life of the SPICES.

The SPICES reflect the risks of a direct investment in Indian securities by a Foreign Institutional Investor ("**FII**"), which may be evidenced by investments by an affiliate of the Issuer that is registered as an FII or any successor to such affiliate (each such affiliate, an "**FII Affiliate**"), and FIIs generally.

Disclosure of information concerning the terms of and parties to offshore derivative instruments including the Notes has to be made by an FII on an ongoing basis in accordance with the requirements of the Securities and Exchange Board of India ("**SEBI**"). SEBI has issued three circulars relating to transactions involving the issuance of offshore derivative instruments as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995 ("**FII Regulations**") (hereinafter referred to as "**ODIs**") by registered FIIs/FII Affiliates. Circular No. IMD/CUST/8/2003 dated 8 August 2003 (the "**2003 Circular**") requires FIIs to provide and report information to SEBI relating to such transactions including beneficiaries. The 2003 Circular was amended by Circular No. IMD/CUST/02/2004 issued by SEBI on 26 January 2004 (the "**2004 Circular**"). Subsequently, the 2004 Circular has been amended by way of Circular No. IMD/FII & C/ 28 /2008 issued by SEBI on 27 May 2008 (the "**2008 Circular**"). Pursuant to the 2008 Circular, and the Securities and Exchange Board of India (Foreign Institutional Investors) (Amendment) Regulations 2008 on 22 May 2008 ("**FII Regulations Amendment**") FIIs are required to ensure that those receiving the benefit of ODIs are "persons who are regulated by an appropriate foreign regulatory authority" (as such term and/or

requirements relating thereto are defined or otherwise interpreted for the purposes of Regulation 15A of the FII Regulations). Therefore, the Issuer will provide information required under the 2003 Circular, the 2004 Circular and the 2008 Circular and any subsequent circulars or ad-hoc requests from SEBI to an FII Affiliate for onward transmission to SEBI periodically and as otherwise required by them. Pursuant to the FII Regulations Amendment, a sub-account is no longer permitted to issue any fresh ODIs, and further, no FII may issue, or otherwise deal in ODIs, directly or indirectly, unless: (a) such ODIs are issued only to "persons who are regulated by an appropriate regulatory authority" (as defined under the FII Regulations); and (b) such ODIs are issued after compliance with "know your client" norms. Pursuant to the FII Regulations Amendment (subject to the discussion below), an FII is obligated to ensure that there is no further issue or transfer of any ODIs issued by or on its behalf to any person other than those listed in (a) above. Further FIIs were required to cancel, redeem or close out any ODIs held by persons other than those in (a) above before 31 March 2009. It may also be noted that no ODIs can be issued by or on behalf of an FII with derivatives tradable on any recognised stock exchange in India as underlying, and any outstanding ODIs issued with derivatives tradable on any recognised stock exchange in India as underlying were to be cancelled, redeemed, or closed out before 31 March 2009. Pursuant to the FII Regulations Amendment, SEBI had also mandated that where the total value of ODIs issued by an FII, as of 30 September 2007 is more than 40% of its assets under custody (i.e. the value of assets of the FII which are in custody of its custodian) as on that date ("AUC"), further ODIs may be issued by such FII, only in lieu of ODIs which are cancelled, redeemed or closed out, provided that the amount raised through such further issuance of ODIs shall not exceed the amount of the ODIs cancelled, redeemed, or closed out. It may be noted though that, additional ODIs may be issued against bonus shares in respect of equity shares against which ODIs are already in existence. Where the total value of ODIs issued against securities held by a FII as of 30 September 2007 is less than 40% of its AUC as of 30 September 2007, such FIIs are permitted to issue further ODIs only at the incremental rate of up to 5% (on an annual basis) of their AUC, provided that such further issuance does not result in the total value of ODIs exceeding 40% of the AUC.

However, the restrictions imposed under the FII Regulations Amendment remain in effect relating to issuance of ODIs with derivatives as the underlying and the limits as regards AUC have been lifted by SEBI. In a Press Release issued on 6 October 2008 ("**ODI Press Release**") SEBI stated that it had decided to do away with the restrictions on the issue of ODIs by FIIs against securities, including derivatives, as underlying. However, the ODI Press Release did not specify the exact nature of the restrictions that SEBI had decided to remove. The following day, SEBI issued a circular stating that the changes brought about by the ODI Press Release would be effective as of close of market hours on 7 October 2008 and that the FII Regulations would be amended to reflect these changes. Further SEBI issued formal amendments by way of the Securities and Exchange Board of India (Foreign Institutional Investors) (Second Amendment) Regulations 2008 on 30 October 2008 and has done away with the restrictions on the issue of ODIs by FIIs against securities with derivatives as the underlying and the restrictions in terms of AUC. Further, SEBI has, in a press release dated 20 October 2008 in respect of offshore stock lending activities by an FII, stated that it disapproves of the overseas lending and borrowing activities of FIIs and the consequent selling pressure in the cash market in India. SEBI has communicated this disapproval to the FIIs. Consequently, the lending and borrowing activities of FIIs are being monitored and if necessary stronger measures may be taken by SEBI as considered appropriate, which may include the imposition of further restrictions or reporting requirements on an FII.

The ODIs:

- (i) can only be offered to "any person regulated by an appropriate regulatory authority", as such term is defined and/or requirements relating thereto are defined or otherwise interpreted by any Indian governmental or regulatory authority (each, an "**Authority**") for the purposes of Regulation 15A of the FII Regulations (a "**Regulated Entity**");
- (ii) cannot be offered/sold/transferred to any (i) "Person Resident in India" (as such term is defined in the Foreign Exchange Management Act 1999, as may be amended or supplemented from time to time) or (ii) "Non-Resident Indian" (as such term is defined in the Foreign Exchange Management (Deposit) Regulations 2000, as may be amended or supplemented from time to time) (each a "**Restricted Entity**");
- (iii) cannot be offered/sold/transferred to a person/entity whose controller is a Restricted Entity, where a "controller" means any person or group of persons (acting pursuant to any agreement or understanding (whether formal or informal, written or otherwise)) who:
 - (i) is/are entitled to exercise, or control the exercise of a majority or more of the voting power of an entity, or
 - (ii) holds or is otherwise entitled to a majority or more of the economic interest in an entity, or
 - (iii) who in fact exercises control over an entity.

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

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

- (iv) cannot be purchased with the intent of circumventing or otherwise avoiding any requirements applicable under the FII Regulations and/or any other subsidiary regulations or circulars issued pursuant thereto (including, without limitation, any restrictions applying to foreign institutional investors in relation to their issuances and/or other dealings of ODIs with, Restricted Entities or any persons or entities who are not Regulated Entities);
- (v) cannot be directly or indirectly, sold, transferred, assigned, novated or otherwise disposed of, to any Restricted Entity; and
- (vi) cannot be, directly or indirectly, sold, transferred, assigned, novated or otherwise disposed of to any person or entity who is not a Regulated Entity.

In most instances ODI Issuers insist on undertakings from the ODI holder (e.g. Noteholder) in respect of the foregoing. Any default in these restrictions by the Issuer or any other party to the ODI transaction may affect the ability to liquidate such investments.

As an issuer of ODIs, the Issuer may be required to disclose details of its investors, clients, counterparties and holders of the beneficial interest. Details disclosed could include the name and correspondence address of Noteholders and their major shareholders, directors and investors, name and

jurisdiction of the regulator by whom the investors are regulated, type of entity that the Noteholder falls under (i.e. hedge fund, corporate, individual, pension fund, trust) and, if a Noteholder is a fund, the names of its fund managers and investment advisors top investors in the fund.

Indian investment - Investments in Indian equity are usually volatile, and it should not be assumed that prices will always be available for the relevant securities specified in the list attached to the relevant Final Terms (for the purposes of SPICEs, the "**Securities**"). Information available on the relevant Securities may be limited and not as reliable as would be expected in a more developed market.

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

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

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

Pursuant to the rules and regulations of the RBI under the Foreign Exchange Management Act, 1999 ("**FEMA**") and the regulations issued thereunder, foreign investment in Indian companies is subject to

certain minimum valuation and pricing guidelines. Such minimum valuation and pricing guidelines may restrict the ability of the Issuer to make investments in Indian companies at attractive prices. The RBI has also prescribed certain maximum valuation and pricing guidelines for persons and corporations resident outside India that sell shares of Indian companies to resident Indian persons and corporations. Such maximum valuation and pricing guidelines may restrict the ability of the Issuer or its FII Affiliate to sell its investments in Indian companies at higher that may be available in the absence of the aforesaid RBI restrictions.

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

Market access - Non-Indians ("**foreigners**") cannot generally invest directly in Indian equity. An application can be made for registration with the SEBI as a FII under FII Regulations so as to allow investment in Indian equities. Some FII Affiliates of the Issuer are registered as FIIs (though the Issuer is not).

FII registration granted by SEBI is permanent (unless suspended or cancelled by SEBI). An FII that was registered with SEBI prior to the commencement of the FII Regulations Amendment is required to file Form A (as prescribed under the FII Regulations) at least 3 months prior to the expiry of the period of the certificate or within 3 months from such commencement, whichever is later.

FII investments are substantially restricted and controlled. These restrictions, such as the restriction on maximum percentage holding of any single equity, are controlled by the SEBI, the Reserve Bank of India (the "**RBI**") and are also subject to the Government of India Guidelines issues in this regard. Pursuant to SEBI Circular No. IMD/FII&C/27/2008 dated 31 January 2008, investments by FIIs in units of debt orientated mutual funds are considered as investments in corporate debt and are reckoned within the stipulated limit earmarked for FII investments in corporate debt. Further, the operational mechanism for purchase, sale, settlement and movement of funds is restricted. For example, FIIs having an aggregate of securities worth Rs 10 crores or more as on the latest balance sheet date shall settle their transactions only through dematerialised securities.

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

An investor in SPICEs will be subject to the effect of equivalent restrictions and controls to those imposed on FIIs generally, and the FII Affiliates in particular, as determined by the Calculation Agent. These include limitations on the number of underlying Securities in respect of which the investor is expecting to receive an economic return, potential delays or even non-receipt of funds on sale of the SPICEs, taxes and charges generally levied on FIIs in buying and selling equity and limitations on the importation and withdrawal of funds. Where the Issuer disposes of Securities or other assets, payments to holders of SPICEs calculated by reference to the price of such disposal will not be due unless or until the proceeds of disposal are received by the Issuer.

Generally, under SEBI regulations applicable to FIIs and subject to certain exceptions, total investments by FIIs and their sub-accounts, taken together, in the primary and secondary Indian markets may not exceed 24% of the equity capital or the value of each series of convertible debentures of any Indian company in which they invest. The ceiling would apply to the total holdings in any Indian company of all FIIs and their sub-accounts collectively in a given Indian company unless it is increased by a board resolution and a special resolution to the foreign investment cap applicable to the sector in which the Indian company operates. Furthermore, no individual FII or sub-account of a FII registered as a

“broad based” sub-account may generally invest more than 10% in the equity capital of any Indian company.

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

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

In the event that an FII is forced to sell part or all of any Securities due to an instruction from or policy change on the part of the RBI which prevents the FII Affiliate from holding Securities relating to the entire issue of SPICES, the Issuer shall be entitled to take such measures, including calling for Early Redemption, as it shall, acting in good faith, think fit.

Foreign currency risk - Potential investors in the SPICES should understand that amounts payable under the Notes will be converted from Indian Rupees into US dollars. Therefore, the SPICES are subject to the risks of any investment in foreign currencies, including the risk that the general level of foreign currency exchange rates may decline. The following is a list of some of the significant currency related risks associated with an investment in the SPICES:

- (i) Historical performances of the Indian Rupee and the US dollar do not indicate the future performances of such currencies. It is impossible to predict whether the value of either currency will fall or rise during the term of the SPICES;
- (ii) Trading levels of the Indian Rupee and the US dollar will be influenced by political, economic, financial, market and other factors. It is impossible to predict what effect these factors will have on the value of either currency and thus, the return on the SPICES;
- (iii) The values of the Indian Rupee and the US dollar are a result of the supply of, and demand for, each currency and changes in foreign exchange rates may result from the interactions of many factors including economic, financial, social and political conditions in India and the United States. These conditions include, for example, the overall growth and performance of the economies of the United States and India, the trade and current account balance between the United States and India, market interventions by the Federal Reserve Board or the central banks of the United States and India, inflation, interest rate levels, the performance of the stock markets in the United States and India, the stability of the United States' and India's governments and banking systems, wars in which the United States and India are directly or indirectly involved or that occur anywhere in the world, major natural disasters in the United States and India, and other foreseeable and unforeseeable events;
- (iv) Certain relevant information relating to India may not be as well known or as rapidly or thoroughly reported in the United States as comparable United States developments. Prospective purchasers of the Notes should be aware of the possible lack of availability of important information that can affect the value of the Indian Rupee in relation to the US dollar and must be prepared to make special efforts to obtain such information on a timely basis; and
- (v) Exchange rates of most economically developed nations, including India, are "floating," meaning they are permitted to fluctuate in value relative to the US dollar. Governments, including those of the United States and India use a variety of techniques, such as intervention

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

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

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

Nature of SPICEs under the Indian Regulatory Regime – The SPICEs issued by the Issuer will be considered as an ODI by SEBI and the regulatory authorities in India. Since the Issuer is not a registered FII, the Issuer may also invest in the Indian Reference Asset(s) by way of ODIs issued by an FII or an FII Affiliate ("**ODI Issuer**") for the purpose of hedging the SPICEs. ODIs have been defined in the FII Regulations, to mean any instrument, by whatever name called, which is issued overseas by a FII against securities held by it that are listed or proposed to be listed on any recognised stock exchange in India, as the underlying.

Where, at the commencement of the FII Regulations Amendment, any person other than a "person regulated by an appropriate foreign regulatory authority" (as such term and/or requirements relating thereto are defined or otherwise interpreted for the purposes of Regulation 15A of the FII Regulations) is holding ODIs issued by or on behalf of an FII, such FII is required to ensure that such ODIs are cancelled, redeemed or closed out before 31 March 2009.

Timing and taxation issues - Under the Indian Companies Act, 1956, (the "**Indian Companies Act**") unless the board of directors (the "**Board**") recommends the payment of a dividend, the shareholders at a general meeting have no power to declare any dividend. Subject to certain conditions laid down by Section 205 of the Indian Companies Act, no dividend can be declared or paid by a company for any financial year except out of the profits of the company calculated in accordance with the provisions of the Indian Companies Act or out of the profits of the company for any previous financial year(s) arrived at as laid down by the Indian Companies Act. Subject to certain conditions contained in the Indian Companies Act, dividends may also be payable out of moneys provided by the central or state government for payment of dividend in pursuance of a guarantee given by that government.

If so authorised by the articles of association of the issuer company, the shareholders at a general meeting may declare a lower, but not higher, dividend than that recommended by the Board. Dividends

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

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

The company declaring dividend is liable to pay a dividend distribution tax currently at the rate of 15 per cent. (plus surcharge at 10 per cent. on the dividend distribution tax and education cess at the rate of 3 per cent. on aggregate of dividend distribution tax and surcharge) on the total amount distributed as dividend. The effective dividend distribution tax is therefore 16.995 per cent. Dividends in the hands of the recipient shareholders are exempted from tax.

The investors (who owned the SPICES immediately prior to the ex-dividend date) may receive amounts reflecting the dividends some time after the dividend is announced or paid (including after the Maturity Date or Settlement Date of the SPICES) if payment of the dividends, or the receipt thereof by the Issuer and/or its affiliates under any hedging arrangement entered into in connection therewith, is delayed for whatever reason. The amount of any such dividends paid to the investors shall be the net amount after conversion of such amount into the relevant settlement currency and after the deduction of all conversion, transfer and other costs and expenses incurred by the Issuer and/or an FII Affiliate in connection therewith, as determined by the Issuer in its sole and absolute discretion. Also, adjustments for dividends may be calculated with reference to the taxation of an FII Affiliate in respect of such dividends by a taxing authority (other than the Indian taxing authority) by reason of a present or former connection between such entity and the jurisdiction of such taxing authority.

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

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

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

If India should choose to renegotiate its taxation treaties or question the applicability of double taxation treaty relief relating to the jurisdiction in which a FII is incorporated, it could result in an adverse impact on the capital gains tax paid by the FII and any gain from purchase to sale would be subject to such a withholding prior to expatriation of the sale proceeds. Presently no capital gains tax is charged in India on disposal of Securities by FIIs incorporated in Mauritius.

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

Potential conflict of interest - The Issuer is the Calculation Agent with regard to the SPICES. The Calculation Agent will be solely responsible for the calculation of the Final Redemption Amount and other determinations and calculations in connection with the SPICES, including determinations in relation to Additional Payments (as defined in the Conditions), and certain other determinations in connection with the occurrence of a Merger Event, Nationalisation or Insolvency Event (as defined in the Conditions) and/or events affecting dealings by the Issuer, any FII Affiliate or FIIs generally or a Currency Event (as defined in the Conditions). Because the Calculation Agent is the Issuer, and is obligated to redeem the SPICES, the Calculation Agent may have economic interests adverse to those of the holders of the SPICES, including with respect to certain determinations and judgments that the Calculation Agent must make as referred to above, any of which may affect payments in respect of the SPICES. Hedging activities of the Issuer and its affiliates could influence Calculation Agent determinations made in connection with the SPICES.

Product Description

Equity-Linked Notes issued pursuant to the Programme may include Notes and Warrants referred to as "**Securities Participating in Indian Company Equity**", "**SPICEs**", "**SPICE Notes**" or "**SPICE Warrants**" being Notes and Warrants linked to specific securities or basket of securities issued by one or more underlying companies. The securities to which SPICE Notes and SPICE Warrants are linked (the relevant "**Securities**") will be securities which are, or are expected on issue to be, listed and/or admitted to trading on one or more stock exchanges in India. The name of the issuer of such Securities (the relevant "**Underlying Company**"), the securities identification code thereof and an indication of the page(s) of the Reuters Service and/or other source where information about the past and the future performance of such Securities and their volatility can be obtained will be specified in the relevant Final Terms.

The Notes and Warrants reflect the risks of a direct investment in Indian equity by FII, which may be evidenced by investments by an affiliate of the Issuer that is registered as an FII or any successor to such affiliate (each such affiliate, an "**FII Affiliate**"), and FIIs generally. The effect of such risks on the SPICEs will always be calculated in the sole and absolute discretion of the Calculation Agent. Certain of the risks are outlined above in Part A under "Risk Factors - Risk Factors Relating to SPICEs", though these are not exhaustive. Investors should conduct their own investigation of the risks involved in a direct investment in Indian equity by an FII and investment in Indian Rupee and form their own view based on such investigations. In certain circumstances, the entire investment of a Holder of SPICEs (a "**SPICE Holder**") may be at risk and they may receive nothing on redemption except the minimum amount of 0.03 per cent. of the issue price per SPICE.

***Pro Forma* Final Terms for SPICE Notes**

Set out below is the form of Final Terms which will be completed for each Tranche of SPICE Notes issued under the Programme.

The terms and conditions of the SPICE Notes shall consist of the "Terms and Conditions of the Notes" set out in "Part B - Information about the Notes Generally" of this Base Prospectus as amended or supplemented by the terms set out in the Final Terms (including the Annexes thereto) (the "**Final Terms**"), substantially in the form which is set out below (terms used in such provisions being deemed to be defined as such for the purposes of this Base Prospectus).

Any references to "this document" in the *Pro Forma* Final Terms of the SPICE Notes section of this Base Prospectus shall be deemed to refer to the Final Terms.

[Notes issued pursuant to these Final Terms are securities to be listed under Listing Rule [17/19]¹.]

PRO FORMA FINAL TERMS OF THE SPICES

Final Terms dated []

Series No.: []

Tranche No.: []

HSBC Bank plc

Programme for the Issuance of Notes and Warrants

**Issue of [] [Underlying Company] (the
"Underlying Company") SPICES ("Securities Participating in Indian Company
Equity") due [] (the "Notes" or "SPICES")**

PART A - CONTRACTUAL TERMS

This document constitutes the Final Terms relating to the issue of the Tranche of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 30 July 2009 in relation to the above Programme [and the supplemental Prospectus dated []²] which [together] constitute[s] 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 Notes described herein [for the purposes of Article 5.4 of the Prospectus Directive] and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. [The Prospectus [and the supplemental Prospectus] [is] [are] is available for viewing at [address] [and] [website]³ and copies may be obtained from [address].]

¹ *To be included in respect of all issues which are to be admitted to listing. Delete as appropriate. Please refer to the Listing Rules. Listing Rule 17 applies to debt securities, asset backed securities and convertible securities. Listing Rule 19 applies to securitised derivatives.*

² *Only include details of supplemental Prospectus in which the Conditions have been amended for the purposes of all issues under the Programme.*

³ *If required by the UKLA in accordance with Article 14 of the Prospectus Directive.*

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Prospectus dated [original date] [and the supplemental Prospectus dated []]. This document constitutes the Final Terms of the notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus dated [current date] [and the supplemental Prospectus dated []], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the [Prospectus] dated [original date] [and the supplemental Prospectus dated []] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus(es) dated [original date] and [current date] [and the supplemental Prospectus dated []] and []. [The Prospectus(es) are available for viewing at [address] and copies may be obtained from [address].

The Notes reflect the risks of a direct investment in Indian securities by a Foreign Institutional Investor (an "**FII**"), which may be evidenced by investments by an affiliate of the Issuer that is registered as an FII or any successor to such affiliate (each such affiliate, an "**FII Affiliate**"), and FIIs generally. The effect of such risks on the Notes will always be calculated in the sole and absolute discretion of the Calculation Agent. Certain of the risks are outlined in these Final Terms, though these risks are not exhaustive. Investors should conduct their own investigation of the risks involved in a direct investment in Indian equity by an FII and investment in Indian Rupee and form their own view based on such investigations. In certain circumstances, the Noteholder's entire investment may be at risk and they may receive nothing on redemption except the minimum amount of 0.03 per cent. of the issue price per Note.

Prospective investors considering acquiring any SPICES should understand the risks of transactions involving the SPICES and should reach an investment decision only after carefully considering, with their financial, legal, regulatory, tax, accounting and other advisers, the suitability of the SPICES in light of their particular circumstances (including without limitation their own financial circumstances and investment objectives) and the information contained in the Base Prospectus.

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

An investment in SPICES linked to specific securities or a basket of securities issued by one or more underlying companies which are, or are expected on issue to be, listed and/or admitted to trading on one or more stock exchanges in India (together the "**Reference Assets**" and each a "**Reference Asset**") entails associated risks. The SPICES are unrelated to the underlying company issuing the underlying share or shares (each an "**Underlying Company**").

No assurance is given as to the availability of a secondary market in the SPICES or the Reference Assets. The Issuer may purchase the SPICES in the secondary trading market but is under no obligation to do so and the price at which it may do so will depend upon, among other things, the liquidity and prevailing market price of the Reference Assets, the currency of denomination, and the risks referred to herein. If a secondary market does develop, there can be no assurance that the holders

of SPICES will be provided with liquidity of investment or that it will continue throughout the life of the SPICES.

Disclosure of information concerning the terms of and parties to offshore derivative instruments including the Notes has to be made by an FII on an ongoing basis in accordance with the requirements of the Securities and Exchange Board of India ("**SEBI**"). SEBI has issued three circulars relating to transactions involving the issuance of offshore derivative instruments as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995 ("**FII Regulations**") (hereinafter referred to as "**ODIs**") by registered FIIs/FII Affiliates. Circular No. IMD/CUST/8/2003 dated 8 August 2003 (the "**2003 Circular**") requires FIIs to provide and report information to SEBI relating to such transactions including beneficiaries. The 2003 Circular was amended by Circular No. IMD/CUST/02/2004 issued by SEBI on 26 January 2004 (the "**2004 Circular**"). Subsequently, the 2004 Circular has been amended by way of Circular No. IMD/FII & C/ 28 /2008 issued by SEBI on 27 May 2008 (the "**2008 Circular**"). Pursuant to the 2008 Circular, and the Securities and Exchange Board of India (Foreign Institutional Investors) (Amendment) Regulations 2008 on 22 May 2008 ("**FII Regulations Amendment**") FIIs are required to ensure that those receiving the benefit of ODIs are "persons who are regulated by an appropriate foreign regulatory authority" (as such term and/or requirements relating thereto are defined or otherwise interpreted for the purposes of Regulation 15A of the FII Regulations). Therefore, the Issuer will provide information required under the 2003 Circular, the 2004 Circular and the 2008 Circular and any subsequent circulars or ad-hoc requests from SEBI to an FII Affiliate for onward transmission to SEBI periodically and as otherwise required by them. Pursuant to the FII Regulations Amendment, a sub-account is no longer permitted to issue any fresh ODIs, and further, no FII may issue, or otherwise deal in ODIs, directly or indirectly, unless: (a) such ODIs are issued only to "persons who are regulated by an appropriate regulatory authority" (as defined under the FII Regulations); and (b) such ODIs are issued after compliance with "know your client" norms. Pursuant to the FII Regulations Amendment (subject to the discussion below), an FII is obligated to ensure that there is no further issue or transfer of any ODIs issued by or on its behalf to any person other than those listed in (a) above. Further FIIs were required to cancel, redeem or close out any ODIs held by persons other than those in (a) above before 31 March 2009. It may also be noted that no ODIs can be issued by or on behalf of an FII with derivatives tradable on any recognised stock exchange in India as underlying, and any outstanding ODIs issued with derivatives tradable on any recognised stock exchange in India as underlying were to be cancelled, redeemed, or closed out before 31 March 2009. Pursuant to the FII Regulations Amendment, SEBI had also mandated that where the total value of ODIs issued by an FII, as of 30 September 2007 is more than 40% of its assets under custody (i.e. the value of assets of the FII which are in custody of its custodian) as on that date ("**AUC**"), further ODIs may be issued by such FII, only in lieu of ODIs which are cancelled, redeemed or closed out, provided that the amount raised through such further issuance of ODIs shall not exceed the amount of the ODIs cancelled, redeemed, or closed out. It may be noted though that, additional ODIs may be issued against bonus shares in respect of equity shares against which ODIs are already in existence. Where the total value of ODIs issued against securities held by a FII as of 30 September 2007 is less than 40% of its AUC as of 30 September 2007, such FIIs are permitted to issue further ODIs only at the incremental rate of up to 5% (on an annual basis) of their AUC, provided that such further issuance does not result in the total value of ODIs exceeding 40% of the AUC.

However, the restrictions imposed under the FII Regulations Amendment remain in effect relating to issuance of ODIs with derivatives as the underlying and the limits as regards AUC have been lifted by SEBI. In a Press Release issued on 6 October 2008 ("**ODI Press Release**") SEBI stated that it had decided to do away with the restrictions on the issue of ODIs by FIIs against securities, including derivatives, as underlying. However, the ODI Press Release did not specify the exact nature of the restrictions that SEBI had decided to remove. The following day, SEBI issued a circular stating that the

changes brought about by the ODI Press Release would be effective as of close of market hours on 7 October 2008 and that the FII Regulations would be amended to reflect these changes. Further SEBI issued formal amendments by way of the Securities and Exchange Board of India (Foreign Institutional Investors) (Second Amendment) Regulations 2008 on 30 October 2008 and has done away with the restrictions on the issue of ODIs by FIIs against securities with derivatives as the underlying and the restrictions in terms of AUC. Further, SEBI has, in a press release dated 20 October 2008 in respect of offshore stock lending activities by an FII, stated that it disapproves of the overseas lending and borrowing activities of FIIs and the consequent selling pressure in the cash market in India. SEBI has communicated this disapproval to the FIIs. Consequently, the lending and borrowing activities of FIIs are being monitored and if necessary stronger measures may be taken by SEBI as considered appropriate, which may include the imposition of further restrictions or reporting requirements on an FII.

The ODIs:

- (i) can only be offered to "any person regulated by an appropriate regulatory authority", as such term is defined and/or requirements relating thereto are defined or otherwise interpreted by any Indian governmental or regulatory authority (each, an "**Authority**") for the purposes of Regulation 15A of the FII Regulations (a "**Regulated Entity**");
- (ii) cannot be offered/sold/transferred to any (i) "Person Resident in India" (as such term is defined in the Foreign Exchange Management Act 1999, as may be amended or supplemented from time to time) or (ii) "Non-Resident Indian" (as such term is defined in the Foreign Exchange Management (Deposit) Regulations 2000, as may be amended or supplemented from time to time) (each a "**Restricted Entity**");
- (iii) cannot be offered/sold/transferred to a person/entity whose controller is a Restricted Entity, where a "controller" means any person or group of persons (acting pursuant to any agreement or understanding (whether formal or informal, written or otherwise)) who:
 - (i) is/are entitled to exercise, or control the exercise of a majority or more of the voting power of an entity, or
 - (ii) holds or is otherwise entitled to a majority or more of the economic interest in an entity, or
 - (iii) who in fact exercises control over an entity.

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

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

- (iv) cannot be purchased with the intent of circumventing or otherwise avoiding any requirements applicable under the FII Regulations and/or any other subsidiary regulations or circulars issued pursuant thereto (including, without limitation, any restrictions applying to foreign institutional

investors in relation to their issuances and/or other dealings of ODIs with, Restricted Entities or any persons or entities who are not Regulated Entities);

- (v) cannot be directly or indirectly, sold, transferred, assigned, novated or otherwise disposed of, to any Restricted Entity; and
- (vi) cannot be, directly or indirectly, sold, transferred, assigned, novated or otherwise disposed of to any person or entity who is not a Regulated Entity.

In most instances ODI Issuers insist on undertakings from the ODI holder (e.g. Noteholder) in respect of the foregoing. Any default in these restrictions by the Issuer or any other party to the ODI transaction may affect the ability to liquidate such investments.

As an issuer of ODIs, the Issuer may be required to disclose details of its investors, clients, counterparties and holders of the beneficial interest. Details disclosed could include the name and correspondence address of Noteholders and their major shareholders, directors and investors, name and jurisdiction of the regulator by whom the investors are regulated, type of entity that the Noteholder falls under (i.e. hedge fund, corporate, individual, pension fund, trust) and, if a Noteholder is a fund, the names of its fund managers and investment advisors top investors in the fund.

Indian investment - Investments in Indian equity are usually volatile, and it should not be assumed that prices will always be available for the relevant securities specified in the list attached to the relevant Final Terms (for the purposes of SPICES, the "**Securities**"). Information available on the relevant Securities may be limited and not as reliable as would be expected in a more developed market.

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

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

Indian stock exchanges, including the BSE and the NSE, have in the past experienced substantial fluctuations in the prices of their listed securities. They have also experienced problems such as

temporary exchange closures, broker defaults, settlement delays and broker strikes that, if they occur again in the future, could affect the market price and liquidity of the Indian Reference Assets. In addition, the governing bodies of the various Indian stock exchanges have, from time to time, imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Disputes have also occurred from time to time among listed companies, the stock exchanges and other regulatory bodies, and in some cases those disputes have had a negative effect on overall market sentiment. Recently, there have been delays and errors in share allotments relating to initial public offerings. In addition, SEBI has recently imposed heavy fines on market intermediaries in relation to manipulations by some investors of the allotment process in several recent initial public offerings with a view to cornering large share allotments in the "retail investor" category. Such events in turn may affect overall market sentiment and lead to fluctuations in the market prices of the Indian Reference Asset(s).

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

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

Market access - Non-Indians ("**foreigners**") cannot generally invest directly in Indian equity. An application can be made for registration with the SEBI as a FII under FII Regulations so as to allow investment in Indian equities. Some FII Affiliates of the Issuer are registered as FIIs (though the Issuer is not).

FII registration granted by SEBI is permanent (unless suspended or cancelled by SEBI). An FII that was registered with SEBI prior to the commencement of the FII Regulations Amendment is required to file Form A (as prescribed under the FII Regulations) at least 3 months prior to the expiry of the period of the certificate or within 3 months from such commencement, whichever is later.

FII investments are substantially restricted and controlled. These restrictions, such as the restriction on maximum percentage holding of any single equity, are controlled by the SEBI, the Reserve Bank of India (the "**RBI**") and are also subject to the Government of India Guidelines issues in this regard. Pursuant to SEBI Circular No. IMD/FII&C/27/2008 dated 31 January 2008, investments by FIIs in units of debt orientated mutual funds are considered as investments in corporate debt and are reckoned within the stipulated limit earmarked for FII investments in corporate debt. Further, the operational mechanism for purchase, sale, settlement and movement of funds is restricted. For example, FIIs having an aggregate of securities worth Rs 10 crores or more as on the latest balance sheet date shall settle their transactions only through dematerialised securities.

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

An investor in SPICEs will be subject to the effect of equivalent restrictions and controls to those imposed on FIIs generally, and the FII Affiliates in particular, as determined by the Calculation Agent.

These include limitations on the number of underlying Securities in respect of which the investor is expecting to receive an economic return, potential delays or even non-receipt of funds on sale of the SPICES, taxes and charges generally levied on FIIs in buying and selling equity and limitations on the importation and withdrawal of funds. Where the Issuer disposes of Securities or other assets, payments to holders of SPICES calculated by reference to the price of such disposal will not be due unless or until the proceeds of disposal are received by the Issuer.

Generally, under SEBI regulations applicable to FIIs and subject to certain exceptions, total investments by FIIs and their sub-accounts, taken together, in the primary and secondary Indian markets may not exceed 24% of the equity capital or the value of each series of convertible debentures of any Indian company in which they invest. The ceiling would apply to the total holdings in any Indian company of all FIIs and their sub-accounts collectively in a given Indian company unless it is increased by a board resolution and a special resolution to the foreign investment cap applicable to the sector in which the Indian company operates. Furthermore, no individual FII or sub-account of a FII registered as a "broad based" sub-account may generally invest more than 10% in the equity capital of any Indian company.

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

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

In the event that an FII is forced to sell part or all of any Securities due to an instruction from or policy change on the part of the RBI which prevents the FII Affiliate from holding Securities relating to the entire issue of SPICES, the Issuer shall be entitled to take such measures, including calling for Early Redemption, as it shall, acting in good faith, think fit.

Foreign currency risk - Potential investors in the SPICES should understand that amounts payable under the Notes will be converted from Indian Rupees into US dollars. Therefore, the SPICES are subject to the risks of any investment in foreign currencies, including the risk that the general level of foreign currency exchange rates may decline. The following is a list of some of the significant currency related risks associated with an investment in the SPICES:

- (i) Historical performances of the Indian Rupee and the US dollar do not indicate the future performances of such currencies. It is impossible to predict whether the value of either currency will fall or rise during the term of the SPICES;
- (ii) Trading levels of the Indian Rupee and the US dollar will be influenced by political, economic, financial, market and other factors. It is impossible to predict what effect these factors will have on the value of either currency and thus, the return on the SPICES;
- (iii) The values of the Indian Rupee and the US dollar are a result of the supply of, and demand for, each currency and changes in foreign exchange rates may result from the interactions of many factors including economic, financial, social and political conditions in India and the United States. These conditions include, for example, the overall growth and performance of the economies of the United States and India, the trade and current account balance between the United States and India, market interventions by the Federal Reserve Board or the central banks of the United States and India, inflation, interest rate levels, the performance of the stock

markets in the United States and India, the stability of the United States' and India's governments and banking systems, wars in which the United States and India are directly or indirectly involved or that occur anywhere in the world, major natural disasters in the United States and India, and other foreseeable and unforeseeable events;

- (iv) Certain relevant information relating to India may not be as well known or as rapidly or thoroughly reported in the United States as comparable United States developments. Prospective purchasers of the Notes should be aware of the possible lack of availability of important information that can affect the value of the Indian Rupee in relation to the US dollar and must be prepared to make special efforts to obtain such information on a timely basis; and
- (v) Exchange rates of most economically developed nations, including India, are "floating," meaning they are permitted to fluctuate in value relative to the US dollar. Governments, including those of the United States and India use a variety of techniques, such as intervention by their central bank or imposition of regulatory controls or taxes, to affect the exchange rates of their respective currencies. Governments may also issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by devaluation or revaluation of a currency. Thus, a special risk in purchasing the Notes is that their liquidity, trading value and amounts payable could be affected by the actions of sovereign governments which could change or interfere with theretofore freely determined currency valuation, fluctuations in response to other market forces and the movement of currencies across borders. There may be adjustments or changes in the terms of the SPICEs in the event of impositions of restrictions, prohibition (such as exchange controls) or delaying of the exchange of the Indian Rupee into the U.S. dollar. Such events may also cause the Issuer to terminate the Notes or Warrants early.

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

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

Nature of SPICEs under the Indian Regulatory Regime – The SPICEs issued by the Issuer will be considered as an ODI by SEBI and the regulatory authorities in India. Since the Issuer is not a registered FII, the Issuer may also invest in the Indian Reference Asset(s) by way of ODIs issued by an FII or an FII Affiliate ("**ODI Issuer**") for the purpose of hedging the SPICEs. ODIs have been defined in the FII Regulations, to mean any instrument, by whatever name called, which is issued overseas by a FII against securities held by it that are listed or proposed to be listed on any recognised stock exchange in India, as the underlying.

Where, at the commencement of the FII Regulations Amendment, any person other than a "person regulated by an appropriate foreign regulatory authority" (as such term and/or requirements relating thereto are defined or otherwise interpreted for the purposes of Regulation 15A of the FII Regulations)

is holding ODIs issued by or on behalf of an FII, such FII is required to ensure that such ODIs are cancelled, redeemed or closed out before 31 March 2009.

Timing and taxation issues - Under the Indian Companies Act, 1956, (the "**Indian Companies Act**") unless the board of directors (the "**Board**") recommends the payment of a dividend, the shareholders at a general meeting have no power to declare any dividend. Subject to certain conditions laid down by Section 205 of the Indian Companies Act, no dividend can be declared or paid by a company for any financial year except out of the profits of the company calculated in accordance with the provisions of the Indian Companies Act or out of the profits of the company for any previous financial year(s) arrived at as laid down by the Indian Companies Act. Subject to certain conditions contained in the Indian Companies Act, dividends may also be payable out of moneys provided by the central or state government for payment of dividend in pursuance of a guarantee given by that government.

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

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

The company declaring dividend is liable to pay a dividend distribution tax currently at the rate of 15 per cent. (plus surcharge at 10 per cent. on the dividend distribution tax and education cess at the rate of 3 per cent. on aggregate of dividend distribution tax and surcharge) on the total amount distributed as dividend. The effective dividend distribution tax is therefore 16.995 per cent. Dividends in the hands of the recipient shareholders are exempted from tax.

The investors (who owned the SPICES immediately prior to the ex-dividend date) may receive amounts reflecting the dividends some time after the dividend is announced or paid (including after the Maturity Date or Settlement Date of the SPICES) if payment of the dividends, or the receipt thereof by the Issuer and/or its affiliates under any hedging arrangement entered into in connection therewith, is delayed for whatever reason. The amount of any such dividends paid to the investors shall be the net amount after conversion of such amount into the relevant settlement currency and after the deduction of all conversion, transfer and other costs and expenses incurred by the Issuer and/or an FII Affiliate in connection therewith, as determined by the Issuer in its sole and absolute discretion. Also, adjustments for dividends may be calculated with reference to the taxation of an FII Affiliate in respect of such dividends by a taxing authority (other than the Indian taxing authority) by reason of a present or former connection between such entity and the jurisdiction of such taxing authority.

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

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

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

If India should choose to renegotiate its taxation treaties or question the applicability of double taxation treaty relief relating to the jurisdiction in which a FII is incorporated, it could result in an adverse impact on the capital gains tax paid by the FII and any gain from purchase to sale would be subject to such a withholding prior to expatriation of the sale proceeds. Presently no capital gains tax is charged in India on disposal of Securities by FIIs incorporated in Mauritius.

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

Potential conflict of interest - The Issuer is the Calculation Agent with regard to the SPICES. The Calculation Agent will be solely responsible for the calculation of the Final Redemption Amount and other determinations and calculations in connection with the SPICES, including determinations in relation to Additional Payments (as defined in the Conditions), and certain other determinations in connection with the occurrence of a Merger Event, Nationalisation or Insolvency Event (as defined in the Conditions) and/or events affecting dealings by the Issuer, any FII Affiliate or FIIs generally or a Currency Event (as defined in the Conditions). Because the Calculation Agent is the Issuer, and is obligated to redeem the SPICES, the Calculation Agent may have economic interests adverse to those of the holders of the SPICES, including with respect to certain determinations and judgments that the Calculation Agent must make as referred to above, any of which may affect payments in respect of the SPICES. Hedging activities of the Issuer and its affiliates could influence Calculation Agent determinations made in connection with the SPICES.

**PROHIBITIONS ON ACQUISITIONS BY INDIAN INVESTORS/NON RESIDENT
INDIANS/UNREGULATED ENTITIES**

THE NOTES CANNOT BE ACQUIRED OR HELD BY ANY "PERSONS RESIDENT IN INDIA," OR "NON-RESIDENT INDIANS," (WHICH INCLUDES "PERSONS OF INDIAN ORIGIN"), EACH AS DEFINED UNDER THE FOREIGN EXCHANGE MANAGEMENT ACT, 1999, THE FOREIGN EXCHANGE MANAGEMENT (DEPOSIT) REGULATIONS, 2000 AND THE REGULATIONS MADE THEREUNDER (COLLECTIVELY, THE "RESTRICTED ENTITIES") AND AS DISCUSSED BELOW. THIS RESTRICTION APPLIES TO ANYONE WHO IS CURRENTLY A RESTRICTED ENTITY OR WHO BECOMES A RESTRICTED ENTITY IN THE FUTURE.

- A "PERSON RESIDENT IN INDIA" MEANS:
 - A PERSON RESIDING IN INDIA FOR MORE THAN ONE HUNDRED AND EIGHTY TWO (182) DAYS DURING THE COURSE OF THE PRECEDING FINANCIAL YEAR BUT DOES NOT INCLUDE:
 - A PERSON WHO HAS GONE OUT OF INDIA OR WHO STAYS OUTSIDE INDIA IN EITHER CASE: (1) FOR OR ON TAKING UP EMPLOYMENT OUTSIDE INDIA; (2) FOR CARRYING ON OUTSIDE INDIA A BUSINESS OR VOCATION OUTSIDE INDIA; OR (3) FOR ANY OTHER PURPOSE, IN SUCH CIRCUMSTANCES AS WOULD INDICATE HIS INTENTION TO STAY OUTSIDE INDIA FOR AN UNCERTAIN PERIOD; OR
 - A PERSON WHO HAS COME TO OR STAYS IN INDIA, IN EITHER CASE, OTHERWISE THAN: (1) FOR OR ON TAKING UP EMPLOYMENT IN INDIA; (2) FOR CARRYING ON IN INDIA A BUSINESS OR VOCATION IN INDIA; OR (3) FOR ANY OTHER PURPOSE, IN SUCH CIRCUMSTANCES AS WOULD INDICATE HIS INTENTION TO STAY IN INDIA FOR AN UNCERTAIN PERIOD;
 - ANY PERSON OR BODY CORPORATE REGISTERED OR INCORPORATED IN INDIA;
 - AN OFFICE, BRANCH OR AGENCY IN INDIA OWNED OR CONTROLLED BY A PERSON RESIDENT OUTSIDE INDIA; OR
 - AN OFFICE, BRANCH OR AGENCY OUTSIDE INDIA OWNED OR CONTROLLED BY A PERSON RESIDENT IN INDIA.
 - A "NON-RESIDENT INDIAN" MEANS A PERSON RESIDENT OUTSIDE INDIA WHO IS A CITIZEN OF INDIA OR IS A PERSON OF INDIAN ORIGIN.
 - A "PERSON OF INDIAN ORIGIN" MEANS A CITIZEN OF ANY COUNTRY OTHER THAN BANGLADESH OR PAKISTAN, IF: (1) HE AT ANY TIME HELD AN INDIAN PASSPORT; OR (2) HE OR EITHER OF HIS PARENTS OR ANY OF HIS GRANDPARENTS WAS A CITIZEN OF INDIA BY VIRTUE OF THE CONSTITUTION OF INDIA OR THE CITIZENSHIP ACT, 1955 (57 OF 1955); OR (3) THE

PERSON IS A SPOUSE OF AN INDIAN CITIZEN OR A PERSON REFERRED TO IN SUB-CLAUSE (1) OR (2).

FURTHER, THE NOTES:

- (A) CANNOT BE OFFERED/SOLD TO ANY PERSON/ENTITY WHOSE CONTROLLING SHAREHOLDER(S) IS/ARE A RESTRICTED ENTITY ((I) A "CONTROLLING SHAREHOLDER" MEANS ANY PERSON OR GROUP OF PERSONS (ACTING PURSUANT TO ANY AGREEMENT OR UNDERSTANDING (WHETHER FORMAL OR INFORMAL, WRITTEN OR OTHERWISE)) WHO IS ENTITLED TO EXERCISE OR CONTROL THE EXERCISE OF 25% OR MORE OF THE VOTING POWER OF AN ENTITY OR WHO IN FACT EXERCISES CONTROL OF AN ENTITY OR HAS A BENEFICIAL INTEREST IN EXCESS OF 25% IN SUCH ENTITY; AND (II) "CONTROL" MEANS THE CAPACITY TO DOMINATE DECISION-MAKING, DIRECTLY OR INDIRECTLY, IN RELATION TO THE FINANCIAL, INVESTMENT AND /OR OPERATING POLICIES OF AN ENTITY), PROVIDED THAT NEITHER OF (I) AND/OR (II) ABOVE SHALL APPLY TO AN INVESTMENT MANAGER/ADVISOR OF THE PERSON/ENTITY BEING OFFERED/PURCHASING THE NOTES);**
- (B) CANNOT BE PURCHASED FOR BY OR FOR THE BENEFIT OR ACCOUNT OF, OR PURSUANT TO OR IN CONNECTION WITH ANY BACK-TO-BACK TRANSACTION WITH, ANY ENTITY OR PERSON THAT IS AN UNREGULATED ENTITY (i.e. IS NOT A "PERSON REGULATED BY AN APPROPRIATE FOREIGN REGULATORY AUTHORITY", AS SUCH TERM IS DEFINED IN THE FII REGULATIONS,. AS OF DATE THE FII REGULATIONS DEFINE "PERSONS REGULATED BY AN APPROPRIATE FOREIGN REGULATORY AUTHORITY" AS (I) ANY PERSON THAT IS REGULATED/SUPERVISED AND LICENSED/REGISTERED BY A CENTRAL BANK OUTSIDE INDIA; OR (II) ANY PERSON THAT IS REGISTERED AND REGULATED BY A SECURITIES OR FUTURES REGULATOR IN ANY COUNTRY OR STATE OUTSIDE INDIA; OR (III) ANY BROAD BASED FUND OR PORTFOLIO INCORPORATED OR ESTABLISHED OUTSIDE INDIA OR PROPRIETARY FUND OF A REGISTERED FOREIGN INSTITUTIONAL INVESTOR OR UNIVERSITY FUND, ENDOWMENT, FOUNDATION, CHARITABLE TRUST OR CHARITABLE SOCIETY WHOSE INVESTMENTS ARE MANAGED BY A PERSON COVERED IN (I) OR (II) ABOVE));**
- (C) CANNOT BE SOLD, TRANSFERRED, ASSIGNED, NOVATED OR OTHERWISE DISPOSED OF, TO OR FOR THE BENEFIT OR ACCOUNT OF ANY RESTRICTED ENTITY; AND**
- (D) CANNOT BE DIRECTLY OR INDIRECTLY, SOLD, TRANSFERRED, ASSIGNED, NOVATED OR OTHERWISE DISPOSED OF TO, OR FOR THE BENEFIT OR ACCOUNT OF ANY UNREGULATED ENTITY.]"**

[For SPICE Notes offered and sold in the United States of America include:

IMPORTANT NOTICES

THE SPICE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), THE STATE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION, AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, US 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 SPICE NOTES 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-US PERSONS (AS DEFINED IN REGULATION S) IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLERS OF SPICE NOTES PURSUANT TO CLAUSE (A) ABOVE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

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

AVAILABLE INFORMATION

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

Investing in the SPICE Notes (the "Notes") involves substantial risks. As a consequence, prospective investors should be aware that the SPICE Notes are only intended for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks of an investment in the SPICE Notes. In purchasing any SPICE Notes, an

investor will be deemed to represent that it is such an investor and has such knowledge and experience. Prospective investors should consider the risk factors set forth under "Risk Factors" in the Prospectus and the risks described herein.

[Include whichever of the following apply or specify as "Not applicable". Note that the numbering should remain as set out below, even if "Not applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]

[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

- | | | | |
|----|--------|--|---|
| 1. | (i) | Issuer: | HSBC Bank plc |
| | (ii) | Arranger(s): | HSBC Bank plc |
| 2. | (i) | Series number: | [] |
| | (ii) | [Tranche number: | [] |
| | | (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).] | |
| | (iii) | Whether issue is of Notes or Certificates: | [Notes/Certificates] (if the issue is of Certificates, all references in this Final Terms and in the Prospectus to Notes shall be deemed to be "Certificates" for the purposes of this issue) |
| 3. | | Currency or currencies: | |
| | (i) | of denomination: | [] |
| | (ii) | of payment: | [] |
| 4. | | Aggregate Principal Amount [of Notes admitted to trading] ⁴ : | |
| | [(i)] | Series: | [] Notes (<i>specify currency amount</i>) |
| | [(ii)] | Tranche: | [] Notes (<i>specify currency amount</i>) |
| 5. | (i) | Issue Price: | [<i>currency amount</i>] per Note ([] per cent. of the Aggregate Principal Amount) |
| | (ii) | Commission payable: | [[] per cent./None] |
| | (iii) | Selling concession: | [[] per cent./None] |
| 6. | (i) | Denomination(s) | [] per SPICE |

⁴ Delete for debt securities with a denomination per unit of less than EUR 50,000.

	(<i>Condition 1(b)</i>):	Each SPICE relates to 1.000 Security of the Underlying Company.
	(ii) Calculation Amount ⁵ :	[]
7.	(i) Issue Date:	[]
	(ii) Interest Commencement Date:	Not applicable
8.	Maturity Date: (<i>Condition 6(a)</i>)	[]
9.	Interest basis: (<i>Conditions 3 to 5</i>)	Not applicable save that if any amount in respect of any Note is not paid when due and payable pursuant to the Conditions, interest shall accrue on the overdue amount at the rate of [].
10.	Redemption basis: (<i>Condition 6</i>)	Cash Equity Redemption
11.	Change of interest or redemption basis:	Not applicable. As provided in the Annex, one or more Additional Payment Amounts may become due in certain circumstances.
12.	Put/Call options:	Condition 6(c) will apply as specified in paragraph 21 below.
13.	(i) Status of the Notes: (<i>Condition 2</i>)	Unsubordinated, unsecured
	(ii) Date approval for issuance of Notes obtained:	Not applicable
14.	Method of distribution:	Non-syndicated
PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE		
15.	Fixed Rate Note provisions: (<i>Condition 3</i>)	Not applicable
16.	Floating Rate Note provisions: (<i>Condition 4</i>)	Not applicable
17.	Variable Coupon Amount Note provisions: (<i>Condition 5</i>)	Not applicable
18.	Zero Coupon Note provisions:	Not applicable

⁵ The applicable Calculation Amount (which is used for the calculation of redemption and interest amounts (if any)) will be (i) if there is only one Denomination, the Denomination; or (ii) if there are several Denominations, the highest common factor of those Denominations. Note that a Calculation Amount of less than 1,000 units of the relevant currency may result in practical difficulties for Paying Agents and/or ICSDs who should be consulted if such an amount is proposed.

(Condition 5)

- | | | |
|-----|--|----------------|
| 19. | Index-Linked Interest Note/other variable-linked interest Note Provisions: | Not applicable |
| 20. | Dual Currency Note provisions/Multi-currency Note provisions: | Not applicable |

PROVISIONS RELATING TO REDEMPTION

- | | | |
|-----|---|--|
| 21. | Issuer's optional redemption (Call):
(Condition 6(c)) | If the Calculation Agent is satisfied that the ability of an affiliate of the Issuer which is registered as an FII or any successor to such affiliate (an " FII Affiliate ") to enter into or to maintain appropriate hedging is materially impaired or restricted for whatever reason or that FIIs generally are impeded in their ability freely to purchase, hold or sell Indian equities (including, without limitation, the Securities) or Indian Rupees or freely to transfer or convert Indian Rupees or the proceeds of their conversion, the Issuer may redeem all but not some only of the Notes on a date which is not earlier than two Relevant Financial Centre Days after the date on which the Issuer gives notice to the Noteholders and the Issue Agent of redemption of the Notes in such circumstances. |
| | (i) Redemption Amount (Call): | In respect of each Note, the Realisable Sale Price as defined in the Annex hereto. |
| | (ii) Series redeemable in part: | No |
| | (iii) Call option date(s)/Call option period: | Any date from and including the Issue Date to and including the Valuation Date. |
| 22. | Noteholder's optional redemption (Put):
(Condition 6(d)) | Not applicable |
| 23. | Final redemption amount of each Note:
(Condition 6(a)) | See the Annex hereto. For the purpose of these Final Terms, " Redemption Commission Percentage " shall be [] per cent. |
| 24. | Final redemption amount of each Note in cases where the final redemption amount is Index-Linked or other variable-linked: | Not applicable |
| 25. | Instalment Notes:
(Condition 6(a)) | Not applicable |

26. Early redemption amount: Yes
- (i) Early redemption amount (upon redemption for taxation reasons, force majeure or following an Event of Default):
(Conditions 6(b), 6(h) or 10) In respect of each Note, the Realisable Sale Price as defined in the Annex hereto.
- (ii) Other redemption provisions:
(Condition 6(i)) See the Annex hereto

GENERAL PROVISIONS APPLICABLE TO THE NOTES

27. Form of Notes:
(Condition 1(a))
- (i) Form of Notes: [Bearer/Registered]
- (ii) Bearer Notes exchangeable for Registered Notes: [Yes/No] [*Answer will be no where no Registered Notes or where the issue is wholly or partly a Rule 144A issue*]
28. New Global Note: [Yes/No]
29. If issued in bearer form:
- (i) Initially represented by a Temporary Global Note or Permanent Global Note: [*specify*] [*Notes may only be represented initially by a Permanent Global Note if these Final Terms specifies that TEFRA C rules apply*]
- (ii) Temporary Global Note exchangeable for Permanent Global Note and/or Definitive Notes and/or Registered Notes:
(Condition 1(a)) [Yes - *specify*/No]
- (iii) Permanent Global Note exchangeable at the option of the bearer for Definitive Notes and/or Registered Notes: [Yes - *specify*/No]
- (iv) Coupons to be attached to Definitive Notes: Not applicable
- (v) Talons for future Coupons to be attached to Definitive Notes: Not applicable
- (vi) (a) Definitive Notes to be security printed: [Yes/No] [*N.B. This will need to be considered even if Permanent Global Notes are not exchangeable at the bearer's option into Definitive Notes because of exchangeability upon "melt down" of clearing systems - see provisions contained*]

in Permanent Global Note]

- (b) if the answer to (a) is [Yes/No/Not applicable]
yes, whether steel
engraved plates will be
used:
- (vii) Definitive Notes to be in ICMA [Yes/No]
or successor's format:
*[N.B. The above comment also applies
here]*
- (viii) Issuer or Noteholder to pay costs [Issuer/Noteholder/Not applicable]
of security printing:
30. Exchange Date for exchange of Temporary [specify]
Global Note:
31. Payments:
(Condition 8)
- (i) Method of payment: *[specify if other than by cheque or transfer
to a designated account]*[Not applicable]
- (ii) Relevant Financial Centre Day: *[specify any additional places]*
- (iii) Local banking day specified for [Yes/ No]⁶
payments in respect of the Notes
in global form:
32. Partly Paid Notes: Not applicable
(Condition 1)
- If yes, specify number, amounts and dates
for, and method of, payment of instalments
of subscription monies and any further
additional provisions (including forfeiture
dates in respect of late payments of partly
paid instalments)
33. Redenomination:
(Condition 9)
- (i) Redenomination: [Applicable/Not applicable]
- (ii) Exchange: [Applicable/Not applicable]
34. Other final terms: See the Annex hereto

⁶ This should specify "No" unless, exceptionally, location of Principal Paying Agent is to be included as a business day for the purposes of payments whilst Notes are in global form in the clearing systems.

For the purpose of these Final Terms:

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

PROVISIONS APPLICABLE TO INDEX-LINKED NOTES, CASH EQUITY NOTES AND EQUITY-LINKED NOTES

- 35. Security Delivery (Equity-Linked Notes Condition 21(b) does not apply only):

36. Provisions for Cash Equity Notes and Equity-Linked Notes
- (i) Securities: [] (ISIN [])
 - (ii) Underlying Company: []
 - (iii) Exchange(s): [Bombay Stock Exchange and the National Stock Exchange]
 - (iv) Cash Settlement Payment Date: See the Annex hereto
 - (v) Securities Transfer Amount:
(for Equity-Linked Notes only) Not applicable
 - (vi) Settlement Date:
(for Equity-Linked Notes only) Not applicable
 - (vii) Settlement Disruption Event:
(for Equity-Linked Notes only) Condition 21(b)(iii) does not apply
 - (viii) Delivery Disruption Event:
(for Equity-Linked Notes only) Condition 21(b)(iv) does not apply
 - (ix) Potential Adjustment Event: Condition 21(g)(i) applies subject to paragraph 3 of the Annex hereto
 - (x) Extraordinary Event: Condition 21(g)(ii) applies subject to paragraph 3 of the Annex hereto
 - (xi) Conversion:
(for Notes relating to Government Bonds and debt securities only) Condition 21(g)(iii) does not apply
 - (xii) Corrections of prices: Condition 21(g)(iv) does not apply
 - (xiii) Additional Disruption Event: [The following Additional Disruption Events apply: [Change in Law, Hedging Disruption, Increased Cost of Hedging] [other - give details] [Not applicable]
37. Additional provisions for Equity-Linked Notes: Not applicable
38. Provisions for Index-Linked Notes: Not applicable
39. For Equity-Linked and Credit-Linked Notes: US Federal Income Tax Considerations
40. Valuation Date(s): []. Condition 21(e)(i)(A) will end with the words "that is not a Disrupted Day" in the fourth line and the remainder of that paragraph shall be deleted.

41. Valuation Time: Actual closing time for the regular trading session of the relevant Exchange.
42. Averaging Dates: Not applicable
43. Other terms or special conditions relating to Index-Linked Notes, Cash Equity Notes or Equity-Linked Notes: See the Annex hereto

DISTRIBUTION

44. (i) If syndicated, names, addresses and underwriting commitments of Relevant Dealer(s)/Lead Manager(s): [Not applicable / HSBC Bank plc / *other - give name*]
[Give addresses and underwriting commitments]⁷ [Not applicable/*other - give name*]
- (ii) If syndicated, names, addresses and underwriting commitments of other Dealers/Managers (if any): [Give addresses and underwriting commitments]⁶
(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)
- (iii) Date of Subscription Agreement⁷ []
- (iv) Stabilising Manager (if any): [Not applicable/*give name*]
45. If non-syndicated, name [and address]⁷ of Relevant Dealer: [Not applicable/*give name [and address]*]⁶
46. Total commission and concession: [] per cent. of the Aggregate Principal Amount⁶

⁷ Not required for debt securities with a denomination per unit of at least EUR50,000.

47. Selling restrictions:
United States of America:
- [For Bearer Notes: TEFRA C Rule/
TEFRA D Rule]
- [Notes may not be offered or sold within the United States of America or to or for the account or the benefit of a US person (as defined in Regulation S)]
- [Notes may be offered or sold within the United States of America or to or for the account or the benefit of a US person (as defined in Regulation S) only in compliance with the provisions set forth under "Transfer Restrictions."]
- Non-exempt Offer:
- [Not applicable] [An offer of the Notes may be made by the Managers [and [*specify, if applicable*]] other than pursuant to Article 3(2) of the Prospectus Directive in [*specify relevant Member State(s) - which must be jurisdictions where the Prospectus and any supplements have been passported*] ("**Public Offer Jurisdictions**") during the period from [*specify date*] until [*specify date*] ("**Offer Period**"). See further paragraphs 26 to 37 of Part B below.
- Other:
- No sales to Indian residents are permitted. The Notes shall be offered exclusively to individuals or legal entities who or which trade or invest in securities in the conduct of a business or profession (which includes banks, securities firms, insurance companies, pension funds, investment institutions, central governments, large international and supranational organisations, other institutional investors and other parties, including treasury departments of commercial enterprises, which are regularly active in the financial markets in a professional manner).

[The Notes may not be offered or sold to persons in Singapore other than under circumstances in which such offer or sale does not constitute an offer to the public in Singapore or an invitation to the public in Singapore to subscribe for or purchase shares in or debentures of or units of shares in or debentures of a corporation within the meaning of Part XIII of the Securities and Futures Act 2001 as amended.]

48. Stabilisation:

[Not applicable / **In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of the Stabilising Manager(s)) in the relevant Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant stabilisation manager(s) (or person(s) acting on behalf of any stabilisation managers) in accordance with all applicable laws and rules.**]

[LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of [•] described herein pursuant to the Programme for the Issuance of Notes and Warrants of HSBC Bank plc.]

[In offers of SPICE Notes pursuant to Rule 144A insert:

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers of Notes offered in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Notes.

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

- (a) such 144A Offeree acknowledges that these Final Terms and the accompanying Base Prospectus is personal to such 144A Offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes other than pursuant to Rule 144A or in offshore transactions in accordance with Regulation S. Distribution of these Final Terms and the accompanying Base Prospectus, or disclosure of any of its contents, to any person other than such 144A Offeree and those persons, if any, retained to advise such 144A Offeree with respect thereto and other persons meeting the requirements of Rule 144A or Regulation S is 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 these Final Terms and the accompanying Base Prospectus or any documents referred to herein.

Each purchaser of Notes in reliance on Rule 144A ("**Restricted Notes**") will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A are used herein as defined therein):

- (1) The purchaser (A) is a qualified institutional buyer within the meaning of Rule 144A, (B) is acquiring the Notes for its own account or for the account of such a qualified institutional buyer, and (C) such person is aware that the sale of the Notes to it is being made in reliance on Rule 144A.
- (2) The purchaser understands that the Rule 144A Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and the Notes offered hereby have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except in accordance with the legend set forth below.
- (3) The purchaser understands that the Rule 144A Global Registered Notes, the Restricted Global Registered Notes and any US Definitive Registered Notes (as defined in "Summary of Provisions relating to the Notes while in Global Form" in the accompanying Base Prospectus) issued in exchange for interests therein will bear a legend (the "**Rule 144A Legend**") to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR ANY STATE SECURITIES LAWS OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE

PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF THE ISSUER THAT THIS NOTE MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (A) IN THE UNITED STATES ONLY TO "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**")), (B) TO NON-US 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 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (D) TO THE ISSUER OR ITS AFFILIATES. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE."

In addition, each purchaser of Restricted Notes acknowledges that the Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Restricted Notes for the account of one or more qualified institutional buyers it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Before any interest in a Note represented by a Restricted Global Registered Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Registered Note, it will be required to provide the Registrar with written certification as to compliance with the transfer restrictions referred to in sub-clause (B) and (C) of the legend set forth above. See "Summary of Provisions relating to the Notes While in Global Form" in the accompanying Base Prospectus.]

[RESPONSIBILITY]

The Issuer accepts responsibility for the information contained in these Final Terms. [*Indices/share information*] has been extracted from [*insert name of source of information*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*insert name of source of information*], no facts have been omitted which would render the reproduced inaccurate or misleading.]

CONFIRMED

HSBC BANK PLC

By: _____
Authorised Signatory

Date: _____

PART B - OTHER INFORMATION ***

1. LISTING

(i) Listing: [Application [will be/has been] made to admit the Notes to listing on the Official List of the Financial Services Authority pursuant to Listing Rule [17/19⁸]. No assurance can be given as to whether or not, or when, such application will be granted/other (specify)/Not applicable]

(ii) Admission to trading: [Application [will be/has been] made for the Notes to be admitted to trading [on the Regulated Market/other (specify)] with effect from []. No assurance can be given as to whether or not, or when, such application will be granted.] [Application has been made to have the Notes admitted to trading on the PORTAL System of the US National Association of Securities Dealers.] [Not applicable]

[(Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)]⁹

2. RATINGS

Ratings: [The long term senior debt of HSBC Bank plc has been rated:]

[S&P: [•]]
[Moody's: [•]]
[[other]: [•]]

[The Notes have not specifically been rated.]

⁸ To be included in respect of all issues which are to be admitted to listing. Delete as appropriate. Please refer to the Listing Rules. Listing Rule 17 applies to debt securities, asset backed securities and convertible securities. Listing Rule 19 applies to securitised derivatives.

⁹ Not required for debt securities with a denomination per unit of at least EUR50,000.

3. **[NOTIFICATION]**

The [*include name of competent authority in EEA home Member State*] [has been requested to provided/has provided - *include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues*] the [*include names of competent authorities of host Member States*] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

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

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in "Subscription and Sale of Notes", so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)]

5. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

(i) Reasons for the offer: []

[If reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.]

(ii) Estimated net proceeds: *(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*

(iii) Estimated total expenses: *[Include breakdown of expenses]¹⁰*

(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above)

¹⁰ Not required for debt securities with a denomination per unit of at least EUR50,000.

6. **YIELD** Not applicable
7. **HISTORIC INTEREST RATE** Not applicable
8. **PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING**¹¹

The Notes reflect the risks of a direct investment in Indian equity by a Foreign Institutional Investor (a "FII"), which may be evidenced by investments by FII Affiliates (as defined herein), and FIIs generally. The effect of such risks on the Notes will always be calculated in the sole and absolute discretion of the Calculation Agent. Certain of the risks are outlined in the introduction hereto, though these are not exhaustive. Investors should conduct their own investigation of the risks involved in a direct investment in Indian equity by an FII and investment in Indian Rupee and form their own view based on such investigations. In certain circumstances, the Noteholders' entire investment may be at risk and they may receive nothing on redemption except the minimum amount of 0.03 per cent. of the issue price per Note.

Information source

Details of past and further performance and volatility of the Security are obtainable from the following display pages on [the Reuters Service]:

[]

[]

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)]

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information].

9. **PERFORMANCE OF EXCHANGE RATE(S) AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS**

Not applicable

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)]

OPERATIONAL INFORMATION

10. ISIN Code: []
11. Common Code: []

¹¹ Refer to Prospectus Rules, Annex XII, paragraph 4.2.2 for disclosure requirements

- | | | |
|-----|--|---|
| 12. | CUSIP: | [] |
| 13. | SEDOL: | [] |
| 14. | New Global Note intended to be held in a manner which would allow Eurosystem eligibility: | Not applicable |
| 15. | Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): | [None/specify] |
| 16. | Delivery: | Delivery [against/free of] payment |
| 17. | Settlement procedures: | [Eurobond/Medium Term Note/other - specify] |
| 18. | Additional Paying Agent(s) (if any): | None |
| 19. | Common Depositary: | HSBC Bank plc |
| 20. | Agent Bank/Calculation Agent: | HSBC Bank plc |
| | — is Agent Bank to make calculations? | Yes |
| 21. | Notices:
(<i>Condition 13</i>) | Condition 13 is applicable |
| 22. | City in which specified office of Registrar to be maintained:
(<i>Condition 14</i>) | Not applicable |
| 23. | Other relevant Terms and Conditions: | See the Annex hereto |
| 24. | Other Final Terms: | [] ¹² See the Annex hereto |
| 25. | ERISA Considerations: | [] |

TERMS AND CONDITIONS OF THE OFFER [*this section applies only to public offers*]

- | | | |
|-----|---|-------------------------------|
| 26. | Offer Price: | [Issue Price][specify] |
| 27. | Conditions to which the offer is subject: | [Not applicable/give details] |
| 28. | Description of the application process: | [Not applicable/give details] |
| 29. | Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: | [Not applicable/give details] |
| 30. | Details of the minimum and/or maximum | [Not applicable/give details] |

¹² If new term constitutes a "significant new factor", consider whether supplement to the Prospectus is required.

amount of application:

- | | | |
|-----|--|--|
| 31. | Details of the method and time limits for paying up and delivering the Notes: | [Not applicable/ <i>give details</i>] |
| 32. | Manner in and date on which results of the offer are to be made public: | [Not applicable/ <i>give details</i>] |
| 33. | Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: | [Not applicable/ <i>give details</i>] |
| 34. | Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries: | [Not applicable/ <i>give details</i>] |
| 35. | Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: | [Not applicable/ <i>give details</i>] |
| 36. | Amount of any expenses and taxes specifically charged to the subscriber or purchaser: | [Not applicable/ <i>give details</i>] |
| 37. | Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place: | [None/ <i>give details</i>] |

Annex 1

1. Final Redemption Amount

Unless previously redeemed or purchased and cancelled, and subject to the other terms and conditions of the Notes, the Issuer shall redeem each Note by paying on the later of the Maturity Date and the Cash Settlement Payment Date an amount in the Specified Currency determined by the Calculation Agent to be equal to the Realisable Sale Price or 0.03 per cent. of the issue price per Note (whichever is greater).

"**Realisable Sale Price**" is an amount calculated as follows:

- (a) The Calculation Agent shall determine the Aggregate Sale Price in respect of a number of Securities ("X") equal to the total number of Securities to which the Notes outstanding relate.
 - (1) If the Calculation Agent is satisfied that an FII Affiliate held Securities on the "Determination Date" (being the Valuation Date, in the case of the Final Redemption Amount, or, in the case of an Early Redemption Amount, the day on which the Issuer gave notice of redemption, or if that day was not an Exchange Business Day on which there was no Market Disruption Event, the next succeeding Exchange Business Day on which there was no Market Disruption Event) and that on and from the Determination Date the FII Affiliate has in good faith sought to dispose of or otherwise realise such Securities (or if an FII Affiliate's holding of Securities exceeded X, X of them) through either or both of the Exchanges (in that FII Affiliate's absolute discretion), then the "**Aggregate Sale Price**" shall be the aggregate price at which that FII Affiliate effects the disposal or realisation of such Securities or, as the case may be, X of them ("**Gross Sale Price**"), deducting any Costs (as defined below) incurred in connection with such disposal or realisation.
 - (2) If the Calculation Agent is satisfied that the number of Securities held by an FII Affiliate ("Y") on the Determination Date was less than X and that on and from the Determination Date the FII Affiliate has in good faith sought to dispose of such Securities through either or both of the Exchanges (in that FII Affiliate's absolute discretion), the Calculation Agent shall:
 - (A) determine the average price per Security ("M") at which the FII Affiliate effected the disposal or realisation of Y number of Securities (such amount multiplied by X being the "**Gross Sale Price**", and
 - (B) deduct any Costs per Security from M (the resulting figure being "N"), and
 - (C) multiply N by X (the resulting figure being the "**Aggregate Sale Price**").
 - (3) In all other cases, the "**Aggregate Sale Price**" shall be the aggregate price, as determined by the Calculation Agent, at which an FII which was a holder of X number of Securities on the Determination Date would have been able to dispose of such Securities through either or both of the Exchanges (in the Calculation Agent's absolute discretion) ("**Gross Sale Price**"), deducting any Costs which, in the determination of the Calculation Agent would have been incurred in effecting such disposal.

- (4) Any disposal effected by an FII Affiliate (and the disposal that for the purposes of sub-paragraph (c) the Calculation Agent determines that an FII would have been able to effect) may be effected in one lot of Securities or divided up into smaller lots whose disposal is effected over a number of days. The Calculation Agent shall also determine in a case where an FII Affiliate disposes of X number of Securities, the date on which, having completed such disposals, the Issuer has received the aggregate price in respect of them, and in other cases, the date on which an FII Affiliate (or, in the case of sub-paragraph (c), an FII) could reasonably be expected to have completed such disposals and received the aggregate price (which shall not be earlier than the date on which it has completed the disposal of those Securities which it does hold and received the aggregate sale price in respect of them (in each case, such date being the "**ASP Receipt Date**").
- (b) The Aggregate Sale Price received or deemed received shall then be converted into the Specified Currency. If the Calculation Agent is satisfied that on the ASP Receipt Date the Issuer or an FII Affiliate, as the case may be, actually entered into an exchange transaction to convert Indian Rupees into the Specified Currency, the rate of exchange for the purposes of such conversion, as determined by the Calculation Agent, shall be the rate actually obtained by an FII Affiliate, adjusted to take into account the effect of any non-deliverable forward transaction ("**NDF transaction**") if such is entered into by the FII Affiliate on the Valuation Date in respect of the Aggregate Sale Price. In other cases, the rate of exchange shall be that determined by the Calculation Agent to be the rate at which an FII who received the Aggregate Sale Price on the ASP Receipt Date would have been able to convert the Aggregate Sale Price into the Specified Currency, taking into account the effect of any NDF transaction that an FII would have entered, or would have been able to enter, into in respect of the Aggregate Sale Price on the Valuation Date. In each case the Calculation Agent shall deduct from the converted Specified Currency amount any Conversion Costs. The resulting amount (the "**ASP Converted Amount**") less Redemption Costs divided by X and then multiplied by 1.0000 (being the number of Securities to which each Note relates) shall be the Realisable Sale Price.

The Realisable Sale Price shall be payable by the Issuer on the later of the Maturity Date and the day (the "**Cash Settlement Payment Date**") which is the third Relevant Financial Centre Day following the day (determined by the Calculation Agent) on which the FII Affiliate actually received the ASP Converted Amount in respect of an exchange transaction entered into on the ASP Receipt Date or on which an FII entering into an exchange transaction on the ASP Receipt Date would have received the ASP Converted Amount.

- (c) For the purposes of this Annex:

"**Conversion Costs**" shall mean the costs of conversion for the purposes of converting the Aggregate Sale Price into the ASP Converted Amount and the Rupee Receipt and Event Receipt into the Converted Amount respectively, the amount being determined by the Calculation Agent by reference to actual costs incurred by an FII Affiliate or, as the case may be, the costs which, in the determination of the Calculation Agent, would have been incurred by an FII;

"**Costs**" shall mean the costs taken into account in determining the Aggregate Sale Price, Rupee Receipt or Event Payment (as appropriate) including, without limitation, all brokers' fees, bank and custody charges, transaction processing fees and expenses and all taxes and other duties in respect of the Securities;

"**Redemption Commission**" shall be defined as the equivalent amount, in the Specified Currency, of the Redemption Commission Percentage (as specified in the Final Terms) of the Gross Sale Price;

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

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

2. **Additional Payments**

If during the period from but excluding the Issue Date to but including the Valuation Date (the "**Relevant Period**") the Securities are marked on the Exchange as ex-dividend or ex-distribution (the date on which they are so marked being the "**Mark Date**"), additional payments will be made as follows by the Issuer in respect of the dividend or distribution in question:

- (a) Where the dividend or distribution in question is, in the determination of the Calculation Agent, to be paid by the Underlying Company out of distributable reserves, the Issuer shall make an additional payment per Note calculated as follows.

If the Calculation Agent is satisfied that on the Mark Date an FII Affiliate held any Securities, the Calculation Agent shall determine the net aggregate amount of the cash dividend or distribution which such FII Affiliate actually received in respect of such holding after deduction of Costs (the date on which it was received being the "**Receipt Date**") and divide that net aggregate amount by the number of Securities so held by the FII Affiliate to give a per Security amount (the "**Rupee Receipt**").

If the Calculation Agent is satisfied that on the Mark Date no FII Affiliate held any Securities, the Rupee Receipt shall be the net amount which, in the determination of the Calculation Agent, would have been received by an FII which was a holder of one Security on the Mark Date after deduction of Costs, multiplies such amount by an Additional Payment Percentage, and the Receipt Date shall be the date on which, in the determination of the Calculation Agent, such FII would have received the Rupee Receipt.

- (b) Where the dividend or distribution in question is, in the determination of the Calculation Agent, not to be paid by the Underlying Company out of distributable reserves, the Issuer shall make an additional payment per Note calculated as follows.

If the Calculation Agent is satisfied that on the Mark Date an FII Affiliate held any Securities, the Calculation Agent shall determine the net cash value of the dividend or distribution which the FII Affiliate actually received in respect of such holding after deduction of Costs, multiplies such amount by an Additional Payment Percentage, and divide that net cash value by the number of Securities so held by the FII Affiliate to give a per Security amount (the "**Rupee Receipt**").

If the Calculation Agent is satisfied that on the Mark Date no FII Affiliate held any Securities, the Rupee Receipt shall be the net cash value of the dividend or distribution which, in the determination of the Calculation Agent, would have been received by an

FII which was a holder of one Security on the Mark Date after deduction of Costs multiplies such amount by an Additional Payment Percentage.

The cash value of any dividend or distribution shall be as determined by the Calculation Agent, save that where the Calculation Agent is satisfied that an FII Affiliate held any Securities on the Mark Date and that the FII Affiliate disposed of the relevant dividend or distribution received in respect of such Securities for cash on the date it received the same, the Calculation Agent shall have regard to the value at which the FII Affiliate disposed of the relevant dividend or distribution in determining the cash value of the relevant dividend or distribution. The Receipt Date for this purpose shall be, if the FII Affiliate received the relevant dividend or distribution and disposed of the same for cash on the date of receipt, the date on which the FII Affiliate received the cash disposal proceeds and, in any other case, the date on which an FII who received such dividend or distribution and disposed of it immediately would have received the cash disposal proceeds, all as determined by the Calculation Agent.

The Rupee Receipt shall then be converted into the Specified Currency. If the Calculation Agent is satisfied that on the Receipt Date the FII Affiliate actually entered into an exchange transaction to convert Indian Rupees into the Specified Currency, the rate of exchange for the purposes of such conversion shall be the rate actually obtained by the Issuer, as determined by the Calculation Agent. In other cases the rate of exchange shall be that determined by the Calculation Agent to be the rate at which an FII who received a Rupee Receipt on the Receipt Date would have been able to convert the Rupee Receipt into the Specified Currency. In each case the Calculation Agent shall deduct from the converted Specified Currency amount any Conversion Costs. The resulting amount (the "**Converted Amount**") multiplied by 1.0000 shall be the amount of the additional payment (the "**Additional Payment**") per Note.

Any Additional Payments shall be payable by the Issuer on the third Relevant Financial Centre Day following the day (determined by the Calculation Agent) on which the FII Affiliate actually received the Converted Amount in respect of an exchange transaction entered into on the Receipt Date or on which an FII entering into an exchange transaction on the Receipt Date would have received the Converted Amount.

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

For the purposes hereof, "**Additional Payment Percentage**" means [100 per cent.] *[specify percentage]*.

3. **Payment in respect of Merger, Nationalisation or Insolvency Events**

For the purposes of payments (if any) made pursuant to Condition 21(e)(ii) or Condition 21(e)(iii) ("**Event Payment**"):

- (a) If an FII Affiliate held any Securities at the time of the occurrence of the Merger Event or Nationalisation or Insolvency Event (the "**Event Occurrence Date**"), the Calculation Agent shall determine the net cash value of any payment which the FII Affiliate actually received in respect of such holding after deduction of Costs (the date on which it was actually received being the "**Event Receipt Date**") and divide that net cash value by the number of Securities so held by the FII Affiliate to give a per Security amount (the "**Event Receipt**").
- (b) If an FII Affiliate did not hold any Securities on the Event Occurrence Date, the Event Receipt shall be the net cash value of the payment per Security which, in the determination of the Calculation Agent, would have been received on the Event Receipt Date by an FII which was a holder of Securities on the Event Occurrence Date after deduction of Costs.
- (c) Where the Event Receipt is in the same currency as the Specified Currency, the Event Receipt multiplied by 1.0000 shall be the amount of the Event Payment per Note. Where this sub-paragraph (c) applies, the Event Payment shall not be made sooner than the Event Receipt Date.
- (d) Where the Event Receipt is not in the same currency as the Specified Currency, it shall then be converted into the Specified Currency. If the Calculation Agent is satisfied that on the Event Receipt Date an FII Affiliate actually entered into an exchange transaction to convert Indian Rupees into the Specified Currency, the rate of exchange for the purposes of such conversion shall be the rate actually obtained by the FII Affiliate, as determined by the Calculation Agent. In other cases the rate of exchange shall be that determined by the Calculation Agent to be the rate at which an FII who received an Event Receipt on the Event Receipt Date would have been able to convert the Event Receipt into the Specified Currency. In each case the Calculation Agent shall deduct from the converted Specified Currency amount any Conversion Costs. The resulting amount (the "**Converted Amount**") multiplied by 1.0000 shall be the amount of the Event Payment per Note. Where this sub-paragraph (d) applies, the Event Payment shall not be made sooner than the day on which the FII Affiliate actually received the Converted Amount in respect of an exchange transaction entered into on the Event Receipt Date or on which an FII entering into an exchange transaction on the Event Receipt Date would have received the Converted Amount.
- (e) Event Payments shall be payable, where the Notes are held in Euroclear and/or Clearstream, to the persons shown in the records of Euroclear or Clearstream as Noteholders on the Business Day immediately preceding the Event Occurrence Date, and in any other case to the holders for the time being of the Notes (irrespective of whether or not they were Noteholders on the Business Day immediately preceding the Event Occurrence Date).

4. **Other terms or special conditions relating to Index-Linked Notes, Cash Equity Notes or Equity-Linked Notes:**

Notwithstanding Condition 6(c) (*Redemption at the Option of the Issuer*), whenever any sum is due in respect of the Notes (whether upon early redemption or upon final redemption or otherwise), the Issuer shall be entitled to suspend its obligation to make such payment in respect of the Notes if, and for as long as, in the determination of the Calculation Agent, (i) dealing by the Issuer, any FII Affiliate or FIIs generally in the Securities is or is likely to be prevented, delayed or restricted by closure of the Exchange, suspension of trading in the Securities or other

circumstances or (ii) a Currency Event has occurred. The Noteholders shall not be entitled to any interest or other compensation in respect of any such suspension nor shall such a suspension constitute a default. The Issuer shall give notice to the Noteholders as soon as practical of any such suspension and of the termination of any such suspension.

For the purposes hereof:

"**Currency Event**" means the occurrence of an event or condition which, in the opinion of the Calculation Agent, has the effect of further restricting, prohibiting or delaying the exchange of Indian Rupees for the Specified Currency or the transfer of the Specified Currency out of India, or the transfer of Indian Rupees within India, in each case when compared with the restrictions, prohibitions and delays existing on the Issue Date.

SPICE Warrants

The terms and conditions of the SPICE Warrants shall consist of the Terms and Conditions of the Warrants set out in "Part C – Terms and Conditions of the Warrants", together with the additional provisions set out in "Part D – Equity/Index-Linked Notes and Warrants" of this Base Prospectus, as amended or supplemented by the Final Terms. The Final Terms of the SPICE Warrants shall consist of the Final Terms as set out in "Part D – Equity/Index-Linked Notes and Warrants" of this Base Prospectus (duly completed and amended with the addition of the following wording to be inserted following the paragraph entitled "Available Information"):

"The Warrants reflect the risks of a direct investment in Indian securities by a Foreign Institutional Investor ("**FII**"), which may be evidenced by investments by an affiliate of the Issuer that is registered as an FII or any successor to such affiliate (each such affiliate, an "**FII Affiliate**"), and FIIs generally. The effect of such risks on the Warrants will always be calculated in the sole and absolute discretion of the Calculation Agent. Certain of the risks are outlined in these Final Terms, though these risks are not exhaustive. Investors should conduct their own investigation of the risks involved in a direct investment in Indian equity by an FII and investment in Indian Rupee and form their own view based on such investigations.

Prospective investors considering acquiring any SPICEs should understand the risks of transactions involving the SPICEs and should reach an investment decision only after carefully considering, with their financial, legal, regulatory, tax, accounting and other advisers, the suitability of the SPICEs in light of their particular circumstances (including without limitation their own financial circumstances and investment objectives) and the information contained in the Base Prospectus.

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

An investment in SPICEs linked to specific securities or a basket of securities issued by one or more underlying companies which are, or are expected on issue to be, listed and/or admitted to trading on one or more stock exchanges in India (together the "**Reference Assets**" and each a "**Reference Asset**") entails associated risks. The SPICEs are unrelated to the underlying company issuing the underlying share or shares (each an "**Underlying Company**").

No assurance is given as to the availability of a secondary market in the SPICEs or the Reference Assets. The Issuer may purchase the SPICEs in the secondary trading market but is under no obligation to do so and the price at which it may do so will depend upon, among other things, the liquidity and prevailing market price of the Reference Assets, the currency of denomination, and the risks referred to herein. If a secondary market does develop, there can be no assurance that the holders of SPICEs will be provided with liquidity of investment or that it will continue throughout the life of the SPICEs.

Disclosure of information concerning the terms of and parties to offshore derivative instruments including the Warrants has to be made by an FII on an ongoing basis in accordance with the requirements of the Securities and Exchange Board of India ("**SEBI**"). SEBI has issued three circulars relating to transactions involving the issuance of offshore derivative instruments as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995 ("**FII Regulations**") (hereinafter referred to as "**ODIs**") by registered FIIs/FII Affiliates. Circular No.

IMD/CUST/8/2003 dated 8 August 2003 (the "**2003 Circular**") requires FIIs to provide and report information to SEBI relating to such transactions including beneficiaries. The 2003 Circular was amended by Circular No. IMD/CUST/02/2004 issued by SEBI on 26 January 2004 (the "**2004 Circular**"). Subsequently, the 2004 Circular has been amended by way of Circular No. IMD/FII & C/28 /2008 issued by SEBI on 27 May 2008 (the "**2008 Circular**"). Pursuant to the 2008 Circular, and the Securities and Exchange Board of India (Foreign Institutional Investors) (Amendment) Regulations 2008 on 22 May 2008 ("**FII Regulations Amendment**") FIIs are required to ensure that those receiving the benefit of ODIs are "persons who are regulated by an appropriate foreign regulatory authority" (as such term and/or requirements relating thereto are defined or otherwise interpreted for the purposes of Regulation 15A of the FII Regulations). Therefore, the Issuer will provide information required under the 2003 Circular, the 2004 Circular and the 2008 Circular and any subsequent circulars or ad-hoc requests from SEBI to an FII Affiliate for onward transmission to SEBI periodically and as otherwise required by them. Pursuant to the FII Regulations Amendment, a sub-account is no longer permitted to issue any fresh ODIs, and further, no FII may issue, or otherwise deal in ODIs, directly or indirectly, unless: (a) such ODIs are issued only to "persons who are regulated by an appropriate regulatory authority" (as defined under the FII Regulations); and (b) such ODIs are issued after compliance with "know your client" norms. Pursuant to the FII Regulations Amendment (subject to the discussion below), an FII is obligated to ensure that there is no further issue or transfer of any ODIs issued by or on its behalf to any person other than those listed in (a) above. Further FIIs were required to cancel, redeem or close out any ODIs held by persons other than those in (a) above before 31 March 2009. It may also be noted that no ODIs can be issued by or on behalf of an FII with derivatives tradable on any recognised stock exchange in India as underlying, and any outstanding ODIs issued with derivatives tradable on any recognised stock exchange in India as underlying were to be cancelled, redeemed, or closed out before 31 March 2009. Pursuant to the FII Regulations Amendment, SEBI had also mandated that where the total value of ODIs issued by an FII, as of 30 September 2007 is more than 40% of its assets under custody (i.e. the value of assets of the FII which are in custody of its custodian) as on that date ("**AUC**"), further ODIs may be issued by such FII, only in lieu of ODIs which are cancelled, redeemed or closed out, provided that the amount raised through such further issuance of ODIs shall not exceed the amount of the ODIs cancelled, redeemed, or closed out. It may be noted though that, additional ODIs may be issued against bonus shares in respect of equity shares against which ODIs are already in existence. Where the total value of ODIs issued against securities held by a FII as of 30 September 2007 is less than 40% of its AUC as of 30 September 2007, such FIIs are permitted to issue further ODIs only at the incremental rate of up to 5% (on an annual basis) of their AUC, provided that such further issuance does not result in the total value of ODIs exceeding 40% of the AUC.

However, the restrictions imposed under the FII Regulations Amendment remain in effect relating to issuance of ODIs with derivatives as the underlying and the limits as regards AUC have been lifted by SEBI. In a Press Release issued on 6 October 2008 ("**ODI Press Release**") SEBI stated that it had decided to do away with the restrictions on the issue of ODIs by FIIs against securities, including derivatives, as underlying. However, the ODI Press Release did not specify the exact nature of the restrictions that SEBI had decided to remove. The following day, SEBI issued a circular stating that the changes brought about by the ODI Press Release would be effective as of close of market hours on 7 October 2008 and that the FII Regulations would be amended to reflect these changes. Further SEBI issued formal amendments by way of the Securities and Exchange Board of India (Foreign Institutional Investors) (Second Amendment) Regulations 2008 on 30 October 2008 and has done away with the restrictions on the issue of ODIs by FIIs against securities with derivatives as the underlying and the restrictions in terms of AUC. Further, SEBI has, in a press release dated 20 October 2008 in respect of offshore stock lending activities by an FII, stated that it disapproves of the overseas lending and

borrowing activities of FIIs and the consequent selling pressure in the cash market in India. SEBI has communicated this disapproval to the FIIs. Consequently, the lending and borrowing activities of FIIs are being monitored and if necessary stronger measures may be taken by SEBI as considered appropriate, which may include the imposition of further restrictions or reporting requirements on an FII.

The ODIs:

- (i) can only be offered to "any person regulated by an appropriate regulatory authority", as such term is defined and/or requirements relating thereto are defined or otherwise interpreted by any Indian governmental or regulatory authority (each, an "**Authority**") for the purposes of Regulation 15A of the FII Regulations (a "**Regulated Entity**");
- (ii) cannot be offered/sold/transferred to any (i) "Person Resident in India" (as such term is defined in the Foreign Exchange Management Act 1999, as may be amended or supplemented from time to time) or (ii) "Non-Resident Indian" (as such term is defined in the Foreign Exchange Management (Deposit) Regulations 2000, as may be amended or supplemented from time to time) (each a "**Restricted Entity**");
- (iii) cannot be offered/sold/transferred to a person/entity whose controller is a Restricted Entity, where a "controller" means any person or group of persons (acting pursuant to any agreement or understanding (whether formal or informal, written or otherwise)) who:
 - (i) is/are entitled to exercise, or control the exercise of a majority or more of the voting power of an entity, or
 - (ii) holds or is otherwise entitled to a majority or more of the economic interest in an entity, or
 - (iii) who in fact exercises control over an entity.

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

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

- (iv) cannot be purchased with the intent of circumventing or otherwise avoiding any requirements applicable under the FII Regulations and/or any other subsidiary regulations or circulars issued pursuant thereto (including, without limitation, any restrictions applying to foreign institutional investors in relation to their issuances and/or other dealings of ODIs with, Restricted Entities or any persons or entities who are not Regulated Entities);
- (v) cannot be directly or indirectly, sold, transferred, assigned, novated or otherwise disposed of, to any Restricted Entity; and
- (vi) cannot be, directly or indirectly, sold, transferred, assigned, novated or otherwise disposed of to any person or entity who is not a Regulated Entity.

In most instances ODI Issuers insist on undertakings from the ODI holder (e.g. Warrantholder) in respect of the foregoing. Any default in these restrictions by the Issuer or any other party to the ODI transaction may affect the ability to liquidate such investments.

As an issuer of ODIs, the Issuer may be required to disclose details of its investors, clients, counterparties and holders of the beneficial interest. Details disclosed could include the name and correspondence address of Warrantholders and their major shareholders, directors and investors, name and jurisdiction of the regulator by whom the investors are regulated, type of entity that the Warrantholder falls under (i.e. hedge fund, corporate, individual, pension fund, trust) and, if a Warrantholder is a fund, the names of its fund managers and investment advisors top investors in the fund.

Indian investment - Investments in Indian equity are usually volatile, and it should not be assumed that prices will always be available for the relevant securities specified in the list attached to the relevant Final Terms (for the purposes of SPICEs, the "**Securities**"). Information available on the relevant Securities may be limited and not as reliable as would be expected in a more developed market.

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

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

Indian stock exchanges, including the BSE and the NSE, have in the past experienced substantial fluctuations in the prices of their listed securities. They have also experienced problems such as temporary exchange closures, broker defaults, settlement delays and broker strikes that, if they occur again in the future, could affect the market price and liquidity of the Indian Reference Assets. In addition, the governing bodies of the various Indian stock exchanges have, from time to time, imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Disputes have also occurred from time to time among listed companies, the stock exchanges and other regulatory bodies, and in some cases those disputes have had a negative effect on overall market sentiment. Recently, there have been delays and errors in share allotments relating to initial public

offerings. In addition, SEBI has recently imposed heavy fines on market intermediaries in relation to manipulations by some investors of the allotment process in several recent initial public offerings with a view to cornering large share allotments in the "retail investor" category. Such events in turn may affect overall market sentiment and lead to fluctuations in the market prices of the Indian Reference Asset(s).

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

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

Market access - Non-Indians ("**foreigners**") cannot generally invest directly in Indian equity. An application can be made for registration with the SEBI as a FII under FII Regulations so as to allow investment in Indian equities. Some FII Affiliates of the Issuer are registered as FIIs (though the Issuer is not).

FII registration granted by SEBI is permanent (unless suspended or cancelled by SEBI). An FII that was registered with SEBI prior to the commencement of the FII Regulations Amendment is required to file Form A (as prescribed under the FII Regulations) at least 3 months prior to the expiry of the period of the certificate or within 3 months from such commencement, whichever is later.

FII investments are substantially restricted and controlled. These restrictions, such as the restriction on maximum percentage holding of any single equity, are controlled by the SEBI, the Reserve Bank of India (the "**RBI**") and are also subject to the Government of India Guidelines issues in this regard. Pursuant to SEBI Circular No. IMD/FII&C/27/2008 dated 31 January 2008, investments by FIIs in units of debt orientated mutual funds are considered as investments in corporate debt and are reckoned within the stipulated limit earmarked for FII investments in corporate debt. Further, the operational mechanism for purchase, sale, settlement and movement of funds is restricted. For example, FIIs having an aggregate of securities worth Rs 10 crores or more as on the latest balance sheet date shall settle their transactions only through dematerialised securities.

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

An investor in SPICEs will be subject to the effect of equivalent restrictions and controls to those imposed on FIIs generally, and the FII Affiliates in particular, as determined by the Calculation Agent. These include limitations on the number of underlying Securities in respect of which the investor is expecting to receive an economic return, potential delays or even non-receipt of funds on sale of the SPICEs, taxes and charges generally levied on FIIs in buying and selling equity and limitations on the importation and withdrawal of funds. Where the Issuer disposes of Securities or other assets, payments to holders of SPICEs calculated by reference to the price of such disposal will not be due unless or until the proceeds of disposal are received by the Issuer.

Generally, under SEBI regulations applicable to FIIs and subject to certain exceptions, total investments by FIIs and their sub-accounts, taken together, in the primary and secondary Indian markets may not exceed 24% of the equity capital or the value of each series of convertible debentures of any Indian company in which they invest. The ceiling would apply to the total holdings in any Indian company of all FIIs and their sub-accounts collectively in a given Indian company unless it is increased by a board resolution and a special resolution to the foreign investment cap applicable to the sector in which the Indian company operates. Furthermore, no individual FII or sub-account of a FII registered as a “broad based” sub-account may generally invest more than 10% in the equity capital of any Indian company.

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

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

In the event that an FII is forced to sell part or all of any Securities due to an instruction from or policy change on the part of the RBI which prevents the FII Affiliate from holding Securities relating to the entire issue of SPICEs, the Issuer shall be entitled to take such measures, including calling for Early Redemption, as it shall, acting in good faith, think fit.

Foreign currency risk - Potential investors in the SPICEs should understand that amounts payable under the Warrants will be converted from Indian Rupees into US dollars. Therefore, the SPICEs are subject to the risks of any investment in foreign currencies, including the risk that the general level of foreign currency exchange rates may decline. The following is a list of some of the significant currency related risks associated with an investment in the SPICEs:

- (i) Historical performances of the Indian Rupee and the US dollar do not indicate the future performances of such currencies. It is impossible to predict whether the value of either currency will fall or rise during the term of the SPICEs;
- (ii) Trading levels of the Indian Rupee and the US dollar will be influenced by political, economic, financial, market and other factors. It is impossible to predict what effect these factors will have on the value of either currency and thus, the return on the SPICEs;
- (iii) The values of the Indian Rupee and the US dollar are a result of the supply of, and demand for, each currency and changes in foreign exchange rates may result from the interactions of many factors including economic, financial, social and political conditions in India and the United States. These conditions include, for example, the overall growth and performance of the economies of the United States and India, the trade and current account balance between the United States and India, market interventions by the Federal Reserve Board or the central banks of the United States and India, inflation, interest rate levels, the performance of the stock markets in the United States and India, the stability of the United States' and India's governments and banking systems, wars in which the United States and India are directly or indirectly involved or that occur anywhere in the world, major natural disasters in the United States and India, and other foreseeable and unforeseeable events;
- (iv) Certain relevant information relating to India may not be as well known or as rapidly or thoroughly reported in the United States as comparable United States developments. Prospective

purchasers of the Warrants should be aware of the possible lack of availability of important information that can affect the value of the Indian Rupee in relation to the US dollar and must be prepared to make special efforts to obtain such information on a timely basis; and

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

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

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

Nature of SPICEs under the Indian Regulatory Regime – The SPICEs issued by the Issuer will be considered as an ODI by SEBI and the regulatory authorities in India. Since the Issuer is not a registered FII, the Issuer may also invest in the Indian Reference Asset(s) by way of ODIs issued by an FII or an FII Affiliate ("**ODI Issuer**") for the purpose of hedging the SPICEs. ODIs have been defined in the FII Regulations, to mean any instrument, by whatever name called, which is issued overseas by a FII against securities held by it that are listed or proposed to be listed on any recognised stock exchange in India, as the underlying.

Where, at the commencement of the FII Regulations Amendment, any person other than a "person regulated by an appropriate foreign regulatory authority" (as such term and/or requirements relating thereto are defined or otherwise interpreted for the purposes of Regulation 15A of the FII Regulations) is holding ODIs issued by or on behalf of an FII, such FII is required to ensure that such ODIs are cancelled, redeemed or closed out before 31 March 2009.

Timing and taxation issues - Under the Indian Companies Act, 1956, (the "**Indian Companies Act**") unless the board of directors (the "**Board**") recommends the payment of a dividend, the shareholders at a general meeting have no power to declare any dividend. Subject to certain conditions laid down by Section 205 of the Indian Companies Act, no dividend can be declared or paid by a company for any financial year except out of the profits of the company calculated in accordance with the provisions of

the Indian Companies Act or out of the profits of the company for any previous financial year(s) arrived at as laid down by the Indian Companies Act. Subject to certain conditions contained in the Indian Companies Act, dividends may also be payable out of moneys provided by the central or state government for payment of dividend in pursuance of a guarantee given by that government.

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

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

The company declaring dividend is liable to pay a dividend distribution tax currently at the rate of 15 per cent. (plus surcharge at 10 per cent. on the dividend distribution tax and education cess at the rate of 3 per cent. on aggregate of dividend distribution tax and surcharge) on the total amount distributed as dividend. The effective dividend distribution tax is therefore 16.995 per cent. Dividends in the hands of the recipient shareholders are exempted from tax.

The investors (who owned the SPICEs immediately prior to the ex-dividend date) may receive amounts reflecting the dividends some time after the dividend is announced or paid (including after the Settlement Date of the SPICEs) if payment of the dividends, or the receipt thereof by the Issuer and/or its affiliates under any hedging arrangement entered into in connection therewith, is delayed for whatever reason. The amount of any such dividends paid to the investors shall be the net amount after conversion of such amount into the relevant settlement currency and after the deduction of all conversion, transfer and other costs and expenses incurred by the Issuer and/or an FII Affiliate in connection therewith, as determined by the Issuer in its sole and absolute discretion. Also, adjustments for dividends may be calculated with reference to the taxation of an FII Affiliate in respect of such dividends by a taxing authority (other than the Indian taxing authority) by reason of a present or former connection between such entity and the jurisdiction of such taxing authority.

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

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

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

If India should choose to renegotiate its taxation treaties or question the applicability of double taxation treaty relief relating to the jurisdiction in which a FII is incorporated, it could result in an adverse impact on the capital gains tax paid by the FII and any gain from purchase to sale would be subject to such a withholding prior to expatriation of the sale proceeds. Presently no capital gains tax is charged in India on disposal of Securities by FIIs incorporated in Mauritius.

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

Potential conflict of interest - The Issuer is the Calculation Agent with regard to the SPICEs. The Calculation Agent will be solely responsible for the calculation of the Final Redemption Amount and other determinations and calculations in connection with the SPICEs, including determinations in relation to Additional Payments (as defined in the Conditions), and certain other determinations in connection with the occurrence of a Merger Event, Nationalisation or Insolvency Event (as defined in the Conditions) and/or events affecting dealings by the Issuer, any FII Affiliate or FIIs generally or a Currency Event (as defined in the Conditions). Because the Calculation Agent is the Issuer, and is obligated to redeem the SPICEs, the Calculation Agent may have economic interests adverse to those of the holders of the SPICEs, including with respect to certain determinations and judgments that the Calculation Agent must make as referred to above, any of which may affect payments in respect of the SPICEs. Hedging activities of the Issuer and its affiliates could influence Calculation Agent determinations made in connection with the SPICEs.

PROHIBITIONS ON ACQUISITIONS BY INDIAN INVESTORS/NON RESIDENT INDIANS/UNREGULATED ENTITIES

THE WARRANTS CANNOT BE ACQUIRED OR HELD BY ANY "PERSONS RESIDENT IN INDIA," OR "NON-RESIDENT INDIANS," (WHICH INCLUDES "PERSONS OF INDIAN ORIGIN"), EACH AS DEFINED UNDER THE FOREIGN EXCHANGE MANAGEMENT ACT, 1999, THE FOREIGN EXCHANGE MANAGEMENT (DEPOSIT) REGULATIONS, 2000 AND THE REGULATIONS MADE THEREUNDER (COLLECTIVELY, THE "RESTRICTED ENTITIES") AND AS DISCUSSED BELOW. THIS RESTRICTION APPLIES TO ANYONE WHO IS CURRENTLY A RESTRICTED ENTITY OR WHO BECOMES A RESTRICTED ENTITY IN THE FUTURE.

- A "PERSON RESIDENT IN INDIA" MEANS:
 - A PERSON RESIDING IN INDIA FOR MORE THAN ONE HUNDRED AND EIGHTY TWO (182) DAYS DURING THE COURSE OF THE PRECEDING FINANCIAL YEAR BUT DOES NOT INCLUDE:
 - A PERSON WHO HAS GONE OUT OF INDIA OR WHO STAYS OUTSIDE INDIA IN EITHER CASE: (1) FOR OR ON TAKING UP EMPLOYMENT OUTSIDE INDIA; (2) FOR CARRYING ON OUTSIDE INDIA A BUSINESS OR VOCATION OUTSIDE INDIA; OR (3) FOR ANY OTHER PURPOSE, IN SUCH CIRCUMSTANCES AS WOULD INDICATE HIS INTENTION TO STAY OUTSIDE INDIA FOR AN UNCERTAIN PERIOD; OR
 - A PERSON WHO HAS COME TO OR STAYS IN INDIA, IN EITHER CASE, OTHERWISE THAN: (1) FOR OR ON TAKING UP EMPLOYMENT IN INDIA; (2) FOR CARRYING ON IN INDIA A BUSINESS OR VOCATION IN INDIA; OR (3) FOR ANY OTHER PURPOSE, IN SUCH CIRCUMSTANCES AS WOULD INDICATE HIS INTENTION TO STAY IN INDIA FOR AN UNCERTAIN PERIOD;
 - ANY PERSON OR BODY CORPORATE REGISTERED OR INCORPORATED IN INDIA;
 - AN OFFICE, BRANCH OR AGENCY IN INDIA OWNED OR CONTROLLED BY A PERSON RESIDENT OUTSIDE INDIA; OR
 - AN OFFICE, BRANCH OR AGENCY OUTSIDE INDIA OWNED OR CONTROLLED BY A PERSON RESIDENT IN INDIA.
 - A "NON-RESIDENT INDIAN" MEANS A PERSON RESIDENT OUTSIDE INDIA WHO IS A CITIZEN OF INDIA OR IS A PERSON OF INDIAN ORIGIN.
 - A "PERSON OF INDIAN ORIGIN" MEANS A CITIZEN OF ANY COUNTRY OTHER THAN BANGLADESH OR PAKISTAN, IF: (1) HE AT ANY TIME HELD AN INDIAN PASSPORT; OR (2) HE OR EITHER OF HIS PARENTS OR ANY OF HIS GRANDPARENTS WAS A CITIZEN OF INDIA BY VIRTUE OF THE CONSTITUTION OF INDIA OR THE CITIZENSHIP ACT, 1955 (57 OF 1955); OR (3) THE

PERSON IS A SPOUSE OF AN INDIAN CITIZEN OR A PERSON REFERRED TO IN SUB-CLAUSE (1) OR (2).

FURTHER, THE WARRANTS:

- (A) CANNOT BE OFFERED/SOLD TO ANY PERSON/ENTITY WHOSE CONTROLLING SHAREHOLDER(S) IS/ARE A RESTRICTED ENTITY ((I) A "CONTROLLING SHAREHOLDER" MEANS ANY PERSON OR GROUP OF PERSONS (ACTING PURSUANT TO ANY AGREEMENT OR UNDERSTANDING (WHETHER FORMAL OR INFORMAL, WRITTEN OR OTHERWISE)) WHO IS ENTITLED TO EXERCISE OR CONTROL THE EXERCISE OF 25% OR MORE OF THE VOTING POWER OF AN ENTITY OR WHO IN FACT EXERCISES CONTROL OF AN ENTITY OR HAS A BENEFICIAL INTEREST IN EXCESS OF 25% IN SUCH ENTITY; AND (II) "CONTROL" MEANS THE CAPACITY TO DOMINATE DECISION-MAKING, DIRECTLY OR INDIRECTLY, IN RELATION TO THE FINANCIAL, INVESTMENT AND /OR OPERATING POLICIES OF AN ENTITY), PROVIDED THAT NEITHER OF (I) AND/OR (II) ABOVE SHALL APPLY TO AN INVESTMENT MANAGER/ADVISOR OF THE PERSON/ENTITY BEING OFFERED/PURCHASING THE WARRANTS);**
- (B) CANNOT BE PURCHASED FOR BY OR FOR THE BENEFIT OR ACCOUNT OF, OR PURSUANT TO OR IN CONNECTION WITH ANY BACK-TO-BACK TRANSACTION WITH, ANY ENTITY OR PERSON THAT IS AN UNREGULATED ENTITY (i.e. IS NOT A "PERSON REGULATED BY AN APPROPRIATE FOREIGN REGULATORY AUTHORITY", AS SUCH TERM IS DEFINED IN THE FII REGULATIONS,. AS OF DATE THE FII REGULATIONS DEFINE "PERSONS REGULATED BY AN APPROPRIATE FOREIGN REGULATORY AUTHORITY" AS (I) ANY PERSON THAT IS REGULATED/SUPERVISED AND LICENSED/REGISTERED BY A CENTRAL BANK OUTSIDE INDIA; OR (II) ANY PERSON THAT IS REGISTERED AND REGULATED BY A SECURITIES OR FUTURES REGULATOR IN ANY COUNTRY OR STATE OUTSIDE INDIA; OR (III) ANY BROAD BASED FUND OR PORTFOLIO INCORPORATED OR ESTABLISHED OUTSIDE INDIA OR PROPRIETARY FUND OF A REGISTERED FOREIGN INSTITUTIONAL INVESTOR OR UNIVERSITY FUND, ENDOWMENT, FOUNDATION, CHARITABLE TRUST OR CHARITABLE SOCIETY WHOSE INVESTMENTS ARE MANAGED BY A PERSON COVERED IN (I) OR (II) ABOVE));**
- (C) CANNOT BE SOLD, TRANSFERRED, ASSIGNED, NOVATED OR OTHERWISE DISPOSED OF, TO OR FOR THE BENEFIT OR ACCOUNT OF ANY RESTRICTED ENTITY; AND**
- (D) CANNOT BE DIRECTLY OR INDIRECTLY, SOLD, TRANSFERRED, ASSIGNED, NOVATED OR OTHERWISE DISPOSED OF TO, OR FOR THE BENEFIT OR ACCOUNT OF ANY UNREGULATED ENTITY.]"**

CERTAIN US FEDERAL INCOME TAX CONSIDERATIONS

IRS CIRCULAR 230 NOTICE

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

Certain US Federal Income Tax Considerations

The following summary describes certain of the principal US federal income tax consequences resulting from the purchase, ownership and disposition of the Notes. This summary does not purport to consider all the possible US federal income tax consequences of the purchase, ownership and disposition of the Notes and is not intended to reflect the individual tax position of any beneficial owner of Notes. The summary is based upon the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing and proposed US Treasury regulations promulgated thereunder, published rulings by the US Internal Revenue Service ("**IRS**") and court decisions, all in effect as of the date hereof, all of which authorities are subject to change or differing interpretations, which changes or differing interpretations could apply retroactively. This summary is limited to investors who purchase the Notes at initial issuance and hold the Notes as "capital assets" within the meaning of section 1221 of the Code (i.e., generally, property held for investment) and does not purport to deal with investors in special tax situations, such as financial institutions, tax exempt organisations, insurance companies, regulated investment companies, dealers in securities or currencies, persons purchasing Notes other than at original issuance, persons holding notes as a hedge against currency risks or as a position in a "straddle," "conversion transaction," or "constructive sale" transaction for tax purposes, or persons whose functional currency (as defined in section 985 of the Code) is not the US dollar. The summary does not include any description of the tax laws of any state, local or foreign governments that may be applicable to the Notes or the holders thereof.

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

As used herein, the term "**US Holder**" means a beneficial owner of a Note who or which is for US federal income tax purposes (i) an individual who is a citizen or resident of the United States, (ii) a corporation created or organised in or under the laws of the United States or of any state thereof (including the District of Columbia), or (iii) any other person who is subject to US federal income taxation on a net income basis with respect to the Notes. As used herein, the term "**Non-US Holder**" means a beneficial owner of a Note that is not a US Holder. In the case of a holder of Notes that is a partnership for US federal income tax purposes, each partner will take into account its allocable share of income or loss from the Notes, and will take such income or loss into account under the rules of taxation applicable to such partner, taking into account the activities of the partnership and the partner.

Tax Treatment of US Holders

There are no statutory provisions, regulations, published rulings or judicial decisions addressing the characterisation for US federal income tax purposes of securities with terms that are substantially the

same as those of the Notes. Accordingly, the proper US federal income tax treatment of the Notes is uncertain. Under one approach, the Notes would be treated as pre-paid cash-settled forward contracts with respect to the Securities. The Issuer intends to treat the Notes consistent with this approach and, pursuant to the terms of the Notes, you agree to treat the Notes consistent with this approach. Except as otherwise provided in "Alternative Characterisations and Treatments," the balance of this summary assumes that the Notes are so treated. US Holders will not be eligible for US foreign tax credits for foreign withholding or other taxes imposed on or with respect to the Underlying Company, the Securities, or dividends paid on the Securities.

Upon receipt of cash upon maturity, redemption, sale, exchange or other disposition of a Note, a US Holder generally will recognise gain or loss equal to the difference between the amount realised on the maturity, redemption, sale, exchange or other disposition and the US Holder's tax basis in the Note. A US Holder's tax basis in the Note generally will equal the US Holder's cost for the Note, except as discussed below under "Treatment of Amounts in Respect of Dividends and Event Payments". Subject to the discussion below under "Constructive Ownership Transaction," any such gain will constitute capital gain, and any loss will constitute capital loss. The deductibility of capital losses is subject to limitations.

Treatment of Amounts in Respect of Dividends and Event Payments

The treatment of amounts received in respect of Underlying Company dividends and Event Payments for US federal income tax purposes is unclear. Under one approach, the amounts would generally be taxable to a US Holder as ordinary income on the date received by a holder of the Securities. Under another approach, the amounts would not be taxable to a US Holder when paid or received, but would reduce the US Holder's tax basis in the Notes to the extent of the US Holder's tax basis and, subject to the discussion below under "Constructive Ownership Transaction," thereafter would be treated as capital gain. The treatment may depend upon whether the amount paid by the Underlying Company is treated as a dividend for US federal income tax purposes. Other approaches are possible. Prospective investors should consult their tax advisers with respect to the US federal income tax consequences to them of the amounts.

Constructive Ownership Transaction

If the Underlying Company is treated for US federal income tax purposes as a "passive foreign investment company" (a "PFIC"), a US Holder would likely be treated as having entered into a "constructive ownership transaction" with respect to the Securities. In this case, in general, under section 1260 of the Code, if a US Holder has held the Notes for more than a year at the time of a sale, exchange or redemption of the Notes, and does not otherwise mark the Notes to market for federal income tax purposes, the US Holder would be required to recognise any gain upon the sale, exchange or redemption as ordinary income and would be subject to an additional tax in the nature of an interest charge upon such gain. The interest charge is equal to the amount of interest that would have been imposed for an underpayment of federal income tax had the gain been included in the taxpayer's gross income during each year of the US Holder's holding period for the Note at a rate equal to the applicable federal rate on the day the Notes are purchased compounded annually at a constant interest rate. US Holders should consult their tax advisers regarding the treatment of the Underlying Company as a PFIC and the possible consequences to them under Section 1260 if the Underlying Company is so treated.

Alternative Characterisations and Treatments

Although the Issuer intends to treat each Note as a pre-paid cash-settled forward contract as described above, there are no statutory provisions, regulations, published rulings or judicial decisions addressing the characterisation of securities with terms that are substantially the same as those of the Notes, and therefore the Notes could be subject to some other characterisation or treatment for federal income tax purposes. For example, the Notes could be treated as representing an ownership interest in the Security for federal income tax purposes. In this case, if the Underlying Company is treated as a PFIC, or a controlled foreign corporation (a "CFC") with respect to a US Holder, the US Holder could be subject to the special and potentially adverse US tax rules applicable to US equity owners in PFICs or CFCs. Prospective investors in the Notes should consult their tax advisers regarding the possible treatment of the Underlying Company as a PFIC or CFC and their treatment in the event the Notes are treated as representing an interest in the Security.

Alternatively, the Notes could be treated as "contingent payment debt instruments" for federal income tax purposes. In this event, a US Holder would be required to accrue original issue discount income, subject to adjustments, at the "comparable yield" of the Notes and any gain recognised with respect to the Notes generally would be treated as ordinary income. Prospective investors should consult their tax advisers as to the federal income tax consequences to them if the Notes are treated as debt instruments for federal income tax purposes.

In addition, certain proposed Treasury regulations require the accrual of income on a current basis for contingent payments made under certain "notional principal contracts." The preamble to the proposed regulations states that the "wait and see" method of accounting does not properly reflect the economic accrual of income on those contracts and requires current accrual of income for some contracts already in existence. While the proposed regulations do not apply to pre-paid forward contracts, the preamble to the proposed regulations indicates that similar timing issues exist in the case of pre-paid forward contracts. If the Internal Revenue Service (the "IRS") or the US Treasury Department publishes future guidance requiring current economic accrual for contingent payments on pre-paid forward contracts, it is possible that a US Holder could be required to accrue income over the term of the Notes.

Finally, other alternative federal income tax characterisations or treatments of the Notes are possible, and if applied could also affect the timing and the character of the income or loss with respect to the Notes.

Prospective investors in the Notes should consult their tax advisers as to the tax consequences to them of purchasing Notes, including any alternative characterisations and treatments.

Information Reporting and Backup Withholding

Distributions made on the Notes and proceeds from the sale of Notes to or through certain brokers may be subject to a "backup" withholding tax on "reportable payments" unless, in general, the Noteholder complies with certain procedures or is an exempt recipient. Any amounts so withheld from distributions on the Notes generally would be refunded by the IRS or allowed as a credit against the Noteholder's federal income tax, provided the Noteholder makes a timely filing of an appropriate tax return or refund claim. Reports will be made to the IRS and to Noteholders that are not exempt from the reporting requirements.

ERISA considerations relating to the SPICE Notes

By its purchase of any offered Note, the purchaser or transferee thereof will be deemed to represent, on each day from the date on which the purchaser or transferee acquires the offered Note through and

including the date on which the purchaser or transferee disposes of its interest in such offered Note, that it is not an "employee benefit plan" as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), whether or not subject to Title I of ERISA, a "plan" within the meaning of Section 4975 of the Internal Revenue Code of 1986, as amended (the "**Code**"), whether or not subject to Section 4975 of the Code, or an entity part or all of whose underlying assets include the assets of any plan by reason of a plan's investment in such entity (within the meaning of US Department of Labour Regulation section 2510.3-101 or otherwise).

The purchaser or transferee of a Note may be required to deliver to the Issuer and the relevant dealers a letter, in the form available from the Issuer and dealers, containing certain representations, including those contained in the preceding paragraph

**REGISTERED AND HEAD OFFICE
OF THE ISSUER**

HSBC Bank plc
8 Canada Square
London E14 5HQ
UK

DEALER
HSBC Bank plc
8 Canada Square
London E14 5HQ
UK

**PRINCIPAL PAYING AGENT,
PRINCIPAL WARRANT AGENT,
ISSUE AGENT, REGISTRAR,
TRANSFER AGENT AND
AUTHENTICATION AGENT**

HSBC Bank plc
8 Canada Square
London E14 5HQ
UK

CALCULATION AGENT
HSBC Bank plc
8 Canada Square
London E14 5HQ
UK

**LEGAL ADVISERS TO THE ISSUER
AND THE DEALER**

as to English law
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10 Upper Bank Street
London E14 5JJ
UK

AUDITORS OF THE ISSUER

KPMG Audit plc
7th Floor
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London E14 5AG
UK

PART F - PRODUCT SUPPLEMENT FOR MARKET ACCESS NOTES AND WARRANTS



HSBC BANK plc

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

as Issuer

PROGRAMME FOR THE ISSUANCE OF NOTES AND WARRANTS

Market Access Notes and Warrants

This product supplement in relation to Market Access Notes and Warrants constitutes Part F ("**Part F**") of the Base Prospectus dated 30 July 2009 (the "**Base Prospectus**") prepared by HSBC Bank plc (the "**Bank**" or the "**Issuer**") in relation to the Programme for the Issuance of Notes and Warrants (the "**Programme**") described therein in connection with the application made for Notes or Warrants to be admitted to listing on the Official List of the Financial Services Authority (in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (the "**FSA**")), and to trading on the Regulated Market of the London Stock Exchange plc (the "**London Stock Exchange**").

Notes and Warrants issued pursuant to the Programme may include Market Access Notes and Warrants ("**MANs**"), being Notes and Warrants in relation to which the interest rate and/or the final redemption amount payable at maturity is linked to specific securities, basket of securities which are, or are expected to be, listed and/or admitted to trading on one or more stock exchanges in emerging markets. MANs may include among others, Participating Access-Linked Middle-Eastern Securities ("**PALMS**") and Greater African Zone Equity-Linked Securities ("**GAZELS**"). The purpose of this Part F is to provide information in relation to MANs. This Supplement should be read together with Parts A, B and D of the Base Prospectus in the case of Market Access Notes and Parts A, C and D of the Base Prospectus in the case of Market Access Warrants.

An investment in MANs involves risks. See "Risk Factors relating to Market Access Notes and Warrants" (beginning on page F-4 of this Supplement) in addition to those included in Part A of the Base Prospectus under the heading "Risk Factors" (beginning on page A-6).

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Part F or any other information supplied in connection with the MANs and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer.

Neither this Part F nor any further information supplied in connection with the MANs (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or as constituting an invitation or offer by the Issuer that any recipient of this Part F or any other information supplied in connection with the MANs should subscribe for or purchase the MANs. Each investor contemplating subscribing for or purchasing the Market MANs should make its own independent investigation of the affairs, and its own appraisal of the creditworthiness, of the Issuer.

Neither this Part F nor any other information supplied in connection with the MANs constitutes an offer by or on behalf of the Issuer to subscribe for or purchase the MANs.

The distribution of this Part F and the offer, distribution or sale of MANs may be restricted by law in certain jurisdictions. The Issuer does not represent that this document may be lawfully distributed, or that the MANs may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, action may be required to be taken to permit a public offering of the MANs or a distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no MANs may be offered or sold, directly or indirectly, and neither this Part F 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 Part F or MANs come must inform themselves about, and observe, any such restrictions.

MANs have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), the state securities laws of any state of the United States or the securities laws of any other jurisdiction, and may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes may include Notes in bearer form that are subject to US tax law requirements.

Arranger and Dealer
HSBC

30 July 2009

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Risk Factors relating to Market Access Notes and Warrants

Further to the risk factors set out in the Base Prospectus under the heading "Risk Factors" (beginning on page A-6 of the Base Prospectus), the risk factors applicable to MANs are repeated below:

General

MANs are Notes and Warrants linked to specific securities, basket of securities where the securities are, or are expected to be, listed and/or admitted to trading on one or more stock exchanges in emerging markets. MANs may include among others, Participating Access-Linked Middle-Eastern Securities ("**PALMS**") and Greater African Zone Equity-Linked Securities ("**GAZELS**"). An investment in MANs is speculative and entails substantial risks not associated with a similar investment in fixed or floating rate securities, including the risk of partial or total loss of their investment, subject only to a minimum amount of 0.03 per cent. of the principal amount of the Market Access Notes being payable if the Market Access Notes are redeemed at scheduled maturity.

MANs are only intended for investors who have the necessary experience and knowledge to understand the risks involved in relation to the Notes. Prospective investors should understand that in some instances they could suffer a partial or complete loss of their investment, subject, if applicable, to any minimum redemption amount specified in the relevant Final Terms and that any investment return on MANs is determined by reference to changes in the value of the Underlying Security or Underlying Securities described in the Final Terms is subject to fluctuation and may be less than would be received by investing in a conventional debt instrument. Changes in value of the Underlying Security cannot be predicted. If so provided in the relevant Final Terms, the MANs may be subject to early redemption by reference to changes in value of the Underlying Security. On redemption, the MANs may be redeemed in such manner as the Final Terms provides. If MANs are redeemed prior to maturity, the value may be less than the nominal amount.

MANs are only intended for experienced investors who understand and accept the risks associated with derivatives. No person should acquire any MANs unless that person understands the nature of the relevant transaction, the extent of that person's exposure to the relevant Underlying Security and any potential loss, it has a valid business purpose for acquiring such MANs and its investment in such MANs is consistent with its overall investment strategy. Each prospective purchaser of the MANs should consider carefully whether the MANs it considers acquiring are suitable for it in the light of its investment objectives, investment authorisation, financial capabilities and expertise.

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

Illiquidity of the MANs

No assurance is given as to the availability of a secondary market in the MANs or the Underlying Security, Underlying Securities, the Underlying Index or Underlying Indices. The Issuer may purchase the MANs in the secondary trading market but is under no obligation to do so and the price at which it may do so will depend upon, among other things, the liquidity and prevailing market price of the Underlying Security or Underlying Securities, the level of the Underlying Index or Underlying Indices, the currency of denomination, and the risks referred to herein. If a secondary market does develop, there can be no assurance that the holders of MANs will be provided with liquidity of investment or that it will continue throughout the life of the MANs.

Political risks

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

Product Description

MANs are Notes and Warrants which are linked to a share or a basket of shares or any other type of security (whether debt or equity), instrument or entity (together, the "**Underlying Securities**" and each an "**Underlying Security**") issued by one or more underlying companies (each an "**Underlying Company**" or "**Underlying Companies**").

The Underlying Securities and Underlying Company or Underlying Companies will be specified in the Final Terms. The relevant currency of an underlying security (the "**Underlying Currency**") and the relevant country relating to an underlying security (the "**Underlying Country**") will be set out in the Final Terms relating to a particular Tranche of MANs.

Details of the past and further performance and volatility of each of the underlying securities are obtainable from the display pages on the Reuters Service or other information service or source specified in the Final Terms.

Pro Forma Final Terms for Market Access Notes

Set out below is the form of Final Terms which will be completed for each Tranche of Market Access Notes issued under the Programme.

[Notes issued pursuant to these Final Terms are securities to be listed under Listing Rule [17/19]¹.]

Final Terms dated []

Series No.: []

Tranche No.: []

HSBC Bank plc
Programme for the Issuance of Notes and Warrants
Issue of [] [Name of Underlying Company] (the
"Underlying Company") Market Access Notes due []
(the "Notes" or "MANs")

PART A - CONTRACTUAL TERMS

This document constitutes the Final Terms relating to the issue of the Tranche of Market Access Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 30 July 2009 in relation to the above Programme [and the supplemental Prospectus dated []² which [together] constitute[s] 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 Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. [The Prospectus [and the supplemental Prospectus] [is] [are] is available for viewing at [address] [and] [website]³ and copies may be obtained from [address].]

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Prospectus dated [original date] [and the supplemental Prospectus dated []]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus dated [current date] [and the supplemental Prospectus dated []], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the [Prospectus] dated [original date] [and the supplemental Prospectus dated []] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus(es) dated [original date] and [current date] [and the supplemental Prospectus dated [] and

¹ To be included in respect of all issues which are to be admitted to listing. Delete as appropriate. Please refer to the Listing Rules. Listing Rule 17 applies to debt securities, asset backed securities and convertible securities. Listing Rule 19 applies to securitised derivatives.

² Only include details of supplemental Prospectus in which the Conditions have been amended for the purposes of all issues under the Programme.

³ If required by the UKLA in accordance with Article 14 of the Prospectus Directive.

[]. [The Prospectus(es) are available for viewing at [address] and copies may be obtained from [address].

The Notes reflect the risks of a direct investment in the equity of the Underlying Country by a UK incorporated company. The effect of such risks on the Notes will always be calculated in the sole and absolute discretion of the Calculation Agent. Certain of the risks are outlined in these Final Terms, though these are not exhaustive. Investors should conduct their own investigation of the risks involved in a direct investment in [*specify Underlying Country*] equity and investment in the [*Underlying Currency*] and form their own view based on such investigations. In certain circumstances, the Noteholders' entire investment may be at risk and they may receive nothing on redemption except the minimum amount of 0.03 per cent. of the issue price per Note.

[For Market Access Notes offered and sold in the United States of America include:

IMPORTANT NOTICES

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), THE STATE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION, AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, US PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. ACCORDINGLY, THE NOTES 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-US PERSONS (AS DEFINED IN REGULATION S) IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLERS OF NOTES PURSUANT TO CLAUSE (A) ABOVE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

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

AVAILABLE INFORMATION

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

Investing in the Notes involves substantial risks. As a consequence, prospective investors should be aware that the Notes are only intended for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks of an investment in the Notes. In purchasing any Notes, an investor will be deemed to represent that it is such an investor and has such knowledge and experience. Prospective investors should consider the risk factors set forth under "Risk Factors" in the Prospectus and the risks described herein.

[Include whichever of the following apply or specify as "Not applicable". Note that the numbering should remain as set out below, even if "Not applicable" is indicated for individual paragraphs or subparagraphs. Italics denote guidance for completing the Final Terms.]

[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

- 1. (i) Issuer HSBC Bank plc
- (ii) Arranger: HSBC Bank plc
- 2. (i) Series number: []
- (ii) Tranche number: 1
- (iii) Whether issue is of Notes or Certificates: [Notes/Certificates] (if the issue is of Certificates, all references in this Final Terms and in the Prospectus to Notes shall be deemed to be "Certificates" for the purposes of this issue)
- 3. Currency or currencies:
 - (i) of denomination: [United States Dollar ("USD")] (the "**Specified Currency**")
 - (ii) of payment: [USD]
- 4. Aggregate Principal Amount:
 - (i) Series: [] Notes (USD [])
 - (ii) Tranche: [] Notes (USD [])
- 5. (i) Issue Price: USD [] per Note (100 per cent. of the Aggregate Principal Amount)

	(ii)	Commission payable:	None
	(iii)	Selling concession:	None
6.	(i)	Denomination(s) (<i>Condition 1(b)</i>):	USD [] per Note The Notes are transferable in a minimum number of 1 Note (equivalent to a principal amount of USD []).
			Each Note relates to 1.000 (one) Underlying Security of the Underlying Company.
	(ii)	Calculation Amount ⁴ :	[]
7.	(i)	Issue Date:	[]
	(ii)	Interest Commencement Date:	Not applicable
8.		Maturity Date: (<i>Condition 6(a)</i>)	[]
9.		Interest basis: (<i>Conditions 3 to 5</i>)	Not applicable, save that if any amount in respect of any Note is not paid when due and payable pursuant to the Conditions, interest shall accrue on the overdue amount at the rate of [1 week USD-LIBOR plus 1 per cent. reset daily].
10.		Redemption basis: (<i>Condition 6</i>)	Cash Equity Redemption
11.		Change of interest or redemption basis:	Not applicable. As provided in Annex 1, one or more Additional Payment Amounts may become due in certain circumstances.
12.		Put/Call options:	Condition 6(c) will apply as specified in paragraph 21 below.
13.	(i)	Status of the Notes: (<i>Condition 2</i>)	Unsubordinated, unsecured
	(ii)	Date approval for issuance of Notes obtained:	Not applicable
14.		Method of distribution:	Non-syndicated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

⁴ The applicable Calculation Amount (which is used for the calculation of redemption and interest amounts (if any)) will be (i) if there is only one Denomination, the Denomination; or (ii) if there are several Denominations, the highest common factor of those Denominations. Note that a Calculation Amount of less than 1,000 units of the relevant currency may result in practical difficulties for Paying Agents and/or ICSDs who should be consulted if such an amount is proposed.

15.	Fixed Rate Note provisions: (<i>Condition 3</i>)	Not applicable
16.	Floating Rate Note provisions: (<i>Condition 4</i>)	Not applicable
17.	Variable Coupon Amount Note provisions: (<i>Condition 5</i>)	Not applicable
18.	Zero Coupon Note provisions: (<i>Condition 5</i>)	Not applicable
19.	Index-Linked Interest Note/other variable-linked interest Note Provisions:	Not applicable
20.	Dual Currency Note provisions/Multi-currency Note provisions:	Not applicable

PROVISIONS RELATING TO REDEMPTION

21.	Issuer's optional redemption (Call): (<i>Condition 6(c)</i>)	If the Calculation Agent is satisfied that the ability of the Issuer or its affiliates to enter into or to maintain appropriate hedging is materially impaired or restricted for whatever reason or that UK incorporated entities generally are impeded in their ability freely to purchase, hold or sell [<i>specify Underlying Country</i>] equities (including, without limitation, the Underlying Securities) or [<i>Underlying Currency</i>] or freely to transfer or convert [<i>Underlying Currency</i>] or the proceeds of their conversion, the Issuer may redeem the Notes in whole but not in part on a date which is not earlier than two Relevant Financial Centre Days after the date on which the Issuer gives notice to the Noteholders and the Issue Agent of redemption of the Notes in such circumstances.
	(i) Redemption amount (Call):	In respect of each Note, the Realisable Sale Price as defined in Annex 1 hereto
	(ii) Series redeemable in part:	No
	(iii) Call option date(s)/Call option period:	Any date from and including the Issue Date to and including the Valuation Date
22.	Noteholder's optional redemption (Put): (<i>Condition 6(d)</i>)	Not applicable
23.	Final redemption amount of each Note: (<i>Condition 6(a)</i>)	See Annex 1 hereto. For the purpose of these Final Terms, " Redemption Commission

Percentage" shall be [1.00] per cent.

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|-----|--|---|
| 24. | Final redemption amount of each Note in cases where the final redemption amount is Index-Linked or other variable-linked: | Not applicable |
| 25. | Instalment Notes:
(Condition 6(a)) | Not applicable |
| 26. | Early redemption amount: | Yes |
| | (i) Early redemption amount (upon redemption for taxation reasons, force majeure or following an Event of Default):
(Conditions 6(b), 6(h) or 10) | In respect of each Note, the Realisable Sale Price as defined in Annex 1 hereto |
| | (ii) Other redemption provisions:
(Condition 6(i)) | See Annex 1 hereto |

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- | | | |
|-----|--|--|
| 27. | Form of Notes:
(Condition 1(a)) | |
| | (i) Form of Notes: | [Bearer/Registered] |
| | (ii) Bearer Notes exchangeable for Registered Notes: | No |
| 28. | New Global Note: | No |
| 29. | If issued in bearer form: | |
| | (i) Initially represented by a Temporary Global Note or Permanent Global Note: | [specify] [Notes may only be represented initially by a Permanent Global Note if these Final Terms specifies that TEFRA C rules apply] |
| | (ii) Temporary Global Note exchangeable for Permanent Global Note and/or Definitive Notes and/or Registered Notes:

(Condition 1(a)) | Yes [specify] |
| | (iii) Permanent Global Note exchangeable at the option of the bearer for Definitive Notes and/or Registered Notes: | [No/Yes] |

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|--------|--|--|
| (iv) | Coupons to be attached to Definitive Notes: | [Yes/No/Not applicable]
[N.B. This will need to be considered even if Permanent Global Notes are not exchangeable at the bearer's option into Definitive Notes because of exchangeability upon "melt down" of clearing systems - see provisions contained in Permanent Global Note] |
| (v) | Talons for future Coupons to be attached to Definitive Notes: | [Yes/No/Not applicable]
[N.B. The above comment also applies here] |
| (vi) | (a) Definitive Notes to be security printed: | [Yes/No]
[N.B. The above comment also applies here] |
| | (b) if the answer to (a) is yes, whether steel engraved plates will be used: | [Yes/No/Not applicable] |
| (vii) | Definitive Notes to be in ICMA or successor's format: | [Yes/No]
[N.B. The above comment also applies here] |
| (viii) | Issuer or Noteholder to pay costs of security printing: | [Issuer/Noteholder/Not applicable] |
| 30. | Exchange Date for exchange of Temporary Global Note: | [specify][Not earlier than 40 days following the Issue Date] |
| 31. | Payments:
(Condition 8) | |
| | (i) Method of payment: | As set out in the Conditions |
| | (ii) Relevant Financial Centre Day: | [New York] and [specify Underlying Country] |
| | (iii) Local banking day specified for payments in respect of the Notes in global form: | [Yes/ No] ⁵ |
| 32. | Partly Paid Notes:
(Condition 1) | [Not applicable] |
| 33. | Redenomination:
(Condition 9) | |
| | (i) Redenomination: | Not applicable |
| | (ii) Exchange: | Not applicable |
| 34. | Other final terms: | See Annex 1 hereto

For the purpose of these Final Terms: |

⁵ This should specify "No" unless, exceptionally, location of Principal Paying Agent is to be included as a business day for the purposes of payments whilst Notes are in global form in the clearing systems.

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

PROVISIONS APPLICABLE TO INDEX-LINKED NOTES, CASH EQUITY NOTES AND EQUITY-LINKED NOTES

35. Security Delivery (Equity-Linked Notes only): Condition 21(b) does not apply
36. Provisions for Cash Equity Notes and Equity-Linked Notes
- (i) Underlying Securities: [Common stock] of the Underlying Company (ISIN []). See Part B for further information.
- (ii) Underlying Company: [insert name of company/companies issuing Underlying Securities]

(iii)	Exchange(s):	[]
(iv)	Cash Settlement Payment Date:	See Annex 1 hereto
(v)	Securities Transfer Amount: (for Equity-Linked Notes only)	Not applicable
(vi)	Settlement Date: (for Equity-Linked Notes only)	Not applicable
(vii)	Settlement Disruption Event: (for Equity-Linked Notes only)	Condition 21(b)(iii) does not apply
(viii)	Delivery Disruption Event: (for Equity-Linked Notes only)	Condition 21(b)(iv) does not apply
(ix)	Potential Adjustment Event:	Condition 21(g)(i) applies subject to paragraph 3 of Annex 1 hereto
(x)	Extraordinary Event:	Condition 21(g)(ii) applies subject to paragraph 3 of Annex 1 hereto
(xi)	Conversion: (for Notes relating to Government Bonds and debt securities only)	Condition 21(g)(iii) does not apply
(xii)	Corrections of prices:	Condition 21(g)(iv) does not apply
(xiii)	Additional Disruption Event:	Not applicable
37.	Additional provisions for Equity-Linked Notes:	Not applicable
38.	Provisions for Index-Linked Notes:	Not applicable
39.	For Equity-Linked and Credit-Linked Notes:	Not applicable
40.	Valuation Date(s):	[]. Condition 21(e)(i)(A) will end with the words "that is not a Disrupted Day" in the fifth line and the remainder of that paragraph shall be deleted.
41.	Valuation Time:	Actual closing time for the regular trading session of the relevant Exchange.
42.	Averaging Dates:	Not applicable
43.	Other terms or special conditions relating to Index-Linked Notes, Cash Equity Notes or Equity-Linked Notes:	See Annex 1 hereto

DISTRIBUTION

- | | | | |
|-----|-------|---|--|
| 44. | (i) | If syndicated, names, addresses and underwriting commitments of Relevant Dealer(s)/Lead Manager(s): | Not applicable |
| | (ii) | If syndicated, names, addresses and underwriting commitments of other Dealers/Managers (if any): | Not applicable |
| | (iii) | Date of Subscription Agreement: | Not applicable |
| | (iv) | Stabilising Manager (if any): | Not applicable |
| 45. | | If non-syndicated, name and address of Relevant Dealer: | HSBC Bank plc, 8 Canada Square, London E14 5HQ |
| 46. | | Total commission and concession: | None |
| 47. | | Selling restrictions:
United States of America: | TEFRA D Rules
Notes may not be offered or sold within the United States of America or to or for the account or benefit of a US person (as defined in Regulation S) ⁶ |
| | | Other: | These notes are not being offered or sold into [<i>specify Underlying Country</i>] or for the benefit of [<i>specify Underlying Country</i>] residents |
| 48. | | Stabilisation: | Not applicable |

[LISTING AND ADMISSION TO TRADING APPLICATION]

These Final Terms comprise the final terms required to list and have admitted to trading the issue of [•] described herein pursuant to the Programme for the Issuance of Notes and Warrants of HSBC Bank plc.]

[In offers of Market Access Notes pursuant to Rule 144A insert: ³

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers of Notes offered in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Notes.

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

- (a) such 144A Offeree acknowledges that these Final Terms and the accompanying Base Prospectus is personal to such 144A Offeree and does not constitute an offer to any other person or to the

⁶ Please note that the default selling restrictions are for Regulation S offers and sales only.

public generally to subscribe for or otherwise acquire Notes other than pursuant to Rule 144A or in offshore transactions in accordance with Regulation S. Distribution of these Final Terms and the accompanying Base Prospectus, or disclosure of any of its contents, to any person other than such 144A Offeree and those persons, if any, retained to advise such 144A Offeree with respect thereto and other persons meeting the requirements of Rule 144A or Regulation S is unauthorised, and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited; and

- (a) such 144A Offeree agrees to make no photocopies of these Final Terms and the accompanying Base Prospectus or any documents referred to herein.

Each purchaser of Notes in reliance on Rule 144A ("**Restricted Notes**") will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A are used herein as defined therein):

- (1) The purchaser (A) is a qualified institutional buyer within the meaning of Rule 144A, (B) is acquiring the Notes for its own account or for the account of such a qualified institutional buyer, and (C) such person is aware that the sale of the Notes to it is being made in reliance on Rule 144A.
- (2) The purchaser understands that the Rule 144A Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and the Notes offered hereby have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except in accordance with the legend set forth below.
- (3) The purchaser understands that the Rule 144A Global Registered Notes, the Restricted Global Registered Notes and any US Definitive Registered Notes (as defined in "Summary of Provisions relating to the Notes while in Global Form" in the accompanying Base Prospectus) issued in exchange for interests therein will bear a legend (the "**Rule 144A Legend**") to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR ANY STATE SECURITIES LAWS OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF THE ISSUER THAT THIS NOTE MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (A) IN THE UNITED STATES ONLY TO "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**")), (B) TO NON-US 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 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (D) TO THE ISSUER OR ITS AFFILIATES. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY

ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE."

In addition, each purchaser of Restricted Notes acknowledges that the Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Restricted Notes for the account of one or more qualified institutional buyers it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Before any interest in a Note represented by a Restricted Global Registered Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Registered Note, it will be required to provide the Registrar with written certification as to compliance with the transfer restrictions referred to in sub-clause (B) and (C) of the legend set forth above. See "Summary of Provisions relating to the Notes While in Global Form" in the accompanying Base Prospectus.]

[RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [*Indices/share information*] has been extracted from [*insert name of source of information*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*insert name of source of information*], no facts have been omitted which would render the reproduced inaccurate or misleading.]

CONFIRMED

HSBC BANK PLC

By: _____
Authorised Signatory

Date: _____

PART B - OTHER INFORMATION

1. LISTING

- (i) Listing: [Application [will be/has been] made to admit the Notes to listing on the Official List of the Financial Services Authority pursuant to Listing Rule [17/19⁷]. No assurance can be given as to whether or not, or when, such application will be granted.][Not applicable]
- (ii) Admission to trading: [Application has been made for the Warrants to be admitted to trading [on the Regulated Market/other (*specify*)] with effect from []. 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 US National Association of Securities Dealers.] [Not applicable]

2. RATINGS

Ratings: The long term senior debt of HSBC Bank plc has been rated:

S&P: []

Moody's: []

The Notes have not specifically been rated.

[Provide brief explanation of the meaning of the ratings if previously published by rating provider]

3. NOTIFICATION

[The [*include name of competent authority in EEA home Member State*] [has been requested to provided/has provided - *include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues*] the [*include names of competent authorities of host Member States*] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

[Not applicable]

⁷ To be included in respect of all issues which are to be admitted to listing. Delete as appropriate. Please refer to the Listing Rules. Listing Rule 17 applies to debt securities, asset backed securities and convertible securities. Listing Rule 19 applies to securitised derivatives.

4. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE**

[Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in ["Subscription and Sale of Notes"], so far as the Issuer is aware, no person involved in the offer of the Warrants has an interest material to the offer."

[Not applicable]

5. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

(i) Reasons for the offer: []

[(See ["Use of Proceeds"] wording in Base Prospectus - if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]

(ii) Estimated net proceeds: *[(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)]*

(iii) Estimated total expenses: *[Include breakdown of expenses]⁸*

[(If the Warrants are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above)]

6. **YIELD**

[insert details as appropriate/ Not Applicable]

7. **HISTORIC INTEREST RATE**

[insert details as appropriate/ Not Applicable]

⁸ Not required for debt securities with a denomination per unit of at least EUR50,000.

8. **PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING⁹**

The Notes reflect the risks of a direct investment in [*specify Underlying Country*] equity by a UK incorporated company. The effect of such risks on the Notes will always be calculated in the sole and absolute discretion of the Calculation Agent. Certain of the risks are outlined in Annex 1 hereto, though these are not exhaustive. Investors should conduct their own investigation of the risks involved in a direct investment in [*specify Underlying Country*] equity by a UK incorporated company and investment in [*Underlying Currency*] and form their own view based on such investigations. In certain circumstances, the Noteholders' entire investment may be at risk and they may receive nothing on redemption except the minimum amount of 0.03 per cent. of the issue price per Note.

Information source

Details of past and further performance and volatility of the Underlying Security are obtainable from the following display pages on the Reuters Service:

[]

The Issuer [intends to provide post-issuance information [*specify what information will be reported and where it can be obtained*]] [does not intend to provide post-issuance information].

9. **PERFORMANCE OF EXCHANGE RATE(S) AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS**

The Notes reflect the risk of an investment in [*Underlying Currency*] ("**[Underlying Currency Abbreviation]**"). The Realisable Sale Price (as defined in Annex 1) shall be converted from [*Underlying Currency*] into USD at the rate of exchange obtained (or which the Calculation Agent determines would have been obtainable) by the Issuer or its affiliate, adjusted to take into account any non-deliverable forward rate transaction entered into (or which the Calculation Agent determines would have been entered into) by the Issuer or such affiliate on the Valuation Date. Therefore, the performance of the [*Underlying Currency*]/USD exchange rate will have a direct effect on the final redemption amount of the Notes. Investors should conduct their own investigation of the risks involved in investment in [*Underlying Currency*] and form their own view based on such investigations.

OPERATIONAL INFORMATION

- 10. ISIN Code: []
- 11. Common Code: []
- 12. CUSIP: []

⁹ Refer to Prospectus Rules, Annex XII, paragraph 4.2.2 for disclosure requirements

- | | | |
|-----|--|----------------------------|
| 13. | SEDOL: | [] |
| 14. | New Global Note intended to be held in a manner which would allow Eurosystem eligibility: | Not applicable |
| 15. | Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): | None |
| 16. | Delivery: | Delivery against payment |
| 17. | Settlement procedures: | Medium Term Note |
| 18. | Additional Paying Agent(s) (if any): | None |
| 19. | Common Depositary: | HSBC Bank plc |
| 20. | Agent Bank/Calculation Agent: | HSBC Bank plc |
| | — is Agent Bank to make calculations? | Yes |
| 21. | Notices:
(<i>Condition 13</i>) | Condition 13 is applicable |
| 22. | City in which specified office of Registrar to be maintained:
(<i>Condition 14</i>) | Not applicable |
| 23. | Tradable amount: | One Note |
| 24. | Other relevant Terms and Conditions: | See Annex 1 hereto |
| 25. | Other Final Terms: | See Annex 1 hereto |
| 26. | ERISA Considerations: | Not applicable |

TERMS AND CONDITIONS OF THE OFFER [*this section applies only to public offers*]

- | | | |
|-----|---|--|
| 27. | Offer Price: | [Issue Price] [<i>other (specify)</i>] |
| 28. | Conditions to which the offer is subject: | [Not applicable/ <i>give details</i>] |
| 29. | Description of the application process: | [Not applicable/ <i>give details</i>] |
| 30. | Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: | [Not applicable/ <i>give details</i>] |
| 31. | Details of the minimum and/or maximum amount of application: | [Not applicable/ <i>give details</i>] |
| 32. | Details of the method and time limits for paying up and delivering the Warrants: | [Not applicable/ <i>give details</i>] |

33. Manner in and date on which results of the offer are to be made public: [Not applicable/*give details*]
34. Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not applicable/*give details*]
35. Categories of potential investors to which the Warrants are offered and whether tranche(s) have been reserved for certain countries: [Not applicable/*give details*]
36. Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not applicable/*give details*]
37. Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not applicable/*give details*]
38. Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place: [None/*give details*]

ANNEX 1

1. Final Redemption Amount

Unless previously redeemed or purchased and cancelled, and subject to the other terms and conditions of the Notes, the Issuer shall redeem each Note by paying on the later of the Maturity Date and the Cash Settlement Payment Date an amount in the Specified Currency determined by the Calculation Agent to be equal to the Realisable Sale Price or 0.03 per cent. of the issue price per Note (whichever is greater).

"Realisable Sale Price" is an amount calculated as follows:

- (a) The Calculation Agent shall determine the Aggregate Sale Price in respect of a number of Underlying Securities ("**X**") equal to the total number of Underlying Securities to which the Notes outstanding relate.
 - (1) If the Calculation Agent is satisfied that the Issuer, or an affiliate of the Issuer (an "**Affiliate**") held Underlying Securities on the "Determination Date" (being the Valuation Date, in the case of the Final Redemption Amount, or, in the case of an Early Redemption Amount, the day on which the Issuer gave notice of redemption, or if that day was not an Exchange Business Day on which there was no Market Disruption Event, the next succeeding Exchange Business Day on which there was no Market Disruption Event) and that on and from the Determination Date the Issuer or such Affiliate has in good faith sought to dispose of or otherwise realise such Underlying Securities (or if the Issuer's or such Affiliate's holding of Underlying Securities exceeded X, X of them) through the Exchange (in the Issuer's or such Affiliate's absolute discretion), then the "**Aggregate Sale Price**" shall be the aggregate price at which the Issuer or such Affiliate effects the disposal or realisation of such Underlying Securities or, as the case may be, X of them ("**Gross Sale Price**"), deducting any Costs incurred in connection with such disposal or realisation.
 - (2) If the Calculation Agent is satisfied that the number of Underlying Securities held by the Issuer or its Affiliate ("**Y**") on the Determination Date was less than X and that on and from the Determination Date the Issuer or such Affiliate has in good faith sought to dispose of such Underlying Securities through the Exchange (in the Issuer's or such Affiliate's absolute discretion), the Calculation Agent shall:
 - (A) determine the average price per Underlying Security ("**M**") at which the Issuer or such Affiliate effected the disposal or realisation of Y number of Underlying Securities (such amount multiplied by X being the "**Gross Sale Price**", and
 - (B) deduct any Costs per Underlying Security from M (the resulting figure being "**N**"), and
 - (C) multiply N by X (the resulting figure being the "**Aggregate Sale Price**").
 - (3) In all other cases, the "**Aggregate Sale Price**" shall be the aggregate price, as determined by the Calculation Agent, at which a UK incorporated company which was a holder of X number of Underlying Securities on the Determination Date would have been able to dispose of such Underlying Securities through any applicable Exchange

(in the Calculation Agent's absolute discretion) ("**Gross Sale Price**"), deducting any Costs which, in the determination of the Calculation Agent would have been incurred in effecting such disposal.

- (4) Any disposal effected by the Issuer or its Affiliate (and the disposal that for the purposes of sub-paragraph (c) the Calculation Agent determines that a UK incorporated company would have been able to effect) may be effected in one lot of Underlying Securities or divided up into smaller lots whose disposal is effected over a number of days. The Calculation Agent shall also determine in a case where the Issuer or an Affiliate disposes of X number of Underlying Securities, the date on which, having completed such disposals, the Issuer or such Affiliate has received the aggregate price in respect of them, and in other cases, the date on which a UK incorporated company could reasonably be expected to have completed such disposals and received the aggregate price (which shall not be earlier than the date on which it has completed the disposal of those Underlying Securities which it does hold and received the aggregate sale price in respect of them (in each case, such date being the "**ASP Receipt Date**").

For the purposes hereof, "**Additional Payment Percentage**" means [100 per cent.] [*specify percentage*].

- (b) The Aggregate Sale Price received or deemed received shall then be converted into the Specified Currency. If the Calculation Agent is satisfied that on the ASP Receipt Date the Issuer or an Affiliate, as the case may be, actually entered into an exchange transaction to convert [*Underlying Currency*] into the Specified Currency, the rate of exchange for the purposes of such conversion, as determined by the Calculation Agent, shall be the rate actually obtained by the Issuer or such Affiliate, adjusted to take into account the effect of any non-deliverable forward transaction ("**NDF transaction**") if such is entered into by the Issuer or such Affiliate on the Valuation Date in respect of the Aggregate Sale Price. In other cases, the rate of exchange shall be that determined by the Calculation Agent to be the rate at which a UK incorporated company who received the Aggregate Sale Price on the ASP Receipt Date would have been able to convert the Aggregate Sale Price into the Specified Currency, taking into account the effect of any NDF transaction that such company would have entered, or would have been able to enter, into in respect of the Aggregate Sale Price on the Valuation Date. In each case the Calculation Agent shall deduct from the converted Specified Currency amount any Conversion Costs. The resulting amount (the "**ASP Converted Amount**") less Redemption Costs divided by X and then multiplied by 1.0000 (being the number of Underlying Securities to which each Note relates) shall be the Realisable Sale Price.

The Realisable Sale Price shall be payable by the Issuer on the later of the Maturity Date and the day (the "**Cash Settlement Payment Date**") which is the third Relevant Financial Centre Day following the day (determined by the Calculation Agent) on which the Issuer or its Affiliate actually received the ASP Converted Amount in respect of an exchange transaction entered into on the ASP Receipt Date or on which a UK incorporated company entering into an exchange transaction on the ASP Receipt Date would have received the ASP Converted Amount.

- (c) For the purposes of this Annex:

"**Conversion Costs**" shall mean the costs of conversion for the purposes of converting the Aggregate Sale Price into the ASP Converted Amount and the [*Underlying Currency*] Receipt and Event Receipt into the Converted Amount respectively, the amount being determined by the

Calculation Agent by reference to actual costs incurred by the Issuer or its Affiliate or, as the case may be, the costs which, in the determination of the Calculation Agent, would have been incurred by a UK incorporated company;

"**Costs**" shall mean the costs taken into account in determining the Aggregate Sale Price, [*Underlying Currency*] Receipt or Event Payment (as appropriate) including, without limitation, all brokers' fees, bank and custody charges, transaction processing fees and expenses and all taxes and other duties in respect of the Underlying Securities;

"**Redemption Commission**" shall be defined as the equivalent amount, in the Specified Currency, of the Redemption Commission Percentage of the Gross Sale Price;

"**Redemption Commission Percentage**" has the meaning ascribed to it in the relevant Final Terms;

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

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

2. **Additional Payments**

If during the period from but excluding the Issue Date to but including the Valuation Date (the "**Relevant Period**") the Underlying Securities are marked on the Exchange as ex-dividend or ex-distribution (the date on which they are so marked being the "**Mark Date**") additional payments will be made as follows by the Issuer in respect of the dividend or distribution in question:

- (a) Where the dividend or distribution in question is, in the determination of the Calculation Agent, to be paid by the Underlying Company out of distributable reserves, the Issuer shall make an additional payment per Note calculated as follows.

If the Calculation Agent is satisfied that on the Mark Date the Issuer or an Affiliate held any Underlying Securities, the Calculation Agent shall determine the net aggregate amount of the cash dividend or distribution which the Issuer or such Affiliate actually received in respect of such holding after deduction of Costs (the date on which it was received being the "**Receipt Date**"), multiply such amount by the Additional Payment Percentage, and divide that net aggregate amount by the number of Underlying Securities so held by the Issuer or such Affiliate to give a per Underlying Security amount (the "[*Underlying Currency*] **Receipt**").

If the Calculation Agent is satisfied that on the Mark Date neither the Issuer nor its Affiliates held any Underlying Securities, the [*Underlying Currency*] Receipt shall be the net amount which, in the determination of the Calculation Agent, would have been receivable by a UK incorporated company which was a holder of one Underlying Security on the Mark Date after deduction of Costs, multiply such amount by the Additional Payment Percentage, and the Receipt Date shall be the date on which, in the determination of the Calculation Agent, such UK incorporated company would have received the [*Underlying Currency*] Receipt.

- (b) Where the dividend or distribution in question is, in the determination of the Calculation Agent, not to be paid by the Underlying Company out of distributable reserves, the Issuer shall make an additional payment per Note calculated as follows.

If the Calculation Agent is satisfied that on the Mark Date the Issuer or an Affiliate held any Underlying Securities, the Calculation Agent shall determine the net cash value of the dividend or distribution which the Issuer or such Affiliate actually received in respect of such holding after deduction of Costs, multiply such amount by the Additional Payment Percentage, and divide that net cash value by the number of Underlying Securities so held by the Issuer or such Affiliate to give a per Underlying Security amount (the "[*Underlying Currency*] Receipt").

If the Calculation Agent is satisfied that on the Mark Date neither the Issuer nor its Affiliates held any Underlying Securities, the [*Underlying Currency*] Receipt shall be the net cash value of the dividend or distribution which, in the determination of the Calculation Agent, would have been receivable by a UK incorporated company which was a holder of one Underlying Security on the Mark Date after deduction of Costs, multiply such amount by the Additional Payment Percentage.

The cash value of any dividend or distribution shall be as determined by the Calculation Agent, save that where the Calculation Agent is satisfied that the Issuer or an Affiliate held any Underlying Securities on the Mark Date and that the Issuer or such Affiliate disposed of the relevant dividend or distribution received in respect of such Underlying Securities for cash on the date it received the same, the Calculation Agent shall have regard to the value at which the Issuer or such Affiliate disposed of the relevant dividend or distribution in determining the cash value of the relevant dividend or distribution. The Receipt Date for this purpose shall be, if the Issuer or such Affiliate received the relevant dividend or distribution and disposed of the same for cash on the date of receipt, the date on which the Issuer or such Affiliate received the cash disposal proceeds and, in any other case, the date on which a UK incorporated company who received such dividend or distribution and disposed of it immediately would have received the cash disposal proceeds, all as determined by the Calculation Agent (such cash value a "[*Underlying Currency*] Receipt").

The [*Underlying Currency*] Receipt shall then be converted into the Specified Currency. If the Calculation Agent is satisfied that on the Receipt Date the Issuer or an Affiliate actually entered into an exchange transaction to convert [*Underlying Currency*] into the Specified Currency, the rate of exchange for the purposes of such conversion shall be the rate actually obtained by the Issuer or such Affiliate, as determined by the Calculation Agent. In other cases the rate of exchange shall be that determined by the Calculation Agent to be the rate at which a UK incorporated company who received a [*Underlying Currency*] Receipt on the Receipt Date would have been able to convert the [*Underlying Currency*] Receipt into the Specified Currency. In each case the Calculation Agent shall deduct from the converted Specified Currency amount any Conversion Costs. The resulting amount (the "**Converted Amount**") multiplied by 1.0000 shall be the amount of the additional payment (the "**Additional Payment**") per Note.

Any Additional Payments shall be payable by the Issuer on the third Relevant Financial Centre Day following the day (determined by the Calculation Agent) on which the Issuer or its Affiliate actually received the Converted Amount in respect of

an exchange transaction entered into on the Receipt Date or on which a UK incorporated company entering into an exchange transaction on the Receipt Date would have received the Converted Amount.

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

3. **Payment in respect of Merger, Nationalisation or Insolvency Events**

For the purposes of payments (if any) made pursuant to Condition 21(e)(ii) or Condition 21(e)(iii) ("**Event Payment**"):

- (a) If the Issuer or an Affiliate held any Underlying Securities at the time of the occurrence of the Merger Event or Nationalisation or Insolvency Event (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 was actually received being the "**Event Receipt Date**") and divide that net cash value by the number of Underlying Securities so held by the Issuer or such Affiliate to give a per Underlying Security amount (the "**Event Receipt**").
- (b) If neither the Issuer nor its Affiliates held any Underlying Securities on the Event Occurrence Date, the Event Receipt shall be the net cash value of the payment per Underlying Security which, in the determination of the Calculation Agent, would have been received on the Event Receipt Date by a UK incorporated company which was a holder of Underlying Securities on the Event Occurrence Date after deduction of Costs.
- (c) Where the Event Receipt is in the same currency as the Specified Currency, the Event Receipt multiplied by 1.0000 shall be the amount of the Event Payment per Note. Where this sub-paragraph (c) applies, the Event Payment shall not be made sooner than the Event Receipt Date.
- (d) Where the Event Receipt is not in the same currency as the Specified Currency, it shall then be converted into the Specified Currency. If the Calculation Agent is satisfied that on the Event Receipt Date the Issuer or an Affiliate actually entered into an exchange transaction to convert [*Underlying Currency*] into the Specified Currency, the rate of exchange for the purposes of such conversion shall be the rate actually obtained by the Issuer or such Affiliate, as determined by the Calculation Agent. In other cases the rate of exchange shall be that determined by the Calculation Agent to be the rate at which a UK incorporated company who received an Event Receipt on the Event Receipt Date would have been able to convert the Event Receipt into the Specified Currency. In each case the Calculation Agent shall deduct from the converted Specified Currency amount any Conversion Costs. The resulting amount (the "**Converted Amount**") multiplied by 1.0000 shall be the amount of the Event Payment per Note. Where this sub-paragraph (d) applies, the Event Payment shall not be made sooner than the day on which the Issuer or such Affiliate actually received the Converted Amount in respect of an exchange transaction entered into on the Event Receipt Date or on which a UK incorporated company entering into an exchange transaction on the Event Receipt Date would have received the Converted Amount.

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

4. **Other terms or special conditions relating to Index-Linked Notes, Cash Equity Notes or Equity-Linked Notes:**

Notwithstanding Condition 6(c) (*Redemption at the Option of the Issuer*), whenever any sum is due in respect of the Notes (whether upon early redemption or upon final redemption or otherwise), the Issuer shall be entitled to suspend its obligation to make such payment in respect of the Notes if, and for as long as, in the determination of the Calculation Agent, (i) dealing by the Issuer, any Affiliate or UK incorporated companies generally in the Underlying Securities is or is likely to be prevented, delayed or restricted by closure of a relevant Exchange, suspension of trading in the Underlying Securities or other circumstances or (ii) a Currency Event has occurred. The Noteholders shall not be entitled to any interest or other compensation in respect of any such suspension nor shall such a suspension constitute a default. The Issuer shall give notice to the Noteholders as soon as practical of any such suspension and of the termination of any such suspension.

For the purposes hereof:

"**Currency Event**" means the occurrence of an event or condition which, in the opinion of the Calculation Agent, has the effect of further restricting, prohibiting or delaying the exchange of [*Underlying Currency*] for the Specified Currency or the transfer of the Specified Currency out of [*specify Underlying Country*], or the transfer of [*Underlying Currency*] within [*specify Underlying Country*], in each case when compared with the restrictions, prohibitions and delays existing on the Issue Date.

Market Access Warrants

The terms and conditions of the Market Access Warrants shall consist of the Terms and Conditions of the Warrants set out in "Part C – Terms and Conditions of the Warrants", together with the additional provisions set out in "Part D – Equity/Index-Linked Notes and Warrants" of this Base Prospectus, as amended or supplemented by the Final Terms. The Final Terms of the Market Access Warrants shall consist of the Final Terms as set out in "Part D – Equity/Index-Linked Notes and Warrants" of this Base Prospectus (duly completed and amended with the addition of the following wording to be inserted following the paragraph entitled "Available Information"):

"The Warrants reflect the risks of a direct investment in the equity of the Underlying Country. The effect of such risks on the Warrants will always be calculated in the sole and absolute discretion of the Calculation Agent. Certain of the risks are outlined in these Final Terms, though these are not exhaustive. Investors should conduct their own investigation of the risks involved in a direct investment in [*specify Underlying Country*] equity and investment in the [*specify Underlying Currency*] and form their own view based on such investigations."

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PRINCIPAL WARRANT AGENT,
ISSUE AGENT, REGISTRAR,
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PART G - PRODUCT SUPPLEMENT FOR SAUDI PALMS NOTES



HSBC BANK plc

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

as Issuer

PROGRAMME FOR THE ISSUANCE OF NOTES AND WARRANTS

Saudi PALMS

This product supplement in relation to Saudi PALMS constitutes Part G ("**Part G**") of the Base Prospectus dated 30 July 2009 (the "**Base Prospectus**") prepared by HSBC Bank plc (the "**Bank**" or the "**Issuer**") in relation to the Programme for the Issuance of Notes and Warrants (the "**Programme**") described therein in connection with the application made for Notes or Warrants to be admitted to listing on the Official List of the Financial Services Authority (in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (the "**FSA**")), and to trading on the Regulated Market of the London Stock Exchange plc (the "**London Stock Exchange**").

Notes and Warrants issued pursuant to the Programme may include (i) Saudi Arabian PALMS Notes in relation to which the interest rate and/or the redemption amount payable at maturity is linked to fund shares and/or fund units of a reference fund which invests in investments related to the Kingdom of Saudi Arabia (the "**KSA**") (such notes being "**Fund-Linked Saudi PALMS**") or (ii) Saudi Arabian PALMS Notes linked to specific underlying securities issued by one or more underlying companies incorporated under the laws of the KSA (such notes being "**Equity-Linked Saudi PALMS**", the Fund-Linked Saudi PALMS and the Equity-Linked Saudi PALMS, together the "**Saudi PALMS**"). The purpose of this Part G is to provide information in relation to Saudi PALMS. This Supplement should be read together with Parts A, B and D of the Base Prospectus.

An investment in Saudi PALMS involves risks. See "Risk Factors relating to Saudi PALMS" (beginning on page G-4 of this Supplement) in addition to those included in Part A of the Base Prospectus under the heading "Risk Factors" (beginning on page A-6).

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Part G or any other information supplied in connection with the Saudi PALMS and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer.

Neither this Part G nor any further information supplied in connection with the Saudi PALMS (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or as constituting an invitation or offer by the Issuer that any recipient of this Part G or any other information supplied in connection with the Saudi PALMS should subscribe for or purchase the Saudi PALMS. Each investor contemplating subscribing for or purchasing the Saudi PALMS should make its own independent investigation of the affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Part G nor any other information supplied in connection

with the Saudi PALMS constitutes an offer by or on behalf of the Issuer to subscribe for or purchase the Saudi PALMS.

The distribution of this Part G and the offer, distribution or sale of Saudi PALMS may be restricted by law in certain jurisdictions. The Issuer does not represent that this document may be lawfully distributed, or that the Saudi PALMS may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, action may be required to be taken to permit a public offering of the Saudi PALMS or a distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Saudi PALMS may be offered or sold, directly or indirectly, and neither this Part G 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 Part G or the Saudi PALMS come must inform themselves about, and observe, any such restrictions.

Saudi PALMS have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), the state securities laws of any state of the United States or the securities laws of any other jurisdiction, and may not be offered or sold within the United States or to, or for the account or benefit of, "US 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. The Notes may include Notes in bearer form that are subject to US tax law requirements.

Arranger and Dealer
HSBC

30 July 2009

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RISK FACTORS RELATING TO SAUDI PALMS

The information in this section entitled "Risk Factors" relates to certain material risks in relation to Saudi PALMS. Before making an investment decision, prospective Noteholders should ensure that they understand the nature of the relevant Notes and the extent of their exposure to risks and that they consider carefully, in the light of their own financial circumstances, financial condition and investment objectives and having consulted with all their relevant legal, tax and financial advisers, all the information set forth in the Base Prospectus, this Part G and the relevant Final Terms and, in particular, the considerations set forth below, as well as their own individual circumstances.

The risk factors set out in this Part G are not exhaustive. There may be other risks that a prospective investor or purchaser of Notes should consider that are relevant to its own particular circumstances or generally. More than one investment risk may have simultaneous effects with regard to the value of Notes and the effect of any single investment risk may not be predictable. In addition, more than one investment risk may have a compounding effect and no assurance can be given as to the effect that any combination of investment risks may have on the value of Notes.

General

PROSPECTIVE PURCHASERS OR INVESTORS IN NOTES SHOULD (AND BY PURCHASING ANY SUCH NOTES WILL BE DEEMED TO HAVE ACKNOWLEDGED AND REPRESENTED THE FOLLOWING):

- (a) BE SOPHISTICATED INVESTORS WHO ARE WILLING TO TAKE CERTAIN RISKS, CAN ABSORB A COMPLETE LOSS OF THEIR INVESTMENT IN ANY NOTES AND ARE EXPERIENCED WITH RESPECT TO TRANSACTIONS INVOLVING INSTRUMENTS SUCH AS NOTES, IN TERMS OF BOTH THE RISKS ASSOCIATED WITH THE ECONOMIC TERMS OF ANY NOTES AND THE RISKS ASSOCIATED WITH THE WAY IN WHICH AN ISSUE OF NOTES IS STRUCTURED;
- (b) UNDERSTAND THE CHARACTERISATION OF THE RELEVANT NOTES AND ANY RISKS AND POTENTIAL CONSEQUENCES ASSOCIATED WITH AN INVESTMENT IN SUCH NOTES;
- (c) UNDERSTAND THAT THE ISSUER IS AFFILIATED WITH THE CALCULATION AGENT AND THAT THE VALUE OF ANY NOTES MAY BE AFFECTED BY ACTIONS OF THE ISSUER AND ITS AFFILIATES BUT THAT NONE OF THE ISSUER OR ANY OF ITS AFFILIATES OWES ANY LEGAL DUTY TO ACT IN THE INTERESTS OF NOTEHOLDERS IN TAKING SUCH ACTIONS;
- (d) CONDUCT SUCH INDEPENDENT APPRAISAL OF THE ISSUER, THE RELEVANT NOTES, THE RELEVANT UNDERLYING SECURITIES OF THE UNDERLYING COMPANY AND ALL OTHER RELEVANT MARKET AND ECONOMIC FACTORS AS THEY THINK APPROPRIATE TO EVALUATE THE MERITS AND RISKS OF AN INVESTMENT IN THE RELEVANT NOTES;
- (e) ONLY REACH AN INVESTMENT DECISION AFTER CAREFUL CONSIDERATION WITH THEIR OWN LEGAL, INVESTMENT, ACCOUNTING AND TAX ADVISERS OF THE SUITABILITY OF AN INVESTMENT IN NOTES IN THE LIGHT OF THEIR OWN PARTICULAR FINANCIAL, FISCAL AND OTHER CIRCUMSTANCES AND THE

INFORMATION SET OUT IN THE BASE PROSPECTUS, THIS PART G AND THE RELEVANT FINAL TERMS;

- (f) RECOGNISE THAT NOTES MAY DECLINE IN VALUE AND SHOULD BE PREPARED TO SUSTAIN A COMPLETE LOSS OF THEIR INVESTMENT IN THE RELEVANT NOTES;
- (g) RECOGNISE THAT NEITHER THE ISSUER NOR THE CALCULATION AGENT MAKES ANY REPRESENTATION OR WARRANTY WHATSOEVER IN RESPECT OF THE RELEVANT UNDERLYING SECURITIES OR THE RELEVANT UNDERLYING COMPANY AS OF ANY TIME ON ANY DAY; AND
- (h) RECOGNISE THAT THE AMOUNT PAYABLE TO NOTEHOLDERS MAY BE LESS THAN THEIR INITIAL INVESTMENT IN THE RELEVANT NOTES AND MAY, IN CERTAIN CIRCUMSTANCES, BE ZERO, SUBJECT ONLY TO A MINIMUM AMOUNT OF 0.03 PER CENT OF THE ISSUE PRICE PER NOTE.

An investment in Notes should only be made after assessing the direction, timing and magnitude of potential future changes in the value of the relevant Underlying Securities, as the return of any such investment will be dependent, *inter alia*, upon such changes.

Suitability of Saudi PALMS for Investment

Prospective purchasers or investors in Notes should not rely on any communication (written or oral) of the Issuer as investment advice or as a recommendation to invest in Notes, it being understood that information and explanations related to the terms and conditions of the relevant Notes shall not be considered to be investment advice or a recommendation to invest in such Notes. No communication (written or oral) received from the Issuer shall be deemed to be an assurance or guarantee as to the expected results of any investment in Notes.

An investment in Notes is only suitable for investors who:

- (a) have the requisite knowledge and experience in financial and business matters to evaluate the merits and risks of an investment in Notes;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate such merits and risks in the context of their financial situation; and
- (c) are capable of bearing the economic risk of an investment in Notes for the full term of such Notes.

THIS PART G AND THE RELEVANT FINAL TERMS DO NOT DESCRIBE ALL THE RISKS OF AN INVESTMENT IN NOTES, AND THE ISSUER AND DEALER DISCLAIM ANY RESPONSIBILITY TO ADVISE PROSPECTIVE PURCHASERS OR INVESTORS OR PURCHASERS OF SUCH RISKS AS THEY EXIST AT THE DATE OF THE RELEVANT FINAL TERMS OR AS SUCH RISKS MAY CHANGE FROM TIME TO TIME. EACH PROSPECTIVE INVESTOR OR PURCHASER SHOULD CONSULT ITS OWN FINANCIAL, TAX AND LEGAL ADVISERS AS TO THE RISKS ENTAILED BY AN INVESTMENT IN ANY NOTES.

Risk Factors relating to Fund-Linked Saudi PALMS Notes

Further to the risk factors set out in the Base Prospectus under the heading "Risk Factors" (beginning on page A-6 of the Base Prospectus), the risk factors applicable to Fund-Linked Saudi PALMS Notes are repeated below:

General - An investment in Fund-Linked Saudi PALMS is speculative and entails risks not associated with a similar investment in fixed or floating rate securities, including the risk of a total or partial loss of their investment, subject only to a minimum amount of 0.03 per cent. of the principal amount being payable if Fund-Linked Saudi PALMS are redeemed at scheduled maturity. Fund-Linked Saudi PALMS are only intended for investors who have the necessary experience and knowledge in order to understand the risks involved in relation to the Notes. In particular, prospective investors considering acquiring any Fund-Linked Saudi PALMS should understand the risks of transactions involving Fund-Linked Saudi PALMS and should reach an investment decision only after carefully considering, with their financial, legal, regulatory, tax, accounting and other advisers, the suitability of Fund-Linked Saudi PALMS in light of their particular circumstances (including without limitation their own financial circumstances and investment objectives) and the information contained in this document. An investment in Fund-Linked Saudi PALMS should only be made after assessing the direction, timing and magnitude of potential future changes in the value of the underlying Reference Fund.

Independent review and advice - The Issuer has not undertaken any investigation of the Reference Fund. Each prospective purchaser must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of Fund-Linked Saudi PALMS and consequential exposure to the relevant Reference Fund (i) is fully consistent with its (or, if it is acquiring Notes in a fiduciary capacity, its beneficiary's) financial needs, objectives and condition, (ii) complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it (whether acquiring Notes as principal or in a fiduciary capacity) and (iii) is a fit, proper and suitable investment for it (or if it is acquiring Notes in a fiduciary capacity, for its beneficiary), notwithstanding the risks inherent in investing in or holding Fund-Linked Saudi PALMS. An investor in Fund-Linked Saudi PALMS should obtain and evaluate the same information concerning the relevant Reference Fund as it would if it were investing directly in the relevant Reference Fund. In addition, investors should understand that the historical performance of the relevant Reference Fund should not be viewed as predictive of future results.

Affiliation among the Issuer and the relevant Reference Fund - The Issuer is affiliated with the Reference Fund and the Fund Manager (as defined in "Part G - Product Supplement for Saudi PALMS Notes"). However, the Issuer has no ability to control or predict the actions of the relevant Reference Fund including any corporate actions of the type that would qualify as an event that requires adjustment to the Conditions of the Fund-Linked Saudi PALMS.

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

Value of the Reference Fund. Prospective purchasers or investors should be aware that an investment in Fund-Linked Saudi PALMS involves valuation risk as regards the relevant Reference Fund. Prospective purchasers or investors should be experienced with respect to transactions in securities with a value derived from underlying securities and/or other assets and/or indices. The value of Fund-Linked Saudi PALMS will depend substantially on the value of the relevant Reference Fund as such value is taken into account in determining the final redemption amount of such Fund-Linked Saudi PALMS. Fluctuations in the value of the relevant Reference Fund may affect the value of Fund-Linked Saudi PALMS as may expectations of fluctuation in value during the remaining period to the date for determination of the final redemption amount. The value of the relevant Reference Fund 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. The relevant Reference Fund may invest in portfolios comprised of various assets and fluctuations in the value of any one asset may be offset or intensified by fluctuations in the value of other assets which comprise the portfolio of the relevant Reference Fund. The historical performance of the investments made by the relevant Reference Fund will not necessarily be an indication of their future performance.

Currency exchange rates. The value of the relevant Series of Fund-Linked Saudi PALMS may be affected by changes in foreign currency exchange rates. For example, an appreciating USD relative to local currency may lower the value of the relevant Series of Fund-Linked Saudi PALMS while a depreciating USD may increase the value of the relevant Series of Fund-Linked Saudi PALMS.

No ownership rights - Fund-Linked Saudi PALMS represent a "notional" investment in the relevant Reference Fund. The Issuer shall be under no obligation to make or hold, directly or indirectly, investments in the relevant Reference Fund. Noteholders will not hold any direct or indirect interest in the relevant Reference Fund and prospective investors should be aware that an investment in Fund-Linked Saudi PALMS is not the same as an investment in the relevant Reference Fund and does not confer any legal or beneficial interest in such Reference Fund or any voting rights, rights to receive dividends or other rights that a holder of the shares or units (hereinafter referred to as "**Shares**") in such Reference Fund would have. Fund-Linked Saudi PALMS will be unsubordinated and unsecured obligations of the Issuer. There will not necessarily be a linear correlation between the value of the relevant Reference Fund and the value of the relevant Fund-Linked Saudi PALMS. Therefore, investors in Fund-Linked Saudi PALMS will not receive the same return as they would if they invested directly in the relevant Reference Fund.

Risks relating to the Reference Fund

General. Prospective purchasers should note that each Reference Fund is a speculative investment and that all risks inherent in investing in the relevant Reference Fund directly will be inherent in the relevant Series of Fund-Linked Saudi PALMS. There will not necessarily be a linear correlation between the value of the relevant Reference Fund and the Value of the relevant Series of Fund-Linked Saudi PALMS. Therefore, investors in Fund-Linked Saudi PALMS may not receive the same return as they would if they invested directly in the relevant Reference Fund.

Saudi Arabia. Each Reference Fund and its Fund Manager are governed by the laws of the Kingdom of Saudi Arabia ("**KSA**"), and in particular, the KSA Capital Market Law ("**CML**"), and the regulations enacted thereunder, and are regulated by the KSA Capital Markets Authority ("**CMA**").

Investment funds in the KSA, including the Reference Fund, are unincorporated funds. They are established and formally organised pursuant to a contract that is signed between the Fund Manager and the unit-holders, which contract must be in the form of terms and conditions as specified in the Investment Fund Regulations enacted under the CML ("**IFR**"). The terms and conditions include

covenants on the part of the Fund Manager to perform or to contract for the performance of (i) the investment management of the portfolio of the relevant Reference Fund; (ii) the custody of portfolio assets of the relevant Reference Fund; (iii) dealing in securities or other assets of the relevant Reference Fund; and (iv) the administration of the relevant Reference Fund. The terms and conditions also set out the fees, commissions or other remuneration with which the Fund Manager proposes to compensate itself from investment fund assets or subscriptions for the performance of the foregoing activities or services.

The regulatory practices of the CMA may not necessarily be identical to the regulatory practices in other jurisdictions. In particular, given the lack of a formal system of official reporting and/or official interpretation, and the absence of a system of binding precedent in the KSA, prospective investors or investors should note that the Fund Manager may discharge its obligations, and CMA may exercise its authority in respect of the relevant Reference Fund in a manner that may impact the value of the relevant Reference Fund and/or the Notes.

Tax and currency risks. The tax status of the relevant Reference Fund in those jurisdictions in which they conduct their business and/or any change in taxation rules or treatment in such jurisdictions could affect the value of the assets of the relevant Reference Fund (and consequently the relevant Series of Fund-Linked Saudi PALMS) or affect the ability of the relevant Reference Fund to achieve their investment objectives and consequently adversely affect the value of such Reference Fund and such Fund-Linked Saudi PALMS. In addition, remittance of income and capital gains generated by underlying investments of the relevant Reference Fund in certain countries may be dependent on there being liquidity in the relevant local currency and the absence of foreign exchange controls which inhibit or prevent the repatriation of such gains. In any such circumstances the notional value of the notional assets of the relevant Reference Fund may be adversely affected and as a result such Reference Fund and the value of the Fund-Linked Saudi PALMS may be adversely affected.

Class of investments. Prospective purchasers or investors should note that a Reference Fund may be limited in the investments it may make and returns (if any) on such Reference Fund may be more or less than would otherwise be the case. The relevant Reference Fund may have certain discretions in relation to their investments and no assurance can be given that the exercise of such discretions will achieve the investment objectives of such Reference Fund. The relevant Reference Fund may make investments which are subject to legal or other restrictions on transfer or for which no liquid market exists, in which case market prices will tend to be more volatile.

Investment risk. There can be no assurance that any Reference Fund will achieve its investment objectives. Its value may rise or fall as the capital value of the assets in which it invests fluctuates. The investment income of the relevant Reference Fund is based on the income earned on the assets they hold, less expenses incurred. Therefore, the relevant Reference Fund's investment income may be expected to fluctuate in response to changes in such expenses or income.

Further and other issues - Subject to obtaining all necessary internal approvals, the Issuer shall be at liberty from time to time without the consent of the Noteholders to create and issue further Fund-Linked Saudi PALMS so as to be consolidated with and form a single series with outstanding Series of Fund-Linked Saudi PALMS. In addition, the Issuer may issue other issues of notes and/or other instruments relating to the relevant Reference Fund. Such issues may have an adverse effect on the value of outstanding Fund-Linked Saudi PALMS.

Dependence upon the Calculation Agent - Investors in Fund-Linked Saudi PALMS are highly dependent upon the Calculation Agent to calculate or determine the Reference Fund Value, the final redemption amount, the early redemption amount and the date(s) on which the final redemption amount

or early redemption amount will be paid in relation to the relevant Series of Fund-Linked Saudi PALMS.

Determination of Merger Events, Potential Adjustment Events, Reference Fund Disruption Events, Extraordinary Fund Events and Hedging Disruption Event. The Calculation Agent may determine the occurrence of a Merger Event, Potential Adjustment Event, Reference Fund Disruption Event, Extraordinary Fund Event or Hedging Disruption Event and the consequences of any such event in relation to the Fund-Linked Saudi PALMS.

Methodology. The Calculation Agent will make all determinations and calculations required of it in accordance with the terms of the relevant Series of Fund-Linked Saudi PALMS. Any determination or calculation made by the Calculation Agent in relation to the relevant Series of Fund-Linked Saudi PALMS will be made in good faith in its sole and absolute discretion and will be conclusive and binding on all parties, except in the case of manifest error.

If market, regulatory, judicial or fiscal circumstances or, without limitation, any other circumstances arise that would, in the determination of the Calculation Agent, necessitate a modification or change to such methodology, then the Calculation Agent may make such changes as it considers appropriate to deal with the circumstances.

Other factors - Transactions involving Fund-Linked Saudi PALMS may have tax consequences for potential purchasers which may depend, amongst other things, upon the status of the potential purchaser and laws relating to transfer and registration taxes. Potential purchasers who are in any doubt about the tax consequences of purchasing Fund-Linked Saudi PALMS should consult and rely on their own tax advisers.

Risk Factors relating to Equity-Linked Saudi PALMS Notes

Independent Review and Advice

Each prospective purchaser must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the relevant Equity-Linked Saudi PALMS and consequential exposure to the relevant Underlying Securities of the Underlying Company (i) is fully consistent with its (or, if it is acquiring Equity-Linked Saudi PALMS in a fiduciary capacity, its beneficiary's) financial needs, objectives and condition, (ii) complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it (whether acquiring Equity-Linked Saudi PALMS as principal or in a fiduciary capacity) and (iii) is a fit, proper and suitable investment for it (or if it is acquiring Equity-Linked Saudi PALMS in a fiduciary capacity, for its beneficiary), notwithstanding the risks inherent in investing in or holding the relevant Equity-Linked Saudi PALMS.

The Issuer does not and will not make any representation or warranty, express or implied, regarding the likely investment performance of the relevant Underlying Securities of the relevant Underlying Company or any Equity-Linked Saudi PALMS; the suitability of the relevant Equity-Linked Saudi PALMS for any investor or for the accuracy, completeness or adequacy of the information relating to the relevant Underlying Securities or the relevant Underlying Company and no liability to any party is accepted by the Issuer in connection with any of the above matters.

Each prospective purchaser of Equity-Linked Saudi PALMS should undertake an independent investigation of the relevant Underlying Securities and the relevant Underlying Company as in its judgement is appropriate to make an informed decision with respect to an investment based on the performance of such Underlying Securities and such Underlying Company.

The Issuer shall not undertake any investigation of the relevant Underlying Securities or the relevant Underlying Company relating to the relevant Equity-Linked Saudi PALMS. In addition, the Issuer shall not review, verify or confirm any prospectus or offering document relating to the relevant Underlying Securities or the relevant Underlying Company relating to the relevant Equity-Linked Saudi PALMS.

The Issuer has no ability to control or predict the actions of the relevant Underlying Company including any corporate actions of the type that would qualify as an event that requires adjustment to the Conditions of the relevant Equity-Linked Saudi PALMS, such as a Merger Event, Potential Adjustment Event or Extraordinary Event.

This Part G and the relevant Final Terms shall not be deemed to provide comprehensive information with respect to the relevant Underlying Securities or the relevant Underlying Company. No investigation shall be made of the financial condition or creditworthiness of the relevant Underlying Company or the relevant Underlying Securities themselves in connection with the issuance of any Equity-Linked Saudi PALMS. An investor in Equity-Linked Saudi PALMS is advised to obtain and evaluate the same information concerning the relevant Underlying Securities and Underlying Company as it would if it were investing directly in the relevant Underlying Securities or the Underlying Company. In addition, investors should understand that the historical performance of the relevant Underlying Securities of the Underlying Company should not be viewed as predictive of future results.

No representation or warranty, whether implied or otherwise, is given by the Issuer as to the past, present or future performance of the relevant Underlying Securities or the related Underlying Company. The Issuer is not a source of advice, information or credit analysis with respect to the relevant Underlying Company or the Underlying Securities of such Underlying Company. In particular, the Base Prospectus, this Part G and the relevant Final Terms do not constitute investment

advice. The Issuer does not assume any obligation to or relationship of agency or trust with any investor, purchaser or prospective investor or purchaser of Equity-Linked Saudi PALMS.

Credit Risk

Prospective purchasers or investors shall assume the credit risk of the Issuer. The rating of the Issuer reflects the independent opinion of the relevant rating agencies and is not a guarantee of the Issuer's credit quality.

Principal at Risk

Equity-Linked Saudi PALMS are not principal protected. Potential redemption at maturity may be less than the initial investment and may be zero, subject to a minimum redemption amount of 0.03% of the Issue Price per Note.

Certain Factors affecting value of Equity-Linked Saudi PALMS

The value of Equity-Linked Saudi PALMS prior to maturity is expected to depend on a number of factors including the performance of the relevant Underlying Securities until that time, interest rates, foreign exchange rates, volatility, time remaining to maturity and changes in the credit rating of the Issuer. The price at which a holder will be able to sell Equity-Linked Saudi PALMS prior to maturity may be at a discount, which could be substantial, from the principal balance thereof, based upon one or more of the factors described below. The factors that will affect the trading value of Equity-Linked Saudi PALMS interrelate in complex ways (for example, one factor may offset an increase in the trading value of Notes caused by another factor). Factors that may be expected to impact the value of Equity-Linked Saudi PALMS, assuming other conditions remain constant, include:

Value of the Underlying Securities. Prospective purchasers or investors should be aware that an investment in Equity-Linked Saudi PALMS involves valuation risk as regards the relevant Underlying Securities. Prospective purchasers or investors should be experienced with respect to transactions in securities with a value derived from Underlying Securities and/or other assets and/or indices. The value of Equity-Linked Saudi PALMS will depend substantially on the value of the relevant Underlying Securities as such value is taken into account in determining the final redemption amount of such Equity-Linked Saudi PALMS. Fluctuations in the value of the relevant Underlying Securities may affect the value of Equity-Linked Saudi PALMS as may expectations of fluctuation in value during the remaining period to the date for determination of the final redemption amount. The value of the relevant Underlying Securities 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. The historical performance of the relevant Underlying Securities will not be an indication of their future performance.

FX Rates. The value of the relevant Equity-Linked Saudi PALMS may be affected by changes in foreign exchange rates. For example, an appreciating USD relative to local currency may lower the value of the relevant Equity-Linked Saudi PALMS while a depreciating USD may increase the value of the relevant Equity-Linked Saudi PALMS.

Volatility of the Underlying Securities. If the size and frequency of Market fluctuations in the value of the relevant Underlying Securities increase or decrease, the trading value of the Equity-Linked Saudi PALMS may be adversely affected.

No Ownership Rights

Equity-Linked Saudi PALMS represent a "notional" investment in the relevant Underlying Securities. The Issuer shall be under no obligation to make or hold, directly or indirectly, investments in the relevant Underlying Securities. Noteholders will not hold any direct or indirect interest in the relevant Underlying Securities and prospective investors should be aware that an investment in Equity-Linked Saudi PALMS is not the same as an investment in the relevant Underlying Securities and does not confer any legal or beneficial interest in such Underlying Securities or any voting rights, rights to receive dividends or other rights that a holder of the Underlying Securities would have. Equity-Linked Saudi PALMS will be unsubordinated and unsecured obligations of the Issuer. There will not necessarily be a linear correlation between the value of the relevant Underlying Securities and the value of the relevant Equity-Linked Saudi PALMS. Therefore, investors in Equity-Linked Saudi PALMS will not receive the same return as they would if they invested directly in the relevant Underlying Securities.

This Part G and the relevant Final Terms shall not constitute an offer to sell or an offer to buy the relevant Underlying Securities. The relevant Underlying Company shall not be involved in the offering of any Equity-Linked Saudi PALMS and shall have no obligation with respect to any Equity-Linked Saudi PALMS, including any obligation to consider the interest of any investor in any Equity-Linked Saudi PALMS for any reason. The relevant Underlying Company shall not be involved with the administration, marketing or trading of any Equity-Linked Saudi PALMS and shall have no obligation with respect to any amount to be paid to the investors of any Equity-Linked Saudi PALMS.

The Underlying Securities

General.

Prospective purchasers should note that an investment in the relevant Equity-Linked Saudi PALMS is a speculative investment and that all risks inherent in investing in the relevant Underlying Securities or the relevant Underlying Company directly will be inherent in the relevant Equity-Linked Saudi PALMS. There will not necessarily be a linear correlation between the value of the relevant Underlying Securities and the value of the relevant Equity-Linked Saudi PALMS. Therefore, investors in Equity-Linked Saudi PALMS may not receive the same return as they would if they invested directly in the relevant Underlying Securities or the relevant Underlying Company.

Saudi Arabia.

The Equity-Linked Saudi PALMS reflect the risks of an indirect investment in Saudi Arabian equity by a UK incorporated company transacting with an Authorised Person (under the conditions and requirements of the CMA Resolution, as defined below). The effect of such risks on the relevant Equity-Linked Saudi PALMS, in terms of any consequential adjustment or early termination of such Equity-Linked Saudi PALMS, will always be calculated in the sole and absolute discretion of the Calculation Agent. Investors should conduct their own investigation of the risks involved in such an indirect investment in Saudi Arabian equity and investment in Saudi Arabian Riyal ("**SAR**") and form their own view based on such investigations. In certain circumstances, the Noteholders' entire investment may be at risk and they may receive nothing on redemption except the minimum amount of 0.03% of the Issue Price per Note.

The relevant Underlying Company and the relevant Underlying Securities issued by it are governed by the laws of the KSA, and in particular, the KSA Capital Market Law ("**CML**"), and the regulations enacted thereunder, and are regulated by the KSA Capital Markets Authority ("**CMA**"). The regulatory practices of the CMA may not necessarily be identical to the regulatory practices in other jurisdictions. In particular, given the lack of a formal system of official reporting and/or official interpretation, and

the absence of a system of binding precedent in the KSA, prospective investors or investors should note that the Underlying Company may discharge its obligations, and the CMA may exercise its authority in respect of the Underlying Company in a manner that may impact the Realisable Sale Price (as defined in the relevant Final Terms) and, therefore, the value of the Equity-Linked Saudi PALMS.

The CMA Board of Commissioners resolution 2-28-2008 dated 18 August 2008 (the "**CMA Resolution**") allows Authorised Persons (as defined therein) to enter into derivative transactions with non-resident foreign investors whether institutions or individuals, to transfer the economic benefits of Saudi shares listed on the Saudi Stock Exchange (Tadawul), while the relevant Authorised Persons retain the legal ownership of such shares. Pursuant to the conditions specified in the CMA Resolution, the relevant Authorised Persons are required to provide certain information on beneficiaries who obtain the economic benefits of Saudi shares.

Disruption Event relating to the Underlying Securities

Prospective investors should note that, if the relevant Final Terms so specify, the payment of the redemption amount on the Maturity Date or upon an early redemption may be postponed if a Disruption Event relating to the Underlying Securities occurs or is subsisting on the early redemption date or the Valuation Date, as applicable.

Early Redemption of Notes

Prospective investors should understand that in certain circumstances Equity-Linked Saudi PALMS may be subject to early redemption upon the occurrence of an Increased Cost of Hedging Event, a Hedging Disruption Event or an Extraordinary Event.

Extraordinary Events, Hedging Disruption Events and Merger Events.

Prospective investors should note that an Increased Cost of Hedging Event or Extraordinary Events or Hedging Disruption Events may occur in relation to the relevant Equity-Linked Saudi PALMS in certain circumstances described in Condition 21 of the Base Prospectus. If any of an Increased Cost of Hedging Event, a Hedging Disruption Event or an Extraordinary Event occurs in relation to the relevant Equity-Linked Saudi PALMS, the Issuer may, at its sole and absolute discretion, declare one or more Valuation Dates and designate an Early Redemption Date and the Noteholders will receive an Early Redemption Amount based on the determinations made by the Calculation Agent.

Upon the occurrence of such an early redemption prior to the originally scheduled Maturity Date of the relevant Equity-Linked Saudi PALMS, Noteholders may suffer a loss of some or of all of their investment and will forego any future appreciation in the relevant Underlying Securities that may occur following such redemption.

Potential Adjustment Events.

Prospective investors should note that a Potential Adjustment Event in relation to the relevant Notes, may occur in certain circumstances described in Condition 21 of the Base Prospectus. If a Potential Adjustment Event occurs in relation to the relevant Equity-Linked Saudi PALMS, the Calculation Agent will make a corresponding adjustment, if any, to the relevant formula for the Final Redemption Amount, the notional number of relevant Underlying Securities to which each Equity-Linked Saudi PALM relates and/or any other adjustment to the settlement and payment terms of the relevant Equity-Linked Saudi PALMS as the Calculation Agent determines appropriate and determine the effective times thereof.

Redemption for Tax Reasons

Unless the relevant Final Terms specify otherwise, the Issuer may redeem Equity-Linked Saudi PALMS in whole if the Issuer would be required to pay certain tax gross up payments in respect of such Equity-Linked Saudi PALMS or to make deductions in respect of certain taxes from payments in respect of such Equity-Linked Saudi PALMS. The amount payable by the Issuer on such redemption will be the Realisable Sale Price (as defined in the relevant Final Terms). The amount so payable by the Issuer may be less than amounts invested in the relevant Equity-Linked Saudi PALMS. Noteholders will not benefit from any appreciation in value of the relevant Underlying Securities that may occur following such redemption.

Hedging activities of the Issuer and affiliates

The Issuer and/or its affiliates may carry out hedging activities related to any Equity-Linked Saudi PALMS, including purchasing securities of the relevant Underlying Company, but will not be obliged to do so. Certain of the Issuer's affiliates may also purchase and sell securities of the relevant Underlying Company on a regular basis as part of their ordinary businesses. Any of these activities could potentially affect the value of the Underlying Securities and, accordingly, the final redemption amount of the relevant Equity-Linked Saudi PALMS.

Illiquidity in the Secondary Market

Equity-Linked Saudi PALMS issued under the Programme will be new securities for which currently there is no trading market. The Issuer need not apply for listing of any Equity-Linked Saudi PALMS on any securities exchange or quotation system. It is not possible to predict whether any trading market for Notes will develop or, if it does, the price at which Equity-Linked Saudi PALMS will trade in the secondary market or whether such market will be liquid or illiquid. To the extent that there is no liquid market in the relevant Notes, an investor may have to wait until redemption to realise the value of its investment.

Further and other issues

Subject to obtaining all necessary internal approvals, the Issuer shall be at liberty from time to time without the consent of the Holders of the Equity-Linked Saudi PALMS to create and issue further notes so as to be consolidated with and form a single series with the outstanding Equity-Linked Saudi PALMS. In addition, the Issuer may issue other issues of notes and/or other instruments relating to the relevant Underlying Securities or the relevant Underlying Company. Such issues may have an adverse effect on the value of Equity-Linked Saudi PALMS.

Legality of Purchase

The Issuer has no responsibility and assumes no responsibility for the lawfulness of the acquisition of Equity-Linked Saudi PALMS by a prospective purchaser or investor, whether under the laws of the jurisdiction of the purchaser or investor's incorporation or the jurisdiction in which it operates (if different), or for compliance by that purchaser or investor with any law, regulation or regulatory policy applicable to it. In particular, prospective purchasers or investors are referred to the restrictions contained in the section "*Subscription and Sale*" in the Base Prospectus and any additional selling restrictions contained in this Part G and/or the relevant Final Terms.

Provision of Information

The Issuer does not make any representation as to the creditworthiness of the relevant Underlying Company or the relevant Securities themselves. The Issuer may have acquired, or during the term of the relevant Equity-Linked Saudi PALMS may acquire, non-public information with respect to the relevant Underlying Securities and/or the relevant Underlying Company. The Issuer is not under any obligation to make such information available to Holders of the Equity-Linked Saudi PALMS.

Potential Conflict of Interest

Various potential and actual conflicts may arise between the interests of the Noteholders and the Issuer, as a result of the commercial and investment banking businesses and activities of the Issuer and its affiliates. The Issuer may recommend or effect a transaction in which it or any affiliate, or one of its other clients, may have an interest, relationship or arrangement that is material. In particular, the Issuer or any affiliate, may deal as principal for its own account, to hedge liabilities under the relevant Notes or for other purposes, and may match a transaction or order with that of another client. Neither the Issuer nor any affiliate is under any duty to account for any profits, commission, remuneration, rebates or other benefits made or received as a result of such transaction or service. Further, the Issuer is the Calculation Agent with regard to any Equity-Linked Saudi PALMS. The Calculation Agent is solely responsible for making certain determinations in the calculation of the final redemption amount and other determinations and calculations in connection with the relevant Equity-Linked Saudi PALMS, including determinations in connection with the occurrence of any Potential Adjustment Events, Extraordinary Events, Increased Cost of Hedging Events and Hedging Disruption Events in relation to the relevant Notes. Because the Calculation Agent is the Issuer, and is obligated to redeem the relevant Equity-Linked Saudi PALMS, the Calculation Agent may have economic interests adverse to those of the holders of such Equity-Linked Saudi PALMS, including with respect to certain determinations and judgements that the Calculation Agent must make as referred to above, any of which may affect payments in respect of such Equity-Linked Saudi PALMS. In its capacity as Calculation Agent, HSBC Bank plc does not act as fiduciary for or an adviser to any of the Holders of the Equity-Linked Saudi PALMS in respect of any such determination or judgement or otherwise.

Calculation Agent

Dependence upon the Calculation Agent

Investors in Equity-Linked Saudi PALMS are highly dependent upon the Calculation Agent to calculate or determine the final redemption amount, the Early Redemption Amount and the date(s) on which the final redemption amount or Early Redemption Amount will be paid in relation to the relevant Equity-Linked Saudi PALMS.

Determination of Potential Adjustment Events, Extraordinary Events, Increased Cost of Hedging Events and Hedging Disruption Events

The Calculation Agent may determine the occurrence of a Merger Event, Potential Adjustment Event, Extraordinary Event, Increased Cost of Hedging Events or Hedging Disruption Event and the consequences of any such event in relation to the relevant Equity-Linked Saudi PALMS.

Methodology

The Calculation Agent will make all determinations and calculations required of it in accordance with the terms of the relevant Equity-Linked Saudi PALMS. Any determination or calculation made by the Calculation Agent in relation to the relevant Equity-Linked Saudi PALMS will be made in good faith in

its sole and absolute discretion and will be conclusive and binding on all parties, except in the case of manifest error.

If market, regulatory, judicial or fiscal circumstances or, without limitation, any other circumstances arise that would, in the determination of the Calculation Agent, necessitate a modification or change to such methodology, then the Calculation Agent may make such changes as it considers appropriate to deal with the circumstances.

Fees

In connection with the placement and distribution of Equity-Linked Saudi PALMS, the Issuer may pay to distributors of Equity-Linked Saudi PALMS (which may include affiliates of the Issuer) such commissions or fees as such parties may agree (including in the form of a discount to the purchase price of such Equity-Linked Saudi PALMS).

Other factors

Transactions involving Equity-Linked Saudi PALMS may have tax consequences for potential purchasers which may depend, amongst other things, upon the status of the potential purchaser and laws relating to transfer and registration taxes. No representation is made by the Issuer or the Dealer as to the tax consequences for any person of acquiring, holding or disposing of any Equity-Linked Saudi PALMS or any other transaction involving any Equity-Linked Saudi PALMS. Potential purchasers who are in any doubt about such matters or any other tax issues relating to Equity-Linked Saudi PALMS should consult and rely on their own tax advisers.

PRODUCT DESCRIPTION

Notes issued pursuant to the Programme may include Fund-Linked Saudi PALMS and Equity-Linked Saudi PALMS.

Fund-Linked Saudi PALMS are notes which are linked to fund shares and/or fund units (the "**Underlying**") of a reference fund (the "**Reference Fund**"). The Reference Fund will, or is expected to, invest in investments related to the Kingdom of Saudi Arabia ("**KSA**").

Equity-Linked Saudi PALMS are notes linked to specific underlying securities (the "**Underlying Securities**") issued by one or more underlying companies (each an "**Underlying Company**") incorporated under the laws of the KSA.

Information Relating to Reference Funds - Fund-Linked Saudi PALMS

The identity and characteristics of the relevant Reference Fund and an indication of the source where information about the past and the future performance of such Reference Fund and its volatility can be obtained will be specified in the relevant Final Terms in relation to any issue of Fund-Linked Saudi PALMS.

The Reference Fund relating to an issuance of Fund-Linked Saudi PALMS may include any one of the following funds:

1. SABB Amanah Saudi Equity Fund
2. SABB Amanah Saudi Industrial Companies Fund
3. SABBINVEST Saudi Equity Fund
4. SABBINVEST Saudi Equity Trading Fund
5. SABBINVEST Financial Institutions Fund
6. HSBC Saudi Equity Index Fund
7. HSBC Saudi Petrochemical Equity Opportunities Fund

Annex 1 hereto contains certain outline information as to the nature of each of the above-listed Reference Funds.

Investors should note that the above list is not intended to be an exhaustive list of potential Reference Funds to which Fund-Linked Saudi PALMS may be linked and that Fund-Linked Saudi PALMS linked to other Reference Funds not listed herein may be issued under the Programme from time to time.

Each of the above-listed Reference Funds is, and each Reference Fund will be, managed by HSBC Saudi Arabia Limited (the "**Fund Manager**"). The Reference Funds and the Fund Manager are governed by the laws of the KSA, and in particular, the KSA Capital Market Law ("**CML**"), and the regulations enacted thereunder, and are regulated by the KSA Capital Market Authority ("**CMA**").

Investment funds in Saudi Arabia, including the Reference Fund relating to an issuance of Fund-Linked Saudi PALMS, are unincorporated funds. They are established and formally organised pursuant to a contract that is signed between the Fund Manager and the fund unit-holders, which contract must be in the form of terms and conditions as specified in the Investment Fund Regulations enacted under the CML ("**IFR**"). The terms and conditions include covenants on the part of the Fund Manager to perform or to contract for the performance of (i) the investment management of the portfolio of the Reference Fund; (ii) the custody of portfolio assets of the Reference Fund; (iii) dealing in securities or other assets of the Reference Fund; and (iv) the administration of the Reference Fund. The terms and conditions also set out the fees, commissions or other remuneration with which the Fund Manager proposes to compensate itself from investment fund assets or subscriptions for the performance of the foregoing activities or services.

The regulatory practices of the CMA may not necessarily be identical to the regulatory practices in other jurisdictions. In particular, given the lack of a formal system of official reporting and/or official interpretation, and the absence of a system of binding precedent in the KSA, prospective investors or investors should note that the Fund Manager may discharge its obligations, and CMA may exercise its

authority in respect of the relevant Reference Fund in a manner that may impact the value of such Reference Fund and/or the relevant Fund-Linked Saudi PALMS.

Information Relating to Equity-Linked Saudi PALMS

The Equity-Linked Saudi PALMS reflect the risks of an indirect investment in Saudi Arabian equity by a UK incorporated company transacting with an Authorised Person (under the conditions and requirements of the CMA Resolution, as defined below). The effect of such risks on the relevant Equity-Linked Saudi PALMS, in terms of any consequential adjustment or early termination of such Equity-Linked Saudi PALMS, will always be calculated in the sole and absolute discretion of the Calculation Agent.

The relevant Underlying Company and the relevant Underlying Securities issued by it are governed by the laws of the KSA, and in particular, the CML and the regulations enacted thereunder, and are regulated by the CMA. The regulatory practices of the CMA may not necessarily be identical to the regulatory practices in other jurisdictions. In particular, given the lack of a formal system of official reporting and/or official interpretation, and the absence of a system of binding precedent in the KSA, prospective investors or investors should note that the Underlying Company may discharge its obligations, and the CMA may exercise its authority in respect of the Underlying Company in a manner that may impact the Realisable Sale Price (as defined in the relevant Final Terms) and, therefore, the value of the Equity-Linked Saudi PALMS.

The CMA Resolution allows Authorised Persons (as defined therein) to enter into derivative transactions with non-resident foreign investors whether institutions or individuals, to transfer the economic benefits of Saudi shares listed on the Saudi Stock Exchange (Tadawul), while the relevant Authorised Persons retain the legal ownership of such shares. Pursuant to the conditions specified in the CMA Resolution, the relevant Authorised Persons are required to provide certain information on beneficiaries who obtain the economic benefits of Saudi shares.

In order to ensure that the Issuer and/or any of the Issuer's affiliates are classified as Authorised Persons within the definition set out in the CMA Resolution (each an "**Authorised Person**") and can comply with the terms of the CMA Resolution, each holder of the Equity-Linked Saudi PALMS represents and agrees, as a condition of acquiring or holding such Equity-Linked Saudi PALMS, that:

- (i) it is fully aware of the terms of the CMA Resolution;
- (ii) it is a "Non-resident foreign investor" for the purposes of the CMA Resolution and, to the best of its knowledge, it is not purchasing the Notes for, on behalf of, or for the benefit or account of any person or entity that is not a "Non-resident foreign investor";
- (iii) it will provide the Issuer, in a timely manner, with such information reasonably requested in writing by the Issuer, in order for the Issuer, or any of its affiliates who are Authorised Persons for the purposes of the CMA Resolution, to make any notifications and/or reports to the Corporate Finance Department of the CMA as required by the terms of the CMA Resolution (including, without limitation, the beneficiary name and basic information, country of origin, underlying Security or Underlying Securities and the number of such Underlying Securities, and any other information requested by the CMA); and
- (iv) it is aware that the CMA may from time to time impose qualitative or quantitative restrictions or any other requirements on products linked to Saudi Arabian securities or on the ultimate beneficial investors of such products and, if any such restrictions or requirements are imposed, then the Issuer may give effect to such restrictions or requirements whether by amending the terms of the Notes or otherwise.

Pro Forma Final Terms for Saudi PALMS Notes

Set out below is the form of Final Terms which will be completed for each Tranche of Saudi PALMS Notes issued under the Programme.

[Notes issued pursuant to these Final Terms are securities to be listed under Listing Rule [17/19]¹.]

FINAL TERMS

Final Terms dated []

Series No.: []

Tranche No.: []

HSBC Bank plc

Programme for the Issuance of Notes and Warrants

Issue of

[USD] [] Notes due [] linked to the [] Fund (the "Reference Fund")

Saudi Arabian Participating Access-Linked Middle-Eastern Securities
(**"Saudi PALMS" or the "Notes"**)

PART A - CONTRACTUAL TERMS

This document constitutes the Final Terms relating to the issue of the Tranche of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated [] in relation to the above Programme (the "**Prospectus**") and the supplemental prospectuses dated [] (the "**Supplements**"), each of which have been approved by and filed with the Financial Services Authority in the UK. Together the Base Prospectus and the Supplements constitute a base prospectus (the "**Prospectus**") and must be read in conjunction with such Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus is available for viewing at HSBC Bank plc, 8 Canada Square, London E14 5HQ and copies may be obtained from HSBC Bank plc, 8 Canada Square, London E14 5HQ

[For Saudi PALMS Notes offered and sold in the United States of America include:

IMPORTANT NOTICES

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), THE STATE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION, AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OF FOR THE ACCOUNT OR BENEFIT OF, US PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT ("**REGULATION S**")) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. ACCORDINGLY, THE NOTES

¹ To be included in respect of all issues which are to be admitted to listing. Delete as appropriate. Please refer to the Listing Rules. Listing Rule 17 applies to debt securities, asset backed securities and convertible securities. Listing Rule 19 applies to securitised derivatives.

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-US PERSONS (AS DEFINED IN REGULATION S) IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLERS OF NOTES PURSUANT TO CLAUSE (A) ABOVE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

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

AVAILABLE INFORMATION

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

Investing in the Notes involves substantial risks. As a consequence, prospective investors should be aware that the Notes are only intended for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks of an investment in the Notes. In purchasing any Notes, an investor will be deemed to represent that it is such an investor and has such knowledge and experience. Prospective investors should consider the risk factors set forth under "Risk Factors" in the Prospectus and the risks described herein.

[Include whichever of the following apply or specify as "Not applicable". Note that the numbering should remain as set out below, even if "Not applicable" is indicated for individual paragraphs or subparagraphs. Italics denote guidance for completing the Final Terms.]

[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

1. (i) Issuer HSBC Bank plc

- | | | | |
|----|-------|---|--|
| | (ii) | Arranger(s): | HSBC Bank plc |
| 2. | (i) | Series number: | Saudi PALMS [] |
| | (ii) | Tranche number: | [1] |
| | (iii) | Whether issue is of Notes or Certificates: | Notes |
| 3. | | Currency or currencies: | |
| | (i) | of denomination: | United States Dollar ("USD") |
| | (ii) | of payment: | USD (the " Settlement Currency ") |
| 4. | | Aggregate Principal Amount: | |
| | (i) | Series: | [[]] Notes (USD) []] |
| | (ii) | Tranche: | [[]] Notes (USD) []] |
| 5. | (i) | Issue Price: | USD [] per Note (100 per cent. of the Aggregate Principal Amount) |
| | (ii) | Commission payable: | None |
| | (iii) | Selling concession: | None |
| 6. | (i) | Denomination(s)
(<i>Condition 1(b)</i>): | USD [] per Saudi PALMS
The Notes are transferable in a minimum number of 1 Note (equivalent to a principal amount of USD [])
Each PALMS relates to 1.0000 (one) Share of the [Reference Fund/Underlying Company] |
| | (ii) | Calculation Amount ² : | One Note |
| 7. | (i) | Issue Date: | [] |
| | (ii) | Interest Commencement Date: | Not applicable |
| 8. | | Maturity Date:
(<i>Condition 6(a)</i>) | [] [subject to postponement due to a Reference Fund Disruption Event]
<i>(Note: In respect of Equity-Linked Saudi PALMS this must not be later than 4 years after the Issue Date)</i> |

² The applicable Calculation Amount (which is used for the calculation of redemption and interest amounts (if any)) will be (i) if there is only one Denomination, the Denomination; or (ii) if there are several Denominations, the highest common factor of those Denominations. Note that a Calculation Amount of less than 1,000 units of the relevant currency may result in practical difficulties for Paying Agents and/or ICSDs who should be consulted if such an amount is proposed.

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| 9. | Interest basis:
(<i>Conditions 3 to 5</i>) | Not applicable [,save that if any amount in respect of any Note is not paid when due and payable pursuant to the Conditions, interest shall accrue on the overdue amount at the rate of [1 week USD-LIBOR plus 1 per cent., reset daily.]] |
| 10. | Redemption basis:
(<i>Condition 6</i>) | [Fund Linked Redemption. See paragraph 24 below for further details/ Cash Equity Redemption]. |
| 11. | Change of interest or redemption basis: | Not applicable. [(<i>For Equity-Linked Saudi PALMS</i>) As provided in Schedule 1, one or more Additional Payment Amounts may become due in certain circumstances.] |
| 12. | Put/Call options: | [Not applicable / Condition 6(c) will apply as specified in paragraph 21 below] |
| 13. | (i) Status of the Notes:
(<i>Condition 2</i>) | [Unsubordinated and unsecured/
Unsubordinated] |
| | (ii) Date Board approval for issuance
of Notes obtained: | Not applicable |
| 14. | Method of distribution: | Non-syndicated |

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- | | | |
|-----|--|----------------|
| 15. | Fixed Rate Note provisions:
(<i>Condition 3</i>) | Not applicable |
| 16. | Floating Rate Note provisions:
(<i>Condition 4</i>) | Not applicable |
| 17. | Variable Coupon Amount Note provisions:
(<i>Condition 5</i>) | Not applicable |
| 18. | Zero Coupon Note provisions:
(<i>Condition 5</i>) | Not applicable |
| 19. | Index-Linked Interest Note/other variable-
linked interest Note Provisions: | Not applicable |
| 20. | Dual Currency Note provisions/Multi-
currency Note provisions: | Not applicable |

PROVISIONS RELATING TO REDEMPTION

- | | | |
|-----|---|--|
| 21. | Issuer's optional redemption (Call):
(<i>Condition 6(c)</i>) | [(<i>For Fund-Linked Saudi PALMS</i>) If the Calculation Agent is satisfied that the ability of the Issuer or its affiliates to enter into or to maintain appropriate hedging is materially impaired or restricted for whatever reason or that UK incorporated |
|-----|---|--|

entities generally are impeded in their ability freely to purchase, hold or sell Saudi funds (including, without limitation, the Shares) or Saudi Riyals or freely to transfer or convert Saudi Riyals or the proceeds of their conversion, the Issuer may redeem all or some only of the Notes on a date which is not earlier than two Relevant Financial Centre Days after the date on which the Issuer gives notice to the Noteholders and the Issue Agent of redemption of the Notes in such circumstances.]

[(For Equity-Linked Saudi PALMS) If the Calculation Agent is satisfied that the ability of the Issuer or any of its affiliates that are Authorised Persons for the purposes of the CMA Resolution (as defined above) to enter into or to maintain appropriate hedging is materially impaired or restricted for whatever reason or that Authorised Persons generally are impeded in their ability freely to purchase, hold or sell Saudi Arabian equities (including, without limitation, the Underlying Securities) or Saudi Arabian Riyal ("SAR") or freely to transfer or convert SAR or the proceeds of their conversion, the Issuer may redeem all but not some only of the Notes on a date which is not earlier than two Relevant Financial Centre Days after the date on which the Issuer gives notice to the Noteholders and the Issue Agent of redemption of the Notes in such circumstances.]

- (i) Redemption Amount (Call): *[(For Fund-Linked Saudi PALMS) In respect of each Note, an amount equal to the final redemption amount calculated in accordance with paragraph 24 below but with "Reference Fund Value final" meaning the Settlement Currency Equivalent of the Reference Fund Value relating to the first Fund Application Date following the date on which the Call Option is exercised by the Issuer, as determined by the Calculation Agent.]*

[(For Equity-Linked Saudi PALMS) In respect of each Note the Realisable Sale

		Price as defined in Schedule 1 hereto.]
	(ii) Series redeemable in part:	No
	(iii) Call option date(s)/Call option period:	Any date from and including the Issue Date to and including the Valuation Date
22.	Noteholder's optional redemption (Put): (Condition 6(d))	Not applicable
23.	Final redemption amount of each Note: (Condition 6(a))	[(For Fund-Linked Saudi PALMS) See paragraph 24] [(For Equity-Linked Saudi PALMS) See Schedule 1 hereto. For the purposes of these Final Terms, " Redemption Commission Percentage " shall be 1.00 per cent..]
24.	Final redemption amount of each Note in cases where the final redemption amount is Index-Linked or other variable-linked:	[(For Fund-Linked Saudi PALMS) Applicable] [(For Equity-Linked Saudi PALMS) Not Applicable (delete remaining sub-paragraphs)]
	(i) Index/Formula/other variable:	The Reference Fund
	(ii) Calculation Agent responsible for calculating the final redemption amount:	HSBC Bank plc
	(iii) Provisions for determining final redemption amount where calculated by reference to Index and/or Formula and/or other variable;	Unless previously redeemed or purchased and cancelled, and subject to the provisions of Schedule 1 hereto, the final redemption amount in respect of each Note shall be the greater of (a) 0.03% of the Denomination per Note, and (b) the product of the Denomination and a rate determined by the Calculation Agent, on the Final Valuation Date in accordance with the following formula: $\left(\frac{\text{Reference Fund Value}_{\text{final}}}{\text{Reference Fund Value}_{\text{initial}}} \right)$
		For the purposes hereof: "Business Day" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London, New York and Riyadh;

"Currency Business Day" means any day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in Riyadh and New York;

"Exchange" means the Saudi Stock Exchange (Tadawul), any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the shares held by the Reference Fund have temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such shares as on the original Exchange);

"Exchange Business Day" means any Scheduled Trading Day on which the Exchange is open for trading during its regular trading session, notwithstanding such Exchange closing prior to its Scheduled Closing Time;

"Final Valuation Date" means The last Business Day prior to the Maturity Date on which a Hypothetical Investor could have validly submitted a redemption application for value on the Maturity Date (the "Scheduled Valuation Date"), subject to postponement due to a Reference Fund Disruption Event. If a Reference Fund Disruption Event occurs on the Scheduled Valuation Date, then the Final Valuation Date shall be postponed until the earlier of (i) the second Business Day following the date on which the Calculation Agent determines a Reference Fund Disruption Event is no longer subsisting, and (ii) the twentieth (20th) Business Day following the Scheduled Valuation Date. If the Final Valuation Date shall be such 20th Business Day, notwithstanding that a Reference Fund Disruption Event has occurred or is continuing on such day, the Calculation Agent shall determine the Reference Fund Value

"Fund Application Date" means any day on which there is set a cut off time for receiving applications for subscriptions or redemptions in accordance with the

Reference Fund Terms and Conditions, subject to such day being an Exchange Business Day;

"**Initial Valuation Date**" means [], or if such date is not a Valuation Date the immediately following Valuation Date;

"**Local Currency**" means SAR, being the lawful currency of the Kingdom of Saudi Arabia and the currency in which Shares of the Reference Fund are denominated;

"**Reference Fund**" means the [[] Fund (Bloomberg page [[TBC] / [TBC]] AB Equity), expressed in [SAR] (as further described in the terms and conditions published by the manager as amended from time to time (the "**Reference Fund Terms and Conditions**"), a copy of which is available on request from the registered office of the Issuer) or the manager.

The Issuer shall be under no obligation to make or hold, directly or indirectly, investments in the Reference Fund. The Noteholders will not hold any direct or indirect interest in the Reference Fund as a result of being a Noteholder;

"**Reference Fund Value**" means for any Valuation Date the redemption proceeds or subscription amounts, as the case may be, as determined by the Calculation Agent that would be received or paid, as the case may be, by a hypothetical investor domiciled in the United Kingdom (the "**Hypothetical Investor**") in the Reference Fund had the Hypothetical Investor provided a timely notice in accordance with the Reference Fund Terms and Conditions to the Reference Fund and any other party necessary to effect a redemption (or other disposition) or a subscription (or other acquisition), as applicable, of some or all of an investment in the Reference Fund for such Valuation Date net of any accrued management, load, administrative and other per Share fees, costs or adjustments and net of any taxes which may be withheld or applied by the Reference Fund in connection with a redemption or

subscription, as applicable, of such Shares;

"Reference Fund Value_{final}" means the Settlement Currency Equivalent of the Reference Fund Value on the applicable Fund Application Date relating to the Final Valuation Date, as determined by the Calculation Agent;

"Reference Fund Value_{initial}" means the Settlement Currency Equivalent of the Reference Fund Value on the Initial Valuation Date as determined by the Calculation Agent;

"Scheduled Closing Time" means the scheduled weekday closing time of the Exchange, without regard to after hours or any other trading outside of the regular session hours;

"Scheduled Trading Day" means any day on which the Exchange is scheduled to open for trading for its regular trading session;

"Settlement Currency Equivalent" means, in respect of a Share of the Reference Fund and a Local Currency price or amount, such Local Currency price or amount divided by the rate of exchange of the Local Currency for the Settlement Currency (expressed as the number of Local Currency per Settlement Currency) as (i) the offer rate of exchange (as aforesaid) as displayed on the Reuters Screen related to the relevant Local Currency at approximately 11:00 a.m. local time in London on the day two (2) Currency Business Days prior to the related Valuation Date or Fund Application Date (as applicable); except that the rate of exchange for determining the Reference Fund Value_{Final}, shall be the relevant rate of exchange (as aforesaid) that the Calculation Agent shall determine would be available to it in the market at the relevant time; and

"Valuation Date" means, any Business Day, for which the Reference Fund is scheduled to publish its official price per

		Share, expressed in SAR, as determined and published in accordance with the Reference Fund Terms and Conditions.
	(iv) Determination Date(s):	Not applicable
	(v) Provisions for determining final redemption amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	Subject to Schedule 1 hereto, the final redemption amount shall be calculated by the Calculation Agent.
	(vi) Payment Date	Maturity Date
	(vii) Minimum final redemption amount	0.03% of the Denomination per Note
	(viii) Maximum final redemption Amount:	Not applicable
25.	Instalment Notes: (Condition 6(a))	Not applicable
26.	Early redemption amount:	Yes
	(i) Early redemption amount (upon redemption for taxation reasons, force majeure or following an Event of Default): (Conditions 6(b), 6(h) or 10)	<p>[(For Fund-Linked Saudi PALMS) In the event of early redemption for taxation reasons, force majeure or upon enforcement, the aggregate amount payable by the Issuer respect of the Notes upon such early redemption shall be the amount which the Calculation Agent determines to be the fair market value of the Notes immediately prior to the date on which such early redemption occurs, reduced as so determined by the Calculation Agent to account fully for any reasonable expenses and costs to the Issuer of unwinding any underlying and/or related hedging and funding arrangements, if any.]</p> <p>[(For Equity-Linked Saudi PALMS) In respect of each Note, the Realisable Sale Price as defined in Schedule 1 hereto.]</p>
	(ii) Other redemption provisions: (Condition 6(i))	<p>[(For Fund-Linked Saudi PALMS) See Schedule 1 for a description of early redemption following certain events.</p> <p>The Issuer intends (subject to the existence of normal market conditions and to the Calculation Agent determining that a Hypothetical Investor in the Reference Fund would have been able to redeem its</p>

investment in the Reference Fund at such time) to provide discretionary liquidity to the Noteholders in respect of the Notes, in whole or in part, by repurchasing the Notes based on the Reference Fund Value on the applicable Fund Application Date relating to the Dealing Day assuming that a redemption request had been duly placed by a Hypothetical Investor of the Reference Fund for execution as of such Fund Application Date in accordance with the Reference Fund Prospectus.

The proceeds of the Note will be paid by the Issuer to Noteholders within 3 Business Days following the date on which such Hypothetical Investor would have received the redemption proceeds from the Reference Fund.

"Dealing Day" means the date on which a purchase request is accepted by the Issuer provided that it accepted before cut-off time, as advised by the Issuer, on such day otherwise the Dealing Day will be the next following Business Day.]

[(For Equity-Linked Saudi PALMS) See Schedule 1 hereto.]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

27.	Form of Notes: (<i>Condition 1(a)</i>)	
	(i) Form of Notes:	Bearer
	(ii) Bearer Notes exchangeable for Registered Notes:	No
28.	New Global Note:	No
29.	If issued in bearer form:	Applicable
	(i) Initially represented by a Temporary Global Note or Permanent Global Note:	Temporary Global Note
	(ii) Temporary Global Note exchangeable for Permanent Global Note and/or Definitive Notes and/or Registered Notes: (<i>Condition 1(a)</i>)	Yes Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances set out in the Permanent Global Note

	(iii)	Permanent Global Note exchangeable at the option of the bearer for Definitive Notes and/or Registered Notes:	No
	(iv)	Coupons to be attached to Definitive Notes:	Not applicable
	(v)	Talons for future Coupons to be attached to Definitive Notes:	Not applicable
	(vi)	(a) Definitive Notes to be security printed:	Yes
		(b) if the answer to (a) is yes, whether steel engraved plates will be used:	Yes
	(vii)	Definitive Notes to be in ICMA or successor's format:	Yes
	(viii)	Issuer or Noteholder to pay costs of security printing:	Issuer
30.		Exchange Date for exchange of Temporary Global Note:	No earlier than 40 days following the Issue Date
31.		Payments: (<i>Condition 8</i>)	
	(i)	Method of payment:	Condition 8(c) shall apply, subject as provided in the Temporary Global Note or, as the case may be, the Permanent Global Note
	(ii)	Relevant Financial Centre Day:	London, New York and Riyadh
32.		Party Paid Notes: (<i>Condition 1</i>)	Not applicable
33.		Redenomination: (<i>Condition 9</i>)	
	(i)	Redenomination:	Not applicable
	(ii)	Exchange:	Not applicable
34.		Other final terms:	See Schedule 1 hereto
			For the purpose of these Final Terms:
	(a)	Any person (the " relevant person ") shall be treated as "holding" Underlying Securities where the relevant person is registered as registered owner of such Underlying Securities in the Underlying Company's share register or where the registered	

owner of such Underlying Securities in the Underlying Company's share register is a custodian or agent and directly or indirectly the person for whose account those Underlying Securities are held is the relevant person. The terms "hold" and "holder" shall, in the context of holding Underlying Securities, be construed accordingly.

- (b) Where there is a dividend or distribution in respect of any Underlying Securities or any disposal or transfer of Underlying Securities, the dividend distribution or proceeds of disposal or transfer, shall not be treated as having been received by any person unless and until it or they have been paid or delivered to that person or to any bank, custodian or agent on behalf of that person in circumstances where that person may (i) (in the case of a payment denominated in a currency other than the Settlement Currency) freely convert such payment into the Settlement Currency and (ii) freely withdraw and transfer the payment (or, as the case may be, the Settlement Currency conversion proceeds of such payment) or delivery.]

PROVISIONS APPLICABLE TO EQUITY-LINKED SAUDI PALMS - INDEX-LINKED NOTES, CASH EQUITY NOTES AND EQUITY-LINKED NOTES

35. Security Delivery (Equity-Linked Notes Condition 21(b) does not apply only):
36. **Provisions for Cash Equity Notes and Equity-Linked Notes**
- (i) Underlying Securities: [Common stock of the Underlying Company] (ISIN []). See Part B of these Final Terms for further information.
- (ii) Underlying Company: []
- (iii) Exchange(s): The Saudi Stock Exchange (Tadawul)

(iv)	Cash Settlement Payment Date:	See Schedule 1 hereto
(v)	Underlying Securities Transfer Amount: (for Equity-Linked Notes only)	Not applicable
(vi)	Settlement Date: (for Equity-Linked Notes only)	Not applicable
(vii)	Settlement Disruption Event: (for Equity-Linked Notes only)	Condition 21(b)(iii) does not apply
(viii)	Delivery Disruption Event: (for Equity-Linked Notes only)	Condition 21(b)(iv) does not apply
(ix)	Potential Adjustment Event:	Condition 21(g)(i) applies subject to paragraph 3 of Schedule 1 hereto
(x)	Extraordinary Event:	Condition 21(g)(ii) applies subject to paragraph 3 of Schedule 1 hereto
(xi)	Conversion: (for Notes relating to Government Bonds and debt securities only)	Condition 21(g)(iii) does not apply
(xii)	Corrections of prices:	Condition 21(g)(iv) does not apply
(xiii)	Additional Disruption Event:	The following Additional Disruption Events apply: Change in Law, Hedging Disruption, Increased Cost of Hedging
37.	Additional provisions for Equity-Linked Notes:	Not applicable
38.	Provisions for Index-Linked Notes:	Not applicable
39.	For Equity-Linked and Credit-Linked Notes:	Not applicable
40.	Valuation Date(s):	[]. Condition 21(e)(i)(A) will end with the words "that is not a Disrupted Day" in the fifth line and the remainder of that paragraph shall be deleted.
41.	Valuation Time:	Actual closing time for the regular trading session of the relevant Exchange.
42.	Averaging Dates:	Not applicable
43.	Other terms or special conditions relating to Index-Linked Notes, Cash Equity Notes or Equity-Linked Notes:	See Schedule 1 hereto

DISTRIBUTION

44.	(i) If syndicated, names of Relevant Dealer(s)/Lead Manager(s):	Not applicable
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(ii)	If syndicated, names of other Dealers/Managers (if any):	Not applicable
(iii)	Date of Subscription Agreement:	Not applicable
(iv)	Stabilising Manager (if any):	Not applicable
45.	If non-syndicated, name and address of Relevant Dealer:	HSBC Bank plc, 8 Canada Square, London E14 5HQ
46.	Total commission and concession:	Not applicable
47.	Selling restrictions:	TEFRA D Rules
	United States of America:	Notes may not be offered or sold within the United States of America or to or for the account or benefit of a US person (as defined in Regulation S)
	Other	Saudi Arabia: Notes may not be sold into the Kingdom of Saudi Arabia, or to or for the benefit of Saudi Arabian persons.
48.	Stabilisation:	Not applicable

[LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the Programme for the Issuance of Notes and Warrants of HSBC Bank plc.]

[In offers of Saudi PALMS Notes pursuant to Rule 144A insert:

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers of Notes offered in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Notes.

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

- (a) such 144A Offeree acknowledges that these Final Terms and the accompanying Base Prospectus is personal to such 144A Offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes other than pursuant to Rule 144A or in offshore transactions in accordance with Regulation S. Distribution of these Final Terms and the accompanying Base Prospectus, or disclosure of any of its contents, to any person other than such 144A Offeree and those persons, if any, retained to advise such 144A Offeree with respect thereto and other persons meeting the requirements of Rule 144A or Regulation S is 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 these Final Terms and the accompanying Base Prospectus or any documents referred to herein.

Each purchaser of Notes in reliance on Rule 144A ("**Restricted Notes**") will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A are used herein as defined therein):

- (i) The purchaser (A) is a qualified institutional buyer within the meaning of Rule 144A, (B) is acquiring the Notes for its own account or for the account of such a qualified institutional buyer, and (C) such person is aware that the sale of the Notes to it is being made in reliance on Rule 144A.
- (ii) The purchaser understands that the Rule 144A Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and the Notes offered hereby have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except in accordance with the legend set forth below.
- (iii) The purchaser understands that the Rule 144A Global Registered Notes, the Restricted Global Registered Notes and any US Definitive Registered Notes (as defined in "Summary of Provisions relating to the Notes while in Global Form" in the accompanying Base Prospectus) issued in exchange for interests therein will bear a legend (the "**Rule 144A Legend**") to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR ANY STATE SECURITIES LAWS OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF THE ISSUER THAT THIS NOTE MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (A) IN THE UNITED STATES ONLY TO "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**")), (B) TO NON-US PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT ("**REGULATION S**")) IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATIONS, (C) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (D) TO THE ISSUER OR ITS AFFILIATES. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE."

In addition, each purchaser of Restricted Notes acknowledges that the Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Restricted Notes for the account of one or more qualified institutional buyers it represents that it has sole investment discretion

with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Before any interest in a Note represented by a Restricted Global Registered Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Registered Note, the transferor will be required to provide the Registrar with written certification as to compliance with the transfer restrictions referred to in sub-clause (B) and (C) of the legend set forth above. See "Summary of Provisions relating to the Notes While in Global Form" in the accompanying Base Prospectus.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. Information on the Securities and the Underlying Company have been extracted from the Information Source specified below. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by the Information Source specified below, no facts have been omitted which would render the reproduced information inaccurate or misleading

CONFIRMED

HSBC BANK PLC

By: _____
Authorised Signatory

Date: _____

PART B - OTHER INFORMATION

1. **LISTING**

- (i) Listing: [Not applicable]
- [Application has been made to admit the Notes to listing on the Official List of the Financial Services Authority pursuant to Listing Rule [17/19³]. No assurance can be given as to whether or not, or when, such application will be granted.]
- (ii) Admission to trading: [Not applicable]
- [Application has been made to admit the Notes to trading on the Regulated Market of the London Stock Exchange plc. No assurance can be given as to whether or not, or when, such application will be granted.]

2. **RATINGS**

- Ratings: The long term senior debt of HSBC Bank plc has been rated:
- S&P: []
- Moody's: []
- The Notes have not specifically been rated.

3. **NOTIFICATION**

Not applicable

4. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE**

Save as discussed in "Subscription and Sale" in the Base Prospectus, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.

5. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

Not applicable

6. **YIELD**

Not applicable

³ To be included in respect of all issues which are to be admitted to listing. Delete as appropriate. Please refer to the Listing Rules. Listing Rule 17 applies to debt securities, asset backed securities and convertible securities. Listing Rule 19 applies to securitised derivatives.

7. **HISTORIC INTEREST RATES**

Not applicable

8. **PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING⁴**

[See pages [] to [] above]/[]]

[(For Equity-Linked Saudi PALMS) The Notes reflect the risks of an indirect investment in Saudi Arabian equity by a UK incorporated company transacting with an Authorised Person (under the conditions and requirements of the CMA Resolution, as defined above). The effect of such risks on the Notes, in terms of any consequential adjustment or early termination of the Notes, will always be calculated in the sole and absolute discretion of the Calculation Agent. Certain material risks relating to the Notes are set out in the section headed "Risk Factors" of the Base Prospectus dated 30 July 2009. Investors should conduct their own investigation of the risks involved in such an indirect investment in Saudi Arabian equity and investment in SAR and form their own view based on such investigations. In certain circumstances, the Noteholders' entire investment may be at risk and they may receive nothing on redemption except the minimum amount of 0.03% of the Issue Price per Note.

Information source

Details of past and further performance and volatility of the Security are obtainable from the following display pages on the Reuters Service:

[]

[]]

⁴ Refer to Prospectus Rules, Annex XII, paragraph 4.2.2 for disclosure requirements

9. **PERFORMANCE OF EXCHANGE RATE(S) AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS**

[(For Fund-Linked Saudi PALMS) The Notes reflect the risk of an investment in Saudi Arabian Riyals "SAR". The Reference Fund Value shall be converted from SAR into USD at the rate of exchange obtained (or which the Calculation Agent determines would have been obtainable) by the Issuer or its affiliate, adjusted to take into account any non-deliverable forward rate transaction entered into (or which the Calculation Agent determines would have been entered into) by the Issuer or such affiliate on the Valuation Date. Therefore, the performance of the SAR/USD exchange rate will have a direct effect on the final redemption amount of the Notes. Investors should conduct their own investigation of the risks involved in investment in Saudi Arabian Riyals and form their own view based on such investigations.]

[(For Equity-Linked Saudi PALMS) The Notes reflect the risk of an investment in SAR. The Realisable Sale Price (as defined in Schedule 1) shall be converted from SAR into USD at the rate of exchange obtained (or which the Calculation Agent determines would have been obtainable) by the Issuer or any of its affiliates who are Authorised Persons for the purposes of the CMA Resolution (as defined above), adjusted to take into account any non-deliverable forward rate transaction entered into (or which the Calculation Agent determines would have been entered into) by the Issuer or such affiliate on the Valuation Date. Therefore, the performance of the SAR/USD exchange rate will have a direct effect on the final redemption amount of the Notes. Investors should conduct their own investigation of the risks involved in investment in SAR and form their own view based on such investigations.]

OPERATIONAL INFORMATION

10.	ISIN Code:	[]
11.	Common Code:	[]
12.	SEDOL:	[]
13.	CUSIP:	[Not applicable]
14.	New Global Note intended to be held in a manner which would allow Eurosystem eligibility:	No
15.	Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	None
16.	Delivery:	Delivery against payment
17.	Settlement procedures:	Medium Term Note
18.	Additional Paying Agent(s) (if any):	None
19.	Common Depositary:	HSBC Bank plc

- | | | |
|-----|--|--|
| 20. | Calculation Agent/Agent Bank: | HSBC Bank plc |
| | - is Calculation Agent to make calculations? | Yes |
| | - if not, identify Calculation Agent: | Not applicable |
| 21. | Notices:
(<i>Condition 13</i>) | Condition 13 is applicable |
| 22. | City in which specified office of Registrar to be maintained:
(<i>Condition 14</i>) | Not applicable |
| 23. | Other relevant Terms and Conditions: | See Schedule 1 hereto |
| 24. | Other Final Terms: | See Schedule 1 hereto |
| 25. | ERISA Considerations: | [Not applicable/ As set out in the Prospectus] |

TERMS AND CONDITIONS OF THE OFFER [*this section applies only to public offers*]

- | | | |
|-----|--|---|
| 26. | Offer Price: | [Issue Price][<i>other (specify)</i>] |
| 27. | Conditions to which the offer is subject: | [Not applicable/ <i>give details</i>] |
| 28. | Description of the application process: | [Not applicable/ <i>give details</i>] |
| 29. | Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: | [Not applicable/ <i>give details</i>] |
| 30. | Details of the minimum and/or maximum amount of application: | [Not applicable/ <i>give details</i>] |
| 31. | Details of the method and time limits for paying up and delivering the Notes: | [Not applicable/ <i>give details</i>] |
| 32. | Manner in and date on which results of the offer are to be made public: | [Not applicable/ <i>give details</i>] |
| 33. | Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: | [Not applicable/ <i>give details</i>] |
| 34. | Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries: | [Not applicable/ <i>give details</i>] |
| 35. | Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is | [Not applicable/ <i>give details</i>] |

made:

36. Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not applicable/*give details*]
37. Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place: [Not applicable/*give details*]

SCHEDULE 1 - FUND-LINKED SAUDI PALMS

**MERGER EVENTS, POTENTIAL ADJUSTMENT EVENTS, REFERENCE FUND
DISRUPTION EVENTS, EXTRAORDINARY FUND EVENTS AND HEDGING DISRUPTION
EVENTS**

1. Early Redemption Amount and Early Termination Date

"**Early Redemption Amount**" means with respect to the Early Redemption Date, the amount payable on such designated Early Redemption Date which shall be based on the Reference Fund Value determined by the Calculation Agent as of the designated Early Redemption Date.

"**Early Redemption Date**" means the date designated by the Issuer upon the occurrence of an Extraordinary Event and notified to the Noteholders in accordance with Condition 13 (such Early Redemption Date being subject to postponement as further described before).

2. Effect of Extraordinary Fund Events, Hedging Disruption Event, Merger Events and Potential Adjustment Events

Upon the occurrence of an Extraordinary Fund Event, Hedging Disruption Event, Merger Event or Potential Adjustment Event, on the Valuation Date immediately following such occurrence:

- (a) with respect to a Merger Event where consideration for the Shares of the Reference Fund consists solely of shares of a fund in which the Issuer could invest (the "**New Shares**"), references to a Share of the related Reference Fund shall be replaced by references to the number of New Shares to which a holder of a Share would be entitled upon consummation of the Merger Event and the New Shares and their issuer will be deemed to be the Shares and issuer of the Reference Fund and, if necessary, the Calculation Agent will make adjustments to the Reference Fund Value and/or any other terms of the Notes in such manner as it considers appropriate;
- (b) with respect to a Hedging Disruption Event or Merger Event where the consideration for the Shares consists of anything other than the consideration described in (a) above, the Issuer may declare an Early Redemption Date and, if so, the Noteholders will receive the Early Redemption Amount (as computed under "**Early Redemption Amount**" above);
- (c) with respect to a Potential Adjustment Event, the Calculation Agent may make such adjustment, if any, to the Reference Fund Value, the notional number of Shares in the Reference Fund and/or any other terms of the Notes as the Calculation Agent determines appropriate and determine the effective times thereof; and
- (d) with respect to the occurrence of an Extraordinary Fund Event the Calculation Agent may either (a) declare one or more Valuation Dates and designate an Early Redemption Date and the Noteholders will receive the Early Redemption Amount (as computed under "**Early Redemption Amount**" above), or (b) make such adjustment, if any, to the Reference Fund Value, the notional number of Shares in the Reference Fund and/or any other terms of the Notes as the Calculation Agent determines appropriate and determine the effective times thereof.

3. **Definitions**

"**Extraordinary Fund Event**" means with respect to the Reference Fund, in the determination of the Calculation Agent, the occurrence or existence of any of the following on or prior to the Final Valuation Date:

- (a) any breach or violation of the provisions of the Reference Fund's operating documents, including for the avoidance of doubt any strategy or investment guidelines, by the Reference Fund and/or its manager or investment advisor that is reasonably likely to affect the value of the Reference Fund;
- (b) the non-execution or partial execution by the Reference Fund for any reason of a subscription or redemption order in respect of any Shares in the Reference Fund given by an Hypothetical Investor in the Reference Fund, other than a partial execution or a delay in execution which the Calculation Agent considers to be in the usual course and except as provided in the Reference Fund's operating documents;
- (c) that the Reference Fund (i) is dissolved or has a resolution passed for its dissolution, winding-up, official liquidation (other than pursuant to a consolidation, amalgamation or merger), (ii) makes a general assignment or arrangement with or for the benefit of its creditors, (iii) (A) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official, or (B) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a person or entity not described in Clause (A) above and either (x) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (y) is not dismissed, discharged, stayed or restrained in each case within fifteen days of the institution or presentation thereof, (iv) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets, (v) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within fifteen days thereafter, or (vi) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (i) through (v) above;
- (d) the administration agent, the investment adviser, manager or the custodian, as applicable, of the Reference Fund ceases to act in its capacity as administrator or manager of or adviser or custodian of the Reference Fund, as the case may be;

- (e) a material modification of the investment programme, investment objectives, investment policies, investment strategy, investment process or investment guidelines of the Reference Fund;
- (f) the failure by the Reference Fund to comply with its reporting obligations (including, without limitation, the scheduled regular reporting of share prices or the estimated net asset value of the Reference Fund, scheduled regular statements thereof, return numbers and composition of the Reference Fund and the allocation of capital for the Reference Fund) in accordance with the Reference Fund's operating documents;
- (g) a material modification (other than any modifications referred to in (e) above) of the Reference Fund (including but not limited to a modification of the Reference Fund's operating documents or the articles of association or other constitutional documents of the Reference Fund) or the occurrence of a change or any event materially affecting the Reference Fund (including, but not limited to, the interruption, breakdown or suspension of the calculation of the net asset value of the Reference Fund unless such interruption, breakdown or suspension is cured within two Business Days);
- (h) a material modification of the type of assets in which the relevant Reference Fund invests or the trading practices of the Reference Fund (including but not limited to a material deviation from the investment policy and investment objectives set out in the Reference Fund's operating documents) which, in the determination of the Calculation Agent, has or is likely to have a material effect on any hedging arrangements entered into by Party A or any of its affiliates in respect of this Transaction;
- (i) the suspension of redemptions of Shares in the Reference Fund or (ii) the Reference Fund repurchases or compulsorily redeems any Shares in the Reference Fund or (iii) the Reference Fund imposes any restriction, charge or fee in respect of a redemption or issue of Shares in the Reference Fund (other than any restriction, charge or fee in existence as at the Trade Date);
- (j) the Reference Fund or its investment adviser or manager has its authorisation or registration cancelled by any applicable regulatory authority;
- (k) the Reference Fund or the investment adviser, manager or the administration agent of the Reference Fund (i) becoming subject to any investigation, proceeding or litigation by any relevant governmental, legal or regulatory authority involving the alleged violation of applicable law for any activities relating to or resulting from the operation of the Reference Fund, investment adviser or administration agent, (ii) commits an act which constitutes fraud or criminal activity in the performance of its obligations in respect of the Reference Fund; (iii) makes any material misrepresentation under any document in respect of the relevant Fund or (iv) announces its intention to cease the business of investment management; or
- (l) all the Shares or all or substantially all the assets of the Reference Fund are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

"Hedging Disruption Events" means the Calculation Agent determines that any arrangements (if any) made to hedge the Issuer's obligations under the Notes have or will (i) become unlawful, illegal or otherwise prohibited in whole or in part as a result of compliance with any applicable present or future law, rule, regulation, judgement, order or directive of any

government, administrative, legislative or judicial authority or power (a "Law"), or in the interpretation of a Law or (ii) be materially adversely affected by the introduction of or any change in (or in the interpretation, administration or application of) any Law (including, for the avoidance of doubt, a reduction in the rate of return, an additional or increased cost or the imposition of any taxes, duties, assessments or government charges of whatever nature). For the avoidance of doubt, the Issuer is under no obligation vis-à-vis Noteholders to hedge its obligations under the Notes or, if it does hedge, to hedge in any particular way.

"Merger Event" means, in respect of the Shares of the Reference Fund, the occurrence on or prior to the Final Valuation Date of any (a) reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding, (b) consolidation, amalgamation or merger of the issuer of the Reference Fund with or into another entity (other than consolidation, amalgamation or merger in which such issuer is the continuing entity and which does not result in any such reclassification or change of all of such Shares outstanding) or (c) other takeover offer for such Shares that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by the offeror).

"Potential Adjustment Event" means, in relation to the Reference Fund the occurrence at any time on or prior to the Final Valuation Date of:

- (a) a subdivision, reclassification, reorganisation, consolidation, increase, reduction by cancellation of the Shares of the Reference Fund (other than that constituting a Merger Event), or, a free distribution or dividend of any such Shares to existing holders by way of bonus, capitalisation or similar issue;
- (b) a distribution or dividend to existing holders of the such Shares of (i) such Shares, or (ii) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the issuer of such Shares equally or proportionately with such payments to holders of such Shares, or (iii) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other) at less than the prevailing market price as determined by the Calculation Agent;
- (c) an extraordinary dividend;
- (d) a repurchase by the issuer of such Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or
- (e) any other event that may have a diluting or concentrative effect on the theoretical value of the Shares of the Reference Fund.

"Reference Fund Disruption Event" means in respect of a Share in the Reference Fund on any day (i) the occurrence or continuation of a postponement of the date as of which the Reference Fund is scheduled, according to the documentation governing the Reference Fund, to determine the price per Share or net asset value of the Reference Fund for the purposes of calculating the redemption proceeds to be paid to an investor that has submitted a timely and valid notice for redemption, or (ii) the occurrence or continuation of a postponement of the reporting by the Reference Fund to its investors or, if applicable, the publishing by the Reference Fund or the relevant publishing service, in each case of the price per Share or net asset value of the Reference Fund and/or (iii) the occurrence or continuation of a postponement in the payment of the redemption proceeds relating to Shares of the Reference Fund.

SCHEDULE 1 – EQUITY-LINKED SAUDI PALMS

1. Final Redemption Amount

Unless previously redeemed or purchased and cancelled, and subject to the other terms and conditions of the Notes, the Issuer shall redeem each Note by paying on the later of the Maturity Date and the Cash Settlement Payment Date an amount in the Specified Currency determined by the Calculation Agent to be equal to the Realisable Sale Price or 0.03% of the Issue Price per Note (whichever is greater).

"**Realisable Sale Price**" is an amount calculated as follows:

- (i) The Calculation Agent shall determine the Aggregate Sale Price in respect of a number of Underlying Securities ("**X**") equal to the total number of Underlying Securities to which the Notes outstanding relate.
 - (a) If the Calculation Agent is satisfied that an Authorised Person held Underlying Securities on the "Determination Date" (being the Valuation Date, in the case of the Final Redemption Amount, or, in the case of an Early Redemption Amount, the day on which the Issuer gave notice of redemption, or if that day was not an Exchange Business Day on which there was no Market Disruption Event, the next succeeding Exchange Business Day on which there was no Market Disruption Event) and that on and from the Determination Date the relevant Authorised Person has in good faith sought to dispose of or otherwise realise such Underlying Securities (or if Authorised Person's holding of Underlying Securities exceeded X, X of them) through the Exchange (in the relevant Authorised Person's absolute discretion), then the "**Aggregate Sale Price**" shall be the aggregate price at which the relevant Authorised Person effects the disposal or realisation of such Underlying Securities or, as the case may be, X of them ("**Gross Sale Price**"), deducting any Costs incurred in connection with such disposal or realisation.
 - (b) If the Calculation Agent is satisfied that the number of Underlying Securities held by the relevant Authorised Person ("**Y**") on the Determination Date was less than X and that on and from the Determination Date the relevant Authorised Person has in good faith sought to dispose of such Underlying Securities through the Exchange (in the relevant Authorised Person's absolute discretion), the Calculation Agent shall:
 - (A) determine the average price per Security ("**M**") at which the relevant Authorised Person effected the disposal or realisation of Y number of Underlying Securities (such amount multiplied by X being the "**Gross Sale Price**", and
 - (B) deduct any Costs per Security from M (the resulting figure being "**N**"), and
 - (C) multiply N by X (the resulting figure being the "**Aggregate Sale Price**").
 - (c) In all other cases, the "**Aggregate Sale Price**" shall be the aggregate price, as determined by the Calculation Agent, at which an Authorised Person which was a holder of X number of Underlying Securities on the Determination Date would have been able to dispose of such Underlying Securities through any applicable Exchange (in the Calculation Agent's absolute discretion) ("**Gross Sale Price**"), deducting any

Costs which, in the determination of the Calculation Agent would have been incurred in effecting such disposal.

- (d) Any disposal effected by the relevant Authorised Person (and the disposal that for the purposes of sub-paragraph (c) the Calculation Agent determines that an Authorised Person would have been able to effect) may be effected in one lot of Underlying Securities or divided up into smaller lots whose disposal is effected over a number of days. The Calculation Agent shall also determine in a case where the relevant Authorised Person disposes of X number of Underlying Securities, the date on which, having completed such disposals, the relevant Authorised Person has received the aggregate price in respect of them, and in other cases, the date on which an Authorised Person could reasonably be expected to have completed such disposals and received the aggregate price (which shall not be earlier than the date on which it has completed the disposal of those Underlying Securities which it does hold and received the aggregate sale price in respect of them (in each case, such date being the "**ASP Receipt Date**").
- (ii) The Aggregate Sale Price received or deemed received shall then be converted into the Specified Currency. If the Calculation Agent is satisfied that on the ASP Receipt Date the relevant Authorised Person, as the case may be, actually entered into an exchange transaction to convert SAR into the Specified Currency, the rate of exchange for the purposes of such conversion, as determined by the Calculation Agent, shall be the rate actually obtained by the relevant Authorised Person, adjusted to take into account the effect of any non-deliverable forward transaction ("**NDF transaction**") if such is entered into by the relevant Authorised Person on the Valuation Date in respect of the Aggregate Sale Price. In other cases, the rate of exchange shall be that determined by the Calculation Agent to be the rate at which an Authorised Person who received the Aggregate Sale Price on the ASP Receipt Date would have been able to convert the Aggregate Sale Price into the Specified Currency, taking into account the effect of any NDF transaction that such company would have entered, or would have been able to enter, into in respect of the Aggregate Sale Price on the Valuation Date. In each case the Calculation Agent shall deduct from the converted Specified Currency amount any Conversion Costs. The resulting amount (the "**ASP Converted Amount**") less Redemption Costs divided by X and then multiplied by 1.0000 (being the number of Underlying Securities to which each Note relates) shall be the Realisable Sale Price.

The Realisable Sale Price shall be payable by the Issuer on the later of the Maturity Date and the day (the "**Cash Settlement Payment Date**") which is the third Relevant Financial Centre Day following the day (determined by the Calculation Agent) on which the relevant Authorised Person actually received the ASP Converted Amount in respect of an exchange transaction entered into on the ASP Receipt Date or on which an Authorised Person entering into an exchange transaction on the ASP Receipt Date would have received the ASP Converted Amount.

- (iii) For the purposes of this Annex:

"**Costs**" shall mean the costs taken into account in determining the Aggregate Sale Price, SAR Receipt or Event Payment (as appropriate) including, without limitation, all brokers' fees, bank and custody charges, transaction processing fees and expenses and all taxes and other duties in respect of the Underlying Securities.

"**Conversion Costs**" shall mean the costs of conversion for the purposes of converting the Aggregate Sale Price into the ASP Converted Amount and the SAR Receipt and Event Receipt into the Converted Amount respectively, the amount being determined by the Calculation Agent by reference to actual costs incurred by the relevant Authorised Person or, as the case may be, the costs which, in the determination of the Calculation Agent, would have been incurred by an Authorised Person.

"**Redemption Commission**" shall be defined as the equivalent amount, in the Specified Currency, of the Redemption Commission Percentage of the Gross Sale Price.

"**Redemption Commission Percentage**" shall have the meaning ascribed to it in the relevant Final Terms;

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

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

2. **Additional Payments**

If during the period from but excluding the Issue Date to but including the Valuation Date (the "Relevant Period") the Underlying Securities are marked on the Exchange as ex-dividend or ex-distribution (the date on which they are so marked being the "**Mark Date**") additional payments will be made as follows by the Issuer in respect of the dividend or distribution in question:

- (a) Where the dividend or distribution in question is, in the determination of the Calculation Agent, to be paid by the Underlying Company out of distributable reserves, the Issuer shall make an additional payment per Note calculated as follows.

If the Calculation Agent is satisfied that on the Mark Date the relevant Authorised Person held any Underlying Securities, the Calculation Agent shall determine the net aggregate amount of the cash dividend or distribution which such Authorised Person actually received in respect of such holding after deduction of Costs (the date on which it was received being the "**Receipt Date**") and divide that net aggregate amount by the number of Underlying Securities so held by the relevant Authorised Person to give a per Security amount (the "**SAR Receipt**").

If the Calculation Agent is satisfied that on the Mark Date none of the relevant Authorised Persons held any Underlying Securities, the SAR Receipt shall be the net amount which, in the determination of the Calculation Agent, would have been receivable by the Authorised Person which was a holder of one Security on the Mark Date after deduction of Costs, and the Receipt Date shall be the date on which, in the determination of the Calculation Agent, such Authorised Person would have received the SAR Receipt.

- (b) Where the dividend or distribution in question is, in the determination of the Calculation Agent, not to be paid by the Underlying Company out of distributable reserves, the Issuer shall make an additional payment per Note calculated as follows.

If the Calculation Agent is satisfied that on the Mark Date none of the relevant Authorised Persons held any Underlying Securities, the Calculation Agent shall determine the net cash value of the dividend or distribution which the relevant Authorised Person actually received in respect of such holding after deduction of Costs and divide that net cash value by the number of Underlying Securities so held by the relevant Authorised Person to give a per Security amount (the "**SAR Receipt**").

If the Calculation Agent is satisfied that on the Mark Date none of the relevant Authorised Persons held any Underlying Securities, the SAR Receipt shall be the net cash value of the dividend or distribution which, in the determination of the Calculation Agent, would have been receivable by an Authorised Person which was a holder of one Security on the Mark Date after deduction of Costs.

The cash value of any dividend or distribution shall be as determined by the Calculation Agent, save that where the Calculation Agent is satisfied that the none of the relevant Authorised Persons held any Underlying Securities on the Mark Date and that the relevant Authorised Person disposed of the relevant dividend or distribution received in respect of such Underlying Securities for cash on the date it received the same, the Calculation Agent shall have regard to the value at which the relevant Authorised Person disposed of the relevant dividend or distribution in determining the cash value of the relevant dividend or distribution. The Receipt Date for this purpose shall be, if the relevant Authorised Person received the relevant dividend or distribution and disposed of the same for cash on the date of receipt, the date on which the relevant Authorised Person received the cash disposal proceeds and, in any other case, the date on which an Authorised Person who received such dividend or distribution and disposed of it immediately would have received the cash disposal proceeds, all as determined by the Calculation Agent (such cash value a "**SAR Receipt**").

The SAR Receipt shall then be converted into the Specified Currency. If the Calculation Agent is satisfied that on the Receipt Date the relevant Authorised Person actually entered into an exchange transaction to convert SAR into the Specified Currency, the rate of exchange for the purposes of such conversion shall be the rate actually obtained by the relevant Authorised Person, as determined by the Calculation Agent. In other cases the rate of exchange shall be that determined by the Calculation Agent to be the rate at which an Authorised Person who received a SAR Receipt on the Receipt Date would have been able to convert the SAR Receipt into the Specified Currency. In each case the Calculation Agent shall deduct from the converted Specified Currency amount any Conversion Costs. The resulting amount (the "**Converted Amount**") multiplied by 1.0000 shall be the amount of the additional payment (the "**Additional Payment**") per Note.

Any Additional Payments shall be payable by the Issuer on the third Relevant Financial Centre Day following the day (determined by the Calculation Agent) on which the relevant Authorised Person actually received the Converted Amount in respect of an exchange transaction entered into on the Receipt Date or on which an Authorised Person entering into an exchange transaction on the Receipt Date would have received the Converted Amount.

Additional Payments shall be payable, where the Notes are held in Euroclear and/or Clearstream, to the persons shown in the records of Euroclear or Clearstream as

Noteholders on the Business Day immediately preceding the Mark Date, and in any other case to the holders for the time being of the Notes (irrespective of whether or not they were Noteholders on the Business Day immediately preceding the Mark Date).

3. **Payment in respect of Merger, Nationalisation or Insolvency Events**

For the purposes of payments (if any) made pursuant to Condition 21(e)(ii) or Condition 21(e)(iii) ("**Event Payment**"):

- (a) If the relevant Authorised Person held any Underlying Securities at the time of the occurrence of the Merger Event or Nationalisation or Insolvency Event (the "**Event Occurrence Date**"), the Calculation Agent shall determine the net cash value of any payment which the relevant Authorised Person actually received in respect of such holding after deduction of Costs (the date on which it was actually received being the "**Event Receipt Date**") and divide that net cash value by the number of Underlying Securities so held by the relevant Authorised Person to give a per Security amount (the "**Event Receipt**").
- (b) If none of the relevant Authorised Persons held any Underlying Securities on the Event Occurrence Date, the Event Receipt shall be the net cash value of the payment per Security which, in the determination of the Calculation Agent, would have been received on the Event Receipt Date by an Authorised Person which was a holder of Underlying Securities on the Event Occurrence Date after deduction of Costs.
- (c) Where the Event Receipt is in the same currency as the Specified Currency, the Event Receipt multiplied by 1.0000 shall be the amount of the Event Payment per Note. Where this sub-paragraph (c) applies, the Event Payment shall not be made sooner than the Event Receipt Date.
- (d) Where the Event Receipt is not in the same currency as the Specified Currency, it shall then be converted into the Specified Currency. If the Calculation Agent is satisfied that on the Event Receipt Date the relevant Authorised Person actually entered into an exchange transaction to convert SAR into the Specified Currency, the rate of exchange for the purposes of such conversion shall be the rate actually obtained by the relevant Authorised Person, as determined by the Calculation Agent. In other cases the rate of exchange shall be that determined by the Calculation Agent to be the rate at which an Authorised Person who received an Event Receipt on the Event Receipt Date would have been able to convert the Event Receipt into the Specified Currency. In each case the Calculation Agent shall deduct from the converted Specified Currency amount any Conversion Costs. The resulting amount (the "**Converted Amount**") multiplied by 1.0000 shall be the amount of the Event Payment per Note. Where this sub-paragraph (d) applies, the Event Payment shall not be made sooner than the day on which the relevant Authorised Person actually received the Converted Amount in respect of an exchange transaction entered into on the Event Receipt Date or on which an Authorised Person entering into an exchange transaction on the Event Receipt Date would have received the Converted Amount.
- (e) Event Payments shall be payable, where the Notes are held in a clearing system such as DTC, Euroclear and/or Clearstream, to the persons shown in the records of DTC, Euroclear or Clearstream, as the case may be, as Noteholders on the Business Day

immediately preceding the Event Occurrence Date, and in any other case to the holders for the time being of the Notes (irrespective of whether or not they were Noteholders on the Business Day immediately preceding the Event Occurrence Date).

4. **Other terms or special conditions relating to Index-Linked Notes, Cash Equity Notes or Equity-Linked Notes:**

- 4.1 Notwithstanding Condition 6(c), whenever any sum is due in respect of the Notes (whether upon early redemption or upon final redemption or otherwise), the Issuer shall be entitled to suspend its obligation to make such payment in respect of the Notes if, and for as long as, in the determination of the Calculation Agent, (i) dealing by the Issuer, any Authorised Person generally in the Underlying Securities is or is likely to be prevented, delayed or restricted by closure of a relevant Exchange, suspension of trading in the Underlying Securities or other circumstances or (ii) a Currency Event has occurred. The Noteholders shall not be entitled to any interest or other compensation in respect of any such suspension nor shall such a suspension constitute a default. The Issuer shall give notice to the Noteholders as soon as practical of any such suspension and of the termination of any such suspension.

For the purposes hereof:

"**Currency Event**" means the occurrence of an event or condition which, in the opinion of the Calculation Agent, has the effect of further restricting, prohibiting or delaying the exchange of SAR for the Specified Currency or the transfer of the Specified Currency out of Saudi Arabia, or the transfer of SAR within Saudi Arabia, in each case when compared with the restrictions, prohibitions and delays existing on the Issue Date.

- 4.2 Notwithstanding Condition 15 (*Meetings of Noteholders, Modifications and Substitution*), the Issue Agent and the Issuer may agree, without the consent of the Noteholders, to any modification of the Notes which is made to give effect to any qualitative or quantitative restrictions or any other requirements on products linked to Saudi Arabian securities or on the ultimate beneficial investors of such products imposed by the CMA at any time from and including the Issue Date to and including the Maturity Date. Any such modification shall be binding on the Noteholders and any such modification shall be notified to the Noteholders in accordance with Condition 13 (*Notices*) as soon as practicable thereafter.

Certain ERISA Considerations

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

The Issuer or dealers selling Notes may each be considered a "party in interest" or a "disqualified person" with respect to many Plans. The purchase of Notes by a Plan that is subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of Section 4975 of the Code (including individual retirement accounts and other plans described in Section 4975(c)(1) of the Code) and with respect to which the Issuer or the dealers selling Notes is a party in interest or a disqualified person may constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code, unless such Notes are acquired pursuant to and in accordance with an applicable statutory or administrative exemption. Administrative exemptions include exemptions such as Prohibited Transaction Class Exemption ("**PTCE**") 84-14 (an exemption for certain transactions determined by an independent qualified professional asset manager), PTCE 91-38 (an exemption for certain transactions involving bank collective investment funds), PTCE 95-60 (an exemption for certain transactions involving life insurance general accounts), PTCE 96-23 (an exemption for certain transactions determined by in house investment managers), or PTCE 90-1 (an exemption for certain transactions involving insurance company pooled separate accounts).

It should also be noted that the recently enacted Pension Protection Act of 2006 contains a statutory exemption from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code for transactions involving certain parties in interest or disqualified persons who are such merely because they are a service provider to a Plan, or because they are related to a service provider. Generally, the exemption would be applicable if the party to the transaction with the Plan is a party in interest or a disqualified person to the Plan but is not (i) an employer, (ii) a fiduciary who has or exercises any discretionary authority or control with respect to the investment of the Plan assets involved in the transaction, (iii) a fiduciary who renders investment advice (within the meaning of ERISA and Section 4975 of the Code) with respect to those assets, or (iv) an affiliate of (i), (ii) or (iii). Any Plan fiduciary relying on this statutory exemption (Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code) and purchasing Notes on behalf of a Plan will be deemed to represent that (x) the fiduciary has made a good faith determination that the Plan is paying no more than, and is receiving no less than, adequate consideration in connection with the transaction and (y) neither the Issuer nor any affiliates of the Issuer directly or indirectly exercises any discretionary authority or control or renders investment advice (as defined above) with respect to the assets of the Plan which such fiduciary is using to purchase Notes, both of which are necessary preconditions to utilizing this exemption. Any purchaser that is a Plan is encouraged to consult with counsel regarding the application of the exemption or any other statutory or administrative exemption.

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

By its purchase of any offered Note, the purchaser or transferee thereof will be deemed to represent, on each day from the date on which the purchaser or transferee acquires the offered Note through and including the date on which the purchaser or transferee disposes of its interest in such offered Note, either that (a) it is not a Plan, a Similar Law Plan or an entity whose underlying assets include the assets of any Plan or Similar Law Plan or (b) its purchase, holding and disposition of such Note will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a non-exempt violation of Similar Law.

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

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

ANNEX 1

**FUND-LINKED SAUDI PALMS
REFERENCE FUNDS**

1. **SABB Amanah Saudi Equity Fund****Fund objectives**

SABB Amanah Saudi Equity Fund (the "**Fund**") aims to achieve long-term capital growth by investing in the Saudi equity stock market. All equity investments in the Fund will be in companies which conform to Islamic investment principles as guided and endorsed by the HSBC Amanah Shariah Committee.

Fund details

Fund type	Open ended
Base currency of the Fund	Saudi Riyal
Minimum initial subscription	SAR 7,500
Minimum additional subscription	SAR 3,750
Regular monthly subscription	SAR 1,000
Valuation	Saturday & Tuesday
Cut off time	12 noon Riyadh time Sunday and Wednesday
Redemption payout	2 business days after valuation day
Unit price at inception	SAR 10
Launch date	13 March 2004

Fund Manager

SABB Amanah Saudi Equity Fund will be managed by HSBC Saudi Arabia Limited.

For further information about the past and future performance of the Fund and its volatility go to:

http://www.hsbcSaudi.com/Prod_Services/Asset_Mgt/Mutual_Funds/Long_term/long_term_en.shtml

2. SABB Amanah Saudi Industrial Companies Fund

Fund objectives

The SABB Amanah Saudi Industrial Companies Fund aims to provide long-term capital growth through investment in the industrial sector. All equity investments in the Fund will be in companies which conform to Islamic investment principles as guided and endorsed by the HSBC Amanah Shariah Committee.

Fund details

Fund type	Open ended
Base currency of the Fund	Saudi Riyal
Minimum initial subscription	SAR 7,500
Minimum additional subscription	SAR 3,750
Regular monthly subscription	SAR 1,000
Valuation	Saturday & Tuesday
Cut off time	12 noon Riyadh time Sunday and Wednesday
Redemption payout	2 business days after valuation day
Unit price at inception	SAR 10
Launch date	1 April 2005
Fund Manager	SABB's Asset Management

Fund Manager

SABB Amanah Saudi Industrial Companies Fund will be managed by HSBC Saudi Arabia Limited.

For further information about the past and future performance of the Fund and its volatility go to:

http://www.hsbcSaudi.com/Prod_Services/Asset_Mgt/Mutual_Funds/Long_term/long_term_en.shtml

3. SABBINVEST Saudi Equity Fund

Fund objectives

The Saudi Equity Fund aims to achieve long-term equity linked growth by investing in the Saudi stock market. The Fund invests in the shares of Saudi publicly quoted companies and money market instruments.

Fund details

Fund type	Open ended
Base currency of the Fund	Saudi Riyal
Minimum initial subscription	SAR 7,500
Minimum additional subscription	SAR 3,750
Regular monthly subscription	SAR 1,000
Valuation	Saturday & Tuesday
Cut off time	12 noon Riyadh time Sunday & Wednesday
Redemption payout	2 business days after valuation day
Unit price at inception	SAR 10
Launch date	12 December 1992

Fund Manager

SABBINVEST Saudi Equity Fund will be managed by HSBC Saudi Arabia Limited.

For further information about the past and future performance of the Fund and its volatility go to:

http://www.hsbcSaudi.com/Prod_Services/Asset_Mgt/Mutual_Funds/Long_term/long_term_en.shtml

4. SABBINVEST Saudi Equity Trading Fund

Fund objectives

The Saudi Equity Trading Fund aims to achieve long-term equity linked growth by investing in the Saudi Arabian stock market. The Fund invests in the shares of Saudi publicly quoted companies (excluding banks) and short-term trade finance transactions.

Fund details

Fund type	Open ended
Base currency of the Fund	Saudi Riyal
Minimum initial subscription	SAR 7,500
Minimum additional subscription	SAR 3,750
Regular monthly subscription	SAR 1,000
Valuation	Saturday & Tuesday
Cut off time	12 noon Riyadh time Sunday & Wednesday
Redemption payout	2 business days after valuation day
Unit price at inception	SAR 10
Launch date	01 November 1997

Fund Manager

SABBINVEST Saudi Equity Trading Fund will be managed by HSBC Saudi Arabia Limited.

For further information about the past and future performance of the Fund and its volatility go to:

http://www.hsbcSaudi.com/Prod_Services/Asset_Mgt/Mutual_Funds/Long_term/long_term_en.shtml

5. SABBINVEST Financial Institutions Fund

Fund objectives

To provide medium to long-term equity linked growth by investing in the shares of banking sector in the KSA.

Fund details

Fund type	Open ended
Base currency of the Fund	Saudi Riyal
Minimum initial subscription	SAR 7,500
Minimum additional subscription	SAR 3,750
Regular monthly subscription	SAR 1,000
Valuation	Saturday & Tuesday
Cut off time	12 noon Riyadh time Sunday & Wednesday
Redemption payout	2 business days after valuation day
Unit price at inception	SAR 10
Launch date	01 August 2004

Fund Manager

SABBINVEST Financial Institutions Fund will be managed by HSBC Saudi Arabia Limited.

For further information about the past and future performance of the Fund and its volatility go to:

http://www.hsbcSaudi.com/Prod_Services/Asset_Mgt/Mutual_Funds/Long_term/long_term_en.shtml

6. HSBC Saudi Equity Index Fund

Fund objectives

The HSBC Saudi Equity Index Fund is an open-ended investment fund with the aim of achieving, over the medium to long term, capital growth by investing in a portfolio of equities of selected companies listed on the Saudi Equity Market and corresponding to the constituents of the HSBC Saudi Equity Index.

Fund details

Fund type	Open ended
Base currency of the Fund	Saudi Riyal
Minimum initial subscription	SAR 100,000
Minimum additional subscription	SAR 50,000
Regular monthly subscription	Not applicable
Valuation	Daily
Cut off time	1:30 pm Riyadh time on each business day
Redemption payout	2 business days following valuation day
Unit price at inception	SAR 10
Launch date	11 December 2007

Fund Manager

HSBC Saudi Equity Index Fund will be managed by HSBC Saudi Arabia Limited.

For further information about the past and future performance of the Fund and its volatility go to:

http://www.hsbcSaudi.com/Prod_Services/Asset_Mgt/Mutual_Funds/Long_term/long_term_en.shtml

7. HSBC Saudi Petrochemical Equity Opportunities Fund

Fund objectives

The Fund is an open-ended investment fund with the aim of achieving, over the medium to long term, capital growth by investing in a portfolio of Saudi petrochemical equities of companies listed on the Saudi Equity Market. The Fund's assets will be concentrated and actively managed in petrochemical companies aiming to achieve capital growth without a reference to a specific benchmark or weightings of petrochemical companies in the Saudi Equity Market.

Fund details

Fund type	Open ended
Base currency of the Fund	Saudi Riyal
Minimum initial subscription	SAR 100,000
Minimum additional subscription	SAR 50,000
Regular monthly subscription	Not applicable
Valuation	Daily
Cut off time	1:30 pm Riyadh time on each business day
Redemption payout	2 business days following valuation day
Unit price at inception	SAR 10
Launch date	11 December 2007

Fund Manager

HSBC Saudi Petrochemical Equity Opportunities Fund will be managed by HSBC Saudi Arabia Limited.

For further information about the past and future performance of the Fund and its volatility go to:

http://www.hsbcSaudi.com/Prod_Services/Asset_Mgt/Mutual_Funds/Long_term/long_term_en.shtml

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PART H - PRODUCT SUPPLEMENT FOR CURRENCY-LINKED NOTES AND WARRANTS



HSBC BANK plc

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

as Issuer

PROGRAMME FOR THE ISSUANCE OF NOTES AND WARRANTS

Currency-Linked Notes and Warrants

This product supplement in relation to Currency-Linked Notes and Warrants constitutes Part H of the Base Prospectus dated 30 July 2009 (the "**Base Prospectus**") prepared by HSBC Bank plc (the "**Bank**" or the "**Issuer**") in relation to the Programme for the Issuance of Notes and Warrants (the "**Programme**") described therein in connection with the application made for Notes or Warrants to be admitted to listing on the Official List of the Financial Services Authority (in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (the "**FSA**")), and to trading on the Regulated Market of the London Stock Exchange plc (the "**London Stock Exchange**").

To the extent that there is any inconsistency between any statement in this Part H and any other statement in, or incorporated by reference in, other parts of the Base Prospectus, the statements in this Part H will prevail for the purposes of Part H.

Notes issued pursuant to the Programme may include "**Currency-Linked Notes**" being Notes in relation to which the interest rate and/or the final redemption amount payable at maturity is dependent on the performance of a particular underlying currency or group of currencies. The purpose of this Part H is to provide information in relation to Currency-Linked Notes.

The Bank may also issue warrants, "**Currency-Linked Warrants**" being Warrants having substantially the same features of the Currency-Linked Notes and references herein to Currency-Linked Notes and in the section "Additional Provisions relating to Currency-Linked Notes" shall be deemed to refer to Currency-Linked Warrants when the context so permits.

This Part H should be read together with Parts A and B of the Base Prospectus (in the case of an issue of Currency-Linked Notes) and Parts A and C of the Base Prospectus (in the case of an issue of Currency-Linked Warrants).

An investment in Currency-Linked Notes and Currency-Linked Warrants involves risks. See "Risk Factors Relating to Currency-Linked Notes and Warrants" (beginning on page H-5 of this Part H) in addition to those included in Part A of the Base Prospectus under the heading "Risk Factors" (beginning on page A-6).

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Part H or any other information supplied in connection with the Currency-Linked Notes and Warrants and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer.

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

The distribution of this Part H and the offer, distribution or sale of Currency-Linked Notes and Warrants may be restricted by law in certain jurisdictions. The Issuer does not represent that this document may be lawfully distributed, or that the Currency-Linked Notes and Warrants may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, action may be required to be taken to permit a public offering of the Currency-Linked Notes or a distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Currency-Linked Notes may be offered or sold, directly or indirectly, and neither this Part H 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 Part H or the Currency-Linked Notes come must inform themselves about, and observe, any such restrictions.

Currency-Linked Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), the state securities laws of any state of the United States or the securities laws of any other jurisdiction, and may not be offered or sold within the United States or to, or for the account or benefit of, "US 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. The Currency-Linked Notes may include Notes in bearer form that are subject to US tax law requirements.

Arranger and Dealer
HSBC

30 July 2009

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Risk Factors relating to Currency-Linked Notes and Warrants

Further to the risk factors set out in the Base Prospectus under the heading "Risk Factors" (beginning on page A-6 of the Base Prospectus), the risk factors applicable to Currency-Linked Notes and Warrants are repeated below:

Risk Factors relating to Currency-Linked Notes and Warrants

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

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

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

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

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

Product Description

Notes and Warrants issued pursuant to the Programme may include Currency-Linked Notes and Currency-Linked Warrants, being Notes and Warrants in relation to which the interest rate and/or the final redemption amount payable at maturity or, in the case of Currency-Linked Warrants, the Cash Settlement Amount is dependent on the performance of a particular underlying currency or group of currencies specified in the Final Terms (each a "**Currency Related Variable**"). Generally, if the underlying currency in question appreciates in relation to the currency to which it is being compared, the interest rate and/or redemption amount will increase accordingly.

Details of the underlying currency or group of currencies and the page(s) of Bloomberg, the Reuters Service and/or other source where information about such underlying currency or group of currencies can be obtained will be specified in the relevant Final Terms.

There follows a description of certain types of Currency-Linked Notes and Currency-Linked Warrants that may be issued under the Programme. In addition to these Notes and Warrants, the Bank may issue Currency-Linked Notes and Currency-Linked Warrants under the Programme which combine elements of any of the Notes and Warrants described below or are linked to a currency in a manner other than described below, details of which will be provided in the relevant Final Terms.

Capital protected Notes¹

Auto-callable Notes: Notes which are to be mandatorily redeemed prior to their maturity date if a specified trigger event relating to a Currency-Related Variable occurs after or during a specified period or on a specified date, as specified in the Final Terms.

Growth Notes: Notes under which the redemption amount payable to the Noteholder at maturity is calculated as the *sum* of the aggregate face amount of the Notes *plus* an amount equal to the *product* of the aggregate face amount of the Notes and a multiplier or participation rate specified in the Final Terms and any increase in the level or value of the Currency-Related Variable (such amount not being subject to a maximum amount payable to the Noteholder ("**No Fixed Cap**").

Capped Growth Notes: Notes under which the redemption amount payable to the Noteholder at maturity is calculated as the *sum* of the aggregate face amount of the Notes *plus* an amount equal to the *product* of the aggregate face amount of the Notes and a multiplier or participation rate specified in the Final Terms and any increase in the level or value of the Currency-Related Variable (such amount being subject to a maximum amount payable to the Noteholder set on the issue date and expressed as a predefined percentage of the aggregate face amount of the Notes (a "**Fixed Cap**").

Average Growth Notes: Notes under which the redemption amount payable to the Noteholder at maturity is calculated by reference to the average level of the Currency-Related Variable on a number of specified dates occurring on or after the issue date to but excluding the maturity date, as specified in the Final Terms.

Basket Growth Notes: Notes under which the redemption amount payable to the Noteholder on maturity is calculated as the *sum* of the aggregate face amount of the Notes *plus* an amount equal to the *product* of the aggregate face amount of the Notes and a multiplier or participation rate specified in the

¹ In the following product descriptions, references to Notes refers to both Currency-Linked Notes and Currency-Linked Warrants, as the case may be, and references to redemption amount should be construed to refer to the Cash Settlement Amount in respect of Currency-Linked Warrants.

Final Terms and the difference in the level or value of the Currency-Related Variable(s) relating to a basket of currencies.

Basket Digital Notes: Notes in relation to which, if there is an increase in the level or value of the Currency-Related Variable(s) relating to a basket of currencies, the interest payable is a fixed amount.

Basket Digital Plus Notes: Notes in relation to which, if there is an increase in the level or value of the Currency-Related Variable(s) relating to a basket of currencies, the interest payable is a fixed amount *plus* an amount equal to the *product* of the aggregate face amount of the Notes and a multiplier or participation rate specified in the Final Terms and the increase in the level or value of the Currency-Related Variable(s) relating to a basket of currencies.

Best of Growth Notes: Notes in relation to which, if there is an increase in the level or value of the Currency-Related Variable(s) relating to a basket of currencies, the interest payable to the Noteholder is a variable amount equal to the *product* of the aggregate face amount of the Notes and the increase in the level or value of the Currency-Related Variable(s) relating to a basket of currencies specified in the Final Terms.

Worst of Digital Notes: Notes in relation to which, if each Currency-Related Variable relating to each of the currencies in the basket reaches a predefined level or value, the interest payable is a fixed amount.

Barrier Growth Notes: Notes under which the redemption amount payable to the Noteholder at maturity is calculated as the *sum* of the aggregate face amount of the Notes *plus* an amount equal to the *product* of the aggregate face amount of the Notes and a multiplier or participation rate specified in the Final Terms and any increase in the level or value of the Currency-Related Variable *provided, however, that* the level or value of the Currency-Related Variable is less than a predefined level or value at all times ("**Performance Cap**") at any time during the term of the Notes. If the level or value of the Currency-Related Variable is equal to or higher than a predefined level or value at any time, the redemption amount payable to the Noteholder at maturity will be an amount equal to the aggregate face amount of the Notes and, in such circumstances, if so specified in the relevant Final Terms, a fixed amount of interest will be payable to the Noteholder. If the Final Terms so specify, the predefined level or value may be varied on a specified date or dates or during specified periods throughout the term of the Notes.

Digital Notes: Notes in relation to which, if the Currency-Related Variable at maturity reaches a predefined level or value, the interest payable is a fixed amount.

Range Accrual Notes: Notes in relation to which the interest payable (calculated by reference to a formula in the Final Terms) only accrues for each day during a period that a specified Currency-Related Variable remains within a specified range (which may vary during the term of the Notes), as specified in the Final Terms.

Range Binary Notes: Notes in relation to which, if the Currency-Related Variable remains within a specified range, the interest payable is a specified variable amount (calculated by reference to a formula in the Final Terms).

Wedding Cake Range Binary Notes: Notes in relation to which, if the Currency-Related Variable remains within one of a number of specified ranges specified in the Final Terms, the interest payable is a specified variable amount (calculated by reference to a formula in the Final Terms) relating to the relevant range.

Cliquet Range Binary Notes: Notes in relation to which, if the Currency-Related Variable remains within a specified range that resets on specified dates based on the level of the Currency-Related Variable on such dates, the interest payable is a specified variable amount (calculated by reference to a formula in the Final Terms).

Touch Rebate Notes: Notes in relation to which, if the Currency-Related Variable reaches one or a number of predefined levels or values at any time, or is above one or a number of predefined levels or values on any specified date, the redemption amount payable at maturity is a specified variable amount (calculated by reference to a formula in the Final Terms).

Second Chance Notes: Notes in relation to which, if the level or value of the Currency-Related Variable remains, at all times, within a predefined initial range, or if the level or value of the Currency-Related Variable does not remain within such predefined initial range but remains, at all times, within a broader predefined range, the redemption amount payable at maturity is a specified variable amount (calculated by reference to a formula in the Final Terms).

Target Redemption Notes: Notes in relation to which, the interest payable is determined by reference to the level or value of the Currency-Related Variable provided, however, that the maximum cumulative amount of interest payable over the term of the Notes is specified on the issue date (the "**Lifetime Cap**") and the Issuer may redeem the Notes at par on the first payment date on which the cumulative interest up to and including such payment date would exceed the Lifetime Cap (taking into account the interest relating to such payment date), which interest will then be reduced so that Noteholders receive, over the life of the Notes, an aggregate of interest equal to the Lifetime Cap.

Recovery Best Coupon Notes: Notes in relation to which, if the level or value of the Currency-Related Variable is higher than predefined levels or values on specified dates, the interest payable in relation to such specified dates is a fixed amount. If the level or value of the Currency-Related Variable is not higher than the relevant predefined levels or values on any of the specified dates the interest which would otherwise have been payable in respect of such payment date shall not be paid on such payment date but shall be deferred to the next payment date in respect of which the level or value of the Currency-Related Variable is higher than the relevant predefined level or value.

Knock-out Straddle Notes: Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as the *sum* of the aggregate face amount of the Notes *plus* an amount equal to the *product* of the aggregate face amount of the Notes and a multiplier or participation rate specified in the Final Terms and any increase or decrease in the level or value of the Currency-Related Variable during the term of the Note, *provided, however, that* if such level or value is less than a specified level or value ("**Performance Floor**") or greater than a specified level or value ("**Performance Cap**") at any time during the term of the Note, the Note shall be redeemed at par.

Non-capital protected Notes

Airbag: Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as either (i) the *product* of the aggregate face amount of the Notes and any increase or decrease in the level or value of the Currency-Related Variable during the term of the Note expressed as a percentage of the initial level or value of the Currency-Related Variable provided that the amount payable at maturity is no less than a specified amount, or (ii) the *product* of the aggregate face amount of the Notes and (A) if there is an increase in the level or value of the Currency-Related Variable during the term of the Notes, the *product* of a multiplier or participation rate specified in the Final Terms and such level or value expressed as a percentage of the initial level or value of the Currency-Related Variable, or (B) if there is a decrease in the level or value of the Currency-Related Variable

during the term of the Notes, such level or value expressed as a percentage of the initial level or value of the Currency-Related Variable. No interest is payable in respect of such Notes.

Leverage Airbag Plus Notes: Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as the *product* of the aggregate face amount of the Notes and (A) if there is an increase in the level or value of the Currency-Related Variable during the term of the Notes, the *product* of a multiplier or participation rate specified in the Final Terms and such level or value expressed as a percentage of the initial level or value of the Currency-Related Variable, (B) if there is a decrease in the level or value of the Currency-Related Variable during the term of the Notes but the level or value of the FX Related Vehicle at maturity is greater than a specified level or value (the "**Performance Floor**"), 100 per cent., or (C) if there is a decrease in the level or value of the Currency-Related Variable during the term of the Notes, the level or value of the Currency-Related Variable has fallen below the Performance Floor at any time during the term of the Notes and the level or value of the Currency-Related Variable at maturity is less than the initial level or value of the Currency-Related Variable, such level or value at maturity expressed as a percentage of the initial level or value of the Currency-Related Variable. No interest is paid in respect of such Notes.

Booster Notes: Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as either (i) if there is an increase in the level or value of the Currency-Related Variable during the term of the Notes, the *sum* of (1) the aggregate face amount of the Notes and (2) the *product* of the aggregate face amount of the Notes and (3) the *product* of a multiplier or participation rate specified in the Final Terms and (4) such level or value expressed as a percentage of the initial level or value of the Currency-Related Variable, (such percentage being subject to a predefined maximum percentage (a "**Performance Cap**")), (ii) if the final level or value of the Currency-Related Variable at maturity is less than the initial level or value of the Currency-Related Variable but higher than a predefined level or value specified in the Final Terms, the *sum* of (1) the aggregate face amount of the Notes and (2) the *product* of the aggregate face amount of the Notes and (3) the predefined level or value specified in the Final Terms, or (iii) if the final level or value of the Currency-Related Variable at maturity is less than the initial level or value of the Currency-Related Variable and such level or value is also less than a predefined level or value specified in the Final Terms, the *product* of (1) the aggregate face amount of the Notes and (3) the final level or value of the Currency-Related Variable.

Dual Currency Notes: Notes in relation to which the interest payable is a fixed amount and, if the Currency-Related Variable is higher than a predefined level or value at maturity, the redemption amount payable to the Noteholder at maturity is calculated by reference to a formula specified in the Final Terms applied to the aggregate principal amount of the Notes. Investors shall normally receive the final redemption amount at Maturity in one currency (either the original currency in which the Notes are denominated, or the alternative currency of the Currency-Related Variable). Payment of Interest shall be subject to further specifications in the formula specified in the Final Terms

Triple Currency Notes: Notes in relation to which the interest payable is a fixed amount and if at least one of the two Currency-Related Variables is higher than a predefined level or value at maturity, the redemption amount payable to the Noteholder at maturity is calculated by reference to a formula specified in the Final Terms applied to the aggregate principal amount of the Notes. Investors shall normally receive payment at Maturity in one of the three currencies (either the original currency in which the Notes are denominated or one of the two alternative currencies of the Currency-Related Variable). Payment of Interest shall be subject to further specifications in the formula specified in the Final Terms

Early Redemption Accrual Notes: Notes which are to be mandatorily redeemed prior to their maturity date if a specified trigger event relating to a Currency-Related Variable occurs after or during a

specified period or on a specified date, as specified in the Final Terms. The face amount of the Notes will be converted into an alternative currency every day and accrues until the trigger event date, so that the redemption amount payable to the Noteholder will be in the alternative currency for the accrued face amount and/or in the original denomination currency for the residual face amount.

Reverse Convertible Notes: Notes in relation to which the interest payable is a fixed amount. If the final level or value of Currency-Related Variable at maturity is higher than the initial level or value of the Currency-Related Variable, the redemption amount payable to the Noteholder at maturity is the aggregate principal amount of the Notes, whereas, if the final level or value of Currency-Related Variable is equal to or lower than the initial level or value of the Currency-Related Variable, the redemption amount payable to the Noteholder at maturity is calculated by reference to a formula specified in the Final Terms applied to the aggregate principal amount of the Notes (such amount being less than the aggregate principal amount of the Notes).

Tracker Notes: Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as either (i) the *product* of the aggregate face amount of the Notes and, if there is an increase in the level or value of the Currency-Related Variable during the term of the Notes, such level or value expressed as a percentage of the initial level or value of the Currency-Related Variable, or (ii) the *product* of the aggregate face amount of the Notes and, if there is a decrease in the level or value of the Currency-Related Variable during the term of the Notes, such level or value expressed as a percentage of the initial level or value of the Currency-Related Variable. No interest is payable in respect of such Notes.

Leverage Tracker Notes: Notes in relation to which the redemption amount payable to the Noteholder at maturity is calculated as either (i) the *product* of the aggregate face amount of the Notes and, if there is an increase in the level or value of the Currency-Related Variable during the term of the Notes, the *product* of a multiplier or participation rate specified in the Final Terms and such level or value expressed as a percentage of the initial level or value of the Currency-Related Variable, or (ii) the *product* of the aggregate face amount of the Notes and, if there is a decrease in the level or value of the Currency-Related Variable during the term of the Notes, such level or value expressed as a percentage of the initial level or value of the Currency-Related Variable. No interest is payable in respect of such Notes.

Additional Provisions relating to Currency-Linked Notes

The terms and conditions of the Currency-Linked Notes (the "**Terms and Conditions of the Currency-Linked Notes**") shall consist of the terms and conditions set out in the section headed "Terms and Conditions of the Notes" appearing in "Part B - Information relating to the Notes Generally" of the Base Prospectus, and the terms and conditions of the Currency-Linked Warrants (the "**Terms and Conditions of the Currency-Linked Warrants**") shall consist of the terms and conditions set out in the section headed "Terms and Conditions of the Warrants" appearing in "Part C - Warrants" of the Base Prospectus, in each case, such information being incorporated by reference in this Prospectus (the "**Base Conditions**") as amended or supplemented by the terms of each Tranche of Notes or Warrants set out in the Final Terms (the "**Final Terms**") an extract of which is set out below (terms used in such provisions being deemed to be defined as such for the purposes of the Base Conditions).

Any references to "this document" in the Final Terms section of this Supplement shall be deemed to refer to the Final Terms.

1. **FX Disruption Event**

Notwithstanding the provisions of Condition 6(a) (*Redemption and Purchase - At Maturity*), if an FX Disruption occurs at any time on or prior to the Maturity Date:

- (a) the Calculation Agent shall notify the Issuer thereof and the Issuer shall as soon as practicable notify the Holders thereof in accordance with Condition 13 (*Notices*);
- (b) the Issuer shall redeem the Notes by payment in respect of each Note of the early redemption amount (determined in accordance with paragraph 26 of the Final Terms);
- (c) such redemption will occur as soon after the Maturity Date as the Calculation Agent determines, acting in good faith and in a commercially reasonable manner, that it is practical to calculate the early redemption amount and to effect payment of it (the date on which such payment is effected, the "**Final Maturity Date**"); and
- (d) to the extent that payment is made after the Maturity Date, the early redemption amount shall be increased by an amount, determined by the Calculation Agent, acting in good faith and in a commercially reasonable manner, equal to the amount of interest the Calculation Agent determines could reasonably and practically have been earned at then current market rates by a non-resident of [*specify country of the currency (the "Reference Currency") to which the Notes are linked and which not the Specified Currency*] on the early redemption amount from the Maturity Date to the day 2 Business Days prior to the Final Maturity Date.

For the purposes hereof:

"**FX Disruption**" means the occurrence of any event or condition (including any change in law or any government action) which in the determination of the Calculation Agent, acting in good faith and in a commercially reasonable manner, makes it impossible, illegal or impractical (i) to convert [*Reference Currency*] into [*Specified Currency*] through customary legal channels, (ii) for non-residents of [*specify country of Reference Currency*] to convert [*Reference Currency*] into [*Specified Currency*] on terms as favourable as those generally available to residents of [*specify country of Reference Currency*], or (iii) for residents or non-residents of [*specify country of Reference Currency*] to transfer funds, including non-*[Reference Currency]* funds, from accounts inside [*specify country of Reference Currency*] to accounts outside [*specify*

country of Reference Currency] or between accounts in [*specify country of Reference Currency*] or by or to non-residents of [*specify country of Reference Currency*].

2. **Non-deliverability of Specified Currency**

If, at the time any payment of principal, premium, interest and/or additional or other amounts, if any, in respect of the Notes is due (each a "**Required Payment**"), the Specified Currency is no longer (i) used by the government of [*specify country of Specified Currency*] for the payment of public and private debts or (ii) used for settlement of transactions by public institutions in [*specify country of Specified Currency*] or within the international banking community, or (iii) expected to be available, when any Required Payment is due as a result of circumstances beyond the control of the Issuer, the Issuer shall be entitled to satisfy its obligations in respect of such Required Payment by making such Required Payment in [Euro/US Dollars] (the "**Alternative Payment Amount**"), on the basis of the relevant [[*EUR/Specified Currency*][*USD/Specified Currency*] bid-spot foreign exchange rate (expressed as the number of [Euro/US Dollars] (or part thereof)) as at 12.30 p.m. ([New York] time) on the second Business Day in [New York] prior to the relevant date of payment, for which one [*unit of the Specified Currency*] could be purchased as quoted on the Reuters screen [*specify in the Final Terms*] (or its successor page for the purpose of displaying such rates) or, if such rate is not available on such second Business Day in [New York], on the basis of the rate most recently available prior to such second Business Day in [New York]. Any payment made under such circumstances in [Euro/US Dollars] will constitute valid payment and will not constitute a default in respect of the Notes. The Issuer's communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained by the Issuer hereunder shall be at its sole discretion and shall (in the absence of manifest error, wilful default or bad faith) be conclusive for all purposes and binding on the Issuer, the Paying Agents, and the holders of the Notes or Coupons. By acceptance thereof, purchasers of the Notes will be deemed to have acknowledged and agreed and to have waived any and all actual or potential conflicts of interest that may arise as a result of the calculation of the Alternative Payment Amount by the Issuer.

***Pro Forma* Final Terms for Currency-Linked Notes**

Set out below is the form of Final Terms which will be completed for each Tranche of Currency-Linked Notes issued under the Programme.

[Notes issued pursuant to these Final Terms are securities to be listed under Listing Rule [17/19]¹.]

FINAL TERMS

Final Terms dated []

Series No.: []

Tranche No.: []

HSBC Bank plc

Programme for the Issuance of Notes and Warrants

Issue of

[Aggregate Principal Amount of Tranche]

[Title of Notes]

PART A - CONTRACTUAL TERMS

This document constitutes the Final Terms relating to the issue of the Tranche of Notes or Certificates described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 30 July 2009 in relation to the above Programme [and the supplemental Prospectus dated []² which [together] constitute[s] a base prospectus ("**Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**").

If this Final Terms indicates that it relates to an issue of Certificates, then all references herein and in the Prospectus to Notes shall be deemed to be references to "Certificates" for the purposes of this Issue.

This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. [The Prospectus [and the supplemental Prospectus] [is] [are] is available for viewing at [address] [and] [website]³ and copies may be obtained from [address].]

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.

¹ To be included in respect of all issues which are to be admitted to listing. Delete as appropriate. Please refer to the Listing Rules. Listing Rule 17 applies to debt securities, asset backed securities, and convertible securities. Listing Rule 19 applies to securitised derivatives.

² Only include details of supplemental Prospectus in which the Conditions have been amended for the purposes of all issues under the Programme.

³ If required by the UKLA in accordance with Article 14 of the Prospectus Directive.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Prospectus dated [original date] [and the supplemental Prospectus dated []]. This document constitutes the Final Terms of the notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus dated [current date] [and the supplemental Prospectus dated []], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the [Prospectus] dated [original date] [and the supplemental Prospectus dated []] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus(es) dated [original date] and [current date] [and the supplemental Prospectus dated []] and []. [The Prospectus(es) are available for viewing at [address] and copies may be obtained from [address].

[For Currency-Linked Notes offered and sold in the United States of America include:

IMPORTANT NOTICES

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), THE STATE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION, AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, US PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. ACCORDINGLY, THE NOTES 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-US PERSONS (AS DEFINED IN REGULATION S) IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLERS OF NOTES PURSUANT TO CLAUSE (A) ABOVE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

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

AVAILABLE INFORMATION

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

Investing in the Currency-Linked Notes (the "Notes") involves substantial risks. As a consequence, prospective investors should be aware that the Notes are only intended for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks of an investment in the Notes. In purchasing any Notes, an investor will be deemed to represent that it is such an investor and has such knowledge and experience. Prospective investors should consider the risk factors set forth under "Risk Factors" in the Prospectus and the risks described herein.

[Include whichever of the following apply or specify as "Not applicable". Note that the numbering should remain as set out below, even if "Not applicable" is indicated for individual paragraphs or subparagraphs. Italics denote guidance for completing the Final Terms.]

[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

- | | | | |
|----|-------|--|---|
| 1. | (i) | Issuer | HSBC Bank plc |
| | (ii) | Arranger(s): | [HSBC Bank plc] |
| 2. | (i) | Series number: | [•] |
| | (ii) | [Tranche number: | [•] |
| | | (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).] | [•] |
| | (iii) | Whether issue is of Notes or Certificates: | [Notes/Certificates] (if the issue is of Certificates, all references in this Final Terms and in the Prospectus to Notes shall be deemed to be "Certificates" for the purposes of this issue) |
| 3. | | Currency or currencies: | |
| | (i) | of denomination: | [•] |
| | (ii) | of payment: | [•] |
| 4. | | Aggregate Principal Amount [of Notes admitted to trading] ⁴ : | |

⁴ Delete for debt securities with a denomination per unit of less than EUR50,000

Part H - Product Supplement for Currency-Linked Notes and Warrants - *Pro Forma* Final Terms for Currency-Linked Notes

- | | | | |
|-----|--------|---|---|
| | [(i)] | Series: | [•] |
| | [(ii)] | Tranche:] | [•] |
| 5. | (i) | Issue Price: | [•] per cent. of the Aggregate Principal Amount [plus accrued interest from <i>[insert date]</i> (<i>in the case of fungible issues only, if applicable</i>)] |
| | (ii) | Commission payable: | [[] per cent./None] |
| | (iii) | Selling concession: | [[] per cent./None] |
| 6. | (i) | Denomination(s)
(<i>Condition 1(b)</i>): | [] ⁵ |
| | (ii) | Calculation Amount ⁶ : | [] |
| 7. | (i) | Issue Date: | [] |
| | (ii) | Interest Commencement Date: | [] |
| 8. | | Maturity Date:
(<i>Condition 6(a)</i>) | [Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year. In case of undated Notes, specify undated.] |
| 9. | | Interest basis:
(<i>Conditions 3 to 5</i>) | [[] per cent. Fixed Rate]
[[specify reference rate] +/- [] per cent. Floating Rate Notes]
[Variable Coupon Amount]
[Zero Coupon Notes]
[Index-Linked Notes]
[other (specify)]
(further particulars specified below) |
| 10. | | Redemption basis:
(<i>Condition 6</i>) | [Redemption at par]
[Index-Linked Redemption]
[Dual Currency]
[Partly Paid]
[Instalment]
[other (specify)] |

⁵ If denominations in excess of and smaller than the minimum specified denomination are to be permitted then the Issuer should normally waive its right to elect to exchange the Permanent Global Note for definitive Notes in paragraph (d) of the Permanent Global Note - see item 29(iii) below.

⁶ The applicable Calculation Amount (which is used for the calculation of redemption and interest amounts (if any)) will be (i) if there is only one Denomination, the Denomination; or (ii) if there are several Denominations, the highest common factor of those Denominations. Note that a Calculation Amount of less than 1,000 units of the relevant currency may result in practical difficulties for Paying Agents and/or ICSDs who should be consulted if such an amount is proposed.

Part H - Product Supplement for Currency-Linked Notes and Warrants - Pro Forma Final Terms for Currency-Linked Notes

11. Change of interest or redemption basis: *[Specify details of any provision for convertibility of Notes to another interest or redemption/payment basis]*
12. Put/Call options: *[Condition 6[(c)][(d)] will apply as specified below]*
13. (i) Status of the Notes: *Unsubordinated, unsecured*
(Condition 2)
- (ii) Date [Board] approval for issuance of Notes obtained: *[] [and [], respectively]] (N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)]*
14. Method of distribution: *[Syndicated/Non-syndicated]*

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. Fixed Rate Note provisions: *[Applicable/Not applicable]*
(Condition 3)
(If not applicable, delete the remaining subparagraphs of this paragraph.)
- (i) Rate of Interest: *[•] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrears]*
- (ii) Fixed Interest Payment Date(s): *[•] in each year*
[adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definitions of "Business Day"]/[not adjusted]
- (iii) Fixed Coupon Amount(s): *[•] per Calculation Amount*
- (iv) Day Count Fraction: *[30/360/Actual/Actual (ICMA/ISDA)/other (specify)]*
- (v) Determination Date: *[•] in each year (insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon, N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)).*
- (vi) Broken Amount(s): *[•] per Calculation Amount, payable on the Fixed Interest Payment Date falling [in/on] [•].*
[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount(s)]

Part H - Product Supplement for Currency-Linked Notes and Warrants - Pro Forma Final Terms for Currency-Linked Notes

- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not applicable/give details] (Consider if day count fraction, particularly for Euro denominated issues, should be on an Actual/Actual basis)
16. Floating Rate Note provisions: [Applicable/Not applicable]
(Condition 4) (If not applicable, delete the remaining subparagraphs of this paragraph.)
- (i) Interest Period(s): [specify]
- (ii) Specified Interest Payment Dates: [specify dates]
- (iii) First Interest Payment Date: [•]
- (iv) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/ other (give details)]
- (v) Business Centre(s): [not applicable/give details]
- (vi) Screen Rate Determination: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/ other (give details)]
- (1) Benchmark: [specify LIBOR or other]
- (2) Interest Determination Date: []
- (3) Relevant Screen Page: []
- (4) Relevant Financial Centre: []
- (vii) ISDA Determination:
- (1) Floating Rate Option: []
- (2) Designated Maturity: []
- (3) Reset Date: []
- (viii) Margin: [+/-][] per cent. per annum
- (ix) Day Count Fraction: []
- (x) Relevant time: []
- (xi) Minimum Interest Rate: [] per cent. per annum
- (xii) Maximum Interest Rate: [] per cent. per annum

- (xiii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
17. Variable Coupon Amount Note provisions: [Applicable/Not applicable]
 (Condition 5) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Interest Payment Dates: []
- (ii) Method of calculating interest: []
18. Zero Coupon Note provisions: [Applicable/Not applicable]
 (Condition 5) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Amortisation Yield: [] per cent. per annum
- (ii) Rate of interest on overdue amounts: []
- (iii) Redemption formula: []
19. Index-Linked Interest Note/other variable-linked interest Note Provisions: [Applicable/Not applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Index/Formula/other variable: [give or annex details]
- (ii) Calculation Agent responsible for calculating the interest due: []
- (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: []
- (iv) Determination Date(s): []
- (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [] *[Need to include a description of market disruption or settlement disruption events and adjustment provisions]*
- (vi) Interest or calculation period(s): []
- (vii) Specified Interest Payment Dates: []
- (viii) Business Day Convention: [Floating Business Rate Day Convention/Following Convention/Modified

		Following Business Day Convention/ Preceding Business Day Convention/other (<i>give details</i>)
	(ix) Business Centre(s):	[]
	(x) Minimum Rate/Amount of Interest:	[] per cent. per annum
	(xi) Maximum Rate/Amount of Interest:	[] per cent. per annum
	(xii) Day Count Fraction:	[]
20.	Dual Currency Note provisions/Multi-currency Note provisions:	[Applicable/Not applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Currencies:	[]
	(ii) Exchange Rate(s):	[<i>give details</i>] ⁷
	(iii) Provisions applicable where calculation by reference to Exchange Rate impossible or impracticable:	<i>[Need to include a description of Market disruption or settlement disruption events and adjustment provisions.]</i>
PROVISIONS RELATING TO REDEMPTION		
21.	Issuer's optional redemption (Call): (<i>Condition 6(c)</i>)	[Applicable / Not applicable]
	(i) Redemption amount (Call):	[] per Calculation Amount [<i>specify — if not par, also specify details of any formula</i>]
	(ii) Series redeemable in part:	[] per Calculation Amount [<i>specify — otherwise redemption will only be permitted of entire Series</i>]
	(iii) Call option date(s)/Call option period:	[<i>specify</i>]
22.	Noteholder's optional redemption (Put): (<i>Condition 6(d)</i>)	[Applicable/Not applicable]
	(i) Redemption amount (Put):	[] per Calculation Amount [<i>specify — if not par, also specify details of any formula</i>]
	(ii) Put Option date(s)/Put Option Period:	[<i>specify</i>]
23.	Final redemption amount of each Note: (<i>Condition 6(a)</i>)	If, in the determination of the Calculation Agent, the final [<i>Specified Currency/Reference Currency</i>] Exchange Rate is less than or equal to [<i>specify rate</i>], then each Note will redeem on the Maturity

⁷ If denomination per unit is less than EUR50,000, include details of where past and future performance and volatility of the relevant rate(s) can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying.

Date at [par] [•]

If, in the determination of the Calculation Agent, the Final [*Specified Currency/Reference Currency*] Exchange Rate is greater than [*specify rate*], then each Note will redeem on the Maturity Date at an amount determined by the Calculation Agent in accordance with the following formula:

$$[\text{Denomination} \times [\text{specify number}] - ([\text{specify number}] \times (\text{Final } [\text{Specified Currency/Reference Currency}] \text{ Exchange Rate} / [\text{specify number}])),]$$

provided, however, that the final redemption amount shall never be less than zero.

For the purposes hereof:

"**Expiration Date**" means [*specify date*];

"**Final [*Specified Currency/Reference Currency*] Exchange Rate**" means the [*Specified Currency/Reference Currency*] exchange rate (expressed as a number of [*Reference Currency*] per [*Specified Currency*] 1.00) as of [12:00 noon (London time)] on the Expiration Date, as determined by the Calculation Agent;

"**[*Reference Currency*]**" means the lawful currency of [*Reference Currency Jurisdiction*]; and

"**[*Specified Currency/Reference Currency*] Exchange Rate**" means the [*Specified Currency/Reference Currency*] exchange rate (expressed as a number of [*Reference Currency*] per [*Specified Currency*] 1.00) at [12:00 noon (London time)] on the Expiration Date as determined by the Calculation Agent acting in good faith.

24. **Final Redemption Amount for Notes linked to two exchange rates**

Final redemption amount of each Note in cases where the final redemption amount is Index-Linked or other variable-linked: Applicable

- (i) Index/Formula/other variable: The [*Specified Currency/First Reference Currency*] Exchange Rate and the [*Specified Currency/Second Reference Currency*] Exchange Rate
- (ii) Calculation Agent responsible for calculating the final redemption amount: HSBC Bank plc, 8 Canada Square, London E14 5HQ
- (iii) Provisions for determining final redemption amount where calculated by reference to Index and/or Formula and/or other variable: Unless previously redeemed, or purchased and cancelled in accordance with the Conditions, the Final Redemption Amount payable by the Issuer in respect of each Note on the Maturity Date shall be an amount in [*Specified Currency*] determined on the Expiration Date by the Calculation Agent in accordance with the following formula:

[Denomination + [*specify percentage*] per cent. x Max (0, [*Second Reference Currency Performance as defined below*], [*First Reference Currency Performance as defined below*])]

where:

"**EUR**" means the lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union and as amended by the Treaty of Amsterdam;

"**Expiration Date**" means [*specify date*];

"**Final EUR/[*Second Reference Currency*] Exchange Rate**" means the EUR/[*Second Reference Currency*] exchange rate (expressed as a number of [*Second Reference Currency*] per EUR 1.00), as observed by HSBC Bank plc as Calculation Agent on Reuters page [*specify page*] at [*specify time*] ([*London*] time) on the [*Expiration*] Date, *provided that* if such rate is not displayed on such Reuters page at such time the Calculation Agent will determine the Final EUR/[*Second Reference Currency*] Exchange Rate in its sole and absolute discretion, acting in good

faith;

"Final EUR/[First Reference Currency] Exchange Rate" means the EUR/[First Reference Currency] exchange rate (expressed as a number of [First Reference Currency] per EUR 1.00), as observed by HSBC Bank plc as Calculation Agent on [specify page] at [specify time] ([London] time) on the [Expiration] Date, *provided that* if such rate is not displayed on such Reuters page at such time the Calculation Agent will determine the Final EUR/[First Reference Currency] Exchange Rate in its sole and absolute discretion, acting in good faith;

"Final EUR/USD Exchange Rate" means the EUR/USD exchange rate (expressed as a number of USD per EUR 1.00), as observed by HSBC Bank plc as Calculation Agent on Reuters page [specify page] at [specify time] ([London] time) on the [Expiration] Date, *provided that* if such rate is not displayed on such Reuters page at such time the Calculation Agent will determine the Final EUR/USD Exchange Rate in its sole and absolute discretion, acting in good faith;

"Final USD/[Second Reference Currency] Exchange Rate" means the USD/[Second Reference Currency] exchange rate (expressed as an amount of [Second Reference Currency] per USD 1.00) as determined by HSBC Bank plc as Calculation Agent by dividing the Final USD/[Second Reference Currency] Exchange Rate by the Final EUR/USD Exchange Rate;

"Final USD/[First Reference Currency] Exchange Rate" means the USD/[First Reference Currency] exchange rate (expressed as an amount of [First Reference Currency] per USD 1.00) as determined by HSBC Bank plc as Calculation Agent by dividing the Final EUR/[First Reference Currency] Exchange Rate by the Final EUR/USD Exchange Rate;

"**Initial USD/[Second Reference Currency] Exchange Rate**" means [Second Reference Currency] [specify amount] per USD 1.00;

"**Initial USD/[First Reference Currency] Exchange Rate**" means [First Reference Currency] [specify amount] per USD 1.00;

"[Second Reference Currency]" means the lawful currency of [specify jurisdiction];

"[Second Reference Currency Performance]" means an amount determined by the Calculation Agent in accordance with the following formula:

[(Initial USD/[Second Reference Currency] Exchange Rate - Final USD/[Second Reference Currency] Exchange Rate)/Final USD/[Second Reference Currency] Exchange Rate.]

"[First Reference Currency]" means the lawful currency of [specify jurisdiction]; and

"[First Reference Currency Performance]" means an amount determined by the Calculation Agent in accordance with the following formula:

[(Initial USD/[First Reference Currency Performance] Exchange Rate - Final USD/[First Reference Currency Performance] Exchange Rate)/Final USD/[First Reference Currency Performance] Exchange Rate.]

- (iv) Determination Date(s): The Expiration Date
- (v) Provisions for determining final redemption amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: If any relevant exchange rate is not displayed on any of the specified Reuters Pages at the specified time on the Expiration Date, the Calculation Agent will determine the relevant exchange rate in its sole and absolute discretion, acting in good faith.
- (vi) Payment Date: The Maturity Date
- (vii) Minimum final redemption amount: Redemption at par

(viii) Maximum final redemption amount: Not applicable

25. **Instalment Note Provisions**

Instalment Notes: Applicable
(Condition 6(a))

(i) Instalment Amounts: The Notes shall be redeemed in [*specify number*] instalments, each payable on an Instalment Payment Date as defined in (ii) below. The Instalment Amount payable on an Instalment Payment Date in respect of each Note shall be the sum of:

(a) an amount in [*Reference Currency*] determined by the Calculation Agent in accordance with the following formula:

(Denomination/[*specify number equal to number of Observation Periods*] x Conversion Strike x (n/N); and

(b) an amount in USD determined by the Calculation Agent in accordance with the following formula:

Denomination/[*specify number*] x (1 - (n/N)).

For these purposes:

"**Conversion Strike**" means [*specify rate, as a number of Units of Reference Currency per 1 Unit of Specified Currency*];

"**Knock-Out Barrier**" means [*specify rate, as a number of Units of Reference Currency per 1 Unit of Specified Currency*];

"**n**" means, in respect of an Observation Period, the total number of Relevant Observation Windows during such Observation Period;

"**N**" means, in respect of an Observation Period, the total number of Observation Windows during such Observation Period;

"**Observation Period**" means (a) in respect of Instalment Payment Date 1 the period from and including [*specify time*] on [*specify date*] to but excluding [*specify time*] on [*specify date*] ("**Observation Period 1**"), (b) in respect of Instalment Payment Date 2 the period from and including [*specify time*] on [*specify date*] to but excluding [*specify time*] on [*specify date*] ("**Observation Period 2**"), (c) in respect of Instalment Payment Date 3 the period from and including [*specify time*] on [*specify date*] to but excluding [*specify time*] on [*specify date*] ("**Observation Period 3**"), and (d) in respect of Instalment Payment Date 4 the period from and including [*specify time*] on [*specify date*] to but excluding [*specify time*] on [*specify date*] ("**Observation Period 4**");

"**Observation Window**" means each period specified in [Annex 1 to these Final Terms];

"**Relevant Observation Window**" means an Observation Window during which the [*Specified Currency/Reference Currency*] Exchange Rate is greater than the Knock-Out Barrier at all times during such Observation Window, as determined by the Calculation Agent;

"**Spot Market**" means the global spot foreign exchange market which, for these purposes, shall be treated as being open continuously from [5.00 a.m. Sydney time] on a Monday in any week to [5.00 p.m. New York time] on the Friday of such week; and

"[*Specified Currency/Reference Currency*] **Exchange Rate**" means the spot exchange rate for [*Specified Currency/Reference Currency*] (expressed as a number of [*Reference Currency*] per [*Specified Currency*] 1.00) prevailing in the Spot Market as determined by the Calculation Agent.

- (ii) Dates for payment of Instalments: [*Specify date*] ("**Instalment Payment Date 1**"), [*specify date*] ("**Instalment Payment**

Date 2"), [*specify date*] ("**Instalment Payment Date 3**") and [*specify date*] ("**Instalment Payment Date 4**"), together with Instalment Payment Date 1, Instalment Payment Date 2 and Instalment Payment Date 3, the "**Instalment Payment Dates**" and each an "**Instalment Payment Date**").

26. Early redemption amount: Yes
- (i) Early redemption amount (upon redemption for taxation reasons, force majeure or following an Event of Default): [] per Calculation Amount [*specify — if not par, also specify details of any formula*]
(*Conditions 6(b), 6(h) or 10*)
- (ii) Other redemption provisions: [] per Calculation Amount [*specify - if not par, also specify details of any formula*]
(*Condition 6(i)*)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

27. Form of Notes:
(*Condition 1(a)*)
- (i) Form of Notes: [Bearer/Registered]
- (ii) Bearer Notes exchangeable for Registered Notes: [Yes/No] [*Answer will be no where no Registered Notes or where the issue is wholly or partly a Rule 144A issue*]
28. New Global Note: [Yes/No] [*Answer will be No if the Notes are not Bearer Notes*]
29. If issued in bearer form: [*specify*] [*Notes may only be represented initially by a Permanent Global Note if these Final Terms specifies that TEFRA C rules apply*]
- (i) Initially represented by a Temporary Global Note or Permanent Global Note: [*specify*] [*Notes may only be represented initially by a Permanent Global Note if these Final Terms specifies that TEFRA C rules apply*]
- (ii) Temporary Global Note exchangeable for Permanent Global Note and/or Definitive Notes and/or Registered Notes:
(*Condition 1(a)*) Yes [*specify*]
- (iii) Permanent Global Note exchangeable at the option of the bearer for Definitive Notes and/or Registered Notes: [Yes - *specify/No*]

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- (iv) Coupons to be attached to Definitive Notes: [Yes/No/Not applicable]
[N.B. This will need to be considered even if Permanent Global Notes are not exchangeable at the bearer's option into Definitive Notes because of exchangeability upon "melt down" of clearing systems - see provisions contained in Permanent Global Note]
- (v) Talons for future Coupons to be attached to Definitive Notes: [Yes/No/Not applicable]
[N.B. The above comment also applies here]
- (vi) (a) Definitive Notes to be security printed: [Yes/No]
[N.B. The above comment also applies here]
- (b) if the answer to (a) is yes, whether steel engraved plates will be used: [Yes/No/Not applicable]
- (vii) Definitive Notes to be in ICMA or successor's format: [Yes/No]
[N.B. The above comment also applies here]
- (viii) Issuer or Noteholder to pay costs of security printing: [Issuer/Noteholder/Not applicable]
30. Exchange Date for exchange of Temporary Global Note: [specify]
31. Payments:
(Condition 8)
- (i) Method of payment: *[specify if other than by cheque or transfer to a designated account]*
- (ii) Relevant Financial Centre Day: *[specify any additional places]*
32. Party Paid Notes: [Yes/No]
(Condition 1)
- If yes, specify number, amounts and dates for, and method of, payment of instalments of subscription monies and any further additional provisions (including forfeiture dates in respect of late payments of partly paid instalments) [specify]
33. Redenomination: [Applicable/Not applicable]
(Condition 9)
- (i) Redenomination: [Applicable/Not applicable]
- (ii) Exchange: [Applicable/Not applicable]
34. Other final terms: [Not applicable/specify/See Annex]

(When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)

DISTRIBUTION

- | | | |
|-----|---|---|
| 35. | (i) If syndicated, names [, addresses and underwriting commitments] ⁸ of Relevant Dealer(s)/Lead Manager(s): | [Not applicable / HSBC Bank plc / <i>other - give name</i>]
[Give addresses and underwriting commitments] ⁸ |
| | (ii) If syndicated, names [, addresses and underwriting commitments] ⁸ of other Dealers/Managers (if any): | [Not applicable/ <i>other - give name</i>]
[Give addresses and underwriting commitments] ⁸

<i>(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)</i> |
| | (iii) Date of Subscription Agreement ⁸ : | [] |
| | (iv) Stabilising Manager (if any): | [Not applicable/ <i>give name</i>] |
| 36. | If non-syndicated, name [and address] ⁸ of Relevant Dealer: | [Not applicable/ <i>give name [and address]</i>] |
| 37. | Total commission and concession: | [] per cent. of the Aggregate Principal Amount ⁸ |
| 38. | Selling restrictions: | [For Bearer Notes: TEFRA C Rule/TEFRA D Rule] |
| | United States of America: | [Notes may not be offered or sold within the United States of America or to or for the account or benefit of a US person (as defined in Regulation S)]

[Notes may be offered or sold within the United States of America or to or for the account or benefit of a US person (as defined in Regulation S) only in compliance with the provisions set forth under "Transfer Restrictions."] |
| | Non-exempt Offer: | [Not applicable][An offer of the Notes may be made by the Managers [and <i>specify, if</i> |

⁸ Not required for debt securities with a denomination per unit of at least EUR50,000.

applicable]] other than pursuant to Article 3(2) of the Prospectus Directive in [*specify relevant Member State(s) - which must be jurisdictions where the Prospectus and any supplements have been passported*] ("**Public Offer Jurisdictions**") during the period from [*specify date*] until [*specify date*] ("**Offer Period**"). See further paragraphs 25 to 36 of Part B below.

Other: [*specify any modifications of, or additions to, selling restrictions contained in Dealer Agreement*]

39. Stabilisation: [Not applicable / **In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of the Stabilising Manager(s)) in the relevant Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant stabilisation manager(s) (or person(s) acting on behalf of any stabilisation managers) in accordance with all applicable laws and rules.**]

[LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the Programme for the Issuance of Notes and Warrants of HSBC Bank plc.]

[In offers of Currency-Linked Notes pursuant to Rule 144A insert:

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers of Notes offered in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Notes.

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

- (a) such 144A Offeree acknowledges that these Final Terms and the accompanying Base Prospectus is personal to such 144A Offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes other than pursuant to Rule 144A or in offshore transactions in accordance with Regulation S. Distribution of these Final Terms and the accompanying Base Prospectus, or disclosure of any of its contents, to any person other than such 144A Offeree and those persons, if any, retained to advise such 144A Offeree with respect thereto and other persons meeting the requirements of Rule 144A or Regulation S is 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 these Final Terms and the accompanying Base Prospectus or any documents referred to herein.

Each purchaser of Notes in reliance on Rule 144A ("**Restricted Notes**") will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A are used herein as defined therein):

- (1) The purchaser (A) is a qualified institutional buyer within the meaning of Rule 144A, (B) is acquiring the Notes for its own account or for the account of such a qualified institutional buyer, and (C) such person is aware that the sale of the Notes to it is being made in reliance on Rule 144A.
- (2) The purchaser understands that the Rule 144A Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and the Notes offered hereby have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except in accordance with the legend set forth below.
- (3) The purchaser understands that the Rule 144A Global Registered Notes, the Restricted Global Registered Notes and any US Definitive Registered Notes (as defined in "Summary of Provisions relating to the Notes while in Global Form" in the accompanying Base Prospectus) issued in exchange for interests therein will bear a legend (the "**Rule 144A Legend**") to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR ANY STATE SECURITIES LAWS OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE

PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF THE ISSUER THAT THIS NOTE MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (A) IN THE UNITED STATES ONLY TO "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A")), (B) TO NON-US 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 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (D) TO THE ISSUER OR ITS AFFILIATES. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE."

In addition, each purchaser of Restricted Notes acknowledges that the Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Restricted Notes for the account of one or more qualified institutional buyers it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Before any interest in a Note represented by a Restricted Global Registered Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Registered Note, it will be required to provide the Registrar with written certification as to compliance with the transfer restrictions referred to in sub-clause (B) and (C) of the legend set forth above. See "Summary of Provisions relating to the Notes While in Global Form" in the accompanying Base Prospectus.]

[RESPONSIBILITY]

The Issuer accepts responsibility for the information contained in these Final Terms. [*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced inaccurate or misleading.]

CONFIRMED

HSBC BANK PLC

By: _____
Authorised Signatory

Date: _____

PART B - OTHER INFORMATION

1. LISTING

(i) Listing: [Application [will be/has been] made to admit the Notes to listing on the Official List of the Financial Services Authority [on or around the Issue Date/ *[insert date]*] pursuant to Listing Rule [17/19⁹]. No assurance can be given as to whether or not, or when, such application will be granted/*other (specify)*/Not applicable]

(ii) Admission to trading: [Application [will be/has been] made for the Notes to be admitted to trading [on the Regulated Market/*other (specify)*] with effect from [the Issue Date/ *[insert date]*]. No assurance can be given as to whether or not, or when, such application will be granted.] [Application has been made to have the Notes admitted to trading on the PORTAL System of the US National Association of Securities Dealers.] [Not applicable]

[(Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)]¹⁰

(NB: Notes admitted to trading to the UK Regulated Market will also be admitted to the Official List as a matter of course.)

2. RATINGS

Ratings: [The long term senior debt of HSBC Bank plc has been rated:]

[S&P: [•]]

[Moody's: [•]]

[[other]: [•]]

[The Notes have not specifically been rated.]

⁹ To be included in respect of all issues which are to be admitted to listing. Delete as appropriate. Please refer to the Listing Rules. Listing Rule 17 applies to debt securities, asset backed securities, and convertible securities. Listing Rule 19 applies to securitised derivatives.

¹⁰ Not required for debt securities with a denomination per unit of at least EUR50,000.

3. **[NOTIFICATION]**

The *[include name of competent authority in EEA home Member State]* *[has been requested to provided/has provided - include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues]* the *[include names of competent authorities of host Member States]* with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

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

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in ["Subscription and Sale"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)]

5. **[REASONS FOR THE OFFER ESTIMATED NET PROCEEDS AND TOTAL EXPENSES]**

(i) Reasons for the offer: []

[If reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.]

(ii) Estimated net proceeds: *(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*

(iii) Estimated total expenses: *[Include breakdown of expenses]¹¹*

(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above)

6. **[Fixed rate Notes only - YIELD]**

¹¹ Not required for debt securities with a denomination per unit of at least EUR50,000.

Indication of yield: [Calculated as [*include details of method of calculation in summary form*] on the Issue Date]¹²

[As set out above, the] [The] yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]]

7. **[*Floating Rate Notes only* - HISTORIC INTEREST RATES**

[Details of historic [LIBOR/EURIBOR/*other (specify)*] rates can be obtained from [Reuters].]¹³

8. **[PERFORMANCE OF THE UNDERLYING**

Need to include details of where past and future performance and volatility of the underlying exchange rate can be obtained [and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident]¹⁴¹⁵.

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)]

The Issuer [intends to provide post-issuance information [*specify what information will be reported and where it can be obtained*]] [does not intend to provide post-issuance information].

9. **[Dual Currency/Multi-currency Notes only - PERFORMANCE OF EXCHANGE RATE(S) [AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS]¹¹**

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained [and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident]¹⁶.]¹⁰

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)]

¹² Not required for debt securities with a denomination per unit of at least EUR50,000.

¹³ Not required for debt securities with a denomination per unit of at least EUR50,000.

¹⁴ Not required for debt securities with a denomination per unit of at least EUR50,000.

¹⁵ Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies (i.e. if the Final Redemption Amount is less than 100 per cent. of the nominal value of the Notes).

¹⁶ Not required for debt securities with a denomination per unit of at least EUR50,000.

OPERATIONAL INFORMATION

10. ISIN Code: []
11. Common Code: []
12. CUSIP: []
13. New Global Note intended to be held in a manner which would allow Eurosystem eligibility: [Yes] [No]
 [Note that the designation "Yes" simply means that the Notes are intended upon issue to be delivered to the Common Safekeeper acting as agent for Euroclear or Clearstream, Luxembourg and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria] *[include this text if "yes" selected in which case the Notes must be issued in NGN form]*
14. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [None/specify]
15. Delivery: Delivery [against/free of] payment
16. Settlement procedures: [Eurobond/Medium Term Note/other specify]
17. Additional Paying Agent(s) (if any): [None/specify]
18. Common Depositary: [specify]
19. Agent Bank/Calculation Agent: [HSBC Bank plc] [HSBC France] [other (specify)]
- is Calculation Agent to make calculations? [Yes/No]
- if not, identify calculation agent: *[N.B. Calculation agent appointment letter required]*
20. Notices: (Condition 13) [specify any other means of effecting communication]
21. City in which specified office of Registrar to be maintained: [specify]

(Condition 14)

22. Other relevant Terms and Conditions: []
23. Other Final Terms: []¹⁷
24. ERISA Considerations: []

TERMS AND CONDITIONS OF THE OFFER [*this section applies only to public offers*]

25. Offer Price: [Issue Price][*other (specify)*]
26. Conditions to which the offer is subject: [Not applicable/*give details*]
27. Description of the application process: [Not applicable/*give details*]
28. Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not applicable/*give details*]
29. Details of the minimum and/or maximum amount of application: [Not applicable/*give details*]
30. Details of the method and time limits for paying up and delivering the Notes: [Not applicable/*give details*]
31. Manner in and date on which results of the offer are to be made public: [Not applicable/*give details*]
32. Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not applicable/*give details*]
33. Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries: [Not applicable/*give details*]
34. Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not applicable/*give details*]
35. Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not applicable/*give details*]

¹⁷ If new term constitutes a "significant new factor", consider whether supplement to the Prospectus is required.

36. Name(s) and address(es), to the extent [Not applicable/*give details*]
known to the Issuer, of the placers in the
various countries where the offer takes
place:

***Pro Forma* Final Terms for Currency-Linked Warrants**

Set out below is the form of Final Terms which will be completed for each Tranche of Currency-Linked Warrants issued under the Programme.

[Warrants issued pursuant to these Final Terms are securities to be listed under Listing Rule 19.¹]

Final Terms dated [•]

Series No.: [•]

Tranche No.: [•]

HSBC Bank plc

Programme for the Issuance of Notes and Warrants

Issue of

[Number of Warrants]

[Title of Warrants]

PART A - CONTRACTUAL TERMS

This document constitutes the Final Terms relating to the issue of the Tranche of Warrants described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 30 July 2009 in relation to the above Programme [and the supplemental Prospectus dated []² which [together] constitute[s] 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 [as so supplemented]. Full information on the Issuer and the offer of the Warrants is only available on the basis of the combination of these Final Terms and the Prospectus. [The Prospectus [and the supplemental Prospectus] [is] [are] is available for viewing at [address] [and] [website]³ and copies may be obtained from [address].]

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Prospectus dated [original date] [and the supplemental Prospectus dated []]. This document constitutes the Final Terms of the notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus dated [current date] [and the supplemental Prospectus dated []], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the [Prospectus] dated [original date] [and the supplemental Prospectus dated []] and are attached hereto. Full information on the Issuer and the

¹ To be included in respect of all warrants which are to be admitted to listing.

² Only include details of supplement Prospectus in which the Conditions have been amended for the purposes of all issues under the Programme.

³ If required by the UKLA in accordance with Article 14 of the Prospectus Directive.

offer of the Warrants is only available on the basis of the combination of these Final Terms and the Prospectus(es) dated [original date] and [current date] [and the supplemental Prospectus dated [] and []]. [The Prospectus(es) are available for viewing at [address] and copies may be obtained from [address]].

The Issuer accepts responsibility for the information set out in the Annex hereto (which forms part of these Final Terms) concerning [*description of underlying Index/Indices/Securities*] (the "[] **Information**"), which is derived from publicly available information and is intended as a summary only of the information from which it is derived. The Issuer confirms that the [•] Information has been accurately reproduced from information available from the information source specified herein and that, so far as the Issuer is aware and is able to ascertain from Information available from such source, no facts have been omitted which would render the reproduced Information inaccurate or misleading. The Issuer accepts responsibility for having correctly extracted the [] Information from such publicly available information.

The [] Information is of limited scope. In deciding whether or not to purchase Warrants, investors should conduct their own investigations of [*description of underlying*] and form their own view of the merits of [*description of underlying*] based upon such investigations and not in reliance upon the [•] Information.]]

[For Warrants offered and sold in the United States of America include:

IMPORTANT NOTICES

THE WARRANTS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), THE STATE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION, AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, US 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-US PERSONS (AS DEFINED IN REGULATION S) 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.

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

Investing in the Currency-Linked Warrants (the "Warrants") involves substantial risks. As a consequence, prospective investors should be aware that the Warrants are only intended for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks of an investment in the Warrants. In purchasing any Warrants, an investor will be deemed to represent that it is such an investor and has such knowledge and experience. Prospective investors should consider the risk factors set forth under "Risk Factors" at pages A-4 to A-40 and H-5 of the Prospectus and the risks described herein.

[Include whichever of the following apply or specify as "Not applicable". Note that the numbering should remain as set out below, even if "Not applicable" is indicated for individual paragraphs or subparagraphs. Italics denote guidance for completing the Final Terms.]

[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

- | | | |
|----|--|-------------------------------|
| 1. | Issuer: | HSBC Bank plc |
| 2. | Principal Warrant Agent: | HSBC Bank plc |
| 3. | Calculation Agent: | [HSBC Bank plc] [HSBC France] |
| 4. | Warrant Agent: | HSBC Bank plc |
| 5. | (i) Series number: | [] |
| | (ii) [Tranche number: | [] |
| | (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).] | |
| 6. | Currency or currencies: | [] |
| 7. | Aggregate Number of Warrants in | |

- the:
- [(i) Series: []
- [(ii) Tranche:] []
8. Issue Date: []
9. Issue Price: [currency] [amount] per Warrant
10. Strike Price: [currency] [amount]
11. Listing of Warrants: [Application has been made for the Warrants to be admitted to the Official List of the UK Listing Authority and admitted to trading on the Regulated Market of the London Stock Exchange/other (specify)/ None]
12. Date [Board] approval for the issuance of Warrants obtained: [] [and [], respectively]]
(*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)
13. Type of Warrants: []
14. Series represented by: [Global Warrant⁴]/[Global Registered Warrants]. Warrants in definitive form [will/will not] be issued.] [other (specify)]
15. Style of Warrants: The Warrants are [American/European/Bermudan/other (specify)] Style [Call/Put] Warrants. Condition [3(a)/3(b)] is applicable.
16. (i) Expiry Date: [Time] [City] time [specify fallback if Expiry Date is not a business day]
- (ii) Exercise Procedure: [Condition 4 is applicable/other (specify)]
- (iii) Exercise Period: [American Style Warrants only]. [The period beginning from (and including) [] and ending on (and including) the Expiry Date].
- (iv) Potential Exercise Date(s): [Bermudan Style Warrants only] [insert date]
17. (i) Minimum Exercise Number: [] Warrants

⁴ Warrants will be in bearer form represented by a Global Warrant. If and only if Warrants are being sold in reliance on Rule 144A will they be in registered form and represented by a Global Registered Warrant.

- (ii) Permitted Multiple: [] Warrants
18. Cash Settlement: Applicable. The Warrants are Cash Settlement Warrants. Condition 3(d) applies.
- (i) Settlement Currency: []
- (ii) Cash Settlement Amount: Currency-linked. See paragraph 24 [and/or 25].
- (iii) Cash Settlement Payment Date: []
19. Physical Settlement: [Not applicable]
20. Averaging Date Market Disruption:
21. Business Day: [As in the Conditions/*other (specify)*]
22. Determination Date: []
23. Selling Restrictions: In addition to selling restrictions listed in "Purchase and Sale of the Warrants" contained in the Base Prospectus:
- [Specify any selling restrictions applicable to the Warrants which are additional to, or in substitution for, those contained in the Base Prospectus]
24. Cash Settlement Amount of each Warrant: If, in the determination of the Calculation Agent, the final [*Specified Currency/Reference Currency*] Exchange Rate is less than or equal to [*specify rate*], then the Cash settlement amount of each Warrant will be [•]
- If, in the determination of the Calculation Agent, the Final [*Specified Currency/Reference Currency*] Exchange Rate is greater than [*specify rate*], then the Cash Settlement Amount of each Warrant at an amount determined by the Calculation Agent in accordance with the following formula:
- [Denomination] x [*specify number*] - ([*specify number*] x (Final [*Specified Currency/Reference Currency*] Exchange Rate / [*specify number*]))],
- provided, however, that the final redemption amount shall never be less than zero.*
- For the purposes hereof:
- "**Expiration Date**" means [*specify date*];

"**Final [Specified Currency/Reference Currency] Exchange Rate**" means the [Specified Currency/Reference Currency] Exchange Rate (expressed as a number of [Reference Currency] per [Specified Currency] 1.00) as of [12:00 noon (London time)] on the [Expiration] Date, as determined by the Calculation Agent;

"[Reference Currency]" means the lawful currency of [Reference Currency Jurisdiction]; and

"[Specified Currency/Reference Currency] Exchange Rate" means the [Specified Currency/Reference Currency] Exchange Rate (expressed as a number of [Reference Currency] per [Specified Currency] 1.00) at [12:00 noon (London time)] on the [Expiration] Date as determined by the Calculation Agent acting in good faith.

25. **Cash Settlement Amount for Warrants linked to two exchange rates**

Cash Settlement Amount of each Applicable Warrant in cases where the cash settlement amount is Index-Linked or other variable-linked:

- (i) Index/Formula/other variable: The [Specified Currency/First Reference Currency] Exchange Rate and the [Specified Currency/Second Reference Currency] Exchange Rate
- (ii) Calculation Agent responsible for calculating the final redemption amount: HSBC Bank plc, 8 Canada Square, London E14 5HQ
- (iii) Provisions for determining final redemption amount where calculated by reference to Index and/or Formula and/or other variable: Unless previously redeemed, or purchased and cancelled in accordance with the Conditions, the Cash Settlement Amount payable by the Issuer in respect of each Warrant shall be an amount in [Specified Currency] determined on the Exercise Date by the Calculation Agent in accordance with the following formula:

[Denomination + [specify percentage] per cent. x Max (0, [Second Reference Currency Performance as defined below], [First Reference Currency Performance as defined below])]

where:

"**EUR**" means the lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union and as amended by the Treaty of Amsterdam;

"**Expiration Date**" means *[specify date]*;

"**Final EUR/[Second Reference Currency] Exchange Rate**" means the EUR/[*Second Reference Currency*] exchange rate (expressed as a number of [*Second Reference Currency*] per EUR 1.00), as observed by HSBC Bank plc as Calculation Agent on Reuters page [*specify page*] at [*specify time*] ([London] time) on the [*Expiration*] Date, *provided that* if such rate is not displayed on such Reuters page at such time the Calculation Agent will determine the Final EUR/[*Second Reference Currency*] Exchange Rate in its sole and absolute discretion, acting in good faith;

"**Final EUR/[First Reference Currency] Exchange Rate**" means the EUR/[*First Reference Currency*] exchange rate (expressed as a number of [*First Reference Currency*] per EUR 1.00), as observed by HSBC Bank plc as Calculation Agent on [*specify page*] at [*specify time*] ([London] time) on the Expiration Date, *provided that* if such rate is not displayed on such Reuters page at such time the Calculation Agent will determine the Final EUR/[*First Reference Currency*] Exchange Rate in its sole and absolute discretion, acting in good faith;

"**Final EUR/USD Exchange Rate**" means the EUR/USD exchange rate (expressed as a number of USD per EUR 1.00), as observed by HSBC Bank plc as Calculation Agent on Reuters page [*specify page*] at [*specify time*] ([London] time) on the Expiration Date, *provided that* if such rate is not displayed on such Reuters page at such time the Calculation Agent will determine the Final EUR/USD Exchange Rate in its sole and absolute discretion, acting in good faith;

"Final [USD/Second Reference Currency] Exchange Rate" means the EUR/[Second Reference Currency] exchange rate (expressed as an amount of [Second Reference Currency] per USD 1.00) as determined by HSBC Bank plc as Calculation Agent by dividing the Final EUR/[Second Reference Currency] Exchange Rate by the Final EUR/USD Exchange Rate;

"Final USD/[First Reference Currency] Exchange Rate" means the USD/[First Reference Currency] exchange rate (expressed as an amount of [First Reference Currency] per USD 1.00) as determined by HSBC Bank plc as Calculation Agent by dividing the Final EUR/[First Reference Currency] Exchange Rate by the Final EUR/USD Exchange Rate;

"Initial USD/[Second Reference Currency] Exchange Rate" means [Second Reference Currency] [specify amount] per USD 1.00;

"Initial USD/[First Reference Currency] Exchange Rate" means [First Reference Currency] [specify amount] per USD 1.00;

"[Second Reference Currency]" means the lawful currency of [specify jurisdiction];

"[Second Reference Currency Performance]" means an amount determined by the Calculation Agent in accordance with the following formula:

$$\frac{[(\text{Initial USD}/[\text{Second Reference Currency}] \text{ Exchange Rate} - \text{Final USD}/[\text{Second Reference Currency}] \text{ Exchange Rate})/\text{Final USD}/[\text{Second Reference Currency}] \text{ Exchange Rate}.]$$

"[First Reference Currency]" means the lawful currency of [specify jurisdiction]; and

"[First Reference Currency Performance]" means an amount determined by the Calculation Agent in accordance with the following formula:

$$\frac{[(\text{Initial USD}/[\text{First Reference Currency Performance}] \text{ Exchange Rate} - \text{Final USD}/[\text{First Reference Currency Performance}] \text{ Exchange Rate})/\text{Final USD}/[\text{First Reference Currency Performance}] \text{ Exchange Rate}.]$$

- (iv) Determination Date(s): The Exercise Date

- (v) Provisions for determining cash settlement amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: If any relevant exchange rate is not displayed on any of the specified Reuters Pages at the specified time on the Expiration Date the Calculation Agent will determine the relevant exchange rate in its sole and absolute discretion, acting in good faith.
- (vi) Payment Date: The Exercise Date
- (vii) Other Information: []

[LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Warrants described herein pursuant to the Programme for the Issuance of Notes and Warrants of HSBC Bank plc.]

[In offers of Currency-Linked Warrants pursuant to Rule 144A insert:

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers of Warrants offered in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Warrants.

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

- (a) such 144A Offeree acknowledges that these Final Terms and the accompanying Base Prospectus is personal to such 144A Offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Warrants other than pursuant to Rule 144A or in offshore transactions in accordance with Regulation S. Distribution of these Final Terms and the accompanying Base Prospectus, or disclosure of any of its contents, to any person other than such 144A Offeree and those persons, if any, retained to advise such 144A Offeree with respect thereto and other persons meeting the requirements of Rule 144A or Regulation S is 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 these Final Terms and the accompanying Base Prospectus or any documents referred to herein.

Each purchaser of Warrants sold in reliance on Rule 144A ("**Restricted LEPOs**") will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A are used herein as defined therein):

- (1) The purchaser (A) is a qualified institutional buyer within the meaning of Rule 144A, (B) is acquiring the Warrants for its own account or for the account of a qualified institutional buyer, and (C) such person is aware that the sale of the Warrants to it is being made in reliance on Rule 144A.

- (2) The purchaser understands that the Rule 144A 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 Warrants will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

"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-US 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 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (D) TO THE ISSUER OR ITS AFFILIATES. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS WARRANT FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

ANY EXERCISE OF THIS WARRANT WILL BE CONDITIONED ON (1) THE DELIVERY OF A DULY EXECUTED EXERCISE NOTICE BY THE HOLDER HEREOF AND (2) WITH RESPECT TO EXERCISE BY ANY US PERSON (AS DEFINED IN REGULATION S), THE UNDERLYING SECURITIES BEING (A) REGISTERED UNDER THE SECURITIES ACT OR (B) SUBJECT TO AN EXEMPTION FROM REGISTRATION THEREUNDER AT THE TIME OF SUCH EXERCISE."

- (4) Each purchaser of Restricted Warrants acknowledges that the Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Restricted 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.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms.

CONFIRMED

HSBC BANK PLC

By: _____
Authorised Signatory

Date: _____

PART B - OTHER INFORMATION

1. LISTING

(i) Listing: [Application [will be/has been] made to admit the Warrants to listing on the Official List of the Financial Services Authority [on or around the Issue Date/ *[insert date]*] 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: [Application has been made for the Warrants to be admitted to trading [on the Regulated Market/*other (specify)*] with effect from [the Issue Date/ *[insert date]*]. No assurance can be given as to whether or not, or when, such application will be granted.] [Application has been made to have the Warrants admitted to trading on the PORTAL System of the US National Association of Securities Dealers.] [Not applicable]

[(Where documenting a fungible issue need to indicate that original warrants are already admitted to trading.)]⁵

2. [NOTIFICATION]

The [*include name of competent authority in EEA home Member State*] [has been requested to provided/has provided - *include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues*] the [*include names of competent authorities of host Member States*] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

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

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in ["Purchase and Sale of the Warrants"], so far as the Issuer is aware, no person involved in the offer of the Warrants has an interest material to the offer."

⁵ Not required for debt securities with a denomination per unit of at least EUR50,000.

4. **[REASONS FOR THE OFFER ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

- (i) Reasons for the offer: []
(See ["Use of Proceeds"] wording in Prospectus - if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]
- (ii) Estimated net proceeds: *(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*
- (iii) Estimated total expenses: *[Include breakdown of expenses]⁶*
(If the Warrants are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above)

5. **[THE UNDERLYING**

Need to include details of where past and future performance and volatility of the underlying exchange rate can be obtained [and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident].⁷⁸

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)]

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information].

OPERATIONAL INFORMATION

⁶ Not required for debt securities with a denomination per unit of at least EUR50,000.

⁷ Not required for debt securities with a denomination per unit of at least EUR50,000.

⁸ Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies (i.e. if the Final Redemption Amount is less than 100 per cent. of the nominal value of the Notes).

Part H - Product Supplement for Currency-Linked Notes and Warrants - Pro Forma Final Terms for Currency-Linked Warrants

6. ISIN Code: []
7. Common Code: []
8. CUSIP: []
9. Valoren Number: []
10. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [None/specify]
11. Delivery: Delivery [against/free of] payment
12. Additional Paying Agent(s) (if any): [None/specify]
13. Common Depository: [specify]
14. Notices: [specify any other means of effecting communication]
(Condition 10)
15. City in which specified office of Registrar to be maintained: [specify]
16. Other relevant Terms and Conditions: []
17. Other Final Terms: []⁹
18. ERISA Considerations: []

TERMS AND CONDITIONS OF THE OFFER [*this section applies only to public offers*]

19. Offer Price: [Issue Price][other (specify)]
20. Conditions to which the offer is subject: [Not applicable/give details]
21. Description of the application process: [Not applicable/give details]
22. Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not applicable/give details]
23. Details of the minimum and/or maximum amount of application: [Not applicable/give details]
24. Details of the method and time limits for paying up and delivering the Notes: [Not applicable/give details]
25. Manner in and date on which results of the offer are to be made public: [Not applicable/give details]

⁹ If new term constitutes a "significant new factor", consider whether supplement to the Prospectus is required

26. Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not applicable/*give details*]
27. Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries: [Not applicable/*give details*]
28. Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not applicable/*give details*]
29. Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not applicable/*give details*]
30. Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place: [Not applicable/*give details*]

**REGISTERED AND HEAD OFFICE
OF THE ISSUER**

HSBC Bank plc
8 Canada Square
London E14 5HQ
UK

DEALER

HSBC Bank plc
8 Canada Square
London E14 5HQ
UK

**PRINCIPAL PAYING AGENT,
PRINCIPAL WARRANT AGENT,
ISSUE AGENT, REGISTRAR,
TRANSFER AGENT AND
AUTHENTICATION AGENT**

HSBC Bank plc
8 Canada Square
London E14 5HQ
UK

CALCULATION AGENT

HSBC Bank plc
8 Canada Square
London E14 5HQ
UK

**LEGAL ADVISERS TO THE ISSUER
AND THE DEALER**

as to English law

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ
UK

AUDITORS OF THE ISSUER

KPMG Audit Plc
7th Floor
1 Canada Square
London E14 5AG
UK

PART I - PRODUCT SUPPLEMENT FOR CREDIT-LINKED NOTES



HSBC BANK plc

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

as Issuer

PROGRAMME FOR THE ISSUANCE OF NOTES AND WARRANTS

Credit-Linked Notes

This Product Supplement in relation to Credit-Linked Notes constitutes Part I ("**Part I**") of the Base Prospectus dated 30 July 2009 (the "**Base Prospectus**") prepared by HSBC Bank plc (the "**Bank**" or the "**Issuer**") in relation to the Programme for the Issuance of Notes, Certificates and Warrants (the "**Programme**") described therein in connection with the application made for Notes or Warrants to be admitted to listing on the Official List of the Financial Services Authority (in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (the "**FSA**")), and to trading on the Regulated Market of the London Stock Exchange plc (the "**London Stock Exchange**").

To the extent that there is any inconsistency between any statement in this Part I and any other statement in, or incorporated by reference in, other Parts of the Base Prospectus, the statements in this Part I will prevail for the purposes of Part I.

Notes issued pursuant to the Programme may include "**Credit-Linked Notes**" being Notes in relation to which the interest rate and/or the redemption amount payable at maturity reflects the performance of a single reference entity or a diversified portfolio of underlying reference entities with differing credit risk. The purpose of this Part I is to provide information in relation to Credit-Linked Notes. This Part I should be read together with Parts A and B of the Base Prospectus.

An investment in Credit-Linked Notes involves risks. See "Risk Factors Relating to Credit-Linked Notes" (beginning on page I-4 of this Part I) in addition to those included in Part A of the Base Prospectus under the heading "Risk Factors" (beginning on page A-6).

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Part I or any other information supplied in connection with the Credit-Linked Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer.

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

The distribution of this Part I and the offer, distribution or sale of Credit-Linked Notes may be restricted by law in certain jurisdictions. The Issuer does not represent that this document may be lawfully distributed, or that the Credit-Linked Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, action may be required to be taken to permit a public offering of the Credit-Linked Notes or a distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Credit-Linked Notes may be offered or sold, directly or indirectly, and neither this Part I 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 Part I or the Credit-Linked Notes come must inform themselves about, and observe, any such restrictions.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), the state securities laws of any state of the United States or the securities laws of any other jurisdiction, and may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Arranger and Dealer
HSBC

30 July 2009

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Risk Factors relating to Credit-Linked Notes

Further to the risk factors set out in the Base Prospectus under the heading "Risk Factors" (beginning on page A-6 of the Base Prospectus), the risk factors applicable to Credit-Linked Notes are repeated below:

General factors relating to Credit-Linked Notes

Investors and prospective investors in Credit-Linked Notes should ensure that they understand the nature of the Notes and the extent of their exposure to risk and that they consider the suitability of the Notes as an investment in the light of their own circumstances and financial condition.

The occurrence of certain events or circumstances, in each case as specified in the Final Terms, (each, a "**Credit Event**") will affect the value of Credit-Linked Notes and the Issuer's obligation to pay principal may be replaced by an obligation to pay other amounts calculated by reference to the value of the credit of the underlying reference entity, reference entities, reference obligation(s), underlying obligation(s) and/or to deliver such reference obligation(s) or underlying obligation(s). The Issuer's obligations in respect of Credit-Linked Notes are not dependent on the existence of actual credit exposure of the Issuer to one or more underlying reference entities and the Issuer need not itself suffer any loss nor provide evidence of any loss as a result of the occurrence of a Credit Event.

If a Credit Event, as specified in the relevant Final Terms, occurs in relation to which a Credit Event Notice (as defined in the relevant Final Terms) has been given in respect of one or more reference entities, the Notes will be redeemable at the option of the Issuer exercised at any time thereafter, and irrespective of whether the relevant Credit Event is continuing, and the Issuer's obligation to pay the principal of the Notes upon redemption shall be replaced with an obligation to pay other amounts and/or deliver certain obligations, as described above.

In particular, investors in Credit-Linked Notes should note that:

- (a) the Issuer's obligations to pay interest on the Notes and to redeem the Notes at their principal amount may be subject to the conditions precedent that no Credit Event Notice has been given. If any Credit Event Notice is given on or before the Maturity Date or (if applicable) the Extended Maturity Date (as defined in the relevant Final Terms) then, unless specified otherwise, (1) no interest in respect of the interest period current on the date on which such Credit Event Notice is given or any subsequent period shall be payable by the Issuer (but without prejudice to any interest payments already made to Noteholders or which became due and payable before the Credit Event Notice was given); and (2) the Issuer may or may not be obliged to redeem the Notes at their principal amount;
- (b) if so specified in the relevant Final Terms, the sole obligation of the Issuer with regard to redemption of the Notes may be to redeem the Notes by physical delivery of Deliverable Obligations (as defined in the relevant Final Terms) or as otherwise provided in the Conditions, rather than by cash redemption or, alternatively, the Issuer's obligation to redeem the Notes may be replaced by an obligation to pay a cash amount (which may be zero) calculated by reference to the value of certain reference obligations, as specified in the Final Terms; and
- (c) it shall be the responsibility of the Noteholders to ensure that their accounting, regulatory and all other treatments of the Notes are consistent with the conditional nature of the Noteholders' entitlement to receive the payments referred to above.

The Issuer may exercise its right to deliver a Credit Event Notice at any time after the occurrence of a Credit Event even if the Credit Event is not continuing at the time such right is exercised. Noteholders will have no right to compel the Issuer to exercise its rights and no right to control the timing of such exercise. Furthermore, Noteholders will have no right to remedy, waive or rescind the Credit Event or take any action to mitigate the ultimate loss which may be imposed upon them by virtue of their interest in the Notes and will bear the risk of any change in the value of obligations of the affected reference entity between the date of the Credit Event and, if physical settlement is applicable, the date of their receipt of any Deliverable Obligations, and if cash settlement is applicable, the Valuation Date (as defined in the relevant Final Terms). During this period there could be a substantial decrease in the value of such obligations.

If a Credit Event occurs and the Issuer gives a Credit Event Notice, the following risks may arise:

- (a) If physical settlement is applicable, holders may not receive physical delivery of Deliverable Obligations but may instead receive a cash payment based on the value of such obligations. Specifically, the Issuer is not required to deliver Deliverable Obligations if it is impossible or illegal for the Issuer to deliver the Deliverable Obligations identified in the Notice of Physical Settlement. Furthermore, even if the Issuer does deliver Deliverable Obligations but because of differences between the authorised denominations of the Deliverable Obligations and the Notes, or because of transfer restrictions imposed on such Deliverable Obligations by the issuer thereof, or if for any other reason any part of the Deliverable Obligations cannot be fully transferred in kind to any Noteholders, Noteholders will not receive such Deliverable Obligations but rather will receive a cash payment based on the value of such obligations. Since the market value of an obligation which has experienced a Credit Event is likely to be extremely volatile and may not reflect the amount which ultimately would be paid on such obligation, a cash payment based on the value of a Deliverable Obligation may be depressed and not reflect the ultimate recovery value of such Obligation or the amount the holder would receive if it were in control of the disposition of such obligation. The Deliverable Obligations selected by the Issuer may be illiquid and there is no assurance that the price realised in connection with a cash settlement of such obligation will reflect the holders' assessment of such value.
- (b) Unless Noteholders receive Deliverable Obligations, they will have no ability to exercise the rights customarily afforded a creditor in connection with its holding of Deliverable Obligations.
- (c) Under the terms of the Notes, the Issuer will be free to select for the purposes of constituting the Portfolio any obligations of the reference entity in respect of which such Credit Event has occurred (whether as principal, guarantor or otherwise) which satisfy the requirements for a Deliverable Obligation. Such obligations are likely to be in default at the time of delivery. Furthermore, in selecting such obligations the Issuer will not be required to consider the interests of the Noteholders or mitigate their losses. The Issuer will have complete discretion to select the cheapest, most illiquid obligations of the reference entity so long as such obligations satisfy the requirements for a Deliverable Obligation under the terms of the Notes.

Not all of the Credit Events require an actual default with respect to the reference entity's obligations. Thus Noteholders could bear losses based on a deterioration in the credit of the reference entity short of a default. Also, not all of the Credit Events are triggered by events which are easily ascertainable and disputes can and have arisen as to whether a specific event did or did not constitute a Credit Event. Under the terms of the Notes, the Issuer's or Calculation Agent's good faith, reasonable determination that a Credit Event has or has not occurred will be binding on the Issuer and the holders, and may be different than the view of the holders or other financial institutions, rating agencies or commentators.

The Issuer shall be under no obligation to give notice of any Credit Event and no delay in giving, or omission to give, notice of any Credit Event(s) with regard to the reference entity or reference entities in question shall prejudice the Issuer's right to give notice with respect to such Credit Event or any other Credit Event in relation to such reference entity provided such notice is given no later than the Maturity Date or (if applicable) the Extended Maturity Date. Investors and prospective investors in Credit-Linked Notes should conduct their own investigations and, in deciding whether or not to purchase such Notes, prospective investors should form their own views of the merits of an investment linked to the credit risk of the reference entity or entities in question based upon such investigations and not in reliance on any information given in the Final Terms.

The trading value of the Notes will be affected by factors that interrelate in complex ways. The Notes may lose 100 per cent. of their value. It is important for investors to understand that the effect of one factor may offset the increase in the trading value of the Notes caused by another factor, and that the effect of one factor may exacerbate the decrease in the trading value of the Notes caused by another factor. For example, a drop in the creditworthiness of a reference entity may more than offset any increase in the Issuer's creditworthiness.

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

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

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

No representation by Issuer or Calculation Agent

The Issuer and Calculation Agent make no representation whatsoever with respect to the underlying reference entity, reference entities, reference obligations or underlying obligations on which it is relying or is entitled to rely.

Dealings by Issuer, Calculation Agent and affiliates

The Issuer, the Calculation Agent and their respective affiliates may deal in the underlying reference obligations or underlying obligations and may accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business with, the reference entity or entities, any affiliate of the reference entity or entities, and/or any other person or entity having obligations relating to the reference entity and may act with respect to such business in the same manner as each of them would if these Notes had not been issued, regardless of whether any such action might have an adverse effect on the reference entity or entities, the reference obligation(s), or underlying obligation(s) or the Noteholders or otherwise (including, without limitation, any action which might constitute or give rise to a Credit Event).

No disclosure of information

The Issuer, the Calculation Agent and their respective affiliates may, whether by virtue of the types of relationships described herein or otherwise, on the issue date of the Notes or at any time thereafter, be in possession of information in relation to the reference entity or entities or any underlying obligation(s)

that is or may be material in the context of the issue of the Notes and that may or may not be publicly available or known to the Noteholders. There is no obligation on the part of the Issuer, the Calculation Agent or their respective affiliates to disclose to the Noteholders any such relationship or information (whether or not confidential).

Potential conflict of interest

HSBC Bank plc as Calculation Agent will be entitled to make certain determinations and judgements under the Conditions including (*inter alia*) as to whether an event constituting a Credit Event has occurred. In making such determinations and judgements, potential conflicts of interest may exist between the Calculation Agent and the Noteholders. In its capacity as Calculation Agent, HSBC Bank plc does not act as a fiduciary for or as an advisor to any of the Noteholders in respect of any such determination or judgement or otherwise.

Amendments by Calculation Agent

The Calculation Agent may from time to time amend any provision of the Conditions to incorporate and/or reflect further or alternative documents from time to time published by ISDA with respect to the settlement of credit derivative transactions (including without limitation with respect to settlement by reference to auctions following a Restructuring Credit Event) and/or the operation or application of determinations by the ISDA Credit Derivatives Determinations Committees which the Calculation Agent and the Issuer determine in a commercially reasonable manner are necessary to reflect market practice for credit derivative transactions.

No post-issuance information

XII 7.5

The Issuer shall not be providing the investors with any post-issuance information regarding any reference entity or the underlying obligation.

Product Description

Notes issued pursuant to the Programme may include Credit-Linked Notes, being Notes in relation to which the interest rate and/or the redemption amount payable at maturity reflects the performance of a single reference entity or a diversified portfolio of underlying reference entities with differing credit risks. Credit-Linked Notes usually offer a higher yield than most basic eurobonds with a similar credit rating. Credit-Linked Notes may provide for physical and/or cash settlement, as specified in more detail in the relevant Final Terms.

Details of the reference entity or reference entities to which Credit-Linked Notes relate and of the page(s) of Bloomberg, the Reuters Service and/or other source(s) where information about such reference entity or reference entities can be obtained will be specified in the relevant Final Terms.

**Part I - Product Supplement for Credit-Linked Notes - *Pro Forma* Final Terms for Credit-Linked Notes
linked to a Basket of Reference Entities with Physical Settlement
Pro Forma Final Terms for Credit-Linked Notes**

Set out below are two forms of Final Terms which may be completed for a Tranche of Credit-Linked Notes issued under the Programme.

The terms and conditions of Credit-Linked Notes shall consist of the "Terms and Conditions of the Notes" set out in "Part B - Information about the Notes Generally" of this Base Prospectus (the "**Base Conditions**") as amended or supplemented by the terms set out in the Final Terms (including the Annexes thereto) (the "**Final Terms**"), substantially in one of the two forms which are set out below (terms used in such provisions being deemed to be defined as such for the purposes of this Base Prospectus).

[Notes issued pursuant to these Final Terms are securities to be listed under Listing Rule [17/19]¹.]

(1) Basket of Reference Entities with Physical Settlement

FINAL TERMS

Final Terms dated []

Series No.: []

Tranche No.: []

HSBC Bank plc

Programme for the Issuance of Notes and Warrants

Issue of

[Aggregate Principal Amount of Tranche]

[Title of Notes] due [•]

Linked to a basket of [•]*[corporate entities/banks]*

This document constitutes the Final Terms relating to the issue of the Tranche of Notes or Certificates described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 30 July 2009 and in relation to the above Programme, the supplemental Prospectus [and the supplemental Prospectus dated []² which [together] constitute[s] a base prospectus ("**Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**").

If this Final Terms indicates that it relates to an issue of Certificates, then all references herein and in the Prospectus to Notes shall be deemed to be references to "Certificates" for the purposes of this Issue.

¹ To be included in respect of all issues which are to be admitted to listing. Delete as appropriate. Please refer to the Listing Rules. Listing Rule 17 applies to debt securities, asset backed securities and convertible securities. Listing Rule 19 applies to securitised derivatives.

² Only include details of supplemental Prospectus in which the Conditions have been amended for the purposes of all issues under the Programme.

Part I - Product Supplement for Credit-Linked Notes - *Pro Forma* Final Terms for Credit-Linked Notes
linked to a Basket of Reference Entities with Physical Settlement

This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. [The Prospectus [and the supplemental Prospectus] [is] [are] is available for viewing at [address] [and] [website]³ and copies may be obtained from [address].]

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Prospectus dated [original date] [and the supplemental Prospectus dated []]. This document constitutes the Final Terms of the notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus dated [current date] [and the supplemental Prospectus dated []], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the [Prospectus] dated [original date] [and the supplemental Prospectus dated []] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus(es) dated [original date] and [current date] [and the supplemental Prospectus dated [] and []]. [The Prospectus(es) are available for viewing at [address] and copies may be obtained from [address].]

[For Credit-Linked Notes offered and sold in the United States of America include:

IMPORTANT NOTICES

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), THE STATE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION, AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, US PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. ACCORDINGLY, THE NOTES 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-US PERSONS (AS DEFINED IN REGULATION S) IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLERS OF NOTES PURSUANT TO CLAUSE (A) ABOVE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B ("RSA 421-B**") OF THE NEW HAMPSHIRE**

³ If required by the UKLA in accordance with Article 14 of the Prospectus Directive.

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

Investing in Credit-Linked Notes (the "Notes") involves substantial risks. As a consequence, prospective investors should be aware that the Notes are only intended for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks of an investment in the Notes. In purchasing any Notes, an investor will be deemed to represent that it is such an investor and has such knowledge and experience. Prospective investors should consider the risk factors set forth under "Risk Factors" at in the Prospectus and the risks described herein.

[Include whichever of the following apply or specify as "Not applicable". Note that the numbering should remain as set out below, even if "Not applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]

[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

Information Concerning Investment Risk

Noteholders and prospective purchasers of Notes should ensure that they understand the nature of the Notes and the extent of their exposure to risk and that they consider the suitability of the Notes as an investment in the light of their own circumstances and financial condition.

If a Credit Event Notice has been given in relation to the Reference Entity, the Notes will become due and repayable on the Credit Event Redemption Date. In particular, Noteholders should note that:

- (a) the Issuer's obligations to pay interest on the Notes and to redeem the Notes at their principal amount are subject to the condition precedent that no Credit Event Notice has been given and, if any Credit Event Notice is given on or before the Notice Delivery Period End Date, then (1) interest will cease to accrue from the Credit Event Notice Date or (if applicable) the Scheduled Maturity Date**

Part I - Product Supplement for Credit-Linked Notes - *Pro Forma* Final Terms for Credit-Linked Notes linked to a Basket of Reference Entities with Physical Settlement
(without prejudice to any interest accrued prior to such date), and (2) the Issuer will not redeem the Notes at their principal amount and the sole obligation of the Issuer with regard to redemption of the Notes will be as set out in these Final Terms; and

- (b) it shall be the responsibility of the Noteholders to ensure that their accounting, regulatory and all other treatments of the Notes are consistent with the conditional nature of the Noteholders' entitlement to receive the payments referred to above.

The Issuer shall be under no obligation to give notice of any Credit Event and no delay in giving, or omission to give, notice of any Credit Event(s) with regard to the Reference Entity shall prejudice the Issuer's right to give notice with respect to such Credit Event or any other Credit Event in relation to such or any other Reference Entity provided such notice is given no later than the Scheduled Maturity Date or (if applicable) the Notice Delivery Period End Date. Noteholders and prospective purchasers of Notes should conduct their own investigations and, in deciding whether or not to purchase Notes, prospective purchasers should form their own views of the merits of an investment linked to the credit risk of the Reference Entity based upon such investigations and not in reliance on any information given in these Final Terms.

Given the highly specialised nature of these Notes, the Issuer considers that they are only suitable for highly sophisticated investors who are willing to take considerable risks, who are able to determine for themselves the risk of an investment linked to the credit risk of the Reference Entity and who can absorb a substantial or total loss of principal and interest.

Consequently, if you are not an investor who falls within the description above you should not consider purchasing these Notes without taking detailed advice from a specialised professional adviser.

The Calculation Agent may from time to time amend any provision of these Conditions to incorporate and/or reflect further or alternative documents from time to time published by ISDA with respect to the settlement of credit derivative transactions (including without limitation with respect to settlement by reference to auctions following a Restructuring Credit Event) and/or the operation or application of determinations by the ISDA Credit Derivatives Determinations Committees which the Calculation Agent and the Issuer determine in a commercially reasonable manner are necessary to reflect market practice for credit derivative transactions.

Issuer and Calculation Agent Disclaimers

The Issuer and Calculation Agent make no representation whatsoever with respect to the Reference Entity, the Reference Obligation, Obligations or Valuation Obligations on which it is relying or is entitled to rely.

The Issuer, the Calculation Agent and their respective Affiliates may deal in the Reference Obligation, Obligations or Valuation Obligations and may accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business with, the Reference Entity, any Affiliate of the Reference Entity and/or any other person or entity having obligations relating to the Reference Entity or any such Affiliate, and may act with respect to such business in the same manner as each of them would if these Notes had not been issued, regardless of

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whether any such action might have an adverse effect on the Reference Entity, any Reference Obligation, Obligation, Valuation Obligation or the Noteholders or otherwise (including, without limitation, any action which might constitute or give rise to a Credit Event).

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

HSBC Bank plc will be entitled to make certain determinations and judgements under the Conditions including (inter alia) as to whether an event constituting a Credit Event has occurred. In making such determinations and judgements, potential conflicts of interest may exist between the Issuer, the Calculation Agent and the Noteholders. HSBC Bank plc does not act as a fiduciary for or as an adviser to any of the Noteholders in respect of any such determination or judgement or otherwise.

The Issuer accepts responsibility for the information contained in these Final Terms.

[Include whichever of the following apply or specify as "Not applicable". Note that the numbering should remain as set out below, even if "Not applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.]

1. (i) Issuer: HSBC Bank plc
- (ii) Arranger: HSBC Bank plc
2. (i) Series number: NWP[]
- (ii) Tranche number: []
- (iii) Whether issue is of Notes or Certificates: [Notes/Certificates] (if the issue is of Certificates, all references in this Final Terms and in the Prospectus to Notes shall be deemed to be "Certificates for the purposes of this issue")
3. Currency or currencies:
 - (i) of denomination: [] ("[]")
 - (ii) of payment []
4. Aggregate Principal Amount [of Notes [] admitted to trading]⁴:

⁴ Delete for debt securities with a denomination per unit of less than EUR50,000.

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- (i) Series: []
- (ii) Tranche: []
5. (i) Issue Price: [] per cent. of the Aggregate Principal Amount [plus accrued interest from [interest date]][(in the case of fungible issues only, if applicable)]
- (ii) Commission payable: [[] per cent. None]
- (iii) Selling concession: [[] per cent. None]
6. (i) Denomination(s)⁵: []
- (Condition 1(b))
- (ii) Calculation Amount⁶: []
7. (i) Issue Date: []
- (ii) Interest Commencement Date: []
8. Maturity Date: Subject to the occurrence of a Potential Credit Event, the earliest of (i) [insert date] (the "**Scheduled Maturity Date**"), subject to the [insert Business Day Convention], (ii) if a Credit Event Notice Date occurs, the Credit Event Redemption Date and (iii) the date on which the Notes fall due for redemption pursuant to the occurrence of one or more of the events specified under Conditions 6(b), 6(h) and 10.
- (Condition 6(a))

Potential Credit Event:

Notwithstanding anything to the contrary in Schedule 2 - *Special Conditions*, if, on or prior to the Scheduled Maturity Date, facts exist which may result in the determination that a Credit Event has occurred or exists on or prior to the Scheduled Maturity Date (a "**Potential Credit Event**"), the Maturity Date shall be extended to (1) if a Credit Event Notice is delivered prior to the Notice Delivery Period End Date, the Credit Event

⁵ If denominations in excess of and smaller than the minimum specified denomination are to be permitted then the Issuer should normally waive its right to elect to exchange the Permanent Global Note for definitive Notes in paragraph (d) of the Permanent Global Note – see item 90(iii) below.

⁶ The applicable Calculation Amount (which is used for the calculation of the redemption and interest amounts (if any) will be (i) if there is only one Denomination, the Denomination; or (ii) if there are several Denominations, the highest common factor of those Denominations. Note that a Calculation Amount of less than 1,000 units of the relevant currency may result in practical difficulties for Paying Agents and/or ICSDs who should be consulted if such an amount is proposed.

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Redemption Date, or (2) if no Credit Event Notice is delivered prior to the Notice Delivery Period End Date, the earlier of (a) the date on which the Issuer notifies the Noteholders that a Potential Credit Event no longer exists, and (b) the third Business Day after the Notice Delivery Period End Date (the "**Extended Maturity Date**").

"**Notice Delivery Period End Date**" means (a) if a Credit Event Resolution Request Date occurs on or prior the 14th calendar day following the Scheduled Maturity Date, the later of (i) the 14th calendar day following the Scheduled Maturity Date and (ii) either (I) the day that is 14th calendar day following the date on which the Credit Derivatives Determinations Committee has Resolved that an event that constitutes a Credit Event has occurred or (II) the day on which the Credit Derivatives Determinations Committee has Resolved that no event that constitutes a Credit Event has occurred; (b) otherwise the 14th calendar day following the Scheduled Maturity Date.

For the avoidance of doubt, if the Maturity Date is extended pursuant to the occurrence of a Potential Credit Event, no interest shall accrue in respect of the period from and including the Scheduled Maturity Date to and including the Extended Maturity Date.

9. Interest basis:
(Conditions 3 to 5)
- [[] per cent. Fixed Rate]
[[Specify reference rate]+/- [] per cent. Floating Rate Notes]
[Variable Coupon Amount]
[Zero Coupon]
[other (specify)]
[further particulars specified below]
- [Interest will be treated as having ceased to accrue as from the beginning of any Interest Period in which a Credit Event Notice is given under Condition 6(j)(i) - See Special Conditions, Schedule 2]⁷
10. Redemption basis:
- [Redemption at par]

⁷ Include unless the Notes are Zero Coupon Notes.

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(Condition 6)

[Credit-Linked Redemption]

[Dual Currency]

[Partly Paid]

[Instalment]

[other (specify)]

See Special Conditions, Schedule 2 for provisions relating to optional early redemption following a Credit Event

11. Change of interest or redemption basis: Notwithstanding anything to the contrary in Schedule 2 - Special Conditions, in the event that the Notes are redeemed on the Credit Event Redemption Date, the final redemption amount of the Notes shall be the Credit Event Redemption Amount / [Specify details or any provision for convertibility of Notes into another interest or redemption/payment basis]
12. Put/Call options: Not applicable.
13. (i) Status of the Notes: Unsubordinated, unsecured
- (Condition 2)*
- (ii) Date Board approval for issuance of Notes obtained: Not applicable
14. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. Fixed Rate Note provisions: [Applicable/Not Applicable]
- (Condition 3)*
- (i) Rate of Interest: [] per cent. per annum payable [annually/semi-annually/quarterly/monthly] in arrear
- (ii) Fixed Interest Payment Date(s): [specify payment dates] in each year, commencing on and including [insert date] [adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definitions of "Business Day"/[not adjusted] and ending on the earliest to occur of (i) the Scheduled Maturity Date, (ii) the Credit Event Notice Date and (iii) the Maturity Date, subject to the following Business Day Convention.
- (iii) Fixed Coupon Amount(s): [] per Calculation Amount / Not applicable

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- (iv) Day count fraction: [30/360/Actual/Actual (ICMA/ISDA)/Actual/360/
other (specify)]
- (v) Determination Date: [] in each year [insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon, N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)/ Not applicable
- (vi) Broken Amount(s): [] per Calculation Amount, payable on the Fixed Interest Payment Date falling [in/on] /

[] /

[insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount(s)] /

Not applicable
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: “**Interest Period**” means the period from and including a Fixed Interest Payment Date to and excluding the next succeeding Fixed Interest Payment Date, with the exception that the first such period shall commence on and include the Issue Date, [provided that for the purposes of Interest Periods, the Fixed Interest Payment Dates shall not be subject to the [insert Business Day Convention]].

[any other details]
16. Floating Rate Note provisions: [Applicable/Not applicable]
(Condition 4) (If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Interest Period(s): [specify][If Business Day Convention embedded in Condition 4() is not to apply, specify alternative convention]
- (ii) Specified Interest Payment Dates: [specify dates]
- (iii) First Interest Payment Date: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/ other (give details)]
- (iv) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/

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other (give details)]**

- (v) Business Centre(s): [not applicable/give details]
- (vi) Screen Rate Determination: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/ other (give details)]
 - (1) Benchmark: [specify LIBOR or other]
 - (2) Interest Determination Date: []
 - (3) Relevant Screen Page: []
 - (4) Relevant Financial Centre: []
- (vii) ISDA Determination: []
 - (1) Floating Rate Option: []
 - (2) Designated Maturity: []
 - (3) Reset Date: []
- (viii) Margin: [+/-][] per cent. per annum
- (ix) Day Count Fraction: []
- (x) Relevant time: []
- (xi) Minimum Interest Rate: [] per cent. per annum
- (xii) Maximum Interest Rate: [] per cent. per annum
- (xiii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []

17. Variable Coupon Amount Note provisions: (Condition 5) [Applicable/Not applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

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- (i) Interest Payment Dates: []
- (ii) Method of calculating interest: []
18. Zero Coupon Note provisions: [Applicable/Not applicable]
(Condition 5) *(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Amortisation Yield: [] per cent. per annum
- (ii) Rate of interest on overdue amounts: []
- (iii) Redemption formula: []
See also Special Conditions, Schedule 2
19. Index-Linked Interest Note/other Variable-Linked Interest Note provisions Not applicable
20. Dual Currency Note provisions/Multi-currency Note provisions [Applicable/Not applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Currencies: []
- (ii) Exchange rate(s): [give details]⁸
- (iii) Provisions applicable where calculation by reference to Exchange Rate impossible or impracticable: *[Need to include a description of Market disruption or settlement disruption events and adjustment provisions.]*

PROVISIONS RELATING TO REDEMPTION

21. Issuer's optional redemption (Call): Not applicable.
(Condition 6(c))
22. Noteholder's optional redemption (Put): Not applicable
(Condition 6(d))
23. Final redemption amount of each Note: 100% of the Aggregate Principal Amount of the Notes divided by the number of Notes on the Scheduled Maturity Date if no Credit Event Notice Date occurs on or prior to the Scheduled Maturity Date (subject to extension upon the occurrence of a

⁸ If denomination per unit is less than EUR50,000, include details of where past and future performance and volatility of the relevant rate(s) can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying.

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Potential Credit Event) and an amount equal to the Credit Event Redemption Amount divided by the number of Notes if a Credit Event Notice Date occurs on or prior to the Scheduled Maturity Date (subject to extension upon the occurrence of a Potential Credit Event).

[[] per Calculation Amount [*specify – if not par, also specify details of any formula*] See Special Conditions, Schedule 2 for provisions relating to optional early redemption following a Credit Event.]

- | | | |
|-----|--|---|
| 24. | Final redemption amount of each Note in cases where the final redemption amount is Index-linked to other variable linked: | Not applicable |
| 25. | Instalment Notes:
(<i>Condition 6(a)</i>) | Not applicable |
| 26. | Early redemption amount: | Yes |
| | (i) Early redemption amount (upon redemption for taxation reasons, force majeure or following an Event of Default) (<i>Condition 6(b), 6(h) and Condition 10</i>): | The early redemption amount shall be determined in good faith by the Calculation Agent in its absolute discretion to be the fair market value of the Notes immediately prior to the early redemption date less any Hedging Costs, subject to a minimum of zero. |
| | (ii) Other redemption provisions:
(<i>Condition 6(i)</i>) | If the Issuer gives a Credit Event Notice, the Issuer shall be obliged to redeem the Notes by payment of the Credit Event Redemption Amount to the Noteholders on the Credit Event Redemption Date.

The Credit Event Notice shall describe the Credit Event and specify the Reference Entity in respect of which the Credit Event has occurred. If ISDA has not publicly announced that an event that constitutes a Credit Event has occurred with respect to the Reference Entity, it will also include copies of relevant Publicly Available Information (two Public Sources) that support the occurrence of the Credit Event. |
| | (1) Credit Event Redemption Date: | As defined in Schedule 2. |
| | (2) Credit Event Redemption Amount: | Subject to the occurrence of a Succession Event or the designation of a Partial Redemption Portion following a Restructuring Credit Event, an amount |

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 equal to (i) the product of (a) the Aggregate Principal Amount and (b) the Auction Final Price (or, if the Fallback Settlement Method applies, the Final Price), less (ii) any Hedging Costs, subject to a minimum of zero.

GENERAL PROVISIONS APPLICABLE TO THE NOTES

27. Form of Notes:
 (*Condition 1(a)*)
- (i) Form of Notes: [Bearer/Registered]
- (ii) Bearer Notes exchangeable for Registered Notes: [No/Yes]
28. New Global Note: [No/Yes] [*Answer will be no where Registered Notes*]
29. If issued in bearer form:
- (i) Initially represented by a Temporary Global Note or Permanent Global Note: [Temporary Global Note/Permanent Global Note] [*Notes may only be represented initially by a Permanent Global Note if these Final Terms specify that TEFRA C Rules apply*]
- (ii) Temporary Global Note exchangeable for Permanent Global Note and/or Definitive Notes and/or Registered Notes: [specify][Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances set out in the Permanent Global Note]
 (*Condition 1(a)*)
- (iii) Permanent Global Note exchangeable at the option of the bearer for Definitive Notes and/or Registered Notes: [Yes – *specify*/No]
- (iv) Coupons to be attached to Definitive Notes: [Yes/No/Not applicable] [N.B. this will need to be considered even if Permanent Global Notes are not exchangeable at the bearer’s option into Definitive Notes because of exchangeability upon “melt down” of clearing systems – see provisions contained in Permanent Global Note]
- (v) Talons for future Coupons to be attached to Definitive Notes: [Yes/No/Not Applicable} [N.B. The above comment applies here]
- (vi) (a) Definitive Notes to be security printed: [Yes/No]

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- (b) If the answer to (a) is [Yes/No/Not Applicable]
yes, whether steel
engraved plates will be
used:
- (vii) Definitive Notes to be in ICMA [Yes/No] [N.B. The above comment applies here]
or successor's format:
- (viii) Issuer or Noteholder to pay costs Issuer
of security printing:
30. Exchange Date for exchange of [specify][Not earlier than 40 days following the Issue
Temporary Global Note: Date]
31. Payments:
(Condition 8)
- (i) Method of payment: Condition 8(c) shall apply, subject as provided in the
Temporary Global Note or, as the case may be, the
Permanent Global Note
- (ii) Relevant Financial Centre Day: A day on which commercial banks and foreign
exchange markets settle payments and are open for
general business (including dealings in foreign
exchange and foreign currency deposits) in London
[and specify any additional places] (as defined in
Condition 9(c))
32. Partly Paid Notes: [Yes/No]
(Condition 1)
33. Redenomination:
(Condition 9)
- (i) Redenomination: [Applicable/Not applicable]
- (ii) Exchange: [Applicable/Not applicable]
34. Other final terms: See Schedules 1, 2 and 3.

PROVISIONS APPLICABLE TO INDEX-LINKED NOTES, CASH EQUITY NOTES AND EQUITY LINKED NOTES

35. Security Delivery (Equity-Linked Notes Not applicable
only):
36. Provisions for Cash Equity Notes and Not applicable
Equity-Linked Notes:

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- | | | |
|-----|---|----------------|
| 37. | Additional provisions for Equity-Linked Notes: | Not applicable |
| 38. | Provisions for Index-Linked Notes: | Not applicable |
| 39. | For Equity-Linked and Credit-Linked Notes: | Not applicable |
| 40. | Valuation Date(s): | Not applicable |
| 41. | Valuation Time: | Not applicable |
| 42. | Averaging Dates: | Not applicable |
| 43. | Other terms or special conditions relating to Index-Linked Notes, Cash Equity Notes or Equity-Linked Notes: | Not applicable |

DISTRIBUTION

- | | | |
|-----|---|--|
| 44. | (i) If syndicated, names, addresses and underwriting commitments of Relevant Dealer(s)/Lead Manager(s): | Not applicable |
| | (ii) If syndicated, names, addresses and underwriting commitments of other Dealers/Managers (if any): | Not applicable |
| | (iii) Date of Subscription Agreement: | Not applicable |
| | (iv) Stabilising Manager (if any): | Not applicable |
| 45. | If non-syndicated, name and address of Relevant Dealer: | HSBC Bank plc of [address] |
| 46. | Total commission and concession: | Not applicable |
| 47. | Selling restrictions: | [For Bearer Notes: TEFRA D Rule/TEFRA C Rule] |
| | United States of America: | [Notes may not be offered or sold within the United States of America or to or for the account or benefit of a US person (as defined in Regulation S) ⁹ |
| | | [Not Rule 144A eligible – N.B. <i>significant additional provisions will be required in order to permit Rule</i> |

⁹ Please note that the default selling restrictions are for Regulation S offers and sales only.

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144A eligibility]**

Other: [specify any modifications of, or additions to, selling restrictions contained in the Dealer Agreement/Not applicable]

48. Stabilisation: Not applicable

[LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the Programme for the Issuance of Notes and Warrants of HSBC Bank plc.]

[In offers of Credit-Linked Notes pursuant to Rule 144A insert:¹⁰

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers of Notes offered in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Notes.

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

- (a) such 144A Offeree acknowledges that these Final Terms and the accompanying Base Prospectus is personal to such 144A Offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes other than pursuant to Rule 144A or in offshore transactions in accordance with Regulation S. Distribution of these Final Terms and the accompanying Base Prospectus, or disclosure of any of its contents, to any person other than such 144A Offeree and those persons, if any, retained to advise such 144A Offeree with respect thereto and other persons meeting the requirements of Rule 144A or Regulation S is 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 these Final Terms and the accompanying Base Prospectus or any documents referred to herein.

Each purchaser of Notes sold in reliance on Rule 144A ("**Restricted Notes**") will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A are used herein as defined therein):

- (1) The purchaser (A) is a qualified institutional buyer within the meaning of Rule 144A, (B) is acquiring the Notes for its own account or for the account of a qualified institutional buyer, and (C) such person is aware that the sale of the Notes to it is being made in reliance on Rule 144A.

¹⁰ Please note that the default selling restrictions are for Regulation S offers and sales only.

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- (2) The purchaser understands that the Rule 144A Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and the Notes offered hereby have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except in accordance with the legend set forth below.
- (3) The purchaser understands that certificates representing Restricted Notes will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR ANY STATE SECURITIES LAWS OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF THE ISSUER THAT THIS NOTE MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (A) IN THE UNITED STATES ONLY TO "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**")), (B) TO NON-US 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 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (D) TO THE ISSUER OR ITS AFFILIATES. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE."

- (4) Each purchaser of Restricted Notes acknowledges that the Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Restricted Notes for the account of one or more qualified institutional buyers it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.]

[RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [*Specify information*] has been extracted from [*insert name of source of information*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*insert name of source of information*], no facts have been omitted which would render the reproduced inaccurate or misleading.]

CONFIRMED

HSBC BANK PLC

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By: _____

Authorised Signatory

PART B - OTHER INFORMATION

1. LISTING

(i) Listing [Application [will be/has been] made to admit the Notes to listing on the Official List of the Financial Services Authority pursuant to Listing Rule [17/19¹¹]. No assurance can be given as to whether or not, or when, such application will be granted/*other (specify)*/Not applicable]

(ii) Admission to trading [Application [will be/has been] made for the Notes to be admitted to trading [on the Regulated Market/*other (specify)*] with effect from []. No assurance can be given as to whether or not, or when, such application will be granted.] [Application has been made to have the Notes admitted to trading on the PORTAL System of the US National Association of Securities Dealers.] [Not applicable]

*[(Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)]*¹²

(NB: Notes admitted to trading to the UK Regulated Market will also be admitted to the Official List as a matter of course.)

2. RATINGS

Ratings: [The Notes have not been specifically rated.

The long term senior debt of HSBC Bank plc has been rated:

S&P: [.]
Moody's: [.]

¹¹ To be included in respect of all issues which are to be admitted to listing. Delete as appropriate. Please refer to the Listing Rules. Listing Rule 17 applies to debt securities, asset backed securities and convertible securities. Listing Rule 19 applies to securitised derivatives.

¹² Not required for debt securities with a denomination per unit of at least EUR50,000.

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3. [NOTIFICATION]

The *[include name of competent authority in EEA home Member State]* *[has been requested to provided/has provided - include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues]* the *[include names of competent authorities of host Member States]* with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

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

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in ["Subscription and Sale"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."

5. [REASONS FOR THE OFFER ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

(i) Reasons for the offer: []

[If reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]

(ii) Estimated net proceeds: *(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*

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(iii) Estimated total expenses: *[Include breakdown of expenses]*¹³

(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above)

(i) Reasons for the offer: []

[If reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.]

(ii) Estimated net proceeds:

(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)

6. [Fixed Rate Notes only - YIELD

Indication of yield:

[Calculated as [include details of method of calculation in summary form] on the Issue Date]

[As set out above, the] [The] yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]]

7. [Floating Rate Notes only - HISTORIC INTEREST RATES

[Details of historic [LIBOR/EURIBOR/other (specify)] rates can be obtained from [Reuters].]

¹⁴

¹³ Not required for debt securities with a denomination per unit of at least EUR50,000.

¹⁴ Not required for debt securities with a denomination per unit of at least EUR50,000.

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8. ***[Index-Linked, Equity-Linked or other variable-linked Interest Notes only - PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING¹⁵***

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained [and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident]¹⁶. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Also include appropriate index disclaimers. Where the underlying is not an index, need to include equivalent information.]¹⁷

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)]

¹⁵ Refer to Prospectus Rules, Annex XII, paragraph 4.2.2 for disclosure requirements

¹⁶ Not required for debt securities with a denomination per unit of at least EUR50,000.

¹⁷ Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies (i.e. if the Final Redemption Amount is less than 100 per cent. of the nominal value of the Notes).

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9. **[Index-Linked, Equity-Linked or other variable-linked Interest Notes only - PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING¹⁸**

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained [and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident]¹⁹. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Also include appropriate index disclaimers. Where the underlying is not an index, need to include equivalent information.]²⁰

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)]

¹⁸ Refer to Prospectus Rules, Annex XII, paragraph 4.2.2 for disclosure requirements

¹⁹ Not required for debt securities with a denomination per unit of at least EUR50,000.

²⁰ Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies (i.e. if the Final Redemption Amount is less than 100 per cent. of the nominal value of the Notes).

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OPERATIONAL INFORMATION

10. ISIN Code: []
11. Common Code: []
12. CUSIP: []
13. New Global Note intended to be held in a manner which would allow Eurosystem eligibility: [Yes/No] [Note that the designation “Yes” simply means that the Notes are intended upon issue to be delivered to the Common Safekeeper acting as agent for Euroclear or Clearstream, Luxembourg and does not necessarily mean that the Notes will not be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] *[include this text if “yes” selected in which case the Notes must be issued in NGN form]*
14. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [None/specify]
15. Delivery: Delivery [against/free of] payment
16. Settlement procedures: [Eurobond/Medium Term Note/other specify]
17. Additional Paying Agent(s) (if any): [None/specify]
18. Common Depositary: HSBC Bank plc
19. Agent Bank/Calculation Agent: HSBC Bank plc
- is Calculation Agent to make calculations? [Yes/No] [, provided however that the Agent Bank shall make all calculations in respect of interest payments.]

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- if not, identify calculation agent: [Not applicable/Calculation agent appointment letter required]
20. Notices: [As provided in Condition 13/specify any other means of effecting communication]
(Condition 13)
21. City in which specified office of Registrar to be maintained: [Not applicable/specify]
(Condition 12)
22. Other relevant Terms and Conditions: See Schedules 1, 2 and 3.

In the event of any inconsistency between matters set out in Part A – Contractual Terms, and Part B – Other Information and Schedule 1 – Credit Linked Note Specifications and Schedule 2 – Special Conditions of these Final Terms, the order of prevalence shall be as follows: (i) Part A – Contractual Terms and Part B and (ii) Schedule 1 – Credit Linked Note Specifications and (iii) Schedule 2 – Special Conditions.
23. ERISA Considerations: [[]/Not applicable]

TERMS AND CONDITIONS OF THE OFFER

24. Offer Price: [Issue Price/other specify]
25. Conditions to which the offer is subject: [Not applicable/give details]
26. Description of the application process: [Not applicable/give details]
27. Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not applicable/give details]
28. Details of the minimum and/or maximum amount of application: [Not applicable/give details]
29. Details of the method and time limits for paying up and delivering the Notes: [Not applicable/give details]
30. Manner in and date on which results of the offer are to be made public: [Not applicable/give details]

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31. Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not applicable/give details]
32. Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries: [Not applicable/give details]
33. Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not applicable/give details]
34. Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not applicable/give details]
35. Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place. [None/give details]

SCHEDULE 1

CREDIT-LINKED NOTE SPECIFICATIONS

1. **General Terms**

Business Day ¹ :	[]
Business Day Convention:	[Modified] Following Business Day Convention, which shall apply to any date other than the Credit Event Backstop Date that falls on a day that is not a Business Day.
Reference Entity:	The entity specified in Schedule 3 and any Successor either (a) identified by the Calculation Agent pursuant to the definition of "Successor" on or following the Trade Date or (b) in respect of which ISDA publicly announces on or following the Trade Date that the relevant Credit Derivatives Determinations Committee has Resolved, in respect of a Succession Event Resolution Request Date, a Successor in accordance with the Rules. The Reference Entity has been designated as a particular "Transaction Type" in Schedule 3. References to "Standard Terms" mean, in respect of a Reference Entity, the standard terms set out in the Credit Derivatives Physical Settlement Matrix as may be amended and updated from time to time, as published by ISDA on its website at www.isda.org , in relation to its Transaction Type.
Trade Date:	[]
Reference Obligation:	Subject to the occurrence of a Succession Event, the obligation(s) (if any) identified as such in respect of such Reference Entity in Schedule 3.
Substitution:	[Applicable/Not applicable.]
All Guarantees:	Applicable or Not applicable as specified in the applicable Standard Terms.
Reference Price ² :	[100 per cent.]

¹ The Conditions provide a fallback to days on which commercial banks and foreign exchange markets are generally open to settle payments in the jurisdiction of the currency of the Calculation amount if not euro or a Euro Business Day if euro.

² If a percentage is not so specified, the Conditions provide that the Reference Price will be one hundred percent.

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2. Credit Event Provisions:

Calculation Amount:	Subject to the occurrence of a Succession Event or the designation of a Partial Redemption Portion following a Restructuring Credit Event, in respect of each Reference Entity an amount (denominated in the same currency) equal to [the Aggregate Principal Amount of the Notes].
Credit Events:	In respect of a Reference Entity, the Credit Events specified in the applicable Standard Terms.
Obligation Category and Characteristics:	In respect of each Reference Entity, the Obligation Category and Obligation Characteristics specified in the applicable Standard Terms.
Excluded Obligations ³ :	[None]

3. Settlement Terms

Settlement Method:	Cash Settlement
Terms relating to Cash Settlement (if the Fallback Settlement Method applies):	
Valuation Date:	Single Valuation Date. A Business Day as selected by the Issuer in its sole and absolute discretion.
Settlement Currency:	[]
Valuation Obligations:	"Exclude Accrued Interest" or "Include Accrued Interest" as specified in the applicable Standard Terms.
Valuation Obligation Category and Characteristics:	In respect of each Reference Entity, the Deliverable Obligation Category and Deliverable Obligation Characteristics specified in the Standard Terms.
Determination of Final Price:	The Final Price will be the weighted average of the highest firm bid price obtained for each Valuation Obligation in the Portfolio, expressed as a percentage, determined by the Calculation Agent. With respect to each Valuation Obligation, the Calculation Agent shall conduct a dealer poll of at least three dealers

³ Unless specified here as an Excluded Obligation, the Reference Obligation will be an Obligation.

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indicated by the Issuer to the Calculation Agent in its sole and absolute discretion from the Dealer List set out below, with the exception that the Issuer may select a dealer not on the Dealer List if such dealer is a market-maker in the relevant type of Valuation Obligation or other major credit derivatives market participant. On the Valuation Date, the Calculation Agent shall seek to obtain Full Quotations from the selected dealers for an outstanding principal amount of each Valuation Obligation equal to its Valuation Obligation Calculation Amount.

To the extent that the Calculation Agent is unable to obtain at least two Full Quotations for a Valuation Obligation or a Weighted Average Quotation on any day during the ten Business Day period following the Valuation Date, the Calculation Agent shall wait ten Business Days (the last such Business Day, the "**Backup Valuation Date**") and shall then repeat the valuation process. In the event that the Calculation Agent is unable to obtain at least two Full Quotations or a Weighted Average Quotation during the four Business Day period following the Backup Valuation Date, any Full Quotation obtained on such fourth Business Day or, if no full quotation is obtained, the weighted average of any firm quotations obtained on such fourth Business Day with respect to the aggregate portion of the amount for which such quotations were obtained, and a quotation deemed to be zero for the balance of the amount for which firm quotations were not obtained on such day shall be used to calculate the Final Price.

Dealer List:

[ABN Amro Holding NV
Bank of America Corporation
Barclays Capital PLC
BNP Paribas
Citibank NA
Commerzbank AG
Credit Suisse Group
Deutsche Bank AG
Dresdner Bank AG
The Goldman Sachs Group, Inc.
HSBC Holdings Plc
J.P. Morgan Chase & Co.
Merrill Lynch & Co. Inc.
Morgan Stanley Dean Witter & Co.
Royal Bank of Scotland Plc

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Societe Generale**

UBS AG / market makers selected at the Issuer's sole and
absolute discretion]

Interest until Credit Event Notice Applicable

Date:

Deduct Hedging Costs Applicable

SCHEDULE 2

SPECIAL CONDITIONS

The Conditions shall be supplemented and modified by the following Special Conditions. In the event of any inconsistency between the Conditions and such Special Conditions, such Special Conditions shall prevail and the Conditions shall be amended accordingly.

(1) Interest

Condition 3 (*Fixed Rate Note Provisions*) will apply with the following amendments:

- (i) existing Condition 3 (*Fixed Rate Note Provisions*) shall become Condition 3(a), with the heading "*Interest conditionally payable*", and shall be amended by the insertion of the words "Subject to Condition 3(b) below," at the beginning; and
- (ii) the following provision shall be included as Condition 3(b):

"3(b) Condition precedent to interest entitlement

The Issuer's obligation to make any payment of interest in accordance with Condition 3(a) is subject to the condition precedent that no Credit Event Notice has been given on or before the relevant Interest Payment Date and subsists only so long as a Credit Event Notice has not been given. Accordingly, the Issuer shall have no obligation to pay interest on the Notes in respect of all or any part of the Interest Period current on the date that a Credit Event Notice is given or in respect of any subsequent period; provided, however, that, if "Interest until Credit Event Notice Date" is specified then the Issuer shall pay the interest accrued to, but excluding, the Credit Event Notice Date (or, if such date is after the Scheduled Maturity Date, the Scheduled Maturity Date)."

(2) **Redemption and Purchase**

Condition 6 (*Redemption and Purchase*) shall apply with the following amendments:

- (a) The following provision shall be substituted for the existing Condition 6(a):

"6(a) Final Redemption

- (i) Subject to Condition 6(a)(ii) below and subject as otherwise set out in the Conditions, the Notes will, unless previously redeemed or purchased and cancelled, be redeemed at their principal amount or such other redemption amount as may be set out in or determined in accordance with the Conditions on the Maturity Date specified in the relevant Conditions.
- (ii) The Issuer's obligation to redeem the Notes in accordance with Condition 6(a)(i) above is subject to the condition precedent that no Credit Event Notice has been given on or before the Maturity Date and subsists only so long as a Credit Event Notice has not been given. Accordingly, the Issuer shall have no obligation to redeem the Notes in accordance with Condition 6(a)(i) above if, on or before the Maturity Date, a Credit Event Notice has been given. In such circumstances, the only obligations of the Issuer with regard to redemption of

the Notes shall be to redeem the Notes in accordance with the provisions set out in Part A and subject to the following provisions of this Condition 6.

The following Conditions 6(j), (k), (l), (m), (n), (o) and (p) shall be added to Condition 6 (Condition 6(i) being omitted):

"6(j) *Redemption following the occurrence of a Credit Event*

- (i) Following the occurrence of a Credit Event on or after the Credit Event Backstop Date (determined by reference to Greenwich Mean Time) and on or prior to the Scheduled Maturity Date, the Issuer may at any time on or before the Scheduled Maturity Date or (if applicable) the Notice Delivery Period End Date, and irrespective of whether such Credit Event is continuing and/or any other Credit Event has occurred, give notice thereof to the Noteholders (such notice the "**Credit Event Notice**" and the date on which such notice is given, the "**Credit Event Notice Date**") in accordance with Condition 13 (*Notices*) and Part B of the Conditions. The Issuer shall be under no obligation to give notice of any Credit Event and no delay in giving, or omission to give, notice of any Credit Event shall prejudice the Issuer's right to give notice with respect to such (or any other) Credit Event provided such notice is given no later than on or prior to the Scheduled Maturity Date or (if applicable) the Notice Delivery Period End Date.

For the avoidance of doubt, the Issuer may give a Credit Event Notice whether or not it has already taken any steps to exercise its option under Condition 6(b) (*Redemption for Taxation Reasons*), and any giving of a Credit Event Notice shall supersede and override any earlier exercise of such option.

- (ii) If the Issuer gives a Credit Event Notice, and subject as provided in (iii) below:
 - (a) the Issuer shall be obliged to redeem the Notes (and shall be obliged to redeem the Notes only) by payment on the Credit Event Redemption Date of the Credit Event Redemption Amount; and
 - (b) the Issuer shall not be liable to pay interest on the Notes in respect of all or any part of the Interest Period current at the relevant Credit Event Notice Date (or, if such date is on or after the Scheduled Maturity Date, the Interest Period to (but excluding) the Scheduled Maturity Date) nor in respect of any subsequent period, and interest shall be treated as having ceased to accrue accordingly; *provided, however, that*, if "Interest until Credit Event Notice Date" is specified then the Issuer shall pay the interest accrued to, but excluding, the Credit Event Notice Date (or, if such date is after the Scheduled Maturity Date, the Scheduled Maturity Date).
- (iii) This Condition 6(j)(iii) applies if the Calculation Amount is required to be allocated as contemplated in paragraph (e) of the definition of Successor in Condition 6(o). In such circumstances:
 - (a) the Issuer shall be entitled under this Condition 6(j) to give multiple Credit Event Notices, one with respect to each Successor, and where any Credit Event Notice is so given, the conditions precedent to the

obligations of the Issuer to pay interest on, and principal of, the Notes shall be treated as unsatisfied only in relation to an amount (the "**Successor Partial Redemption Amount**") of the outstanding principal amount of the Notes equal to the proportion of the Calculation Amount allocated to the relevant Successor;

- (b) where any Reference Entity (a "**Surviving Reference Entity**") (other than the Reference Entity the subject of the Succession Event) is a Successor to any Reference Entity (the "**Legacy Reference Entity**"), then such Surviving Reference Entity shall be deemed to be specified as a Reference Entity once only and the Calculation Amount in respect of such Reference Entity shall be the sum of the Calculation Amount applicable to that Reference Entity immediately prior to the Succession Event and the relevant portion of the Calculation Amount of the Legacy Reference Entity as provided in paragraph (e) of the definition of Successor;
 - (c) where a Credit Event Notice is so given the provisions of this Condition 6 will apply so as to require the Issuer to redeem the Notes in part only on the relevant Cash Settlement Date, by payment of an amount equal to whichever is the greater of (1) the Successor Partial Redemption Amount minus the Cash Settlement Amount and (2) zero, and on payment of such amount (or, if such amount is zero, on the Cash Settlement Date) the outstanding principal amount of the Notes shall be deemed to have been repaid in an amount equal to the Successor Partial Redemption Amount (which shall be the amount on which interest shall be treated as having ceased to accrue or to accrue (as applicable) as contemplated in (ii) above); and
 - (d) save where the full principal amount of the Notes has been so redeemed, the Issuer shall remain entitled notwithstanding any such partial redemption to give one or more further Credit Event Notices with respect to any such Successor or any other Reference Entity in respect of which no Credit Event Notice has been effectively given.
- (iv) This Condition 6(j)(iv) applies if one or more Restructuring Credit Events occurs on or prior to the Scheduled Maturity Date (and whether or not such event is continuing). In such circumstances:
- (a) the Issuer shall be entitled to redeem the Notes in part only by giving a Credit Event Notice with respect to the relevant Restructuring Credit Event and specifying in such notice (A) that partial redemption only of the Notes is required and (B) the portion of the Calculation Amount (being an amount which is (x) less than the outstanding principal amount of the Notes and (y) at least 1,000,000 units of the currency (or if Japanese Yen, 100,000,000 units) in which the Calculation Amount is denominated or an integral multiple thereof) in respect of which such partial redemption is required (the proportion of such portion of the Calculation Amount being the "**Partial Redemption Portion**" applicable with respect to such Credit Event Notice); and

- (b) where a Credit Event Notice is given as contemplated in (a) above:
 - (i) the Calculation Amount in respect of the relevant Reference Entity shall thereafter be deemed reduced by an amount equal to the Partial Redemption Portion of the Calculation Amount immediately preceding the giving of the Credit Event Notice; and
 - (ii) the provisions of this Condition 6 will apply so as to require the Issuer to redeem the Notes in part only on the relevant Cash Settlement Date, by payment of an amount in aggregate equal to whichever is the greater of (1) the Partial Redemption Portion minus the relevant Cash Settlement Amount and (2) zero, and on payment of such amount (or, if such amount is zero, on the relevant Cash Settlement Date) the outstanding principal amount of the Notes shall be deemed to have been repaid in an amount equal to the Partial Redemption Portion.

The Issuer shall be entitled to require such a partial redemption (or a redemption in full of the Notes) with respect to each Restructuring Credit Event which may occur and whether or not a partial redemption has been required in respect of another Restructuring Credit Event. For the avoidance of doubt, the Issuer shall, notwithstanding any such partial redemption having been required in connection with a Restructuring Credit Event, remain entitled to give a Credit Event Notice with respect to any other Credit Event and redeem the Notes in accordance with the provisions of this Condition 6 applicable where a Credit Event Notice has been given.

6(k) *[RESERVED]*

6(l) *Method for Determining Obligations*

- (i) For the purposes of the definition of Obligation in Condition 6(o) the term "**Obligation**" may be defined as each obligation of each Reference Entity described by the specified Obligation Category, and having the specified Obligation Characteristics, if any, in each case, as of the date of the event which constitutes the Credit Event which is the subject of the Credit Event Notice. The following terms shall have the following meanings:
 - (1) "**Obligation Category**" means Payment, Borrowed Money, Reference Obligations Only, Bond, Loan, or Bond or Loan, only one of which shall be specified, and:
 - (A) "**Payment**" means any obligation (whether present or future, contingent or otherwise) for the payment or repayment of money, including, without limitation, Borrowed Money;
 - (B) "**Borrowed Money**" means any obligation (excluding an obligation under a revolving credit arrangement for which there are no outstanding, unpaid drawings in respect of principal) for the payment or repayment of borrowed money (which term shall include, without limitation, deposits and reimbursement obligations arising from drawings pursuant to letters of credit);

- (C) "**Reference Obligations Only**" means any obligation that is a Reference Obligation and no Obligation Characteristics shall be applicable to Reference Obligations Only;
 - (D) "**Bond**" means any obligation of a type included in the "Borrowed Money" Obligation Category that is in the form of, or represented by, a bond, note (other than notes delivered pursuant to Loans), certificated debt security or other debt security and shall not include any other type of Borrowed Money;
 - (E) "**Loan**" means any obligation of a type included in the "Borrowed Money" Obligation Category that is documented by a term loan agreement, revolving loan agreement or other similar credit agreement and shall not include any other type of Borrowed Money; and
 - (F) "**Bond or Loan**" means any obligation that is either a Bond or a Loan.
- (2) "**Obligation Characteristics**" means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed and Not Domestic Issuance, and:
- (A) (aa) "**Not Subordinated**" means an obligation that is not Subordinated to (i) the most senior Reference Obligation in priority of payment or (ii) if no Reference Obligation is specified, any unsubordinated Borrowed Money obligations of the Reference Entity; provided that, if any of the events set forth under the definition of "Substitute Reference Obligation" has occurred with respect to all of the Reference Obligations or if, pursuant to the definition of "Successor" a Substitute Reference Obligation will be determined in accordance with the definition of "Substitute Reference Obligation" with respect to the Reference Obligation (each, in each case, a "**Prior Reference Obligation**") and no Substitute Reference Obligation has been identified for any of the Prior Reference Obligations at the time of the determination of whether an obligation satisfies the "Not Subordinated" Obligation Characteristic or Valuation Obligation Characteristic, as applicable, "Not Subordinated" shall mean an obligation that would not have been Subordinated to the most senior such Prior Reference Obligation in priority of payment. For purposes of determining whether an obligation satisfies the "Not Subordinated" Obligation Characteristic or Valuation Obligation Characteristic, the ranking in priority of payment of each Reference Obligation or each Prior Reference Obligation, as applicable shall be determined as of the date as of which the relevant Reference Obligation or Prior Reference Obligation, as applicable, was issued or incurred and shall not reflect any change to such ranking in priority of payment after such date;

- (bb) "**Subordination**" means, with respect to an obligation (the "**Subordinated Obligation**") and another obligation of the Reference Entity to which such obligation is being compared (the "**Senior Obligation**"), a contractual, trust or similar arrangement providing that (i) upon the liquidation, dissolution, reorganisation or winding up of the Reference Entity, claims of the holders of the Senior Obligation will be satisfied prior to the claims of the holders of the Subordinated Obligation or (ii) the holders of the Subordinated Obligation will not be entitled to receive or retain payments in respect of their claims against the Reference Entity at any time that the Reference Entity is in payment arrears or is otherwise in default under the Senior Obligation. "**Subordinated**" will be construed accordingly. For purposes of determining whether Subordination exists or whether an obligation is Subordinated with respect to another obligation to which it is being compared, the existence of preferred creditors arising by operation of law or of collateral, credit support or other credit enhancement arrangements shall not be taken into account, except that, notwithstanding the foregoing, priorities arising by operation of law shall be taken into account where the Reference Entity is a Sovereign;
- (B) "**Specified Currency**" means an obligation that is payable in the currency or currencies specified as such (or, if Specified Currency is specified and no currency is so specified, any of the lawful currencies of Canada, Japan, Switzerland, the United Kingdom and the United States of America and the euro and any successor currency to any of the aforementioned currencies, which currencies shall be specified collectively as the "**Standard Specified Currencies**");
- (C) "**Not Sovereign Lender**" means any obligation that is not primarily owed to a Sovereign or Supranational Organisation, including, without limitation, obligations generally referred to as "Paris Club debt";
- (D) "**Not Domestic Currency**" means any obligation that is payable in any currency other than the Domestic Currency;
- (E) "**Not Domestic Law**" means any obligation that is not governed by the laws of (1) the relevant Reference Entity, if such Reference Entity is a Sovereign, or (2) the jurisdiction of organisation of the relevant Reference Entity, if such Reference Entity is not a Sovereign;
- (F) "**Listed**" means an obligation that is quoted, listed or ordinarily purchased and sold on an exchange; and
- (G) "**Not Domestic Issuance**" means any obligation other than an obligation that was, at the time the relevant obligation was issued (or reissued, as the case may be) or incurred, intended to be

offered for sale primarily in the domestic market of the relevant Reference Entity. Any obligation that is registered or qualified for sale outside the domestic market of the relevant Reference Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the relevant Reference Entity) shall be deemed not to be intended for sale primarily in the domestic market of the Reference Entity.

- (ii) If the Obligation Characteristic "Listed" is specified, the Conditions shall be construed as though Listed had been specified as an Obligation Characteristic only with respect to Bonds and shall only be relevant if bonds are covered by the selected Obligation Category.
- (iii) In the event that an Obligation is a Qualifying Guarantee, the following will apply:
 - (1) For purposes of the application of the Obligation Category, the Qualifying Guarantee shall be deemed to satisfy the same category or categories as those that describe the Underlying Obligation.
 - (2) For purposes of the application of the Obligation Characteristics, both the Qualifying Guarantee and the Underlying Obligation must satisfy on the relevant date each of the specified applicable Obligation Characteristics, if any, from the following list: Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency and Not Domestic Law. For these purposes, unless otherwise specified, (A) the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro shall not be a Domestic Currency and (B) the laws of England and the laws of the State of New York shall not be a Domestic Law.
 - (3) For purposes of the application of the Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date each of the specified applicable Obligation Characteristics, if any, from the following list: Listed, Not Contingent, Not Domestic Issuance, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer.
 - (4) For purposes of the application of the Obligation Characteristics to an Underlying Obligation, references to the Reference Entity shall be deemed to refer to the Underlying Obligor.

6(m) *Method for Determining Valuation Obligations*

- (i) For the purpose of the definition of Valuation Obligation in Condition 6(o) the term "**Valuation Obligation**" may be defined as each obligation of each Reference Entity described by the specified Valuation Obligation Category, and having each of the specified Valuation Obligation Characteristics, if any, as of the Valuation Date subject as provided below. The following terms shall have the following meanings:

- (1) "**Valuation Obligation Category**" means one of Payment, Borrowed Money, Reference Obligations Only, Bond, Loan, or Bond or Loan (each as defined in Condition 6(l)(i)(1), except that, for the purpose of determining Valuation Obligations, Condition 6(l)(i)(1)(C) shall be amended to state that no Valuation Obligation Characteristics shall be applicable to Reference Obligations Only).
- (2) "**Valuation Obligation Characteristics**" means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed, Not Contingent, Not Domestic Issuance, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer, and:
 - (A) "**Not Contingent**" means any obligation having as of the Valuation Date and all times thereafter an outstanding principal balance or, in the case of obligations that are not Borrowed Money, a Due and Payable Amount, that pursuant to the terms of such obligation may not be reduced as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). A Convertible Obligation, an Exchangeable Obligation and an Accreting Obligation shall satisfy the Not Contingent Valuation Obligation Characteristic if such Convertible Obligation, Exchangeable Obligation or Accreting Obligation otherwise meets the requirements of the preceding sentence so long as, in the case of a Convertible Obligation or an Exchangeable Obligation, the right (1) to convert or exchange such obligation or (2) to require the issuer to purchase or redeem such obligation (if the issuer has exercised or may exercise the right to pay the purchase or redemption price, in whole or in part, in Equity Securities) has not been exercised (or such exercise has been effectively rescinded) on or before the Valuation Date;

If a Reference Obligation is a Convertible Obligation or an Exchangeable Obligation, then such Reference Obligation may be included as a Valuation Obligation only if the rights referred to in (1) and (2) above of this Condition 6(m)(i)(2)(A) have not been exercised (or such exercise has been effectively rescinded) on or before the Valuation Date;
 - (B) "**Assignable Loan**" means a Loan that is capable of being assigned or novated to, at a minimum, commercial banks or financial institutions (irrespective of their jurisdiction of organisation) that are not then a lender or a member of the relevant lending syndicate, without the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the applicable borrower if a Reference Entity is guaranteeing such Loan) or any agent;
 - (C) "**Consent Required Loan**" means a Loan that is capable of being assigned or novated with the consent of the relevant Reference

Entity or the guarantor, if any, of such Loan (or the consent of the relevant borrower if a Reference Entity is guaranteeing such Loan) or any agent;

- (D) "**Direct Loan Participation**" means a Loan in respect of which, pursuant to a participation agreement, the Issuer is capable of creating, or procuring the creation of, a contractual right in favour of a third party, that provides such party with recourse to the participation seller for a specified share in any payments due under the relevant Loan which are received by such participation seller, any such agreement to be entered into between the relevant third party or its designee and either (x) the Issuer or its designee (to the extent the Issuer or such designee is then a lender or a member of the relevant lending syndicate), or (y) a Qualifying Participation Seller (if any) (to the extent such Qualifying Participation Seller is then a lender or a member of the relevant lending syndicate);
- (E) "**Transferable**" means an obligation that is transferable to institutional investors without any contractual, statutory or regulatory restriction *provided that* none of the following shall be considered contractual, statutory or regulatory restrictions:
- [(x)] contractual, statutory or regulatory restrictions that provide for eligibility for resale pursuant to Rule 144A or Regulation S promulgated under the United States Securities Act of 1933, as amended (and any contractual, statutory or regulatory restrictions promulgated under the laws of any jurisdiction having a similar effect in relation to the eligibility for resale of an obligation); or
- [(y)] restrictions on permitted investments such as statutory or regulatory investment restrictions on insurance companies and pension funds;
- (F) "**Maximum Maturity**" means an obligation that has a remaining maturity from the Cash Settlement Date of not greater than the period specified;
- (G) "**Accelerated or Matured**" means an obligation under which the total amount owed, whether at maturity, by reason of acceleration, upon termination or otherwise (other than amounts in respect of default interest, indemnities, tax gross-ups and other similar amounts), is, or on or prior to the Valuation Date will be, due and payable in full in accordance with the terms of such obligation, or would have been but for, and without regard to, any limitation imposed under any applicable insolvency laws; and
- (H) "**Not Bearer**" means any obligation that is not a bearer instrument unless interests with respect to such bearer instrument

are cleared via the Euroclear system, Clearstream, Luxembourg or any other internationally recognised clearing system.

- (ii) If the Obligation Characteristic "Listed" is specified, the Conditions shall be construed as though Listed had been specified as an Obligation Characteristic only with respect to Bonds and shall only be relevant if Bonds are covered by the selected Obligation Category.
- (iii) If (a) either of the Valuation Obligation Characteristics "Listed" or "Not Bearer" is specified, the Conditions shall be construed as though such Valuation Obligation Characteristic had been specified as a Valuation Obligation Characteristic only with respect to Bonds and shall only be relevant if Bonds are covered by the selected Valuation Obligation Category; (b) the Valuation Obligation Characteristic "Transferable" is specified, the Conditions shall be construed as though such Valuation Obligation Characteristic had been specified as a Valuation Obligation Characteristic only with respect to Valuation Obligations that are not Loans (and shall only be relevant to the extent that obligations other than Loans are covered by the selected Valuation Obligation Category); or (c) any of the Valuation Obligation Characteristics "Assignable Loan", "Consent Required Loan" or "Direct Loan Participation" is specified, the Conditions shall be construed as though such Valuation Obligation Characteristic had been specified as a Valuation Obligation Characteristic only with respect to Loans and shall only be relevant if Loans are covered by the selected Valuation Obligation Category;
- (iv) If any of Payment, Borrowed Money, Loan, or Bond or Loan is specified as the Valuation Obligation Category and more than one of Assignable Loan, Consent Required Loan and Direct Loan Participation are specified as Valuation Obligation Characteristics, the Valuation Obligations may include any Loan that satisfies any one of such Valuation Obligation Characteristics specified and need not satisfy all such Valuation Obligation Characteristics; and
- (v) In the event that a Valuation Obligation is a Qualifying Guarantee, the following will apply:
 - (1) For purposes of the application of the Valuation Obligation Category, the Qualifying Guarantee shall be deemed to satisfy the same category or categories as those that describe the Underlying Obligation.
 - (2) For purposes of the application of the Valuation Obligation Characteristics, both the Qualifying Guarantee and the Underlying Obligation must satisfy on the relevant date each of the specified applicable Valuation Obligation Characteristics, if any, from the following list: Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency and Not Domestic Law. For these purposes, unless otherwise specified, (A) the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro shall not be a Domestic Currency and (B) the laws of England and the laws of the State of New York shall not be a Domestic Law.
 - (3) For purposes of the application of the Valuation Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date each of the specified applicable Valuation Obligation Characteristics, if any, from the following list:

Listed, Not Contingent, Not Domestic Issuance, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer.

- (4) For purposes of the application of the Valuation Obligation Characteristics to an Underlying Obligation, references to the Reference Entity shall be deemed to refer to the Underlying Obligor.
- (5) The terms "outstanding principal balance" and "Due and Payable Amount" (as they are used in various other Conditions), when used in connection with Qualifying Guarantees are to be interpreted to be the then "outstanding principal balance" or "Due and Payable Amount", as applicable, of the Underlying Obligation which is supported by a Qualifying Guarantee.

6(n) *Restructuring Maturity Limitation and Modified Restructuring Maturity Limitation*

- (i) If "Restructuring Maturity Limitation and Fully Transferable Obligation Applicable" is specified as applicable in the Standard Terms with respect to the relevant Reference Entity and Restructuring is the only Credit Event specified in a Credit Event Notice, then a Valuation Obligation may be included in the Portfolio only if it (i) is a Fully Transferable Obligation and (ii) has a final maturity date not later than the Restructuring Maturity Limitation Date.
- (ii) If "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable" is specified as applicable in the Standard Terms with respect to the relevant Reference Entity and Restructuring is the only Credit Event specified in a Credit Event Notice, then a Valuation Obligation may be included in the Portfolio only if it (i) is a Conditionally Transferable Obligation and (ii) has a final maturity date not later than the applicable Modified Restructuring Maturity Limitation Date.

6(o) *Credit-Linked Note Definitions*

"**Accreted Amount**" means, with respect to an Accreting Obligation, an amount equal to (i) the sum of (a) the original issue price of such obligation and (b) the portion of the amount payable at maturity that has accreted in accordance with the terms of the obligation (or as otherwise described below), less (ii) any cash payments made by the obligor thereunder that, under the terms of such obligation, reduce the amount payable at maturity (unless such cash payments have been accounted for in (i)(b) above), in each case calculated as of the earlier of (A) the date on which any event occurs that has the effect of fixing the amount of a claim in respect of principal and (B) the Valuation Date. Such Accreted Amount shall include any accrued and unpaid periodic cash interest payments (as determined by the Calculation Agent) only if "Include Accrued Interest" is specified as being applicable. If an Accreting Obligation is expressed to accrete pursuant to a straight-line method or if such obligation's yield to maturity is not specified in, nor implied from, the terms of such obligation, then, for purposes of (i)(b) above, the Accreted Amount shall be calculated using a rate equal to the yield to maturity of such obligation. Such yield shall be determined on a semi-annual bond equivalent basis using the original issue price of such obligation and the amount payable at the scheduled maturity of such obligation, and shall be determined as of the earlier of (1) the date on which any event occurs that has the effect of fixing the amount of a claim in respect of principal and (2) the relevant Valuation Date. The

Accreted Amount shall exclude, in the case of an Exchangeable Obligation, any amount that may be payable under the terms of such obligation in respect of the value of the Equity Securities for which such obligation is exchangeable;

"Accreting Obligation" means any obligation (including, without limitation, a Convertible Obligation or an Exchangeable Obligation), the terms of which expressly provide for an amount payable upon acceleration equal to the original issue price (whether or not equal to the face amount thereof) plus an additional amount or amounts (on account of original issue discount or other accruals of interest or principal not payable on a periodic basis) that will or may accrete, whether or not (i) payment of such additional amounts is subject to a contingency or determined by reference to a formula or index, or (ii) periodic cash interest is also payable. With respect to any Accreting Obligation, "outstanding principal balance" shall mean the Accreted Amount thereof.

"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.

"Auction" has the meaning set forth in the relevant Credit Derivatives Auction Settlement Terms.

"Auction Cancellation Date" means the date on which an Auction is deemed to be cancelled pursuant to the Credit Derivatives Auction Settlement Terms with respect to the relevant Reference Entity.

"Auction Final Price" means the price, if any, determined to be the Auction Final Price pursuant to Section 12 of the Credit Derivatives Auction Settlement Terms with respect to the Reference Entity (expressed as a percentage).

"Auction Final Price Determination Date" means the day, if any, on which the Auction Final Price is determined pursuant to the Credit Derivatives Auction Settlement Terms with respect to the Reference Entity.

"Auction Settlement Date" means the date that is the number of Business Days specified in the relevant Credit Derivatives Auction Settlement Terms (or, if a number of Business Days is not so specified, five Business Days) immediately following the Auction Final Price Determination Date.

"Bankruptcy" means a Reference Entity (i) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (ii) becomes insolvent or is unable to pay its debts or fails or admits in writing in a judicial, regulatory or administrative proceeding or filing its inability generally to pay its debts as they become due; (iii) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (iv) institutes or has instituted against it a proceeding seeking a judgement of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (a) results in a judgement of insolvency or bankruptcy or the entry of an order for relief or the

making of an order for its winding-up or liquidation or (b) is not dismissed, discharged, stayed or restrained in each case within thirty calendar days of the institution or presentation thereof; (v) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (vi) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (vii) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty calendar days thereafter; or (viii) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in (i) to (vii) above (inclusive) of this definition of Bankruptcy.

"Business Day" means a day on which commercial banks and foreign exchange markets are generally open to settle payments in the place or places and on the days specified and such other days as may be specified.

"Business Day Convention" means the convention for adjusting any relevant date if it would otherwise fall on a day that is not a Business Day. The following terms, when used in conjunction with the term "Business Day Convention" and a date, shall mean that an adjustment will be made if that date would otherwise fall on a day that is not a Business Day so that:

- (i) if "Following" is specified, that date will be the first following day that is a Business Day;
- (ii) if "Modified Following" or "Modified" is specified, that date will be the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day; and
- (iii) if "Preceding" is specified, that date will be the first preceding day that is a Business Day.

"Calculation Amount" means the amount specified as such.

"Cash Settlement Amount" means the amount specified as such (or, if the same is allocated as contemplated in paragraph (e) of the definition of Successor in Condition 6(o), the proportion thereof allocated to the relevant Successor) or, if an amount is not specified, the greater of (a) the Calculation Amount multiplied by the difference between the Reference Price and the Auction Final Price (or, if the Fallback Settlement Method applies, the Final Price) and (b) zero; *provided, however, that*, if "Deduct Hedging Costs" is specified then the Issuer shall increase the Cash Settlement Amount otherwise determined hereunder by an amount equal to the Hedging Costs.

"Cash Settlement Date" means the Credit Event Redemption Date.

"Conditionally Transferable Obligation" means a Valuation Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all

Modified Eligible Transferees without the consent of any person being required, in the case of any Valuation Obligation other than Bonds, provided, however, that a Valuation Obligation other than Bonds will be a Conditionally Transferable Obligation notwithstanding that consent of the Reference Entity or the guarantor, if any, of a Valuation Obligation other than Bonds (or the consent of the relevant obligor if a Reference Entity is guaranteeing such Valuation Obligation) or any agent is required for such novation, assignment or transfer so long as the terms of such Valuation Obligation provide that such consent may not be unreasonably withheld or delayed. Any requirement that notification of novation, assignment or transfer of a Valuation Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Valuation Obligation shall not be considered to be a requirement for consent for purposes of this definition of Conditionally Transferable Obligation.

For purposes of determining whether a Valuation Obligation satisfies the requirements of the definition of Conditionally Transferable Obligation, such determination shall be made as of the Valuation Date, taking into account only the terms of the Valuation Obligation and any related transfer or consent documents obtained.

"Convertible Obligation" means any obligation that is convertible, in whole or in part, into Equity Securities solely at the option of holders of such obligation or a trustee or similar agent acting for the benefit only of holders of such obligation (or the cash equivalent thereof, whether the cash settlement option is that of the issuer or of (or for the benefit of) the holders of such obligation).

"Credit Derivatives Auction Settlement Terms" means the Credit Derivatives Auction Settlement Terms published by ISDA, in accordance with the Rules, with respect to the Reference Entity (which may be amended in accordance with the Rules from time to time).

"Credit Derivatives Determinations Committees" means the committees established by ISDA for purposes of reaching certain DC Resolutions in connection with credit derivative transactions, as more fully described in the Credit Derivatives Determinations Committees Rules set forth in Annex A to the 2009 ISDA Credit Derivatives Determinations Committees and Auction Settlement Supplement to the 2003 ISDA Credit Derivatives Definitions (published on March 12, 2009), as amended from time to time in accordance with the terms thereof (the **"Rules"**).

"Credit Event" means the occurrence of one or more of Bankruptcy, Failure to Pay, Obligation Acceleration, Obligation Default, Repudiation/Moratorium or Restructuring, as specified, as determined by the Issuer or the Calculation Agent in its sole and absolute discretion (save that such determination shall be confirmed by Publicly Available Information). If an occurrence would otherwise constitute a Credit Event, such occurrence will constitute a Credit Event whether or not such occurrence arises directly or indirectly from, or is subject to a defence based upon: (i) any lack or alleged lack of authority or capacity of a Reference Entity to enter into any Obligation or, as applicable, any Underlying Obligor to enter into any Underlying Obligation, (ii) any actual or alleged unenforceability, illegality, impossibility or invalidity with respect to any Obligation or, as applicable, any Underlying Obligation, however described, (iii) any applicable law, order, regulation, decree or notice, however described, or the promulgation of, or any change in, the interpretation by any court, tribunal, regulatory authority or similar administrative or judicial body with competent

or apparent jurisdiction of any applicable law, order, regulation, decree or notice, however described or (iv) the imposition of, or any change in, any exchange controls, capital restrictions or any other similar restrictions imposed by any monetary or other authority, however described.

"Credit Event Backstop Date" means either (a) 60 calendar days prior to the Credit Event Resolution Request Date (if any) or (b) otherwise, the date that is 60 calendar days prior to the earlier of (i) the Credit Event Notice Date and (ii) in circumstances where (A) the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in sub-paragraphs (a) and (b) of the definition of Credit Event Resolution Request Date are satisfied in accordance with the Rules, (B) the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters and (C) the Credit Event Notice is effective not more than fourteen calendar days after the day on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters, the Credit Event Resolution Request Date. The Credit Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention.

"Credit Event Redemption Date" means, if an Auction Final Price Determination Date occurs, the fifth Business Day following the later of the Auction Settlement Date and the relevant Credit Event Notice Date, provided that if:

- (i) an Auction Cancellation Date occurs;
- (ii) with respect to a Credit Event, ISDA publicly announces that:
 - (a) no Credit Derivatives Auction Settlement Terms will be published with respect to the Reference Entity and such Credit Event;
 - (b) Credit Derivatives Auction Settlement Terms will be published with respect to the Reference Entity and such Credit Event but the Issuer determines in its sole discretion that the provisions for establishing what obligations may constitute deliverable obligations pursuant to the Auction are not substantially the same as the provisions for establishing what obligations may constitute Valuation Obligations pursuant to these Conditions; or
 - (c) the relevant Credit Derivatives Determinations Committee has Resolved that no Auction will be held with respect to the Reference Entity and such Credit Event following a prior public announcement by ISDA to the contrary;
- (iii) ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved, following a Credit Event Resolution Request Date, not to determine whether or not an event constitutes a Credit Event;
- (iv) ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved that an event that constitutes a Restructuring has occurred; or

- (v) no Credit Event Resolution Request Date has occurred on or prior to the first Business Day prior to the Valuation Date,

the Credit Event Redemption Date shall be the tenth Business Day following the Valuation Date (or the Backup Valuation Date, as applicable) and the Issuer shall determine the Final Price in accordance with the Settlement Method set out in Schedule 1 (the "**Fallback Settlement Method**").

"**Credit Event Resolution Request Date**" means, with respect to a notice to ISDA, delivered in accordance with the ISDA Credit Derivatives Determinations Committee Rules, requesting that a Credit Derivatives Determinations Committee be convened to Resolve:

- (a) whether an event that constitutes a Credit Event has occurred with respect to the Reference Entity or Obligation thereof; and
- (b) if the relevant Credit Derivatives Determinations Committee Resolves that such event has occurred, the date of the occurrence of such event,

the date, as publicly announced by ISDA to be the date that the relevant Credit Derivatives Determinations Committee Resolves to be the first date on which such notice was effective and on which the relevant Credit Derivatives Determinations Committee was in possession, in accordance with the ISDA Credit Derivatives Determinations Committee Rules, of Publicly Available Information with respect to the DC Resolutions referred to in sub-clauses (a) and (b) above.

"**Currency Amount**" means, whenever an amount is denominated in a currency other than the Settlement Currency and is to be determined under these Conditions by reference to a Currency Amount, such amount converted to the relevant Settlement Currency using the Currency Rate.

"**Currency Rate**" means, whenever so required to be determined the rate for conversion of the currency of the Valuation Obligation into the Settlement Currency determined by the Calculation Agent, as of the Valuation Date, in its sole discretion.

"**DC Resolution**" has the meaning given to that term in the Rules.

"**Default Requirement**" means the amount specified as such or its equivalent in the relevant Obligation Currency, or if no amount is so specified, USD10,000,000 or its equivalent in the relevant Obligation Currency in either case as of the occurrence of the relevant Credit Event.

"**Domestic Currency**" means the currency specified as such and any successor currency. If no currency is so specified, the Domestic Currency shall be the lawful currency and any successor currency of (i) the relevant Reference Entity, if the Reference Entity is a Sovereign, or (ii) the jurisdiction in which the relevant Reference Entity is organised, if the Reference Entity is not a Sovereign. In no event shall Domestic Currency include any successor currency if such successor currency is the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro (or any successor currency to any such currency).

"Downstream Affiliate" means an entity whose outstanding Voting Shares were, at the date of the issuance of the Qualifying Guarantee, more than 50 percent owned, directly or indirectly, by the Reference Entity.

"Due and Payable Amount" means the amount that is due and payable under (and in accordance with the terms of) a Valuation Obligation as of the relevant Valuation Date, whether by reason of acceleration, maturity, termination or otherwise (excluding sums in respect of default interest, indemnities, tax gross-ups and other similar amounts).

"Eligible Reference Entity" means an entity that is in the same Moody's, S&P or Additional Rating Agency industry group (the **"Industry Requirement"**) as the relevant Surviving Reference Entity, where:

"Moody's" means Moody's Investors Service, Inc.;

"S&P" means Standard and Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc; and

"Additional Rating Agency" means any rating agency selected by the Issuer in its sole discretion.

"Eligible Transferee" means each of the following:

- (i) any bank or other financial institution;
 - (a) an insurance or reinsurance company;
 - (b) a mutual fund, unit trust or similar collective investment vehicle (other than an entity specified in (iii)(a) below); and
 - (c) a registered or licensed broker or dealer (other than a natural person or proprietorship);provided, however, in each case that such entity has total assets of at least USD500,000,000;
- (ii) an Affiliate of an entity specified in (i) above;
- (iii) each of a corporation, partnership, proprietorship, organisation, trust or other entity
 - (a) that is an investment vehicle (including, without limitation, any hedge fund, issuer of collateralised debt obligations, commercial paper conduit or other special purpose vehicle) that (A) has total assets of at least USD100,000,000 or (B) is one of a group of investment vehicles under common control or management having, in the aggregate, total assets of at least USD100,000,000; or
 - (b) that has total assets of at least USD500,000,000; or
 - (c) the obligations of which under an agreement, contract or transaction are guaranteed or otherwise supported by a letter of credit or keepwell,

support or other agreement by an entity described in (i), (ii), (iii)(b) above or (iv) below; and

(iv) a Sovereign, Sovereign Agency or Supranational Organisation

(all references in this definition to USD including equivalent amounts in other currencies).

"Equity Securities" means:

- (a) in the case of a Convertible Obligation, equity securities (including options or warrants) of the issuer of such obligation or depositary receipts representing equity securities of the issuer of such obligation together with any other property distributed to or made available to holders of those equity securities from time to time; and
- (b) in the case of an Exchangeable Obligation, equity securities (including options or warrants) of a person other than the issuer of such obligation or depositary receipts representing those equity securities of a person other than the issuer of such obligation together with any other property distributed to or made available to holders of those equity securities from time to time.

"Exchangeable Obligation" means any obligation that is exchangeable, in whole or in part, for Equity Securities solely at the option of holders of such obligation or a trustee or similar agent acting for the benefit only of holders of such obligation (or the cash equivalent thereof, whether the cash settlement option is that of the issuer or of (or for the benefit of) the holder of such obligation). With respect to any Exchangeable Obligation that is not an Accreting Obligation, "outstanding principal balance" shall exclude any amount that may be payable under the terms of such obligation in respect of the value of the Equity Securities for which such obligation is exchangeable.

"Excluded Obligation" means any obligation of a Reference Entity specified as such (if any are so specified).

"Excluded Valuation Obligation" means any obligation of a Reference Entity specified as such (if any are so specified).

"Extended Maturity Date" has the meaning ascribed thereto in Part A.

"Failure to Pay" means, after the expiration of any applicable Grace Period (after the satisfaction of any conditions precedent to the commencement of such Grace Period), the failure by a Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations, in accordance with the terms of such Obligations at the time of such failure.

"Fallback Settlement Method" has the meaning given in the definition of Credit Event Redemption Date.

"Final Price" has the meaning ascribed thereto in Part A.

"Full Quotation" means each firm bid quotation obtained from a selected dealer for an amount of the Valuation Obligation equal to the Quotation Amount.

"Fully Transferable Obligation" means a Valuation Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Eligible Transferees without the consent of any person being required, in the case of any Valuation Obligation other than Bonds. Any requirement that notification of novation, assignment or transfer of a Valuation Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Valuation Obligation shall not be considered to be a requirement for consent for the purposes of this definition. For purposes of determining whether a Valuation Obligation satisfies the requirements of this definition, such determination shall be made as of the Valuation Date for the Valuation Obligation, taking into account only the terms of the Valuation Obligation and any related transfer or consent documents which have been obtained by the Issuer.

"GBP" means the lawful currency of the United Kingdom of Great Britain and Northern Ireland;

"Governmental Authority" means any de facto or de jure government (or any agency, instrumentality, ministry or department thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of a Reference Entity or of the jurisdiction of organisation of a Reference Entity.

"Grace Period" means with respect to an Obligation the lesser of (i) the applicable grace period with respect to payments under the terms of such Obligation in effect as of the date as of which such obligation is issued or incurred and (ii) a period of thirty calendar days.

"Grace Period Extension Date" means, with respect to any Potential Failure to Pay, the date that is the number of days constituting the relevant Grace Period after the date of the commencement of such Potential Failure to Pay.

"Hedging Costs" means an amount equal to the aggregate costs to the Issuer and/or its affiliates (if any) of terminating, transferring, liquidating, obtaining or re-establishing any swap agreement, financing arrangement or other hedging transaction entered into by or on behalf of the Issuer in relation to the issuance of the Notes, as determined by the Issuer in its sole and absolute discretion.

"ISDA" means the International Swaps and Derivatives Association, Inc.

"Modified Eligible Transferee" means any bank, financial institution or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities and other financial assets.

"Modified Restructuring Maturity Limitation Date" means, with respect to a Valuation Obligation, the date that is the later of (x) the Maturity Date and (y) 60 months following the Restructuring Date in the case of a Restructured Bond or Loan, or 30 months following the Restructuring Date in the case of all other Valuation Obligations.

"Multiple Holder Obligation" means an Obligation that (i) at the time of the event which constitutes a Restructuring Credit Event, is held by more than three holders that are not Affiliates of each other and (ii) with respect to which a percentage of holders (determined pursuant to the terms of the Obligation as in effect on the date of such event) at least equal to sixty-six-and-two-thirds is required to consent to the event which constitutes a Restructuring Credit Event *provided that* any Obligation that is a Bond shall be deemed to satisfy the requirements in (ii) of this definition of Multiple Holder Obligation.

"Notice Delivery Period End Date" has the meaning ascribed thereto in Part A.

"Obligation" means (i) any obligation of a Reference Entity (either directly or as a provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified, as provider of any Qualifying Guarantee) determined pursuant to the method described in Condition 6(l) (but excluding any Excluded Obligation), (ii) each Reference Obligation, unless specified as an Excluded Obligation, and (iii) any other obligation of a Reference Entity specified as such.

"Obligation Acceleration" means one or more Obligations in an aggregate amount of not less than the Default Requirement have become due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event of default or other similar condition or event (however described), other than a failure to make any required payment, in respect of a Reference Entity under one or more Obligations.

"Obligation Currency" means the currency or currencies in which an Obligation is denominated.

"Obligation Default" means one or more Obligations in an aggregate amount of not less than the Default Requirement have become capable of being declared due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event of default or other similar condition or event (however described), other than a failure to make any required payment, in respect of a Reference Entity under one or more Obligations.

"Payment Requirement" means the amount specified as such or its equivalent in the relevant Obligation Currency, or if Payment Requirement is not so specified, USD1,000,000 or its equivalent in the relevant Obligation Currency, in either case as of the occurrence of the relevant Failure to Pay or Potential Failure to Pay, as applicable.

"Portfolio" means a portfolio of one or more Valuation Obligations with (i) in the case of Valuation Obligations that are Borrowed Money obligations, an outstanding principal balance (including (if Included Accrued Interest is specified) or excluding (if Exclude Accrued Interest is specified) accrued but unpaid interest as determined by the Issuer or the Calculation Agent acting in a commercially reasonable manner) or (ii) in the case of Valuation Obligations that are not Borrowed Money obligations, a Due and Payable Amount (or, in the case of either (i) or (ii), the equivalent Currency Amount of any such amount) (the **"Valuation Obligation Calculation Amount"**, which in aggregate shall not exceed the Calculation Amount as of the relevant Valuation Date), which is identified by the Issuer to the Calculation Agent not later

than the third Business Day immediately preceding the relevant Valuation Date, provided that such Portfolio may be amended by the Issuer at the Issuer's discretion up to one Business Day prior to the Valuation Date.

"Potential Failure to Pay" means, in the sole and absolute determination of the Issuer, the failure by a Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations without regard to any grace period or any conditions precedent to the commencement of any grace period applicable to such Obligations in accordance with the terms of such Obligations at the time of such failure.

"Publicly Available Information" means information that reasonably confirms any of the facts relevant to the determination that the Credit Event has occurred and which (i) has been published in or on not less than two Public Sources, regardless of whether the reader or user thereof pays a fee to obtain such information; *provided that*, if the Issuer or the Calculation Agent or any of its respective Affiliates is cited as the sole source of such information, then such information shall not be deemed to be Publicly Available Information unless the Issuer or the Calculation Agent or its Affiliate is acting in its capacity as trustee, fiscal agent, administrative agent, clearing agent, paying agent, facility agent or agent bank for an Obligation, (ii) is information received from or published by (a) a Reference Entity (or a Sovereign Agency in respect of a Reference Entity which is a Sovereign) or (b) a trustee, fiscal agent, administrative agent, clearing agent, paying agent, facility agent or agent bank for an Obligation, (iii) is information contained in any petition or filing instituting a proceeding described in paragraph (iv) of the definition of Bankruptcy above against or by a Reference Entity or (iv) is information contained in any order, decree, notice or filing, however described, of or filed with a court, tribunal, exchange, regulatory authority or similar administrative, regulatory or judicial body.

In relation to any information of the type described in (ii), (iii) or (iv) above, the Issuer and the Calculation Agent may assume that such information has been disclosed to it without violating any law, agreement or understanding regarding the confidentiality of such information and that the party delivering such information has not taken any action or entered into any agreement or understanding with the Reference Entity or any Affiliate of the Reference Entity that would be breached by, or would prevent, the disclosure of such information to the party receiving such information.

Publicly Available Information need not state (a) in relation to the definition of Downstream Affiliate above, the percentage of Voting Shares owned, directly or indirectly, by the Reference Entity and (b) that such occurrence (1) has met the Payment Requirement or Default Requirement, (2) is the result of exceeding any applicable Grace Period or (3) has met the subjective criteria specified in certain Credit Events.

"Public Source" means each source of Publicly Available Information specified as such (or, if a source is not so specified, each of Bloomberg Service, Reuter Monitor Money Rates Services, Dow Jones News Wire, Wall Street Journal, New York Times, Nihon Keizai Shinbun, Asahi Shinbun, Yomiuri Shinbun, Financial Times, La Tribune, Les Echos and The Australian Financial Review (and successor publications), the main source(s) of business news in the country in which the

Reference Entity is organised and any other internationally recognised published or electronically displayed news sources).

"Qualifying Affiliate Guarantee" means a Qualifying Guarantee provided by a Reference Entity in respect of an Underlying Obligation of a Downstream Affiliate of that Reference Entity.

"Qualifying Guarantee" means an arrangement evidenced by a written instrument pursuant to which a Reference Entity irrevocably agrees (by guarantee of payment or equivalent legal arrangement) to pay all amounts due under an obligation (the **"Underlying Obligation"**) for which another party is the obligor (the **"Underlying Obligor"**). Qualifying Guarantees shall exclude any arrangement (i) structured as a surety bond, financial guarantee insurance policy, letter of credit or equivalent legal arrangement or (ii) pursuant to the terms of which the payment obligations of the Reference Entity can be discharged, reduced or otherwise altered or assigned (other than by operation of law) as a result of the occurrence or non-occurrence of an event or circumstance (other than payment).

"Qualifying Participation Seller" means any participation seller that meets the requirements specified. If no such requirements are specified, there shall be no Qualifying Participation Seller.

"Reference Price" means the percentage specified or, if a percentage is not specified, one hundred percent.

"Replacement Reference Entity" means, with respect to a Surviving Reference Entity, an Eligible Reference Entity selected by the Issuer in its sole and absolute discretion and notified as soon as reasonably practicable to the Noteholders in accordance with Condition 13.

"Repudiation/Moratorium" means an authorised officer of a Reference Entity or a Governmental Authority (i) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, one or more Obligations in an aggregate amount of not less than the Default Requirement or (ii) declares or imposes a moratorium, standstill, roll-over or deferral, whether de facto or de jure, with respect to one or more Obligations in an aggregate amount of not less than the Default Requirement.

"Resolve" has the meaning given to that term in the Rules, and **"Resolved"** and **"Resolves"** shall be interpreted accordingly.

"Restructured Bond or Loan" means an Obligation which is a Bond or Loan and in respect of which a Restructuring that is the subject of a Credit Event Notice has occurred.

"Restructuring"

- (a) **"Restructuring"** means that, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, any one or more of the following events occurs in a form that binds all holders of such Obligation, is agreed between the Reference Entity or a Governmental Authority and a sufficient number of holders of such Obligation to bind all holders of the Obligation or is announced (or otherwise decreed) by a

Reference Entity or a Governmental Authority in a form that binds all holders of such Obligation, and such event is not expressly provided for under the terms of such Obligation in effect as of the later of (i) the Credit Event Backstop Date and (ii) the date as of which such Obligation is issued or incurred:

- (i) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals;
 - (ii) a reduction in the amount of principal or premium payable at maturity or at scheduled redemption dates;
 - (iii) a postponement or other deferral of a date or dates for either (a) the payment or accrual of interest or (b) the payment of principal or premium;
 - (iv) a change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation; or
 - (v) any change in the currency or composition of any payment of interest or principal to any currency which is not a Permitted Currency ("Permitted Currency" meaning (a) the legal tender of any Group of 7 country (or any country that becomes a member of the Group of 7 if such Group of 7 expands its membership); or (b) the legal tender of any country which, as of the date of such change, is a member of the Organisation for Economic Cooperation and Development and has a local currency long-term debt rating of either AAA or higher assigned to it by Standard & Poor's, a division of the McGraw Hill Companies, Inc or any successor to the rating business thereof, Aaa or higher assigned to it by Moody's Investors Service, Inc. or any successor to the rating business thereof or AAA or higher assigned to it by Fitch Ratings or any successor to the rating business thereof).
- (b) Notwithstanding the provisions of (a) above, none of the following shall constitute a Restructuring:
- (i) the payment in euros of interest or principal in relation to an Obligation denominated in a currency of a Member State of the European Union that adopts or has adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union;
 - (ii) the occurrence of, agreement to or announcement of any of the events described in (a)(i) to (v) above due to an administrative adjustment, accounting adjustment or tax adjustment or other technical adjustment occurring in the ordinary course of business; and
 - (iii) the occurrence of, agreement to or announcement of any of the events described in (a)(i) to (v) above in circumstances where such event does not directly or indirectly result from a deterioration in the creditworthiness or financial condition of the Reference Entity.

- (c) Unless Multiple Holder Obligation is specified as not applicable then, notwithstanding anything to the contrary in this definition of Restructuring, the occurrence of, agreement to or announcement of any of the events described in (a)(i) to (v) above shall not be a Restructuring unless the Obligation in respect of any such events is a Multiple Holder Obligation.
- (d) For purposes of (a), (b) and (c) above, the term Obligation shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable, as provider of any Qualifying Guarantee. In the case of a Qualifying Guarantee and an Underlying Obligation, references to the Reference Entity in (a) above shall be deemed to refer to the Underlying Obligor and the reference to the Reference Entity in (b) above shall continue to refer to the Reference Entity.

"Restructuring Date" means, with respect to a Restructured Bond or Loan, the date on which a Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring.

"Restructuring Maturity Limitation Date" means the date that is the earlier of (i) thirty months following the Restructuring Date and (ii) the latest final maturity date of any Restructured Bond or Loan, provided, however, that under no circumstances shall the Restructuring Maturity Limitation Date be earlier than the Maturity Date or (if applicable) the Extended Maturity Date, or later than 30 months following the Maturity Date or (if applicable) the Extended Maturity Date and if it is it shall be deemed to be the Maturity Date or (if applicable) the Extended Maturity Date or thirty months following the Maturity Date, as the case may be.

"Scheduled Maturity Date" has the meaning ascribed thereto in Part A.

"Settlement Currency" means the currency specified or, if no currency is so specified, the currency of denomination of the Calculation Amount.

"Sovereign" means any state, political subdivision or government, or any agency, instrumentality, ministry, department or other authority (including, without limiting the foregoing, the central bank) thereof.

"Sovereign Agency" means any agency, instrumentality, ministry, department or other authority (including, without limiting the foregoing, the central bank) of a Sovereign.

"Sovereign Restructured Valuation Obligation" means an Obligation of a Sovereign Reference Entity (a) in respect of which a Restructuring that is the subject of the relevant Credit Event Notice has occurred and (b) described by the specified Valuation Obligation Category and, subject to Condition 6(m)(iv), having each of the specified Valuation Obligation Characteristics, if any, in each case, immediately preceding the date on which such Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring without regard to whether the Obligation would satisfy such Valuation Obligation Category or Valuation Obligation Characteristics after such Restructuring.

"**specified**" means, unless otherwise provided, as specified in Schedule 1 to the Final Terms relating to the Notes and/or in the applicable Standard Terms.

"**Substitute Reference Obligation**" means one or more obligations of a Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable, as provider of any Qualifying Guarantee) that will replace one or more Reference Obligations, identified by the Calculation Agent in accordance with the following procedures:

- (a) In the event that (i) a Reference Obligation is redeemed in whole or (ii) in the opinion of the Calculation Agent (A) the aggregate amounts due under any Reference Obligation have been materially reduced by redemption or otherwise (other than due to any scheduled redemption, amortization or prepayments), (B) any Reference Obligation is an Underlying Obligation with a Qualifying Guarantee of a Reference Entity and, other than due to the existence or occurrence of a Credit Event, the Qualifying Guarantee is no longer a valid and binding obligation of such Reference Entity enforceable in accordance with its terms, or (C) for any other reason, other than due to the existence or occurrence of a Credit Event, any Reference Obligation is no longer an obligation of a Reference Entity, the Calculation Agent shall identify one or more Obligations to replace such Reference Obligation.
- (b) Any Substitute Reference Obligation or Substitute Reference Obligations shall be an Obligation that (i) ranks *pari passu* in priority of payment with the ranking in priority of payment of each of the Substitute Reference Obligation and such Reference Obligation (with the ranking in priority of payment of such Reference Obligation being determined as of the date as of which such Reference Obligation was issued or incurred and not reflecting any change to such ranking in priority of payment after such date) and (ii) is an obligation of the relevant Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable, as provider of a Qualifying Guarantee). The Substitute Reference Obligation or Substitute Reference Obligations identified by the Calculation Agent shall, without further action, replace such Reference Obligation or Reference Obligations.
- (c) If more than one specific Reference Obligation is identified as a Reference Obligation with respect to a Reference Entity, any of the events set forth under (a) above has occurred with respect to one or more but not all of the Reference Obligations for such Reference Entity, and the Calculation Agent determines that no Substitute Reference Obligation is available for one or more of such Reference Obligations, each Reference Obligation for which no Substitute Reference Obligation is available shall cease to be a Reference Obligation.
- (d) If more than one specific Reference Obligation is identified as a Reference Obligation with respect to a Reference Entity, any of the events set forth under (a) above has occurred with respect to all of the Reference Obligations for such Reference Entity, and the Calculation Agent determines that at least one Substitute Reference Obligation is available for any such Reference Obligation, then each such Reference Obligation shall be replaced by a Substitute Reference Obligation and each Reference Obligation for which no Substitute Reference Obligation is available will cease to be a Reference Obligation.

- (e) If (i) more than one specific Reference Obligation is identified as a Reference Obligation with respect to a Reference Entity, any of the events set forth under (a) above has occurred with respect to all the Reference Obligations of such Reference Entity and the Calculation Agent determines that no Substitute Reference Obligation is available for any of the Reference Obligations of such Reference Entity, or (ii) only one specific Reference Obligation is identified as a Reference Obligation, any of the events set forth under sub-section (a) of this definition of Substitute Reference Obligation has occurred with respect to such Reference Obligation and the Calculation Agent determines that no Substitute Reference Obligation is available for that Reference Obligation, then the Calculation Agent shall continue to attempt to identify a Substitute Reference Obligation until the latest of the Maturity Date and the Grace Period Extension Date (if any).
- (f) For purposes of identification of a Reference Obligation, any change in a Reference Obligation's CUSIP or ISIN number or other similar identifier will not, in and of itself, convert such Reference Obligation into a different Obligation.

"**Successor**" shall have the meaning determined in accordance with the following provisions:

- (a) In relation to a Reference Entity that is not a Sovereign, "Successor" means, subject to (j) below), the entity or entities, if any, determined as set forth below:
 - (i) if one entity directly or indirectly succeeds to 75% or more of the Relevant Obligations of the Reference Entity by way of a Succession Event, that entity will be the sole Successor;
 - (ii) if only one entity directly or indirectly succeeds to more than 25% (but less than 75%) of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than 25% of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entity that succeeds to more than 25% of the Relevant Obligations will be the sole Successor;
 - (iii) if more than one entity each directly or indirectly succeeds to more than 25% of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than 25% of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entities that succeed to more than 25% of the Relevant Obligations will each be a Successor and (e) below will apply;
 - (iv) if one or more entities each directly or indirectly succeeds to more than 25% of the Relevant Obligations of the Reference Entity by way of a Succession Event, and more than 25% of the Relevant Obligations of the Reference Entity remain with the Reference Entity, each such entity and the Reference Entity will be a Successor and (e) below will apply;
 - (v) if one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference Entity by way of a Succession

Event, but no entity succeeds to more than 25% of the Relevant Obligations of the Reference Entity and the Reference Entity continues to exist, there will be no Successor and the Reference Entity will not be changed in any way as a result of the Succession Event; and

- (vi) if one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference Entity by way of a Succession Event, but no entity succeeds to more than 25% of the Relevant Obligations of the Reference Entity and the Reference Entity ceases to exist, the entity which succeeds to the greatest percentage of Relevant Obligations (or, if two or more entities succeed to an equal percentage of Relevant Obligations, the entity from among those entities which succeeds to the greatest percentage of obligations of the Reference Entity) will be the sole Successor.

The Calculation Agent will be responsible for determining, as soon as reasonably practicable after it becomes aware of the relevant Succession Event (but no earlier than 14 calendar days after the legally effective date of the Succession Event), and with effect from the legally effective date of the Succession Event, whether the relevant thresholds set forth above have been met, or which entity qualifies under (a)(vi) above, as applicable provided that the Calculation Agent will not make such determination if, at such time, either (A) ISDA has publicly announced that the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in (a) above, and subparagraphs (a) and (b) of the definition of Succession Event Resolution Request Date are satisfied in accordance with the Rules (until such time, if any, as ISDA subsequently publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine a Successor) or (B) ISDA has publicly announced that the relevant Credit Derivatives Determinations Committee has Resolved that no event that constitutes a Succession Event has occurred. In calculating the percentages used to determine whether the relevant thresholds set forth above have been met, or which entity qualifies under (a)(vi) above, as applicable, the Calculation Agent shall use, in respect of each applicable Relevant Obligation included in such calculation, the amount of the liability in respect of such Relevant Obligation listed in the Best Available Information.

- (b) "**Succession Event**" means an event such as a merger, consolidation, amalgamation, transfer of assets or liabilities, demerger, spin-off or other similar event in which one entity succeeds to the obligations of another entity, whether by operation of law or pursuant to any agreement. Notwithstanding the foregoing, "Succession Event" shall not include any event (A) in which the holders of obligations of the Reference Entity exchange such obligations for the obligations of another entity, unless such exchange occurs in connection with a merger, consolidation, amalgamation, transfer of assets or liabilities, demerger, spin-off or other similar event or (B) with respect to which the legally effective date (or, in the case of a Reference Entity that is a Sovereign, the date of occurrence) has occurred prior to the Succession Event Backstop Date (determined by reference to Greenwich Mean Time).

- (c) For purposes of interpreting this definition of Successor "**succeed**" means, with respect to a Reference Entity and its Relevant Obligations (or, as applicable, obligations), that a party other than such Reference Entity (i) assumes or becomes liable for such Relevant Obligations (or, as applicable, obligations) whether by operation of law or pursuant to any agreement or (ii) issues Bonds that are exchanged for Relevant Obligations (or, as applicable, obligations), and in either case such Reference Entity is no longer an obligor (primarily or secondarily) or guarantor with respect to such Relevant Obligations (or, as applicable, obligations). The determinations required pursuant to (a) above shall be made, in the case of an exchange offer, on the basis of the outstanding principal balance of Relevant Obligations tendered and accepted in the exchange and not on the basis of the outstanding principal balance of Bonds for which Relevant Obligations have been exchanged.
- (d) Where (i) a Reference Obligation has been specified with respect to a Reference Entity, (ii) one or more Successors to the Reference Entity have been identified and (iii) any one or more such Successors have not assumed the Reference Obligation, a Substitute Reference Obligation will be determined in accordance with the definition of Substitute Reference Obligation above.
- (e) Where, pursuant to (a)(iii) or (iv) above, more than one Successor has been identified then, subject to (j) below:
 - (i) each Successor will be treated as a Reference Entity;
 - (ii) the Calculation Agent shall allocate the Calculation Amount equally between all such Successors;
 - (iii) the provisions of Condition 6(j)(iii) shall apply; and
 - (iv) the Conditions will otherwise continue to apply except to the extent that modification is required, as determined by the Calculation Agent, to preserve the economic effects of the original Conditions.
- (f) "**Relevant Obligations**" means the Obligations constituting Bonds and Loans of the Reference Entity outstanding immediately prior to the effective date of the Succession Event, excluding any debt obligations outstanding between the Reference Entity and any of its Affiliates, as determined by the Calculation Agent. The Calculation Agent will determine the entity which succeeds to such Relevant Obligations on the basis of the Best Available Information. If the date on which the Best Available Information becomes available or is filed precedes the legally effective date of the relevant Succession Event, any assumptions as to the allocation of obligations between or among entities contained in the Best Available Information will be deemed to have been fulfilled as of the legally effective date of the Succession Event, whether or not this is in fact the case.
- (g) "**Best Available Information**" means:
 - (i) in the case of a Reference Entity which files information with its primary securities regulator or primary stock exchange that includes unconsolidated, pro forma financial information which assumes that the relevant Succession Event has occurred or which provides such

information to its shareholders, creditors or other persons whose approval of the Succession Event is required, that unconsolidated, pro forma financial information or, if provided subsequently to the provision of unconsolidated, pro forma financial information but before the Calculation Agent makes its determination for the purposes of the definition of Successor, other relevant information that is contained in any written communication provided by the Reference Entity to its primary securities regulator, primary stock exchange, shareholders, creditors or other persons whose approval of the Succession Event is required; or

- (ii) in the case of a Reference Entity which does not file with its primary securities regulator or primary stock exchange, and which does not provide to shareholders, creditors or other persons whose approval of the Succession Event is required, the information contemplated in (i) above, the best publicly available information at the disposal of the Calculation Agent to allow it to make a determination for the purposes of the definition of Successor.
- (h) Information which is made available more than 14 calendar days after the legally effective date of the Succession Event shall not constitute Best Available Information.
- (i) In relation to a Sovereign Reference Entity, "Successor" means any direct or indirect successor(s) to that Reference Entity irrespective of whether such successor(s) assumes any of the obligations of such Reference Entity.
- (j) If Substitution is specified as applicable, where any Reference Entity (a "**Surviving Reference Entity**") (other than the Reference Entity the subject of the Succession Event) would otherwise be a Successor to any other Reference Entity (the "**Legacy Reference Entity**") pursuant to the foregoing provisions then, at the election of the Issuer at any time:
 - (i) such Surviving Reference Entity shall be deemed not to be a Successor to the Legacy Reference Entity; and
 - (ii) the Replacement Reference Entity selected by the Issuer shall be deemed to be a Successor to the Legacy Reference Entity pursuant to that Succession Event from and including the legally effective date of the Succession Event. The Standard Terms applicable to such Replacement Reference Entity shall be the then current standard terms applicable to such Replacement Reference Entity as at the day it is selected by the Issuer.

"**Succession Event Backstop Date**" means (i) the date that is 90 calendar days prior to the Succession Event Resolution Request Date (if any) (determined by reference to Greenwich Mean Time) or (ii) otherwise, the date that is 90 calendar days prior to the earlier of (A) the date on which the Calculation Agent determines that a Succession Event has occurred and (B) in circumstances where (I) the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in subparagraphs (a) and (b) of the definition of "Succession Event Resolution Request

Date" are satisfied in accordance with the Rules, (II) the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters and (III) the Calculation Agent determines that a Succession Event has occurred not more than fourteen calendar days after the day on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters, the Succession Event Resolution Request Date. The Succession Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention.

"Succession Event Resolution Request Date" means, with respect to a notice to ISDA, delivered in accordance with the Rules, requesting that a Credit Derivatives Determinations Committee be convened to Resolve:

- (a) whether an event that constitutes a Succession Event has occurred with respect to the relevant Reference Entity; and
- (b) if the relevant Credit Derivatives Determinations Committee Resolves that such event has occurred, the legally effective date of such event,

the date, as publicly announced by ISDA, that the relevant Credit Derivatives Determinations Committee Resolves to be the date on which such notice is effective.

"Supranational Organisation" means any entity or organisation established by treaty or other arrangement between two or more Sovereigns or the Sovereign Agencies of two or more Sovereigns and includes, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and European Bank for Reconstruction and Development.

"TARGET" means the Trans-European Automated Real-time Gross settlement Express Transfer System.

"USD" means the lawful currency of the United States of America.

"Valuation Date" means the date specified as such in accordance with the applicable Settlement Method.

"Valuation Obligation" means, subject to Condition 6(n):

- (i) any obligation of the Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified, as provider of any Qualifying Guarantee determined pursuant to the method described in Condition 6(m) (but excluding any Excluded Valuation Obligation) that (A) is payable in an amount equal to its outstanding principal balance or Due and Payable Amount, as applicable, (B) is not subject to any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in paragraphs (i) to (iv) in the definition of Credit Event above) or right of set-off by or of the Reference Entity or any applicable Underlying Obligor and (C) in the case of a Qualifying Guarantee other than a Qualifying Affiliate Guarantee, is capable, at the Valuation Date, of immediate assertion or demand by or on behalf of the holder or holders against the Reference Entity for an amount at least equal to the outstanding principal balance or Due and Payable Amount being valued apart from the giving of any notice of non-payment or similar

procedural requirement, it being understood that acceleration of an Underlying Obligation shall not be considered a procedural requirement;

- (ii) subject to the second paragraph of the definition of Not Contingent in Condition 6(m)(i)(2)(A), each Reference Obligation, unless specified as an Excluded Valuation Obligation;
- (iii) solely in relation to a Restructuring Credit Event applicable to a Sovereign Reference Entity, any Sovereign Restructured Valuation Obligation (but excluding any Excluded Valuation Obligation) that (i) is payable in an amount equal to its outstanding principal balance or Due and Payable Amount, as applicable, (ii) is not subject to any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in paragraphs (i) to (iv) of the definition of Credit Event above) or right of set-off by or of a Reference Entity or, as applicable, an Underlying Obligor and (iii) in the case of a Qualifying Guarantee other than a Qualifying Affiliate Guarantee, is capable, at the Valuation Date, of immediate assertion or demand by or on behalf of the holder or holders against the Reference Entity for an amount at least equal to the outstanding principal balance or Due and Payable Amount being valued apart from the giving of any notice of non-payment or similar procedural requirement, it being understood that acceleration of an Underlying Obligation shall not be considered a procedural requirement; and
- (iv) any other obligation of a Reference Entity specified as a Valuation Obligation.

"Voting Shares" means those shares or other interests that have the power to elect the board of directors or similar governing body of an entity.

"Weighted Average Quotation" means the weighted average of firm quotations obtained from selected dealers, each for an amount of the Valuation Obligation of as large a size as available but less than the Valuation Obligation Calculation Amount.

6(p) *Determinations by the Calculation Agent and Calculation Agent Free to Deal in Notes etc*

- (i) Whenever any matter falls to be determined, considered or otherwise decided upon by the Calculation Agent or any other person (including where a matter is to be decided by reference to the Calculation Agent's or such other person's opinion), unless otherwise stated, that matter shall be determined, considered or otherwise decided upon by the Calculation Agent or such other person, as the case may be, acting in good faith and in a reasonably commercial manner. The Calculation Agent shall not be liable for any loss, liability, cost, claim, action, demand or expense (including without limitation, all costs, charges and expenses paid or incurred in disputing or defending any of the foregoing) arising out of or in relation to or in connection with its appointment or the exercise of its functions, except such as may result from its own wilful default, negligence or bad faith or that of its officers or agents.
- (ii) Nothing contained herein shall prevent the Calculation Agent from dealing in the Notes or from entering into any related transactions, including without limitation any swap or hedging transactions, with the Issuer (or any of its respective Affiliates) or any holder of the Notes (or any of its Affiliates).

SCHEDULE 3

Reference Entity	Reference Obligation (ISIN)	Seniority	Transaction Type
[]	Primary Obligor: Guarantor: Status: Maturity: Coupon: CUSIP/ISIN: Original Issue Amount: Reference Price:	[]	[]

(2) Single Reference Entity with Cash Settlement

FINAL TERMS

Final Terms dated []

Series No.: []

Tranche No.: []

HSBC Bank plc

Programme for the Issuance of Notes and Warrants

Issue of

[Aggregate Principal Amount of Tranche]

[Title of Notes] due [•]

Linked to [name of Reference Entity]

This document constitutes the Final Terms relating to the issue of the Tranche of Notes or Certificates described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 30 July 2009 in relation to the above Programme [and the supplemental Prospectus dated []¹ which [together] constitute[s] a base prospectus ("**Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**").

If this Final Terms indicates that it relates to an issue of Certificates, then all references herein and in the Prospectus to Notes shall be deemed to be references to "Certificates" for the purposes of this Issue.

This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. [The Prospectus [and the supplemental Prospectus] [is] [are] is available for viewing at [address] [and] [website]² and copies may be obtained from [address].]

¹ Only include details of supplemental Prospectus in which the Conditions have been amended for the purposes of all issues under the Programme.

² If required by the UKLA in accordance with Article 14 of the Prospectus Directive.

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The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Prospectus dated [original date] [and the supplemental Prospectus dated []]. This document constitutes the Final Terms of the notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus dated [current date] [and the supplemental Prospectus dated []], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the [Prospectus] dated [original date] [and the supplemental Prospectus dated []] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus(es) dated [original date] and [current date] [and the supplemental Prospectus dated [] and []]. [The Prospectus(es) are available for viewing at [address] and copies may be obtained from [address].

[For Credit-Linked Notes offered and sold in the United States of America include:

IMPORTANT NOTICES

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), THE STATE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION, AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, US PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. ACCORDINGLY, THE NOTES 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-US PERSONS (AS DEFINED IN REGULATION S) IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLERS OF NOTES PURSUANT TO CLAUSE (A) ABOVE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

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

OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

AVAILABLE INFORMATION

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

Investing in Credit-Linked Notes involves substantial risks. As a consequence, prospective investors should be aware that the Notes are only intended for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks of an investment in the Notes. In purchasing any Notes, an investor will be deemed to represent that it is such an investor and has such knowledge and experience. Prospective investors should consider the risk factors set forth under "Risk Factors" at pages A-4 to A-40 and I-4 to I-7 of the Prospectus and the risks described herein.

[Include whichever of the following apply or specify as "Not applicable". Note that the numbering should remain as set out below, even if "Not applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]

[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

Information Concerning Investment Risk

Noteholders and prospective purchasers of Notes should ensure that they understand the nature of the Notes and the extent of their exposure to risk and that they consider the suitability of the Notes as an investment in the light of their own circumstances and financial condition.

If a Credit Event Notice has been given in relation to the Reference Entity, the Notes will become due and repayable on the Credit Event Redemption Date. In particular, Noteholders should note that:

- (a) the Issuer's obligations to pay interest on the Notes and to redeem the Notes at their principal amount are subject to the condition precedent that no Credit Event Notice has been given and, if any Credit Event Notice is given on or before the Notice Delivery Period End Date, then (1) interest will cease to accrue from the Credit Event Notice Date or (if applicable) the Scheduled Maturity Date (without prejudice to any interest accrued prior to such date), and (2) the Issuer will not redeem the Notes at their principal amount and the sole obligation of the Issuer with regard to redemption of the Notes will be as set out in these Final Terms; and**
- (b) it shall be the responsibility of the Noteholders to ensure that their accounting, regulatory and all other treatments of the Notes are consistent with the conditional nature of the Noteholders' entitlement to receive the payments referred to above.**

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The Issuer shall be under no obligation to give notice of any Credit Event and no delay in giving, or omission to give, notice of any Credit Event(s) with regard to the Reference Entity shall prejudice the Issuer's right to give notice with respect to such Credit Event or any other Credit Event in relation to such or any other Reference Entity provided such notice is given no later than the Scheduled Maturity Date or (if applicable) the Notice Delivery Period End Date. Noteholders and prospective purchasers of Notes should conduct their own investigations and, in deciding whether or not to purchase Notes, prospective purchasers should form their own views of the merits of an investment linked to the credit risk of the Reference Entity based upon such investigations and not in reliance on any information given in these Final Terms.

Given the highly specialised nature of these Notes, the Issuer considers that they are only suitable for highly sophisticated investors who are willing to take considerable risks, who are able to determine for themselves the risk of an investment linked to the credit risk of the Reference Entity and who can absorb a substantial or total loss of principal and interest.

Consequently, if you are not an investor who falls within the description above you should not consider purchasing these Notes without taking detailed advice from a specialised professional adviser.

The Calculation Agent may from time to time amend any provision of these Conditions to incorporate and/or reflect further or alternative documents from time to time published by ISDA with respect to the settlement of credit derivative transactions (including without limitation with respect to settlement by reference to auctions following a Restructuring Credit Event) and/or the operation or application of determinations by the ISDA Credit Derivatives Determinations Committees which the Calculation Agent and the Issuer determine in a commercially reasonable manner are necessary to reflect market practice for credit derivative transactions.

Issuer and Calculation Agent Disclaimers

The Issuer and Calculation Agent make no representation whatsoever with respect to the Reference Entity, the Reference Obligation, Obligations or Valuation Obligations on which it is relying or is entitled to rely.

The Issuer, the Calculation Agent and their respective Affiliates may deal in the Reference Obligation, Obligations or Valuation Obligations and may accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business with, the Reference Entity, any Affiliate of the Reference Entity and/or any other person or entity having obligations relating to the Reference Entity or any such Affiliate, and may act with respect to such business in the same manner as each of them would if these Notes had not been issued, regardless of whether any such action might have an adverse effect on the Reference Entity, any Reference Obligation, Obligation, Valuation Obligation or the Noteholders or otherwise (including, without limitation, any action which might constitute or give rise to a Credit Event).

The Issuer, the Calculation Agent and their respective Affiliates may, whether by virtue of the types of relationships described herein or otherwise, on the issue date of the Notes or at any time thereafter, be in possession of information in relation to the Reference Entity that is or may be material in the context of the issue of the Notes and that may or may not be publicly available or known to the Noteholders. There

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is no obligation on the part of the Issuer, the Calculation Agent or their respective Affiliates to disclose to the Noteholders any such relationship or information (whether or not confidential).

HSBC Bank plc will be entitled to make certain determinations and judgements under the Conditions including (inter alia) as to whether an event constituting a Credit Event has occurred. In making such determinations and judgements, potential conflicts of interest may exist between the Issuer, the Calculation Agent and the Noteholders. HSBC Bank plc does not act as a fiduciary for or as an adviser to any of the Noteholders in respect of any such determination or judgement or otherwise.

The Issuer accepts responsibility for the information contained in these Final Terms.

[Include whichever of the following apply or specify as "Not applicable". Note that the numbering should remain as set out below, even if "Not applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.]

1. (i) Issuer: HSBC Bank plc
- (ii) Arranger: HSBC Bank plc
2. (i) Series number: NWP[]
- (ii) Tranche number: []
- (iii) Whether issue is of Notes or Certificates: [Notes/Certificates] (if the issue is of Certificates, all references in this Final Terms and in the Prospectus to Notes shall be deemed to be "Certificates for the purposes of this issue")
3. Currency or currencies:
 - (i) of denomination: [] ("[]")
 - (ii) of payment []
4. Aggregate Principal Amount [of Notes admitted to trading]³: []
 - (i) Series: []
 - (ii) Tranche: []
5. (i) Issue Price: [] per cent. of the Aggregate Principal Amount [plus accrued interest from [interest date]](in the case of fungible issues only, if applicable)]
- (ii) Commission payable: [[] per cent. None]

³ Delete for debt securities with a denomination per unit of less than EUR50,000.

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- (iii) Selling concession: [[] per cent. None]
6. (i) Denomination(s)⁴: []
- (Condition 1(b))
- (ii) Calculation Amount⁵: []
7. (i) Issue Date: []
- (ii) Interest Commencement Date: []
8. Maturity Date: Subject to the occurrence of a Potential Credit Event, the earliest of (i) [insert date] (the "**Scheduled Maturity Date**"), subject to the [insert Business Day Convention], (ii) if a Credit Event Notice Date occurs, the Credit Event Redemption Date and (iii) the date on which the Notes fall due for redemption pursuant to the occurrence of one or more of the events specified under Conditions 6(b), 6(h) and 10.
- (Condition 6(a))

Potential Credit Event:

Notwithstanding anything to the contrary in Schedule 2 - *Special Conditions*, if, on or prior to the Scheduled Maturity Date, facts exist which may result in the determination that a Credit Event has occurred or exists on or prior to the Scheduled Maturity Date (a "**Potential Credit Event**"), the Maturity Date shall be extended to (1) if a Credit Event Notice is delivered prior to the Notice Delivery Period End Date, the Credit Event Redemption Date, or (2) if no Credit Event Notice is delivered prior to the Notice Delivery Period End Date, the earlier of (a) the date on which the Issuer notifies the Noteholders that a Potential Credit Event no longer exists, and (b) the third Business Day after the Notice Delivery Period End Date (the "**Extended Maturity Date**").

"**Notice Delivery Period End Date**" means (a) if a

⁴ If denominations in excess of and smaller than the minimum specified denomination are to be permitted then the Issuer should normally waive its right to elect to exchange the Permanent Global Note for definitive Notes in paragraph (d) of the Permanent Global Note – see item 90(iii) below.

⁵ The applicable Calculation Amount (which is used for the calculation of the redemption and interest amounts (if any) will be (i) if there is only one Denomination, the Denomination; or (ii) if there are several Denominations, the highest common factor of those Denominations. Note that a Calculation Amount of less than 1,000 units of the relevant currency may result in practical difficulties for Paying Agents and/or ICSDs who should be consulted if such an amount is proposed.

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Credit Event Resolution Request Date occurs on or prior the 14th calendar day following the Scheduled Maturity Date, the later of (i) the 14th calendar day following the Scheduled Maturity Date and (ii) either (I) the day that is 14th calendar day following the date on which the Credit Derivatives Determinations Committee has Resolved that an event that constitutes a Credit Event has occurred or (II) the day on which the Credit Derivatives Determinations Committee has Resolved that no event that constitutes a Credit Event has occurred; (b) otherwise the 14th calendar day following the Scheduled Maturity Date.

For the avoidance of doubt, if the Maturity Date is extended pursuant to the occurrence of a Potential Credit Event, no interest shall accrue in respect of the period from and including the Scheduled Maturity Date to and including the Extended Maturity Date.

9. Interest basis:
(Conditions 3 to 5)
- [[] per cent. Fixed Rate]
[[Specify reference rate]+/- [] per cent. Floating Rate Notes]
[Variable Coupon Amount]
[Zero Coupon]
[other (specify)]
[further particulars specified below]
- [Interest will be treated as having ceased to accrue as from the beginning of any Interest Period in which a Credit Event Notice is given under Condition 6(j)(i) - See Special Conditions, Schedule 2]⁶
10. Redemption basis:
(Condition 6)
- [Redemption at par]
[Credit-Linked Redemption]
[Dual Currency]
[Partly Paid]
[Instalment]
[other (specify)]
See Special Conditions, Schedule 2 for provisions relating to optional early redemption following a Credit Event

⁶ Include unless the Notes are Zero Coupon Notes.

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11. Change of interest or redemption basis: Notwithstanding anything to the contrary in Schedule 2 - Special Conditions, in the event that the Notes are redeemed on the Credit Event Redemption Date, the final redemption amount of the Notes shall be the Credit Event Redemption Amount / [Specify details or any provision for convertibility of Notes into another interest or redemption/payment basis]
12. Put/Call options: Not applicable.
13. (i) Status of the Notes: Unsubordinated, unsecured
(Condition 2)
- (ii) Date Board approval for issuance of Notes obtained: Not applicable
14. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. Fixed Rate Note provisions: [Applicable/Not Applicable]
(Condition 3)
- (i) Rate of Interest: [] per cent. per annum payable [annually/semi-annually/quarterly/monthly] in arrear
- (ii) Fixed Interest Payment Date(s): [specify payment dates] in each year, commencing on and including [insert date] [adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definitions of "Business Day"/[not adjusted] and ending on the earliest to occur of (i) the Scheduled Maturity Date, (ii) the Credit Event Notice Date and (iii) the Maturity Date, subject to the following Business Day Convention.
- (iii) Fixed Coupon Amount(s): [] per Calculation Amount / Not applicable
- (iv) Day count fraction: [30/360/Actual/Actual (ICMA/ISDA)/Actual/360/other (specify)]
- (v) Determination Date: [] in each year [insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon, N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)/ Not applicable

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(vi) Broken Amount(s): [] per Calculation Amount, payable on the Fixed Interest Payment Date falling [in/on] /

[] /

[insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount(s)] /

Not applicable

(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: “**Interest Period**” means the period from and including a Fixed Interest Payment Date to and excluding the next succeeding Fixed Interest Payment Date, with the exception that the first such period shall commence on and include the Issue Date, [provided that for the purposes of Interest Periods, the Fixed Interest Payment Dates shall not be subject to the [insert Business Day Convention]].

[any other details]

16. Floating Rate Note provisions: [Applicable/Not applicable]
(Condition 4) *(If not applicable, delete the remaining subparagraphs of this paragraph)*

(i) Interest Period(s): [specify][If Business Day Convention embedded in Condition 4() is not to apply, specify alternative convention]

(ii) Specified Interest Payment Dates: [specify dates]

(iii) First Interest Payment Date: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/ other (give details)]

(iv) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/ other (give details)]

(v) Business Centre(s): [not applicable/give details]

(vi) Screen Rate Determination: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/ other (give details)]

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- (1) Benchmark: [specify LIBOR or other] []
- (2) Interest Determination Date: []
- (3) Relevant Screen Page: []
- (4) Relevant Financial Centre: []
- (vii) ISDA Determination: []
- (1) Floating Rate Option: []
- (2) Designated Maturity: []
- (3) Reset Date: []
- (viii) Margin: [+/-] [] per cent. per annum
- (ix) Day Count Fraction: []
- (x) Relevant time: []
- (xi) Minimum Interest Rate: [] per cent. per annum
- (xii) Maximum Interest Rate: [] per cent. per annum
- (xiv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
17. Variable Coupon Amount Note provisions: [Applicable/Not applicable]
(Condition 5) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Interest Payment Dates: []
- (ii) Method of calculating interest: []
18. Zero Coupon Note provisions: [Applicable/Not applicable]
(Condition 5) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

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- (i) Amortisation Yield: [] per cent. per annum
- (ii) Rate of interest on overdue amounts: []
- (iii) Redemption formula: []
See also Special Conditions, Schedule 2

- 19. Index-Linked Interest Note/other Variable-Linked Interest Note provisions Not applicable
- 20. Dual Currency Note provisions/Multi-currency Note provisions [Applicable/Not applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
 - (i) Currencies: []
 - (ii) Exchange rate(s): [give details]⁷
 - (iii) Provisions applicable where calculation by reference to Exchange Rate impossible or impracticable: [Need to include a description of Market disruption or settlement disruption events and adjustment provisions.]

PROVISIONS RELATING TO REDEMPTION

- 21. Issuer's optional redemption (Call): (Condition 6(c)) Not applicable.
- 22. Noteholder's optional redemption (Put): (Condition 6(d)) Not applicable
- 23. Final redemption amount of each Note: (Condition 6(a)) 100% of the Aggregate Principal Amount of the Notes divided by the number of Notes on the Scheduled Maturity Date if no Credit Event Notice Date occurs on or prior to the Scheduled Maturity Date (subject to extension upon the occurrence of a Potential Credit Event) and an amount equal to the Credit Event Redemption Amount divided by the number of Notes if a Credit Event Notice Date occurs on or prior to the Scheduled Maturity Date (subject to extension upon the occurrence of a Potential Credit Event).

⁷ If denomination per unit is less than EUR50,000, include details of where past and future performance and volatility of the relevant rate(s) can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying.

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[[] per Calculation Amount [*specify – if not par, also specify details of any formula*] See Special Conditions, Schedule 2 for provisions relating to optional early redemption following a Credit Event.]

24. Final redemption amount of each Note in cases where the final redemption amount is Index-linked to other variable linked: Not applicable
25. Instalment Notes: (Condition 6(a)) Not applicable
26. Early redemption amount: Yes
- (i) Early redemption amount (upon redemption for taxation reasons, force majeure or following an Event of Default) (Condition 6(b), 6(h) and Condition 10): The early redemption amount shall be determined in good faith by the Calculation Agent in its absolute discretion to be the fair market value of the Notes immediately prior to the early redemption date less any Hedging Costs, subject to a minimum of zero.
- (ii) Other redemption provisions: (Condition 6(i)) If the Issuer gives a Credit Event Notice, the Issuer shall be obliged to redeem the Notes by payment of the Credit Event Redemption Amount to the Noteholders on the Credit Event Redemption Date.
- The Credit Event Notice shall describe the Credit Event and specify the Reference Entity in respect of which the Credit Event has occurred. If ISDA has not publicly announced that an event that constitutes a Credit Event has occurred with respect to the Reference Entity, it will also include copies of relevant Publicly Available Information (two Public Sources) that support the occurrence of the Credit Event.
- (1) Credit Event Redemption Date: As defined in Schedule 2.
- (2) Credit Event Redemption Amount: Subject to the occurrence of a Succession Event or the designation of a Partial Redemption Portion following a Restructuring Credit Event, an amount equal to (i) the product of (a) the Aggregate Principal Amount and (b) the Auction Final Price (or, if the Fallback Settlement Method applies, the Final Price), less (ii) any Hedging Costs, subject to a minimum of zero.

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GENERAL PROVISIONS APPLICABLE TO THE NOTES

27. Form of Notes:
(*Condition 1(a)*)
- (i) Form of Notes: [Bearer/Registered]
- (ii) Bearer Notes exchangeable for Registered Notes: [No/Yes]
28. New Global Note: [No/Yes] [*Answer will be no where Registered Notes*]
29. If issued in bearer form:
- (i) Initially represented by a Temporary Global Note or Permanent Global Note: [Temporary Global Note/Permanent Global Note] [*Notes may only be represented initially by a Permanent Global Note if these Final Terms specify that TEFRA C Rules apply*]
- (ii) Temporary Global Note exchangeable for Permanent Global Note and/or Definitive Notes and/or Registered Notes: [specify][Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances set out in the Permanent Global Note]
(*Condition 1(a)*)
- (iii) Permanent Global Note exchangeable at the option of the bearer for Definitive Notes and/or Registered Notes: [Yes - specify/No]
- (iv) Coupons to be attached to Definitive Notes: [Yes/No/Not applicable] [N.B. this will need to be considered even if Permanent Global Notes are not exchangeable at the bearer's option into Definitive Notes because of exchangeability upon "melt down" of clearing systems - see provisions contained in Permanent Global Note]
- (v) Talons for future Coupons to be attached to Definitive Notes: [Yes/No/Not Applicable] [N.B. The above comment applies here]
- (vi) (a) Definitive Notes to be security printed: [Yes/No]
- (b) If the answer to (a) is yes, whether steel engraved plates will be used: [Yes/No/Not Applicable]

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- (vii) Definitive Notes to be in ICMA [Yes/No] [N.B. The above comment applies here] or successor's format:
- (viii) Issuer or Noteholder to pay costs Issuer of security printing:
30. Exchange Date for exchange of [specify][Not earlier than 40 days following the Issue Temporary Global Note: Date]
31. Payments:
(Condition 8)
- (i) Method of payment: Condition 8(c) shall apply, subject as provided in the Temporary Global Note or, as the case may be, the Permanent Global Note
- (ii) Relevant Financial Centre Day: A day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London [and specify any additional places] (as defined in Condition 9(c))
32. Partly Paid Notes: [Yes/No]
(Condition 1)
33. Redenomination:
(Condition 9)
- (i) Redenomination: [Applicable/Not applicable]
- (ii) Exchange: [Applicable/Not applicable]
34. Other final terms: See Schedules 1, 2 and 3.

PROVISIONS APPLICABLE TO INDEX-LINKED NOTES, CASH EQUITY NOTES AND EQUITY LINKED NOTES

35. Security Delivery (Equity-Linked Notes Not applicable only):
36. Provisions for Cash Equity Notes and Not applicable Equity-Linked Notes:
37. Additional provisions for Equity-Linked Not applicable Notes:
38. Provisions for Index-Linked Notes: Not applicable

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- | | | |
|-----|---|----------------|
| 39. | For Equity-Linked and Credit-Linked Notes: | Not applicable |
| 40. | Valuation Date(s): | Not applicable |
| 41. | Valuation Time: | Not applicable |
| 42. | Averaging Dates: | Not applicable |
| 43. | Other terms or special conditions relating to Index-Linked Notes, Cash Equity Notes or Equity-Linked Notes: | Not applicable |

DISTRIBUTION

- | | | |
|-----|---|--|
| 44. | (i) If syndicated, names, addresses and underwriting commitments of Relevant Dealer(s)/Lead Manager(s): | Not applicable |
| | (ii) If syndicated, names, addresses and underwriting commitments of other Dealers/Managers (if any): | Not applicable |
| | (iii) Date of Subscription Agreement: | Not applicable |
| | (iv) Stabilising Manager (if any): | Not applicable |
| 45. | If non-syndicated, name and address of Relevant Dealer: | HSBC Bank plc of [address] |
| 46. | Total commission and concession: | Not applicable |
| 47. | Selling restrictions: | [For Bearer Notes: TEFRA D Rule/TEFRA C Rule] |
| | United States of America: | [Notes may not be offered or sold within the United States of America or to or for the benefit of a US person (as defined in Regulation S) ⁸

[Not Rule 144A eligible – N.B. <i>significant additional provisions will be required in order to permit Rule 144A eligibility</i>] |
| | Other: | [specify any modifications of, or additions to, selling restrictions contained in the Dealer Agreement/Not applicable] |

⁸ Please note that the default selling restrictions are for Regulation S offers and sales only.

48. Stabilisation: Not applicable

[LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the Programme for the Issuance of Notes and Warrants of HSBC Bank plc.]

[In offers of Credit-Linked Notes pursuant to Rule 144A insert:⁹

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers of Notes offered in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Notes.

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

- (a) such 144A Offeree acknowledges that these Final Terms and the accompanying Base Prospectus is personal to such 144A Offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes other than pursuant to Rule 144A or in offshore transactions in accordance with Regulation S. Distribution of these Final Terms and the accompanying Base Prospectus, or disclosure of any of its contents, to any person other than such 144A Offeree and those persons, if any, retained to advise such 144A Offeree with respect thereto and other persons meeting the requirements of Rule 144A or Regulation S is 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 these Final Terms and the accompanying Base Prospectus or any documents referred to herein.

Each purchaser of Notes sold in reliance on Rule 144A ("**Restricted Notes**") will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A are used herein as defined therein):

- (1) The purchaser (A) is a qualified institutional buyer within the meaning of Rule 144A, (B) is acquiring the Notes for its own account or for the account of a qualified institutional buyer, and (C) such person is aware that the sale of the Notes to it is being made in reliance on Rule 144A.
- (2) The purchaser understands that the Rule 144A Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and the Notes offered hereby have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except in accordance with the legend set forth below.

⁹ Please note that the default selling restrictions are for Regulation S offers and sales only.

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- (3) The purchaser understands that certificates representing Restricted Notes will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR ANY STATE SECURITIES LAWS OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF THE ISSUER THAT THIS NOTE MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (A) IN THE UNITED STATES ONLY TO "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**")), (B) TO NON-US 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 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (D) TO THE ISSUER OR ITS AFFILIATES. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE."

- (4) Each purchaser of Restricted Notes acknowledges that the Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Restricted Notes for the account of one or more qualified institutional buyers it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.]

[RESPONSIBILITY]

The Issuer accepts responsibility for the information contained in these Final Terms. [*Specify information*] has been extracted from [*insert name of source of information*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*insert name of source of information*], no facts have been omitted which would render the reproduced inaccurate or misleading.]

CONFIRMED

HSBC BANK PLC

By: _____

Authorised Signatory

PART B - OTHER INFORMATION

1. LISTING

(i) Listing [Application [will be/has been] made to admit the Notes to listing on the Official List of the Financial Services Authority pursuant to Listing Rule [17/19¹⁰]. No assurance can be given as to whether or not, or when, such application will be granted/*other (specify)*/Not applicable]

(ii) Admission to trading [Application [will be/has been] made for the Notes to be admitted to trading [on the Professional Regulated Market/*other (specify)*] with effect from []. No assurance can be given as to whether or not, or when, such application will be granted.] [Application has been made to have the Notes admitted to trading on the PORTAL System of the US National Association of Securities Dealers.] [Not applicable]

*[(Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)]*¹¹

(NB: Notes admitted to trading to the UK Regulated Market will also be admitted to the Official List as a matter of course.)

2. RATINGS

Ratings: [The Notes have not been specifically rated.

The long term senior debt of HSBC Bank plc has been rated:

S&P: [.]
Moody's: [.]

¹⁰ To be included in respect of all issues which are to be admitted to listing. Delete as appropriate. Please refer to the Listing Rules. Listing Rule 17 applies to debt securities, asset backed securities and convertible securities. Listing Rule 19 applies to securitised derivatives.

¹¹ Not required for debt securities with a denomination per unit of at least EUR50,000.

3. **[NOTIFICATION]**

The *[include name of competent authority in EEA home Member State]* *[has been requested to provided/has provided - include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues]* the *[include names of competent authorities of host Member States]* with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.]

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

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in ["Subscription and Sale"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."

5. **[REASONS FOR THE OFFER ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

[(i) Reasons for the offer: []

[If reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]

(ii) Estimated net proceeds: *(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*

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(iii) Estimated total expenses: **[Include breakdown of expenses]**¹²

(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above)

(i) Reasons for the offer: []

[If reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.]

(ii) Estimated net proceeds:

(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)

6. [Fixed Rate Notes only - YIELD

Indication of yield:

[Calculated as *[include details of method of calculation in summary form]* on the Issue Date]

[As set out above, the] [The] yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]]

7. [Floating Rate Notes only - HISTORIC INTEREST RATES

[Details of historic
[LIBOR/EURIBOR/other *(specify)*]
rates can be obtained from [Reuters].]

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¹² Not required for debt securities with a denomination per unit of at least EUR50,000.

¹³ Not required for debt securities with a denomination per unit of at least EUR50,000.

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8. [Index-Linked, Equity-Linked or other variable-linked Interest Notes only - PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained [and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident]¹⁴. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Also include appropriate index disclaimers. Where the underlying is not an index, need to include equivalent information.]¹⁵

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)]

¹⁴ Not required for debt securities with a denomination per unit of at least EUR50,000.

¹⁵ Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies (i.e. if the Final Redemption Amount is less than 100 per cent. of the nominal value of the Notes).

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9. [Index-Linked, Equity-Linked or other variable-linked Interest Notes only - PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained [and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident]¹⁶. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Also include appropriate index disclaimers. Where the underlying is not an index, need to include equivalent information.]¹⁷

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)]

¹⁶ Not required for debt securities with a denomination per unit of at least EUR50,000.

¹⁷ Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies (i.e. if the Final Redemption Amount is less than 100 per cent. of the nominal value of the Notes).

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OPERATIONAL INFORMATION

10. ISIN Code: []
11. Common Code: []
12. CUSIP: []
13. New Global Note intended to be held in a manner which would allow Eurosystem eligibility: [Yes/No] [Note that the designation “Yes” simply means that the Notes are intended upon issue to be delivered to the Common Safekeeper acting as agent for Euroclear or Clearstream, Luxembourg and does not necessarily mean that the Notes will not be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] *[include this text if “yes” selected in which case the Notes must be issued in NGN form]*
14. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [None/specify]
15. Delivery: Delivery [against/free of] payment
16. Settlement procedures: [Eurobond/Medium Term Note/*other specify*]
17. Additional Paying Agent(s) (if any): [None/*specify*]
18. Common Depositary: HSBC Bank plc
19. Agent Bank/Calculation Agent: HSBC Bank plc
- is Calculation Agent to make calculations? [Yes/No] [, provided however that the Agent Bank shall make all calculations in respect of interest payments.]

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- if not, identify calculation agent: [Not applicable/Calculation agent appointment letter required]
20. Notices: [As provided in Condition 13/specify any other means of effecting communication]
(Condition 13)
21. City in which specified office of Registrar to be maintained: [Not applicable/specify]
(Condition 12)
22. Other relevant Terms and Conditions: See Schedules 1, 2 and 3.

In the event of any inconsistency between matters set out in Part A – Contractual Terms, and Part B – Other Information and Schedule 1 – Credit Linked Note Specifications and Schedule 2 – Special Conditions of these Final Terms, the order of prevalence shall be as follows: (i) Part A – Contractual Terms and Part B and (ii) Schedule 1 – Credit Linked Note Specifications and (iii) Schedule 2 – Special Conditions.
23. ERISA Considerations: [[]/Not applicable]

TERMS AND CONDITIONS OF THE OFFER

24. Offer Price: [Issue Price/other specify]
25. Conditions to which the offer is subject: [Not applicable/give details]
26. Description of the application process: [Not applicable/give details]
27. Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not applicable/give details]
28. Details of the minimum and/or maximum amount of application: [Not applicable/give details]
29. Details of the method and time limits for paying up and delivering the Notes: [Not applicable/give details]
30. Manner in and date on which results of the offer are to be made public: [Not applicable/give details]
31. Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of

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subscription rights not exercised:

32. Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries: [Not applicable/give details]
33. Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not applicable/give details]
34. Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not applicable/give details]
35. Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place. [None/give details]

SCHEDULE 1

CREDIT-LINKED NOTE SPECIFICATIONS

1. **General Terms**

Business Day ¹ :	[]
Business Day Convention:	[Modified] Following Business Day Convention, which shall apply to any date other than the Credit Event Backstop Date that falls on a day that is not a Business Day.
Reference Entity:	The entity specified in Schedule 3 and any Successor either (a) identified by the Calculation Agent pursuant to the definition of "Successor" on or following the Trade Date or (b) in respect of which ISDA publicly announces on or following the Trade Date that the relevant Credit Derivatives Determinations Committee has Resolved, in respect of a Succession Event Resolution Request Date, a Successor in accordance with the Rules. The Reference Entity has been designated as a particular "Transaction Type" in Schedule 3. References to "Standard Terms" mean, in respect of a Reference Entity, the standard terms set out in the Credit Derivatives Physical Settlement Matrix as may be amended and updated from time to time, as published by ISDA on its website at www.isda.org , in relation to its Transaction Type.
Trade Date:	[]
Reference Obligation:	Subject to the occurrence of a Succession Event, the obligation(s) (if any) identified as such in respect of such Reference Entity in Schedule 3.
Substitution:	[Applicable/Not applicable.]
All Guarantees:	Applicable or Not applicable as specified in the applicable Standard Terms.
Reference Price ² :	[100 per cent.]

¹ The Conditions provide a fallback to days on which commercial banks and foreign exchange markets are generally open to settle payments in the jurisdiction of the currency of the Calculation amount if not euro or a Euro Business Day if euro.

² If a percentage is not so specified, the Conditions provide that the Reference Price will be one hundred percent.

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2. Credit Event Provisions:

Calculation Amount:	Subject to the occurrence of a Succession Event or the designation of a Partial Redemption Portion following a Restructuring Credit Event, in respect of each Reference Entity an amount (denominated in the same currency) equal to [the Aggregate Principal Amount of the Notes].
Credit Events:	In respect of a Reference Entity, the Credit Events specified in the applicable Standard Terms.
Obligation Category and Characteristics:	In respect of each Reference Entity, the Obligation Category and Obligation Characteristics specified in the applicable Standard Terms.
Excluded Obligations ³ :	[None]

3. Settlement Terms

Settlement Method:	Cash Settlement
Terms relating to Cash Settlement (if the Fallback Settlement Method applies):	
Valuation Date:	Single Valuation Date. A Business Day as selected by the Issuer in its sole and absolute discretion.
Settlement Currency:	[]
Valuation Obligations:	"Exclude Accrued Interest" or "Include Accrued Interest" as specified in the applicable Standard Terms.
Valuation Obligation Category and Characteristics:	In respect of each Reference Entity, the Deliverable Obligation Category and Deliverable Obligation Characteristics specified in the Standard Terms.
Determination of Final Price:	The Final Price will be the weighted average of the highest firm bid price obtained for each Valuation Obligation in the Portfolio, expressed as a percentage, determined by the Calculation Agent. With respect to each Valuation Obligation, the Calculation Agent shall conduct a dealer poll of at least three dealers

³ Unless specified here as an Excluded Obligation, the Reference Obligation will be an Obligation.

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indicated by the Issuer to the Calculation Agent in its sole and absolute discretion from the Dealer List set out below, with the exception that the Issuer may select a dealer not on the Dealer List if such dealer is a market-maker in the relevant type of Valuation Obligation or other major credit derivatives market participant. On the Valuation Date, the Calculation Agent shall seek to obtain Full Quotations from the selected dealers for an outstanding principal amount of each Valuation Obligation equal to its Valuation Obligation Calculation Amount.

To the extent that the Calculation Agent is unable to obtain at least two Full Quotations for a Valuation Obligation or a Weighted Average Quotation on any day during the ten Business Day period following the Valuation Date, the Calculation Agent shall wait ten Business Days (the last such Business Day, the "**Backup Valuation Date**") and shall then repeat the valuation process. In the event that the Calculation Agent is unable to obtain at least two Full Quotations or a Weighted Average Quotation during the four Business Day period following the Backup Valuation Date, any Full Quotation obtained on such fourth Business Day or, if no full quotation is obtained, the weighted average of any firm quotations obtained on such fourth Business Day with respect to the aggregate portion of the amount for which such quotations were obtained, and a quotation deemed to be zero for the balance of the amount for which firm quotations were not obtained on such day shall be used to calculate the Final Price.

Dealer List:

[ABN Amro Holding NV
Bank of America Corporation
Barclays Capital PLC
BNP Paribas
Citibank NA
Commerzbank AG
Credit Suisse Group
Deutsche Bank AG
Dresdner Bank AG
The Goldman Sachs Group, Inc.
HSBC Holdings Plc
J.P. Morgan Chase & Co.
Merrill Lynch & Co. Inc.
Morgan Stanley Dean Witter & Co.
Royal Bank of Scotland Plc

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Societe Generale**

UBS AG / market makers selected at the Issuer's sole and
absolute discretion]

Interest until Credit Event Notice Applicable
Date:

Deduct Hedging Costs Applicable

SCHEDULE 2

SPECIAL CONDITIONS

The Conditions shall be supplemented and modified by the following Special Conditions. In the event of any inconsistency between the Conditions and such Special Conditions, such Special Conditions shall prevail and the Conditions shall be amended accordingly.

(1) **Interest**

Condition 3 (*Fixed Rate Note Provisions*) will apply with the following amendments:

- (i) existing Condition 3 (*Fixed Rate Note Provisions*) shall become Condition 3(a), with the heading "*Interest conditionally payable*", and shall be amended by the insertion of the words "Subject to Condition 3(b) below," at the beginning; and
- (ii) the following provision shall be included as Condition 3(b):

"3(b) Condition precedent to interest entitlement

The Issuer's obligation to make any payment of interest in accordance with Condition 3(a) is subject to the condition precedent that no Credit Event Notice has been given on or before the relevant Interest Payment Date and subsists only so long as a Credit Event Notice has not been given. Accordingly, the Issuer shall have no obligation to pay interest on the Notes in respect of all or any part of the Interest Period current on the date that a Credit Event Notice is given or in respect of any subsequent period; provided, however, that, if "Interest until Credit Event Notice Date" is specified then the Issuer shall pay the interest accrued to, but excluding, the Credit Event Notice Date (or, if such date is after the Scheduled Maturity Date, the Scheduled Maturity Date)."

(2) **Redemption and Purchase**

Condition 6 (*Redemption and Purchase*) shall apply with the following amendments:

- (a) The following provision shall be substituted for the existing Condition 6(a):

"6(a) Final Redemption

- (i) Subject to Condition 6(a)(ii) below and subject as otherwise set out in the Conditions, the Notes will, unless previously redeemed or purchased and cancelled, be redeemed at their principal amount or such other redemption amount as may be set out in or determined in accordance with the Conditions on the Maturity Date specified in the relevant Conditions.
- (ii) The Issuer's obligation to redeem the Notes in accordance with Condition 6(a)(i) above is subject to the condition precedent that no Credit Event Notice has been given on or before the Maturity Date and subsists only so long as a Credit Event Notice has not been given. Accordingly, the Issuer shall have no obligation to redeem the Notes in accordance with Condition 6(a)(i) above if, on or before the Maturity Date, a Credit Event Notice has been given. In such circumstances, the only obligations of the Issuer with regard to redemption of

the Notes shall be to redeem the Notes in accordance with the provisions set out in Part A and subject to the following provisions of this Condition 6.

The following Conditions 6(j), (k), (l), (m), (n), (o) and (p) shall be added to Condition 6 (Condition 6(i) being omitted):

"6(j) *Redemption following the occurrence of a Credit Event*

- (i) Following the occurrence of a Credit Event on or after the Credit Event Backstop Date (determined by reference to Greenwich Mean Time) and on or prior to the Scheduled Maturity Date, the Issuer may at any time on or before the Scheduled Maturity Date or (if applicable) the Notice Delivery Period End Date, and irrespective of whether such Credit Event is continuing and/or any other Credit Event has occurred, give notice thereof to the Noteholders (such notice the "**Credit Event Notice**" and the date on which such notice is given, the "**Credit Event Notice Date**") in accordance with Condition 13 (*Notices*) and Part B of the Conditions. The Issuer shall be under no obligation to give notice of any Credit Event and no delay in giving, or omission to give, notice of any Credit Event shall prejudice the Issuer's right to give notice with respect to such (or any other) Credit Event provided such notice is given no later than on or prior to the Scheduled Maturity Date or (if applicable) the Notice Delivery Period End Date.

For the avoidance of doubt, the Issuer may give a Credit Event Notice whether or not it has already taken any steps to exercise its option under Condition 6(b) (*Redemption for Taxation Reasons*), and any giving of a Credit Event Notice shall supersede and override any earlier exercise of such option.

- (ii) If the Issuer gives a Credit Event Notice, and subject as provided in (iii) below:
 - (a) the Issuer shall be obliged to redeem the Notes (and shall be obliged to redeem the Notes only) by payment on the Credit Event Redemption Date of the Credit Event Redemption Amount; and
 - (b) the Issuer shall not be liable to pay interest on the Notes in respect of all or any part of the Interest Period current at the relevant Credit Event Notice Date (or, if such date is on or after the Scheduled Maturity Date, the Interest Period to (but excluding) the Scheduled Maturity Date) nor in respect of any subsequent period, and interest shall be treated as having ceased to accrue accordingly; *provided, however, that*, if "Interest until Credit Event Notice Date" is specified then the Issuer shall pay the interest accrued to, but excluding, the Credit Event Notice Date (or, if such date is after the Scheduled Maturity Date, the Scheduled Maturity Date).
- (iii) This Condition 6(j)(iii) applies if the Calculation Amount is required to be allocated as contemplated in paragraph (e) of the definition of Successor in Condition 6(o). In such circumstances:
 - (a) the Issuer shall be entitled under this Condition 6(j) to give multiple Credit Event Notices, one with respect to each Successor, and where any Credit Event Notice is so given, the conditions precedent to the

obligations of the Issuer to pay interest on, and principal of, the Notes shall be treated as unsatisfied only in relation to an amount (the "**Successor Partial Redemption Amount**") of the outstanding principal amount of the Notes equal to the proportion of the Calculation Amount allocated to the relevant Successor;

- (b) where any Reference Entity (a "**Surviving Reference Entity**") (other than the Reference Entity the subject of the Succession Event) is a Successor to any Reference Entity (the "**Legacy Reference Entity**"), then such Surviving Reference Entity shall be deemed to be specified as a Reference Entity once only and the Calculation Amount in respect of such Reference Entity shall be the sum of the Calculation Amount applicable to that Reference Entity immediately prior to the Succession Event and the relevant portion of the Calculation Amount of the Legacy Reference Entity as provided in paragraph (e) of the definition of Successor;
 - (c) where a Credit Event Notice is so given the provisions of this Condition 6 will apply so as to require the Issuer to redeem the Notes in part only on the relevant Cash Settlement Date, by payment of an amount equal to whichever is the greater of (1) the Successor Partial Redemption Amount minus the Cash Settlement Amount and (2) zero, and on payment of such amount (or, if such amount is zero, on the Cash Settlement Date) the outstanding principal amount of the Notes shall be deemed to have been repaid in an amount equal to the Successor Partial Redemption Amount (which shall be the amount on which interest shall be treated as having ceased to accrue or to accrue (as applicable) as contemplated in (ii) above); and
 - (d) save where the full principal amount of the Notes has been so redeemed, the Issuer shall remain entitled notwithstanding any such partial redemption to give one or more further Credit Event Notices with respect to any such Successor or any other Reference Entity in respect of which no Credit Event Notice has been effectively given.
- (iv) This Condition 6(j)(iv) applies if one or more Restructuring Credit Events occurs on or prior to the Scheduled Maturity Date (and whether or not such event is continuing). In such circumstances:
- (a) the Issuer shall be entitled to redeem the Notes in part only by giving a Credit Event Notice with respect to the relevant Restructuring Credit Event and specifying in such notice (A) that partial redemption only of the Notes is required and (B) the portion of the Calculation Amount (being an amount which is (x) less than the outstanding principal amount of the Notes and (y) at least 1,000,000 units of the currency (or if Japanese Yen, 100,000,000 units) in which the Calculation Amount is denominated or an integral multiple thereof) in respect of which such partial redemption is required (the proportion of such portion of the Calculation Amount being the "**Partial Redemption Portion**" applicable with respect to such Credit Event Notice); and

- (b) where a Credit Event Notice is given as contemplated in (a) above:
 - (i) the Calculation Amount in respect of the relevant Reference Entity shall thereafter be deemed reduced by an amount equal to the Partial Redemption Portion of the Calculation Amount immediately preceding the giving of the Credit Event Notice; and
 - (ii) the provisions of this Condition 6 will apply so as to require the Issuer to redeem the Notes in part only on the relevant Cash Settlement Date, by payment of an amount in aggregate equal to whichever is the greater of (1) the Partial Redemption Portion minus the relevant Cash Settlement Amount and (2) zero, and on payment of such amount (or, if such amount is zero, on the relevant Cash Settlement Date) the outstanding principal amount of the Notes shall be deemed to have been repaid in an amount equal to the Partial Redemption Portion.

The Issuer shall be entitled to require such a partial redemption (or a redemption in full of the Notes) with respect to each Restructuring Credit Event which may occur and whether or not a partial redemption has been required in respect of another Restructuring Credit Event. For the avoidance of doubt, the Issuer shall, notwithstanding any such partial redemption having been required in connection with a Restructuring Credit Event, remain entitled to give a Credit Event Notice with respect to any other Credit Event and redeem the Notes in accordance with the provisions of this Condition 6 applicable where a Credit Event Notice has been given.

6(k) *[RESERVED]*

6(l) *Method for Determining Obligations*

- (i) For the purposes of the definition of Obligation in Condition 6(o) the term "**Obligation**" may be defined as each obligation of each Reference Entity described by the specified Obligation Category, and having the specified Obligation Characteristics, if any, in each case, as of the date of the event which constitutes the Credit Event which is the subject of the Credit Event Notice. The following terms shall have the following meanings:
 - (1) "**Obligation Category**" means Payment, Borrowed Money, Reference Obligations Only, Bond, Loan, or Bond or Loan, only one of which shall be specified, and:
 - (A) "**Payment**" means any obligation (whether present or future, contingent or otherwise) for the payment or repayment of money, including, without limitation, Borrowed Money;
 - (B) "**Borrowed Money**" means any obligation (excluding an obligation under a revolving credit arrangement for which there are no outstanding, unpaid drawings in respect of principal) for the payment or repayment of borrowed money (which term shall include, without limitation, deposits and reimbursement obligations arising from drawings pursuant to letters of credit);

- (C) "**Reference Obligations Only**" means any obligation that is a Reference Obligation and no Obligation Characteristics shall be applicable to Reference Obligations Only;
 - (D) "**Bond**" means any obligation of a type included in the "Borrowed Money" Obligation Category that is in the form of, or represented by, a bond, note (other than notes delivered pursuant to Loans), certificated debt security or other debt security and shall not include any other type of Borrowed Money;
 - (E) "**Loan**" means any obligation of a type included in the "Borrowed Money" Obligation Category that is documented by a term loan agreement, revolving loan agreement or other similar credit agreement and shall not include any other type of Borrowed Money; and
 - (F) "**Bond or Loan**" means any obligation that is either a Bond or a Loan.
- (2) "**Obligation Characteristics**" means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed and Not Domestic Issuance, and:
- (A) (aa) "**Not Subordinated**" means an obligation that is not Subordinated to (i) the most senior Reference Obligation in priority of payment or (ii) if no Reference Obligation is specified, any unsubordinated Borrowed Money obligations of the Reference Entity; provided that, if any of the events set forth under the definition of "Substitute Reference Obligation" has occurred with respect to all of the Reference Obligations or if, pursuant to the definition of "Successor" a Substitute Reference Obligation will be determined in accordance with the definition of "Substitute Reference Obligation" with respect to the Reference Obligation (each, in each case, a "**Prior Reference Obligation**") and no Substitute Reference Obligation has been identified for any of the Prior Reference Obligations at the time of the determination of whether an obligation satisfies the "Not Subordinated" Obligation Characteristic or Valuation Obligation Characteristic, as applicable, "Not Subordinated" shall mean an obligation that would not have been Subordinated to the most senior such Prior Reference Obligation in priority of payment. For purposes of determining whether an obligation satisfies the "Not Subordinated" Obligation Characteristic or Valuation Obligation Characteristic, the ranking in priority of payment of each Reference Obligation or each Prior Reference Obligation, as applicable shall be determined as of the date as of which the relevant Reference Obligation or Prior Reference Obligation, as applicable, was issued or incurred and shall not reflect any change to such ranking in priority of payment after such date;

(bb) "**Subordination**" means, with respect to an obligation (the "**Subordinated Obligation**") and another obligation of the Reference Entity to which such obligation is being compared (the "**Senior Obligation**"), a contractual, trust or similar arrangement providing that (i) upon the liquidation, dissolution, reorganisation or winding up of the Reference Entity, claims of the holders of the Senior Obligation will be satisfied prior to the claims of the holders of the Subordinated Obligation or (ii) the holders of the Subordinated Obligation will not be entitled to receive or retain payments in respect of their claims against the Reference Entity at any time that the Reference Entity is in payment arrears or is otherwise in default under the Senior Obligation. "**Subordinated**" will be construed accordingly. For purposes of determining whether Subordination exists or whether an obligation is Subordinated with respect to another obligation to which it is being compared, the existence of preferred creditors arising by operation of law or of collateral, credit support or other credit enhancement arrangements shall not be taken into account, except that, notwithstanding the foregoing, priorities arising by operation of law shall be taken into account where the Reference Entity is a Sovereign;

- (B) "**Specified Currency**" means an obligation that is payable in the currency or currencies specified as such (or, if Specified Currency is specified and no currency is so specified, any of the lawful currencies of Canada, Japan, Switzerland, the United Kingdom and the United States of America and the euro and any successor currency to any of the aforementioned currencies, which currencies shall be specified collectively as the "**Standard Specified Currencies**");
- (C) "**Not Sovereign Lender**" means any obligation that is not primarily owed to a Sovereign or Supranational Organisation, including, without limitation, obligations generally referred to as "Paris Club debt";
- (D) "**Not Domestic Currency**" means any obligation that is payable in any currency other than the Domestic Currency;
- (E) "**Not Domestic Law**" means any obligation that is not governed by the laws of (1) the relevant Reference Entity, if such Reference Entity is a Sovereign, or (2) the jurisdiction of organisation of the relevant Reference Entity, if such Reference Entity is not a Sovereign;
- (F) "**Listed**" means an obligation that is quoted, listed or ordinarily purchased and sold on an exchange; and
- (G) "**Not Domestic Issuance**" means any obligation other than an obligation that was, at the time the relevant obligation was issued (or reissued, as the case may be) or incurred, intended to be

offered for sale primarily in the domestic market of the relevant Reference Entity. Any obligation that is registered or qualified for sale outside the domestic market of the relevant Reference Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the relevant Reference Entity) shall be deemed not to be intended for sale primarily in the domestic market of the Reference Entity.

- (ii) If the Obligation Characteristic "Listed" is specified, the Conditions shall be construed as though Listed had been specified as an Obligation Characteristic only with respect to Bonds and shall only be relevant if bonds are covered by the selected Obligation Category.
- (iii) In the event that an Obligation is a Qualifying Guarantee, the following will apply:
 - (1) For purposes of the application of the Obligation Category, the Qualifying Guarantee shall be deemed to satisfy the same category or categories as those that describe the Underlying Obligation.
 - (2) For purposes of the application of the Obligation Characteristics, both the Qualifying Guarantee and the Underlying Obligation must satisfy on the relevant date each of the specified applicable Obligation Characteristics, if any, from the following list: Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency and Not Domestic Law. For these purposes, unless otherwise specified, (A) the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro shall not be a Domestic Currency and (B) the laws of England and the laws of the State of New York shall not be a Domestic Law.
 - (3) For purposes of the application of the Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date each of the specified applicable Obligation Characteristics, if any, from the following list: Listed, Not Contingent, Not Domestic Issuance, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer.
 - (4) For purposes of the application of the Obligation Characteristics to an Underlying Obligation, references to the Reference Entity shall be deemed to refer to the Underlying Obligor.

6(m) *Method for Determining Valuation Obligations*

- (i) For the purpose of the definition of Valuation Obligation in Condition 6(o) the term "**Valuation Obligation**" may be defined as each obligation of each Reference Entity described by the specified Valuation Obligation Category, and having each of the specified Valuation Obligation Characteristics, if any, as of the Valuation Date subject as provided below. The following terms shall have the following meanings:

- (1) "**Valuation Obligation Category**" means one of Payment, Borrowed Money, Reference Obligations Only, Bond, Loan, or Bond or Loan (each as defined in Condition 6(l)(i)(1), except that, for the purpose of determining Valuation Obligations, Condition 6(l)(i)(1)(C) shall be amended to state that no Valuation Obligation Characteristics shall be applicable to Reference Obligations Only).
- (2) "**Valuation Obligation Characteristics**" means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed, Not Contingent, Not Domestic Issuance, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer, and:
- (A) "**Not Contingent**" means any obligation having as of the Valuation Date and all times thereafter an outstanding principal balance or, in the case of obligations that are not Borrowed Money, a Due and Payable Amount, that pursuant to the terms of such obligation may not be reduced as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). A Convertible Obligation, an Exchangeable Obligation and an Accreting Obligation shall satisfy the Not Contingent Valuation Obligation Characteristic if such Convertible Obligation, Exchangeable Obligation or Accreting Obligation otherwise meets the requirements of the preceding sentence so long as, in the case of a Convertible Obligation or an Exchangeable Obligation, the right (1) to convert or exchange such obligation or (2) to require the issuer to purchase or redeem such obligation (if the issuer has exercised or may exercise the right to pay the purchase or redemption price, in whole or in part, in Equity Securities) has not been exercised (or such exercise has been effectively rescinded) on or before the Valuation Date;
- If a Reference Obligation is a Convertible Obligation or an Exchangeable Obligation, then such Reference Obligation may be included as a Valuation Obligation only if the rights referred to in (1) and (2) above of this Condition 6(m)(i)(2)(A) have not been exercised (or such exercise has been effectively rescinded) on or before the Valuation Date;
- (B) "**Assignable Loan**" means a Loan that is capable of being assigned or novated to, at a minimum, commercial banks or financial institutions (irrespective of their jurisdiction of organisation) that are not then a lender or a member of the relevant lending syndicate, without the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the applicable borrower if a Reference Entity is guaranteeing such Loan) or any agent;
- (C) "**Consent Required Loan**" means a Loan that is capable of being assigned or novated with the consent of the relevant Reference

Entity or the guarantor, if any, of such Loan (or the consent of the relevant borrower if a Reference Entity is guaranteeing such Loan) or any agent;

- (D) "**Direct Loan Participation**" means a Loan in respect of which, pursuant to a participation agreement, the Issuer is capable of creating, or procuring the creation of, a contractual right in favour of a third party, that provides such party with recourse to the participation seller for a specified share in any payments due under the relevant Loan which are received by such participation seller, any such agreement to be entered into between the relevant third party or its designee and either (x) the Issuer or its designee (to the extent the Issuer or such designee is then a lender or a member of the relevant lending syndicate), or (y) a Qualifying Participation Seller (if any) (to the extent such Qualifying Participation Seller is then a lender or a member of the relevant lending syndicate);
- (E) "**Transferable**" means an obligation that is transferable to institutional investors without any contractual, statutory or regulatory restriction *provided that* none of the following shall be considered contractual, statutory or regulatory restrictions:
- [(x)] contractual, statutory or regulatory restrictions that provide for eligibility for resale pursuant to Rule 144A or Regulation S promulgated under the United States Securities Act of 1933, as amended (and any contractual, statutory or regulatory restrictions promulgated under the laws of any jurisdiction having a similar effect in relation to the eligibility for resale of an obligation); or
- [(y)] restrictions on permitted investments such as statutory or regulatory investment restrictions on insurance companies and pension funds;
- (F) "**Maximum Maturity**" means an obligation that has a remaining maturity from the Cash Settlement Date of not greater than the period specified;
- (G) "**Accelerated or Matured**" means an obligation under which the total amount owed, whether at maturity, by reason of acceleration, upon termination or otherwise (other than amounts in respect of default interest, indemnities, tax gross-ups and other similar amounts), is, or on or prior to the Valuation Date will be, due and payable in full in accordance with the terms of such obligation, or would have been but for, and without regard to, any limitation imposed under any applicable insolvency laws; and
- (H) "**Not Bearer**" means any obligation that is not a bearer instrument unless interests with respect to such bearer instrument

are cleared via the Euroclear system, Clearstream, Luxembourg or any other internationally recognised clearing system.

- (ii) If the Obligation Characteristic "Listed" is specified, the Conditions shall be construed as though Listed had been specified as an Obligation Characteristic only with respect to Bonds and shall only be relevant if Bonds are covered by the selected Obligation Category.
- (iii) If (a) either of the Valuation Obligation Characteristics "Listed" or "Not Bearer" is specified, the Conditions shall be construed as though such Valuation Obligation Characteristic had been specified as a Valuation Obligation Characteristic only with respect to Bonds and shall only be relevant if Bonds are covered by the selected Valuation Obligation Category; (b) the Valuation Obligation Characteristic "Transferable" is specified, the Conditions shall be construed as though such Valuation Obligation Characteristic had been specified as a Valuation Obligation Characteristic only with respect to Valuation Obligations that are not Loans (and shall only be relevant to the extent that obligations other than Loans are covered by the selected Valuation Obligation Category); or (c) any of the Valuation Obligation Characteristics "Assignable Loan", "Consent Required Loan" or "Direct Loan Participation" is specified, the Conditions shall be construed as though such Valuation Obligation Characteristic had been specified as a Valuation Obligation Characteristic only with respect to Loans and shall only be relevant if Loans are covered by the selected Valuation Obligation Category;
- (iv) If any of Payment, Borrowed Money, Loan, or Bond or Loan is specified as the Valuation Obligation Category and more than one of Assignable Loan, Consent Required Loan and Direct Loan Participation are specified as Valuation Obligation Characteristics, the Valuation Obligations may include any Loan that satisfies any one of such Valuation Obligation Characteristics specified and need not satisfy all such Valuation Obligation Characteristics; and
- (v) In the event that a Valuation Obligation is a Qualifying Guarantee, the following will apply:
 - (1) For purposes of the application of the Valuation Obligation Category, the Qualifying Guarantee shall be deemed to satisfy the same category or categories as those that describe the Underlying Obligation.
 - (2) For purposes of the application of the Valuation Obligation Characteristics, both the Qualifying Guarantee and the Underlying Obligation must satisfy on the relevant date each of the specified applicable Valuation Obligation Characteristics, if any, from the following list: Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency and Not Domestic Law. For these purposes, unless otherwise specified, (A) the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro shall not be a Domestic Currency and (B) the laws of England and the laws of the State of New York shall not be a Domestic Law.
 - (3) For purposes of the application of the Valuation Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date each of the specified applicable Valuation Obligation Characteristics, if any, from the following list:

Listed, Not Contingent, Not Domestic Issuance, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer.

- (4) For purposes of the application of the Valuation Obligation Characteristics to an Underlying Obligation, references to the Reference Entity shall be deemed to refer to the Underlying Obligor.
- (5) The terms "outstanding principal balance" and "Due and Payable Amount" (as they are used in various other Conditions), when used in connection with Qualifying Guarantees are to be interpreted to be the then "outstanding principal balance" or "Due and Payable Amount", as applicable, of the Underlying Obligation which is supported by a Qualifying Guarantee.

6(n) *Restructuring Maturity Limitation and Modified Restructuring Maturity Limitation*

- (i) If "Restructuring Maturity Limitation and Fully Transferable Obligation Applicable" is specified as applicable in the Standard Terms with respect to the relevant Reference Entity and Restructuring is the only Credit Event specified in a Credit Event Notice, then a Valuation Obligation may be included in the Portfolio only if it (i) is a Fully Transferable Obligation and (ii) has a final maturity date not later than the Restructuring Maturity Limitation Date.
- (ii) If "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable" is specified as applicable in the Standard Terms with respect to the relevant Reference Entity and Restructuring is the only Credit Event specified in a Credit Event Notice, then a Valuation Obligation may be included in the Portfolio only if it (i) is a Conditionally Transferable Obligation and (ii) has a final maturity date not later than the applicable Modified Restructuring Maturity Limitation Date.

6(o) *Credit-Linked Note Definitions*

"**Accreted Amount**" means, with respect to an Accreting Obligation, an amount equal to (i) the sum of (a) the original issue price of such obligation and (b) the portion of the amount payable at maturity that has accreted in accordance with the terms of the obligation (or as otherwise described below), less (ii) any cash payments made by the obligor thereunder that, under the terms of such obligation, reduce the amount payable at maturity (unless such cash payments have been accounted for in (i)(b) above), in each case calculated as of the earlier of (A) the date on which any event occurs that has the effect of fixing the amount of a claim in respect of principal and (B) the Valuation Date. Such Accreted Amount shall include any accrued and unpaid periodic cash interest payments (as determined by the Calculation Agent) only if "Include Accrued Interest" is specified as being applicable. If an Accreting Obligation is expressed to accrete pursuant to a straight-line method or if such obligation's yield to maturity is not specified in, nor implied from, the terms of such obligation, then, for purposes of (i)(b) above, the Accreted Amount shall be calculated using a rate equal to the yield to maturity of such obligation. Such yield shall be determined on a semi-annual bond equivalent basis using the original issue price of such obligation and the amount payable at the scheduled maturity of such obligation, and shall be determined as of the earlier of (1) the date on which any event occurs that has the effect of fixing the amount of a claim in respect of principal and (2) the relevant Valuation Date. The

Accreted Amount shall exclude, in the case of an Exchangeable Obligation, any amount that may be payable under the terms of such obligation in respect of the value of the Equity Securities for which such obligation is exchangeable;

"Accreting Obligation" means any obligation (including, without limitation, a Convertible Obligation or an Exchangeable Obligation), the terms of which expressly provide for an amount payable upon acceleration equal to the original issue price (whether or not equal to the face amount thereof) plus an additional amount or amounts (on account of original issue discount or other accruals of interest or principal not payable on a periodic basis) that will or may accrete, whether or not (i) payment of such additional amounts is subject to a contingency or determined by reference to a formula or index, or (ii) periodic cash interest is also payable. With respect to any Accreting Obligation, "outstanding principal balance" shall mean the Accreted Amount thereof.

"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.

"Auction" has the meaning set forth in the relevant Credit Derivatives Auction Settlement Terms.

"Auction Cancellation Date" means the date on which an Auction is deemed to be cancelled pursuant to the Credit Derivatives Auction Settlement Terms with respect to the relevant Reference Entity.

"Auction Final Price" means the price, if any, determined to be the Auction Final Price pursuant to Section 12 of the Credit Derivatives Auction Settlement Terms with respect to the Reference Entity (expressed as a percentage).

"Auction Final Price Determination Date" means the day, if any, on which the Auction Final Price is determined pursuant to the Credit Derivatives Auction Settlement Terms with respect to the Reference Entity.

"Auction Settlement Date" means the date that is the number of Business Days specified in the relevant Credit Derivatives Auction Settlement Terms (or, if a number of Business Days is not so specified, five Business Days) immediately following the Auction Final Price Determination Date.

"Bankruptcy" means a Reference Entity (i) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (ii) becomes insolvent or is unable to pay its debts or fails or admits in writing in a judicial, regulatory or administrative proceeding or filing its inability generally to pay its debts as they become due; (iii) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (iv) institutes or has instituted against it a proceeding seeking a judgement of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (a) results in a judgement of insolvency or bankruptcy or the entry of an order for relief or the

making of an order for its winding-up or liquidation or (b) is not dismissed, discharged, stayed or restrained in each case within thirty calendar days of the institution or presentation thereof; (v) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (vi) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (vii) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty calendar days thereafter; or (viii) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in (i) to (vii) above (inclusive) of this definition of Bankruptcy.

"Business Day" means a day on which commercial banks and foreign exchange markets are generally open to settle payments in the place or places and on the days specified and such other days as may be specified.

"Business Day Convention" means the convention for adjusting any relevant date if it would otherwise fall on a day that is not a Business Day. The following terms, when used in conjunction with the term "Business Day Convention" and a date, shall mean that an adjustment will be made if that date would otherwise fall on a day that is not a Business Day so that:

- (i) if "Following" is specified, that date will be the first following day that is a Business Day;
- (ii) if "Modified Following" or "Modified" is specified, that date will be the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day; and
- (iii) if "Preceding" is specified, that date will be the first preceding day that is a Business Day.

"Calculation Amount" means the amount specified as such.

"Cash Settlement Amount" means the amount specified as such (or, if the same is allocated as contemplated in paragraph (e) of the definition of Successor in Condition 6(o), the proportion thereof allocated to the relevant Successor) or, if an amount is not specified, the greater of (a) the Calculation Amount multiplied by the difference between the Reference Price and the Auction Final Price (or, if the Fallback Settlement Method applies, the Final Price) and (b) zero; *provided, however, that*, if "Deduct Hedging Costs" is specified then the Issuer shall increase the Cash Settlement Amount otherwise determined hereunder by an amount equal to the Hedging Costs.

"Cash Settlement Date" means the Credit Event Redemption Date.

"Conditionally Transferable Obligation" means a Valuation Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all

Modified Eligible Transferees without the consent of any person being required, in the case of any Valuation Obligation other than Bonds, provided, however, that a Valuation Obligation other than Bonds will be a Conditionally Transferable Obligation notwithstanding that consent of the Reference Entity or the guarantor, if any, of a Valuation Obligation other than Bonds (or the consent of the relevant obligor if a Reference Entity is guaranteeing such Valuation Obligation) or any agent is required for such novation, assignment or transfer so long as the terms of such Valuation Obligation provide that such consent may not be unreasonably withheld or delayed. Any requirement that notification of novation, assignment or transfer of a Valuation Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Valuation Obligation shall not be considered to be a requirement for consent for purposes of this definition of Conditionally Transferable Obligation.

For purposes of determining whether a Valuation Obligation satisfies the requirements of the definition of Conditionally Transferable Obligation, such determination shall be made as of the Valuation Date, taking into account only the terms of the Valuation Obligation and any related transfer or consent documents obtained.

"Convertible Obligation" means any obligation that is convertible, in whole or in part, into Equity Securities solely at the option of holders of such obligation or a trustee or similar agent acting for the benefit only of holders of such obligation (or the cash equivalent thereof, whether the cash settlement option is that of the issuer or of (or for the benefit of) the holders of such obligation).

"Credit Derivatives Auction Settlement Terms" means the Credit Derivatives Auction Settlement Terms published by ISDA, in accordance with the Rules, with respect to the Reference Entity (which may be amended in accordance with the Rules from time to time).

"Credit Derivatives Determinations Committees" means the committees established by ISDA for purposes of reaching certain DC Resolutions in connection with credit derivative transactions, as more fully described in the Credit Derivatives Determinations Committees Rules set forth in Annex A to the 2009 ISDA Credit Derivatives Determinations Committees and Auction Settlement Supplement to the 2003 ISDA Credit Derivatives Definitions (published on March 12, 2009), as amended from time to time in accordance with the terms thereof (the **"Rules"**).

"Credit Event" means the occurrence of one or more of Bankruptcy, Failure to Pay, Obligation Acceleration, Obligation Default, Repudiation/Moratorium or Restructuring, as specified, as determined by the Issuer or the Calculation Agent in its sole and absolute discretion (save that such determination shall be confirmed by Publicly Available Information). If an occurrence would otherwise constitute a Credit Event, such occurrence will constitute a Credit Event whether or not such occurrence arises directly or indirectly from, or is subject to a defence based upon: (i) any lack or alleged lack of authority or capacity of a Reference Entity to enter into any Obligation or, as applicable, any Underlying Obligor to enter into any Underlying Obligation, (ii) any actual or alleged unenforceability, illegality, impossibility or invalidity with respect to any Obligation or, as applicable, any Underlying Obligation, however described, (iii) any applicable law, order, regulation, decree or notice, however described, or the promulgation of, or any change in, the interpretation by any court, tribunal, regulatory authority or similar administrative or judicial body with competent

or apparent jurisdiction of any applicable law, order, regulation, decree or notice, however described or (iv) the imposition of, or any change in, any exchange controls, capital restrictions or any other similar restrictions imposed by any monetary or other authority, however described.

"Credit Event Backstop Date" means either (a) 60 calendar days prior to the Credit Event Resolution Request Date (if any) or (b) otherwise, the date that is 60 calendar days prior to the earlier of (i) the Credit Event Notice Date and (ii) in circumstances where (A) the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in sub-paragraphs (a) and (b) of the definition of Credit Event Resolution Request Date are satisfied in accordance with the Rules, (B) the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters and (C) the Credit Event Notice is effective not more than fourteen calendar days after the day on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters, the Credit Event Resolution Request Date. The Credit Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention.

"Credit Event Redemption Date" means, if an Auction Final Price Determination Date occurs, the fifth Business Day following the later of the Auction Settlement Date and the relevant Credit Event Notice Date, provided that if:

- (i) an Auction Cancellation Date occurs;
- (ii) with respect to a Credit Event, ISDA publicly announces that:
 - (a) no Credit Derivatives Auction Settlement Terms will be published with respect to the Reference Entity and such Credit Event;
 - (b) Credit Derivatives Auction Settlement Terms will be published with respect to the Reference Entity and such Credit Event but the Issuer determines in its sole discretion that the provisions for establishing what obligations may constitute deliverable obligations pursuant to the Auction are not substantially the same as the provisions for establishing what obligations may constitute Valuation Obligations pursuant to these Conditions; or
 - (c) the relevant Credit Derivatives Determinations Committee has Resolved that no Auction will be held with respect to the Reference Entity and such Credit Event following a prior public announcement by ISDA to the contrary;
- (iii) ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved, following a Credit Event Resolution Request Date, not to determine whether or not an event constitutes a Credit Event;
- (iv) ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved that an event that constitutes a Restructuring has occurred; or

- (v) no Credit Event Resolution Request Date has occurred on or prior to the first Business Day prior to the Valuation Date,

the Credit Event Redemption Date shall be the tenth Business Day following the Valuation Date (or the Backup Valuation Date, as applicable) and the Issuer shall determine the Final Price in accordance with the Settlement Method set out in Schedule 1 (the "**Fallback Settlement Method**").

"**Credit Event Resolution Request Date**" means, with respect to a notice to ISDA, delivered in accordance with the ISDA Credit Derivatives Determinations Committee Rules, requesting that a Credit Derivatives Determinations Committee be convened to Resolve:

- (a) whether an event that constitutes a Credit Event has occurred with respect to the Reference Entity or Obligation thereof; and
- (b) if the relevant Credit Derivatives Determinations Committee Resolves that such event has occurred, the date of the occurrence of such event,

the date, as publicly announced by ISDA to be the date that the relevant Credit Derivatives Determinations Committee Resolves to be the first date on which such notice was effective and on which the relevant Credit Derivatives Determinations Committee was in possession, in accordance with the ISDA Credit Derivatives Determinations Committee Rules, of Publicly Available Information with respect to the DC Resolutions referred to in sub-clauses (a) and (b) above.

"**Currency Amount**" means, whenever an amount is denominated in a currency other than the Settlement Currency and is to be determined under these Conditions by reference to a Currency Amount, such amount converted to the relevant Settlement Currency using the Currency Rate.

"**Currency Rate**" means, whenever so required to be determined the rate for conversion of the currency of the Valuation Obligation into the Settlement Currency determined by the Calculation Agent, as of the Valuation Date, in its sole discretion.

"**DC Resolution**" has the meaning given to that term in the Rules.

"**Default Requirement**" means the amount specified as such or its equivalent in the relevant Obligation Currency, or if no amount is so specified, USD10,000,000 or its equivalent in the relevant Obligation Currency in either case as of the occurrence of the relevant Credit Event.

"**Domestic Currency**" means the currency specified as such and any successor currency. If no currency is so specified, the Domestic Currency shall be the lawful currency and any successor currency of (i) the relevant Reference Entity, if the Reference Entity is a Sovereign, or (ii) the jurisdiction in which the relevant Reference Entity is organised, if the Reference Entity is not a Sovereign. In no event shall Domestic Currency include any successor currency if such successor currency is the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro (or any successor currency to any such currency).

"Downstream Affiliate" means an entity whose outstanding Voting Shares were, at the date of the issuance of the Qualifying Guarantee, more than 50 percent owned, directly or indirectly, by the Reference Entity.

"Due and Payable Amount" means the amount that is due and payable under (and in accordance with the terms of) a Valuation Obligation as of the relevant Valuation Date, whether by reason of acceleration, maturity, termination or otherwise (excluding sums in respect of default interest, indemnities, tax gross-ups and other similar amounts).

"Eligible Reference Entity" means an entity that is in the same Moody's, S&P or Additional Rating Agency industry group (the **"Industry Requirement"**) as the relevant Surviving Reference Entity, where:

"Moody's" means Moody's Investors Service, Inc.;

"S&P" means Standard and Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc; and

"Additional Rating Agency" means any rating agency selected by the Issuer in its sole discretion.

"Eligible Transferee" means each of the following:

- (i) any bank or other financial institution;
 - (a) an insurance or reinsurance company;
 - (b) a mutual fund, unit trust or similar collective investment vehicle (other than an entity specified in (iii)(a) below); and
 - (c) a registered or licensed broker or dealer (other than a natural person or proprietorship);

provided, however, in each case that such entity has total assets of at least USD500,000,000;

- (ii) an Affiliate of an entity specified in (i) above;
- (iii) each of a corporation, partnership, proprietorship, organisation, trust or other entity
 - (a) that is an investment vehicle (including, without limitation, any hedge fund, issuer of collateralised debt obligations, commercial paper conduit or other special purpose vehicle) that (A) has total assets of at least USD100,000,000 or (B) is one of a group of investment vehicles under common control or management having, in the aggregate, total assets of at least USD100,000,000; or
 - (b) that has total assets of at least USD500,000,000; or
 - (c) the obligations of which under an agreement, contract or transaction are guaranteed or otherwise supported by a letter of credit or

keepwell, support or other agreement by an entity described in (i), (ii), (iii)(b) above or (iv) below; and

(iv) a Sovereign, Sovereign Agency or Supranational Organisation

(all references in this definition to USD including equivalent amounts in other currencies).

"Equity Securities" means:

- (a) in the case of a Convertible Obligation, equity securities (including options or warrants) of the issuer of such obligation or depositary receipts representing equity securities of the issuer of such obligation together with any other property distributed to or made available to holders of those equity securities from time to time; and
- (b) in the case of an Exchangeable Obligation, equity securities (including options or warrants) of a person other than the issuer of such obligation or depositary receipts representing those equity securities of a person other than the issuer of such obligation together with any other property distributed to or made available to holders of those equity securities from time to time.

"Exchangeable Obligation" means any obligation that is exchangeable, in whole or in part, for Equity Securities solely at the option of holders of such obligation or a trustee or similar agent acting for the benefit only of holders of such obligation (or the cash equivalent thereof, whether the cash settlement option is that of the issuer or of (or for the benefit of) the holder of such obligation). With respect to any Exchangeable Obligation that is not an Accreting Obligation, "outstanding principal balance" shall exclude any amount that may be payable under the terms of such obligation in respect of the value of the Equity Securities for which such obligation is exchangeable.

"Excluded Obligation" means any obligation of a Reference Entity specified as such (if any are so specified).

"Excluded Valuation Obligation" means any obligation of a Reference Entity specified as such (if any are so specified).

"Extended Maturity Date" has the meaning ascribed thereto in Part A.

"Failure to Pay" means, after the expiration of any applicable Grace Period (after the satisfaction of any conditions precedent to the commencement of such Grace Period), the failure by a Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations, in accordance with the terms of such Obligations at the time of such failure.

"Fallback Settlement Method" has the meaning given in the definition of Credit Event Redemption Date.

"Final Price" has the meaning ascribed thereto in Part A.

"Full Quotation" means each firm bid quotation obtained from a selected dealer for an amount of the Valuation Obligation equal to the Quotation Amount.

"Fully Transferable Obligation" means a Valuation Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Eligible Transferees without the consent of any person being required, in the case of any Valuation Obligation other than Bonds. Any requirement that notification of novation, assignment or transfer of a Valuation Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Valuation Obligation shall not be considered to be a requirement for consent for the purposes of this definition. For purposes of determining whether a Valuation Obligation satisfies the requirements of this definition, such determination shall be made as of the Valuation Date for the Valuation Obligation, taking into account only the terms of the Valuation Obligation and any related transfer or consent documents which have been obtained by the Issuer.

"GBP" means the lawful currency of the United Kingdom of Great Britain and Northern Ireland;

"Governmental Authority" means any de facto or de jure government (or any agency, instrumentality, ministry or department thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of a Reference Entity or of the jurisdiction of organisation of a Reference Entity.

"Grace Period" means with respect to an Obligation the lesser of (i) the applicable grace period with respect to payments under the terms of such Obligation in effect as of the date as of which such obligation is issued or incurred and (ii) a period of thirty calendar days.

"Grace Period Extension Date" means, with respect to any Potential Failure to Pay, the date that is the number of days constituting the relevant Grace Period after the date of the commencement of such Potential Failure to Pay.

"Hedging Costs" means an amount equal to the aggregate costs to the Issuer and/or its affiliates (if any) of terminating, transferring, liquidating, obtaining or re-establishing any swap agreement, financing arrangement or other hedging transaction entered into by or on behalf of the Issuer in relation to the issuance of the Notes, as determined by the Issuer in its sole and absolute discretion.

"ISDA" means the International Swaps and Derivatives Association, Inc.

"Modified Eligible Transferee" means any bank, financial institution or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities and other financial assets.

"Modified Restructuring Maturity Limitation Date" means, with respect to a Valuation Obligation, the date that is the later of (x) the Maturity Date and (y) 60 months following the Restructuring Date in the case of a Restructured Bond or Loan, or 30 months following the Restructuring Date in the case of all other Valuation Obligations.

"Multiple Holder Obligation" means an Obligation that (i) at the time of the event which constitutes a Restructuring Credit Event, is held by more than three holders that are not Affiliates of each other and (ii) with respect to which a percentage of holders (determined pursuant to the terms of the Obligation as in effect on the date of such event) at least equal to sixty-six-and-two-thirds is required to consent to the event which constitutes a Restructuring Credit Event *provided that* any Obligation that is a Bond shall be deemed to satisfy the requirements in (ii) of this definition of Multiple Holder Obligation.

"Notice Delivery Period End Date" has the meaning ascribed thereto in Part A.

"Obligation" means (i) any obligation of a Reference Entity (either directly or as a provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified, as provider of any Qualifying Guarantee) determined pursuant to the method described in Condition 6(l) (but excluding any Excluded Obligation), (ii) each Reference Obligation, unless specified as an Excluded Obligation, and (iii) any other obligation of a Reference Entity specified as such.

"Obligation Acceleration" means one or more Obligations in an aggregate amount of not less than the Default Requirement have become due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event of default or other similar condition or event (however described), other than a failure to make any required payment, in respect of a Reference Entity under one or more Obligations.

"Obligation Currency" means the currency or currencies in which an Obligation is denominated.

"Obligation Default" means one or more Obligations in an aggregate amount of not less than the Default Requirement have become capable of being declared due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event of default or other similar condition or event (however described), other than a failure to make any required payment, in respect of a Reference Entity under one or more Obligations.

"Payment Requirement" means the amount specified as such or its equivalent in the relevant Obligation Currency, or if Payment Requirement is not so specified, USD1,000,000 or its equivalent in the relevant Obligation Currency, in either case as of the occurrence of the relevant Failure to Pay or Potential Failure to Pay, as applicable.

"Portfolio" means a portfolio of one or more Valuation Obligations with (i) in the case of Valuation Obligations that are Borrowed Money obligations, an outstanding principal balance (including (if Included Accrued Interest is specified) or excluding (if Exclude Accrued Interest is specified) accrued but unpaid interest as determined by the Issuer or the Calculation Agent acting in a commercially reasonable manner) or (ii) in the case of Valuation Obligations that are not Borrowed Money obligations, a Due and Payable Amount (or, in the case of either (i) or (ii), the equivalent Currency Amount of any such amount) (the **"Valuation Obligation Calculation Amount"**, which in aggregate shall not exceed the Calculation Amount as of the relevant Valuation Date), which is identified by the Issuer to the Calculation Agent not later

than the third Business Day immediately preceding the relevant Valuation Date, provided that such Portfolio may be amended by the Issuer at the Issuer's discretion up to one Business Day prior to the Valuation Date.

"Potential Failure to Pay" means, in the sole and absolute determination of the Issuer, the failure by a Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations without regard to any grace period or any conditions precedent to the commencement of any grace period applicable to such Obligations in accordance with the terms of such Obligations at the time of such failure.

"Publicly Available Information" means information that reasonably confirms any of the facts relevant to the determination that the Credit Event has occurred and which (i) has been published in or on not less than two Public Sources, regardless of whether the reader or user thereof pays a fee to obtain such information; *provided that*, if the Issuer or the Calculation Agent or any of its respective Affiliates is cited as the sole source of such information, then such information shall not be deemed to be Publicly Available Information unless the Issuer or the Calculation Agent or its Affiliate is acting in its capacity as trustee, fiscal agent, administrative agent, clearing agent, paying agent, facility agent or agent bank for an Obligation, (ii) is information received from or published by (a) a Reference Entity (or a Sovereign Agency in respect of a Reference Entity which is a Sovereign) or (b) a trustee, fiscal agent, administrative agent, clearing agent, paying agent, facility agent or agent bank for an Obligation, (iii) is information contained in any petition or filing instituting a proceeding described in paragraph (iv) of the definition of Bankruptcy above against or by a Reference Entity or (iv) is information contained in any order, decree, notice or filing, however described, of or filed with a court, tribunal, exchange, regulatory authority or similar administrative, regulatory or judicial body.

In relation to any information of the type described in (ii), (iii) or (iv) above, the Issuer and the Calculation Agent may assume that such information has been disclosed to it without violating any law, agreement or understanding regarding the confidentiality of such information and that the party delivering such information has not taken any action or entered into any agreement or understanding with the Reference Entity or any Affiliate of the Reference Entity that would be breached by, or would prevent, the disclosure of such information to the party receiving such information.

Publicly Available Information need not state (a) in relation to the definition of Downstream Affiliate above, the percentage of Voting Shares owned, directly or indirectly, by the Reference Entity and (b) that such occurrence (1) has met the Payment Requirement or Default Requirement, (2) is the result of exceeding any applicable Grace Period or (3) has met the subjective criteria specified in certain Credit Events.

"Public Source" means each source of Publicly Available Information specified as such (or, if a source is not so specified, each of Bloomberg Service, Reuter Monitor Money Rates Services, Dow Jones News Wire, Wall Street Journal, New York Times, Nihon Keizai Shinbun, Asahi Shinbun, Yomiuri Shinbun, Financial Times, La Tribune, Les Echos and The Australian Financial Review (and successor publications), the main source(s) of business news in the country in which the

Reference Entity is organised and any other internationally recognised published or electronically displayed news sources).

"Qualifying Affiliate Guarantee" means a Qualifying Guarantee provided by a Reference Entity in respect of an Underlying Obligation of a Downstream Affiliate of that Reference Entity.

"Qualifying Guarantee" means an arrangement evidenced by a written instrument pursuant to which a Reference Entity irrevocably agrees (by guarantee of payment or equivalent legal arrangement) to pay all amounts due under an obligation (the **"Underlying Obligation"**) for which another party is the obligor (the **"Underlying Obligor"**). Qualifying Guarantees shall exclude any arrangement (i) structured as a surety bond, financial guarantee insurance policy, letter of credit or equivalent legal arrangement or (ii) pursuant to the terms of which the payment obligations of the Reference Entity can be discharged, reduced or otherwise altered or assigned (other than by operation of law) as a result of the occurrence or non-occurrence of an event or circumstance (other than payment).

"Qualifying Participation Seller" means any participation seller that meets the requirements specified. If no such requirements are specified, there shall be no Qualifying Participation Seller.

"Reference Price" means the percentage specified or, if a percentage is not specified, one hundred percent.

"Replacement Reference Entity" means, with respect to a Surviving Reference Entity, an Eligible Reference Entity selected by the Issuer in its sole and absolute discretion and notified as soon as reasonably practicable to the Noteholders in accordance with Condition 13.

"Repudiation/Moratorium" means an authorised officer of a Reference Entity or a Governmental Authority (i) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, one or more Obligations in an aggregate amount of not less than the Default Requirement or (ii) declares or imposes a moratorium, standstill, roll-over or deferral, whether de facto or de jure, with respect to one or more Obligations in an aggregate amount of not less than the Default Requirement.

"Resolve" has the meaning given to that term in the Rules, and **"Resolved"** and **"Resolves"** shall be interpreted accordingly.

"Restructured Bond or Loan" means an Obligation which is a Bond or Loan and in respect of which a Restructuring that is the subject of a Credit Event Notice has occurred.

"Restructuring"

(k) **"Restructuring"** means that, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, any one or more of the following events occurs in a form that binds all holders of such Obligation, is agreed between the Reference Entity or a Governmental Authority and a sufficient number of holders of such Obligation to bind all holders of the Obligation or is announced (or otherwise decreed) by a

Reference Entity or a Governmental Authority in a form that binds all holders of such Obligation, and such event is not expressly provided for under the terms of such Obligation in effect as of the later of (i) the Credit Event Backstop Date and (ii) the date as of which such Obligation is issued or incurred:

- (i) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals;
 - (ii) a reduction in the amount of principal or premium payable at maturity or at scheduled redemption dates;
 - (iii) a postponement or other deferral of a date or dates for either (a) the payment or accrual of interest or (b) the payment of principal or premium;
 - (iv) a change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation; or
 - (v) any change in the currency or composition of any payment of interest or principal to any currency which is not a Permitted Currency ("Permitted Currency" meaning (a) the legal tender of any Group of 7 country (or any country that becomes a member of the Group of 7 if such Group of 7 expands its membership); or (b) the legal tender of any country which, as of the date of such change, is a member of the Organisation for Economic Cooperation and Development and has a local currency long-term debt rating of either AAA or higher assigned to it by Standard & Poor's, a division of the McGraw Hill Companies, Inc or any successor to the rating business thereof, Aaa or higher assigned to it by Moody's Investors Service, Inc. or any successor to the rating business thereof or AAA or higher assigned to it by Fitch Ratings or any successor to the rating business thereof).
- (a) Notwithstanding the provisions of (a) above, none of the following shall constitute a Restructuring:
- (i) the payment in euros of interest or principal in relation to an Obligation denominated in a currency of a Member State of the European Union that adopts or has adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union;
 - (ii) the occurrence of, agreement to or announcement of any of the events described in (a)(i) to (v) above due to an administrative adjustment, accounting adjustment or tax adjustment or other technical adjustment occurring in the ordinary course of business; and
 - (iii) the occurrence of, agreement to or announcement of any of the events described in (a)(i) to (v) above in circumstances where such event does not directly or indirectly result from a deterioration in the creditworthiness or financial condition of the Reference Entity.

- (b) Unless Multiple Holder Obligation is specified as not applicable then, notwithstanding anything to the contrary in this definition of Restructuring, the occurrence of, agreement to or announcement of any of the events described in (a)(i) to (v) above shall not be a Restructuring unless the Obligation in respect of any such events is a Multiple Holder Obligation.
- (c) For purposes of (a), (b) and (c) above, the term Obligation shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable, as provider of any Qualifying Guarantee. In the case of a Qualifying Guarantee and an Underlying Obligation, references to the Reference Entity in (a) above shall be deemed to refer to the Underlying Obligor and the reference to the Reference Entity in (b) above shall continue to refer to the Reference Entity.

"Restructuring Date" means, with respect to a Restructured Bond or Loan, the date on which a Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring.

"Restructuring Maturity Limitation Date" means the date that is the earlier of (i) thirty months following the Restructuring Date and (ii) the latest final maturity date of any Restructured Bond or Loan, provided, however, that under no circumstances shall the Restructuring Maturity Limitation Date be earlier than the Maturity Date or (if applicable) the Extended Maturity Date, or later than 30 months following the Maturity Date or (if applicable) the Extended Maturity Date and if it is it shall be deemed to be the Maturity Date or (if applicable) the Extended Maturity Date or thirty months following the Maturity Date, as the case may be.

"Scheduled Maturity Date" has the meaning ascribed thereto in Part A.

"Settlement Currency" means the currency specified or, if no currency is so specified, the currency of denomination of the Calculation Amount.

"Sovereign" means any state, political subdivision or government, or any agency, instrumentality, ministry, department or other authority (including, without limiting the foregoing, the central bank) thereof.

"Sovereign Agency" means any agency, instrumentality, ministry, department or other authority (including, without limiting the foregoing, the central bank) of a Sovereign.

"Sovereign Restructured Valuation Obligation" means an Obligation of a Sovereign Reference Entity (a) in respect of which a Restructuring that is the subject of the relevant Credit Event Notice has occurred and (b) described by the specified Valuation Obligation Category and, subject to Condition 6(m)(iv), having each of the specified Valuation Obligation Characteristics, if any, in each case, immediately preceding the date on which such Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring without regard to whether the Obligation would satisfy such Valuation Obligation Category or Valuation Obligation Characteristics after such Restructuring.

"**specified**" means, unless otherwise provided, as specified in Schedule 1 to the Final Terms relating to the Notes and/or in the applicable Standard Terms.

"**Substitute Reference Obligation**" means one or more obligations of a Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable, as provider of any Qualifying Guarantee) that will replace one or more Reference Obligations, identified by the Calculation Agent in accordance with the following procedures:

- (a) In the event that (i) a Reference Obligation is redeemed in whole or (ii) in the opinion of the Calculation Agent (A) the aggregate amounts due under any Reference Obligation have been materially reduced by redemption or otherwise (other than due to any scheduled redemption, amortization or prepayments), (B) any Reference Obligation is an Underlying Obligation with a Qualifying Guarantee of a Reference Entity and, other than due to the existence or occurrence of a Credit Event, the Qualifying Guarantee is no longer a valid and binding obligation of such Reference Entity enforceable in accordance with its terms, or (C) for any other reason, other than due to the existence or occurrence of a Credit Event, any Reference Obligation is no longer an obligation of a Reference Entity, the Calculation Agent shall identify one or more Obligations to replace such Reference Obligation.
- (b) Any Substitute Reference Obligation or Substitute Reference Obligations shall be an Obligation that (i) ranks *pari passu* in priority of payment with the ranking in priority of payment of each of the Substitute Reference Obligation and such Reference Obligation (with the ranking in priority of payment of such Reference Obligation being determined as of the date as of which such Reference Obligation was issued or incurred and not reflecting any change to such ranking in priority of payment after such date) and (ii) is an obligation of the relevant Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable, as provider of a Qualifying Guarantee). The Substitute Reference Obligation or Substitute Reference Obligations identified by the Calculation Agent shall, without further action, replace such Reference Obligation or Reference Obligations.
- (c) If more than one specific Reference Obligation is identified as a Reference Obligation with respect to a Reference Entity, any of the events set forth under (a) above has occurred with respect to one or more but not all of the Reference Obligations for such Reference Entity, and the Calculation Agent determines that no Substitute Reference Obligation is available for one or more of such Reference Obligations, each Reference Obligation for which no Substitute Reference Obligation is available shall cease to be a Reference Obligation.
- (d) If more than one specific Reference Obligation is identified as a Reference Obligation with respect to a Reference Entity, any of the events set forth under (a) above has occurred with respect to all of the Reference Obligations for such Reference Entity, and the Calculation Agent determines that at least one Substitute Reference Obligation is available for any such Reference Obligation, then each such Reference Obligation shall be replaced by a Substitute Reference Obligation and each Reference Obligation for which no Substitute Reference Obligation is available will cease to be a Reference Obligation.

- (e) If (i) more than one specific Reference Obligation is identified as a Reference Obligation with respect to a Reference Entity, any of the events set forth under (a) above has occurred with respect to all the Reference Obligations of such Reference Entity and the Calculation Agent determines that no Substitute Reference Obligation is available for any of the Reference Obligations of such Reference Entity, or (ii) only one specific Reference Obligation is identified as a Reference Obligation, any of the events set forth under sub-section (a) of this definition of Substitute Reference Obligation has occurred with respect to such Reference Obligation and the Calculation Agent determines that no Substitute Reference Obligation is available for that Reference Obligation, then the Calculation Agent shall continue to attempt to identify a Substitute Reference Obligation until the latest of the Maturity Date and the Grace Period Extension Date (if any).
- (f) For purposes of identification of a Reference Obligation, any change in a Reference Obligation's CUSIP or ISIN number or other similar identifier will not, in and of itself, convert such Reference Obligation into a different Obligation.

"**Successor**" shall have the meaning determined in accordance with the following provisions:

- (a) In relation to a Reference Entity that is not a Sovereign, "Successor" means, subject to (j) below), the entity or entities, if any, determined as set forth below:
 - (i) if one entity directly or indirectly succeeds to 75% or more of the Relevant Obligations of the Reference Entity by way of a Succession Event, that entity will be the sole Successor;
 - (ii) if only one entity directly or indirectly succeeds to more than 25% (but less than 75%) of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than 25% of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entity that succeeds to more than 25% of the Relevant Obligations will be the sole Successor;
 - (iii) if more than one entity each directly or indirectly succeeds to more than 25% of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than 25% of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entities that succeed to more than 25% of the Relevant Obligations will each be a Successor and (e) below will apply;
 - (iv) if one or more entities each directly or indirectly succeeds to more than 25% of the Relevant Obligations of the Reference Entity by way of a Succession Event, and more than 25% of the Relevant Obligations of the Reference Entity remain with the Reference Entity, each such entity and the Reference Entity will be a Successor and (e) below will apply;
 - (v) if one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference Entity by way of a Succession

Event, but no entity succeeds to more than 25% of the Relevant Obligations of the Reference Entity and the Reference Entity continues to exist, there will be no Successor and the Reference Entity will not be changed in any way as a result of the Succession Event; and

- (vi) if one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference Entity by way of a Succession Event, but no entity succeeds to more than 25% of the Relevant Obligations of the Reference Entity and the Reference Entity ceases to exist, the entity which succeeds to the greatest percentage of Relevant Obligations (or, if two or more entities succeed to an equal percentage of Relevant Obligations, the entity from among those entities which succeeds to the greatest percentage of obligations of the Reference Entity) will be the sole Successor.

The Calculation Agent will be responsible for determining, as soon as reasonably practicable after it becomes aware of the relevant Succession Event (but no earlier than 14 calendar days after the legally effective date of the Succession Event), and with effect from the legally effective date of the Succession Event, whether the relevant thresholds set forth above have been met, or which entity qualifies under (a)(vi) above, as applicable provided that the Calculation Agent will not make such determination if, at such time, either (A) ISDA has publicly announced that the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in (a) above, and subparagraphs (a) and (b) of the definition of Succession Event Resolution Request Date are satisfied in accordance with the Rules (until such time, if any, as ISDA subsequently publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine a Successor) or (B) ISDA has publicly announced that the relevant Credit Derivatives Determinations Committee has Resolved that no event that constitutes a Succession Event has occurred. In calculating the percentages used to determine whether the relevant thresholds set forth above have been met, or which entity qualifies under (a)(vi) above, as applicable, the Calculation Agent shall use, in respect of each applicable Relevant Obligation included in such calculation, the amount of the liability in respect of such Relevant Obligation listed in the Best Available Information.

- (b) "**Succession Event**" means an event such as a merger, consolidation, amalgamation, transfer of assets or liabilities, demerger, spin-off or other similar event in which one entity succeeds to the obligations of another entity, whether by operation of law or pursuant to any agreement. Notwithstanding the foregoing, "Succession Event" shall not include any event (A) in which the holders of obligations of the Reference Entity exchange such obligations for the obligations of another entity, unless such exchange occurs in connection with a merger, consolidation, amalgamation, transfer of assets or liabilities, demerger, spin-off or other similar event or (B) with respect to which the legally effective date (or, in the case of a Reference Entity that is a Sovereign, the date of occurrence) has occurred prior to the Succession Event Backstop Date (determined by reference to Greenwich Mean Time).

- (c) For purposes of interpreting this definition of Successor "**succeed**" means, with respect to a Reference Entity and its Relevant Obligations (or, as applicable, obligations), that a party other than such Reference Entity (i) assumes or becomes liable for such Relevant Obligations (or, as applicable, obligations) whether by operation of law or pursuant to any agreement or (ii) issues Bonds that are exchanged for Relevant Obligations (or, as applicable, obligations), and in either case such Reference Entity is no longer an obligor (primarily or secondarily) or guarantor with respect to such Relevant Obligations (or, as applicable, obligations). The determinations required pursuant to (a) above shall be made, in the case of an exchange offer, on the basis of the outstanding principal balance of Relevant Obligations tendered and accepted in the exchange and not on the basis of the outstanding principal balance of Bonds for which Relevant Obligations have been exchanged.
- (d) Where (i) a Reference Obligation has been specified with respect to a Reference Entity, (ii) one or more Successors to the Reference Entity have been identified and (iii) any one or more such Successors have not assumed the Reference Obligation, a Substitute Reference Obligation will be determined in accordance with the definition of Substitute Reference Obligation above.
- (e) Where, pursuant to (a)(iii) or (iv) above, more than one Successor has been identified then, subject to (j) below:
 - (i) each Successor will be treated as a Reference Entity;
 - (ii) the Calculation Agent shall allocate the Calculation Amount equally between all such Successors;
 - (iii) the provisions of Condition 6(j)(iii) shall apply; and
 - (iv) the Conditions will otherwise continue to apply except to the extent that modification is required, as determined by the Calculation Agent, to preserve the economic effects of the original Conditions.
- (f) "**Relevant Obligations**" means the Obligations constituting Bonds and Loans of the Reference Entity outstanding immediately prior to the effective date of the Succession Event, excluding any debt obligations outstanding between the Reference Entity and any of its Affiliates, as determined by the Calculation Agent. The Calculation Agent will determine the entity which succeeds to such Relevant Obligations on the basis of the Best Available Information. If the date on which the Best Available Information becomes available or is filed precedes the legally effective date of the relevant Succession Event, any assumptions as to the allocation of obligations between or among entities contained in the Best Available Information will be deemed to have been fulfilled as of the legally effective date of the Succession Event, whether or not this is in fact the case.
- (g) "**Best Available Information**" means:
 - (i) in the case of a Reference Entity which files information with its primary securities regulator or primary stock exchange that includes unconsolidated, pro forma financial information which assumes that the relevant Succession Event has occurred or which provides such

information to its shareholders, creditors or other persons whose approval of the Succession Event is required, that unconsolidated, pro forma financial information or, if provided subsequently to the provision of unconsolidated, pro forma financial information but before the Calculation Agent makes its determination for the purposes of the definition of Successor, other relevant information that is contained in any written communication provided by the Reference Entity to its primary securities regulator, primary stock exchange, shareholders, creditors or other persons whose approval of the Succession Event is required; or

- (ii) in the case of a Reference Entity which does not file with its primary securities regulator or primary stock exchange, and which does not provide to shareholders, creditors or other persons whose approval of the Succession Event is required, the information contemplated in (i) above, the best publicly available information at the disposal of the Calculation Agent to allow it to make a determination for the purposes of the definition of Successor.
- (h) Information which is made available more than 14 calendar days after the legally effective date of the Succession Event shall not constitute Best Available Information.
- (i) In relation to a Sovereign Reference Entity, "Successor" means any direct or indirect successor(s) to that Reference Entity irrespective of whether such successor(s) assumes any of the obligations of such Reference Entity.
- (j) If Substitution is specified as applicable, where any Reference Entity (a "**Surviving Reference Entity**") (other than the Reference Entity the subject of the Succession Event) would otherwise be a Successor to any other Reference Entity (the "**Legacy Reference Entity**") pursuant to the foregoing provisions then, at the election of the Issuer at any time:
 - (i) such Surviving Reference Entity shall be deemed not to be a Successor to the Legacy Reference Entity; and
 - (ii) the Replacement Reference Entity selected by the Issuer shall be deemed to be a Successor to the Legacy Reference Entity pursuant to that Succession Event from and including the legally effective date of the Succession Event. The Standard Terms applicable to such Replacement Reference Entity shall be the then current standard terms applicable to such Replacement Reference Entity as at the day it is selected by the Issuer.

"**Succession Event Backstop Date**" means (i) the date that is 90 calendar days prior to the Succession Event Resolution Request Date (if any) (determined by reference to Greenwich Mean Time) or (ii) otherwise, the date that is 90 calendar days prior to the earlier of (A) the date on which the Calculation Agent determines that a Succession Event has occurred and (B) in circumstances where (I) the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in subparagraphs (a) and (b) of the definition of "Succession Event Resolution Request

Date" are satisfied in accordance with the Rules, (II) the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters and (III) the Calculation Agent determines that a Succession Event has occurred not more than fourteen calendar days after the day on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters, the Succession Event Resolution Request Date. The Succession Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention.

"Succession Event Resolution Request Date" means, with respect to a notice to ISDA, delivered in accordance with the Rules, requesting that a Credit Derivatives Determinations Committee be convened to Resolve:

- (a) whether an event that constitutes a Succession Event has occurred with respect to the relevant Reference Entity; and
- (b) if the relevant Credit Derivatives Determinations Committee Resolves that such event has occurred, the legally effective date of such event,

the date, as publicly announced by ISDA, that the relevant Credit Derivatives Determinations Committee Resolves to be the date on which such notice is effective.

"Supranational Organisation" means any entity or organisation established by treaty or other arrangement between two or more Sovereigns or the Sovereign Agencies of two or more Sovereigns and includes, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and European Bank for Reconstruction and Development.

"TARGET" means the Trans-European Automated Real-time Gross settlement Express Transfer System.

"USD" means the lawful currency of the United States of America.

"Valuation Date" means the date specified as such in accordance with the applicable Settlement Method.

"Valuation Obligation" means, subject to Condition 6(n):

- (i) any obligation of the Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified, as provider of any Qualifying Guarantee determined pursuant to the method described in Condition 6(m) (but excluding any Excluded Valuation Obligation) that (A) is payable in an amount equal to its outstanding principal balance or Due and Payable Amount, as applicable, (B) is not subject to any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in paragraphs (i) to (iv) in the definition of Credit Event above) or right of set-off by or of the Reference Entity or any applicable Underlying Obligor and (C) in the case of a Qualifying Guarantee other than a Qualifying Affiliate Guarantee, is capable, at the Valuation Date, of immediate assertion or demand by or on behalf of the holder or holders against the Reference Entity for an amount at least equal to the outstanding principal balance or Due and Payable Amount being valued apart from the giving of any notice of non-payment or similar

procedural requirement, it being understood that acceleration of an Underlying Obligation shall not be considered a procedural requirement;

- (ii) subject to the second paragraph of the definition of Not Contingent in Condition 6(m)(i)(2)(A), each Reference Obligation, unless specified as an Excluded Valuation Obligation;
- (iii) solely in relation to a Restructuring Credit Event applicable to a Sovereign Reference Entity, any Sovereign Restructured Valuation Obligation (but excluding any Excluded Valuation Obligation) that (i) is payable in an amount equal to its outstanding principal balance or Due and Payable Amount, as applicable, (ii) is not subject to any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in paragraphs (i) to (iv) of the definition of Credit Event above) or right of set-off by or of a Reference Entity or, as applicable, an Underlying Obligor and (iii) in the case of a Qualifying Guarantee other than a Qualifying Affiliate Guarantee, is capable, at the Valuation Date, of immediate assertion or demand by or on behalf of the holder or holders against the Reference Entity for an amount at least equal to the outstanding principal balance or Due and Payable Amount being valued apart from the giving of any notice of non-payment or similar procedural requirement, it being understood that acceleration of an Underlying Obligation shall not be considered a procedural requirement; and
- (iv) any other obligation of a Reference Entity specified as a Valuation Obligation.

"Voting Shares" means those shares or other interests that have the power to elect the board of directors or similar governing body of an entity.

"Weighted Average Quotation" means the weighted average of firm quotations obtained from selected dealers, each for an amount of the Valuation Obligation of as large a size as available but less than the Valuation Obligation Calculation Amount.

6(p) *Determinations by the Calculation Agent and Calculation Agent Free to Deal in Notes etc*

- (i) Whenever any matter falls to be determined, considered or otherwise decided upon by the Calculation Agent or any other person (including where a matter is to be decided by reference to the Calculation Agent's or such other person's opinion), unless otherwise stated, that matter shall be determined, considered or otherwise decided upon by the Calculation Agent or such other person, as the case may be, acting in good faith and in a reasonably commercial manner. The Calculation Agent shall not be liable for any loss, liability, cost, claim, action, demand or expense (including without limitation, all costs, charges and expenses paid or incurred in disputing or defending any of the foregoing) arising out of or in relation to or in connection with its appointment or the exercise of its functions, except such as may result from its own wilful default, negligence or bad faith or that of its officers or agents.
- (ii) Nothing contained herein shall prevent the Calculation Agent from dealing in the Notes or from entering into any related transactions, including without limitation any swap or hedging transactions, with the Issuer (or any of its respective Affiliates) or any holder of the Notes (or any of its Affiliates).

SCHEDULE 3

Reference Entity	Reference Obligation (ISIN)	Seniority	Transaction Type
[]	Primary Obligor: Guarantor: Status: Maturity: Coupon: CUSIP/ISIN: Original Issue Amount: Reference Price:	[]	[]

**REGISTERED AND HEAD OFFICE
OF THE ISSUER**

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

DEALER

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London E14 5HQ
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**PRINCIPAL PAYING AGENT,
PRINCIPAL WARRANT AGENT,
ISSUE AGENT, REGISTRAR,
TRANSFER AGENT AND
AUTHENTICATION AGENT**

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CALCULATION AGENT

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London E14 5AG
United Kingdom

**PART J - PRODUCT SUPPLEMENT FOR INTEREST RATE-LINKED NOTES AND
WARRANTS AND INFLATION RATE-LINKED NOTES AND WARRANTS**



HSBC BANK plc

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

as Issuer

PROGRAMME FOR THE ISSUANCE OF NOTES AND WARRANTS

Interest Rate-Linked Notes and Warrants and Inflation Rate-Linked Notes and Warrants

This Product Supplement in relation to the Interest-Rate Linked Notes and Warrants and Inflation Rate-Linked Notes and Warrants constitutes Part J ("**Part J**") of the Base Prospectus dated 30 July 2009 (the "**Base Prospectus**") prepared by HSBC Bank plc (the "**Bank**" or the "**Issuer**") in relation to the Programme for the Issuance of Notes and Warrants (the "**Programme**") described therein in connection with the application made for Notes or Warrants to be admitted to listing on the Official List of the Financial Services Authority (in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (the "**FSA**")), and to trading on the Regulated Market of the London Stock Exchange plc (the "**London Stock Exchange**").

To the extent that there is any inconsistency between any statement in this Part J and any other statement in, or incorporated by reference in, other parts of the Base Prospectus, the statements in this Part J will prevail for the purposes of Part J.

Notes issued pursuant to the Programme may include "**Interest Rate-Linked Notes**" and "**Inflation Rate-Linked Notes**" being Notes in relation to which the interest payable thereon (if any) and/or the redemption amount thereof is determined by reference to levels of, or movements in, specified interest rates or inflation rates or other interest rate-dependent variables or inflation rate-dependent variables, as applicable (each, an "**Interest-Related Variable**"). The purpose of this Part J is to provide information in relation to Interest Rate-Linked Notes and Inflation Rate-Linked Notes.

The Bank may also issue warrants, "**Interest Rate-Linked Warrants**" being Warrants having substantially the same features of the Interest Rate-Linked Notes and references herein to Interest Rate-Linked Notes shall be deemed to refer to Interest Rate-Linked Warrants when the context so permits and "**Inflation Rate-Linked Warrants**" being Warrants having substantially the same features of the Inflation Rate-Linked Notes and references herein to Inflation Rate-Linked Notes shall be to Inflation Rate-Linked Warrants when the context so permits.

This Part J should be read together with Parts A and B of the Base Prospectus (in the case of an issue of Interest Rate-Linked Notes or Inflation Rate-Linked Notes) and Parts A and C of the Base Prospectus (in the case of an issue of Interest Rate-Linked Warrants or Inflation Rate-Linked Warrants).

An investment in Interest Rate-Linked Notes and/or Inflation Rate-Linked Notes involves risks. See "Risk Factors Relating to Interest Rate-Linked Notes and Inflation Rate-Linked Notes" (beginning on page J-4 of this Part J) in addition to those included in Part A of the Base Prospectus under the heading "Risk Factors" (beginning on page A-6).

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Part J or any other information supplied in connection with the Interest Rate-Linked Notes and/or Inflation Rate-Linked Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer.

Neither this Part J nor any further information supplied in connection with the Interest Rate-Linked Notes or Inflation Rate-Linked Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or as constituting an invitation or offer by the Issuer that any recipient of this Part J or any other information supplied in connection with the Interest Rate-Linked Notes or Inflation Rate-Linked Notes should subscribe for or purchase the Interest Rate-Linked Notes or Inflation Rate-Linked Notes. Each investor contemplating subscribing for or purchasing the Interest Rate-Linked Notes or Inflation Rate-Linked Notes should make its own independent investigation of the affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Part J nor any other information supplied in connection with the Interest Rate-Linked Notes or Inflation Rate-Linked Notes constitutes an offer by or on behalf of the Issuer to subscribe for or purchase the Interest Rate-Linked Notes or Inflation Rate-Linked Notes.

The distribution of this Part J and the offer, distribution or sale of Interest Rate-Linked Notes or Inflation Rate-Linked Notes may be restricted by law in certain jurisdictions. The Issuer does not represent that this document may be lawfully distributed, or that the Interest Rate-Linked Notes or Inflation Rate-Linked Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, action may be required to be taken to permit a public offering of the Interest Rate-Linked Notes or Inflation Rate-Linked Notes or a distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Interest Rate-Linked Notes or Inflation Rate-Linked Notes may be offered or sold, directly or indirectly, and neither this Part J 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 Part J or the Interest Rate-Linked Notes or Inflation Rate-Linked Notes come must inform themselves about, and observe, any such restrictions.

Interest Rate-Linked Notes and Warrants and Inflation Rate-Linked Notes and Warrants have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), the state securities laws of any state of the United States or the securities laws of any other jurisdiction, and may not be offered or sold within the United States or to, or for the account or benefit of, US 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.

Arranger and Dealer
HSBC

30 July 2009

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**Risk Factors relating to
Interest Rate-Linked Notes and Warrants and Inflation Rate-Linked Notes and Warrants**

Further to the risk factors set out in the Base Prospectus under the heading "Risk Factors" (beginning on page A-6 of the Base Prospectus), the risk factors applicable to Interest Rate-Linked Notes and Warrants and Inflation Rate-Linked Notes and Warrants are repeated below:

Interest Rate Linked Notes and Warrants and Inflation Rate-Linked Notes and Warrants

General - The redemption amount of the Notes or Warrants payable at scheduled maturity and/or the amount of interest payable in relation to the Notes or Warrants will be linked to changes in one or more interest rates or inflation rates specified in the Final Terms during the period specified therein.

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

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

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

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

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

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

Risks relating to Steepener Notes

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

Fluctuations in interest rates and Steepener Notes

The market value of Steepener Notes will be affected by, among other things, the amount of interest payable in each interest period. Save for any interest period during the term of such Notes in respect of which interest is to be determined by reference to fixed rates of interest, the interest rate on Steepener Notes is obtained by taking the amount (if any) by which a designated swap rate (the "**First Swap Rate**") exceeds another designated swap rate (the "**Second Swap Rate**") and multiplying that amount by the factor (the leverage factor) (all as specified in the applicable Final Terms), subject to any maximum and minimum rate of interest. Subject to any minimum and maximum rate of interest, as the difference between the First Swap Rate and the Second Swap Rate decreases the rate of interest payable will fall by the amount of that decrease multiplied by the relevant leverage factor. In the event that the First Swap Rate does not exceed the Second Swap Rate on a date which is relevant to the calculation of interest for an interest period, the interest rate on the Notes for that period will equal zero or, if any minimum rate of interest has been specified in the applicable Final Terms and applies, will equal that minimum rate of interest.

Product Description - Interest Rate-Linked Notes

Notes issued pursuant to the Programme may include Interest Rate-Linked Notes, being Notes in relation to which the interest payable thereon (if any) and/or the redemption amount thereof is determined by reference to an Interest-Related Variable. Such Notes may be Fixed Rate Notes, Floating Rate Notes, Variable Coupon Amount Notes or Zero Coupon Notes, as specified in the relevant Final Terms. In the case of Variable Coupon Amount Notes, details of the dates on which interest shall be payable and the method of calculation of the interest payable on each such date will be set out in the relevant Final Terms.

Interest-Related Variables may consist of interest rates for specified periods, such as London inter-bank offered rates "**LIBOR**" for deposits in specified currencies or EURIBOR for deposits in euro, or constant maturity swap ("**CMS**") or remaining maturity swap ("**RMS**") rates, or other interest-based factors, as specified in the relevant Final Terms. Details of the Interest-Related Variable(s) applicable to any particular Series or Tranche of Notes and an indication of where information about the past and the future performance of the Interest-Related Variable and other information relating thereto will be specified in the relevant Final Terms.

There follows a description of certain types of Interest Rate-Linked Notes that may be issued under the Programme. In addition to these types of Notes, the Issuer may issue Interest Rate-Linked Notes under the Programme which combine elements of any of the Interest Rate-Linked Notes described below or are linked to Interest-Related Variables in a manner other than described below, details of which will be provided in the relevant Final Terms.

Early Redemption features for Interest Rate-linked Notes:

Callable Notes: Notes which may be redeemed prior to their specified maturity date at the option of the Issuer, which option may be exercised periodically or on dates specified in the Final Terms.

Puttable Notes: Notes which may be redeemed at the option of the Noteholder prior to the maturity date if a specified trigger event relating to an Interest-Related Variable occurs during a specified period or on a specified date, as specified in the Final Terms.

Target Redemption Notes: Notes, the terms of which provide as follows: (i) the minimum and maximum interest payable to a Noteholder over the term of the Notes are set on the issue date and expressed as pre-determined percentages of the notional amount of the Notes ("**Lifetime Floor**" and "**Lifetime Cap**", respectively), (ii) the final interest payment is increased so that, if the cumulative total interest payments (taking into account the amount of such final interest payment) would not otherwise reach the Lifetime Floor, Noteholders receive over the life of the Notes cumulative interest payments equal to the Lifetime Floor and (iii) the Notes will be mandatorily redeemed at par on the first interest payment date on which the cumulative total interest payments up to and including such payment date would exceed the Lifetime Cap taking into account the interest payments scheduled to be made on such date, which interest payments will then be reduced so that Noteholders receive over the life of the Notes aggregate interest payments equal to the Lifetime Cap.

Trigger Redemption Notes: Notes which are not Callable Notes and which are to be mandatorily redeemed prior to their maturity date if a specified trigger event in relation to a Interest-Related Variable occurs during a specified period or on a specified date, as specified in the Final Terms.

Payment features for Interest Rate-Linked Notes:

Coupon Notes: Notes in relation to which the interest payable to the Noteholder is subject to the performance of the Interest-Related Variable.

Zero Coupon Notes: Notes in relation to which no interest is payable to the Noteholder until the earlier of the scheduled maturity or early redemption.

Deferred Coupon Notes: Notes in relation to which the interest in relation to a given payment date may be deferred until the earlier of the scheduled maturity or early redemption on conditions specified in the Final Terms.

Interest-Related Variable discontinuity features for Interest Rate-Linked Notes:

Digital Notes: Notes in relation to which, if the Interest-Related Variable at maturity reaches a predefined level or value, the interest payable is a fixed amount.

Barrier Notes: Notes under which the interest and/or the redemption amount payable to the Noteholder at maturity are determined by reference to the performance of the Interest-Related Variable depending on the level or value of the Interest-Related Variable attaining or falling below predefined levels or values. If the Final Terms so specify, the predefined level or value may be varied on a specified date or dates or during specified periods throughout the term of the Notes. The predefined levels or values may consist of any of the following:

Up and Out: If the level or value of the Interest-Related Variable is higher than a predefined level or value at a specified date or during a specified period the interest and/or redemption amount payable to the Noteholder ceases to be linked to the performance of the Interest-Related Variable as specified in the relevant Final Terms.

Up and In: If the level or value of the Interest-Related Variable is higher than a predefined level or value at a specified date or during a specified period the interest and/or redemption amount payable to the Noteholder become linked to the performance of the Interest-Related Variable as specified in the relevant Final Terms.

Down and Out: If the level or value of the Interest-Related Variable is lower than a predefined level or value at a specified date or during a specified period the interest and/or redemption amount payable to the Noteholder cease to be linked to the performance of the Interest-Related Variable as specified in the relevant Final Terms.

Down and In: If the level or value of the Interest-Related Variable is lower than a predefined level or value at a specified date or during a specified period the interest and/or redemption amount payable to the Noteholder become linked to the performance of the Interest-Related Variable as specified in the relevant Final Terms.

The specified date or dates, or specified periods, for the observation of the level or value of the Interest-Related Variable against the relevant predefined level or value may include any of the following or maybe as otherwise specified in the Final Terms:

American: the level or value of the Interest-Related Variable is observed continuously during a specified period.

Bermudan: the level or value of the Interest-Related Variable is observed during a period which consists of a number of specified dates.

Discrete: the level or value of the Interest-Related Variable is observed daily at a specified time on specified dates.

European: the level or value of the Interest-Related Variable is observed at maturity.

Parisian: the level or value of the Interest-Related Variable is observed on the occurrence of a specified event.

Window: the level or value of the Interest-Related Variable is only observed during a fixed period.

Interest-Related Variable path dependent features for Interest Rate-Linked Notes:

Range Accrual Notes: Notes in relation to which the interest only accrues for each day during a period that a specified Interest-Related Variable remains within a specified range (which may vary during the term of the Notes), as specified in the Final Terms.

Average Growth Notes: Notes under which the redemption amount payable to the Noteholder at maturity is calculated by reference to the average level or value of the Interest-Related Variable on a number of specified dates occurring on or after the issue date to but excluding the maturity date, as specified in the Final Terms.

Snow Notes: Notes in relation to which a fixed interest rate is set for the initial interest period and then leveraged thereafter whereby the interest rate for any given period is determined by reference to (i) the rate used to calculate the interest for the preceding period and applying to it a pre-specified rate and (ii) a Interest-Related Variable, as set out in the Final Terms (subject to minimum interest rate of 0%).

Ratchet Notes: Notes in relation to which a fixed rate is used to calculate the interest for the initial period (the "initial rate") and leveraged thereafter whereby the subsequent rate for any given period used to calculate the interest is determined by reference to (A) the rate applicable for the preceding period and applying to it a pre-specified rate and (B) an Interest-Related Variable (subject to a minimum interest rate of 0%), until a specified date on which the rate used to calculate the interest is reset to the initial rate and the rate leverage process recommences.

Serial Notes: Notes in relation to which rate used to calculate the interest is determined by reference to (i) any one of the minimum, the maximum or the average level or value of the specified Interest-Related Variable over a certain period of time and (ii) a rate specified in the Final Terms.

Snowball: Callable Notes in relation to which the fixed rate used to calculate the interest is set for the initial period and then leveraged thereafter whereby the rate for any given period is calculated using the rate for the preceding period and applying to it a pre-specified rate which increases each year and subtracting the level or value of the specified Interest-Related Variable (subject to minimum interest rate of 0%).

Bearish Snowball: Callable Notes in relation to which the rate used to calculate the fixed interest is set for the initial period and then leveraged thereafter whereby the rate for any given period is calculated using the rate for the preceding period and adding to it the product of a multiple of the Interest-Related Variable minus a pre-specified rate (which increases each year) (subject to a minimum interest rate of 0% and a pre-specified maximum interest rate).

Resettable Snowball: Callable Notes in relation to which (i) the rate used to calculate the fixed interest payment is set for the initial period (the "initial interest rate") and leveraged thereafter whereby the subsequent interest rate for any given interest period is calculated using the interest rate for

the preceding period and applying to it a pre-specified rate which increases each year and subtracting the specified Interest-Related Variable (subject to a minimum rate of 0%) until a specified date on which the interest is reset to the initial rate and the rate leverage process recommences, and (ii) the Issuer has a right to redeem the Notes earlier than the maturity date if a trigger event relating to a specified Interest-Related Variable occurs and is existing on a specified early redemption date during the term of the Notes.

Recovery Note: Callable Notes in relation to which the fixed rate used to calculate the interest is set for the initial period and then leveraged thereafter whereby the rate for any given period is calculated using the rate for the preceding period and adding to it the product of a multiple of the specified Interest-Related Variable minus a pre-specified rate (which increases each year) (subject to a minimum interest rate of 0% and a pre-specified rate maximum).

Seesaw Note: Callable Notes in relation to which the method of calculating interest changes during the life of the Notes as follows. The fixed rate used to calculate the interest is set for the initial period and is then leveraged thereafter whereby the rate for any given period is calculated using the rate for the preceding period and applying to it a multiple of a pre-specified rate or rates less the specified Interest-Related Variable. The rate used to calculate the interest will then revert to the original rate or another fixed rate for a specified number of periods. Thereafter, the rate used to calculate the interest for any given period is calculated using the rate for the preceding period and applying to it a multiple of the specified Interest-Related Variable less a pre-specified rate or rates. The rate applicable to any period may be subject to minimum and maximum rate limits.

SnowBlade Note: Target Accrual Redemption Notes which are not Callable Notes in relation to which a fixed rate is set for the initial period and then leveraged thereafter whereby the rate for any given subsequent period is calculated using the rate for the preceding period and applying to it a pre-specified rate which increases each year and subtracting the specified Interest-Related Variable (subject to a minimum interest rate of 0%).

Coupon features for Interest Rate-Linked Notes:

Capped Fixed Coupon: Notes in relation to which the rate used to calculate the interest is less than or equal to a specified fixed rate.

Floored Fixed Coupon: Notes in relation to which the rate used to calculate the interest is greater than or equal to a specified fixed rate.

Capped Spread Coupon: Notes in relation to which the rate used to calculate the interest is (i) determined by reference to a Interest-Related Variable being the difference between two specified interest rates and (ii) is less than or equal to a specified rate.

Floored Spread Coupon: Notes in relation to which the rate used to calculate the interest is (i) determined by reference to the difference between two interest rates and (ii) is greater than or equal to a specified rate.

Capped Global Coupon: Notes in relation to which (i) the interest payable is determined by reference to an Interest-Related Variable, and (ii) the cumulative interest paid up to a given payment date (including the interest payable in respect of such payment date) is less than or equal to an amount specified in the Final Terms for such payment date. If such cumulative amount is greater than the amount specified in the Final Terms the interest payable on the relevant payment date shall be reduced to ensure such cumulative amount is equal to the amount specified in the Final Terms for such payment date.

Floored Global Coupon: Notes in relation to which (i) the interest payable is determined by reference to an Interest-Related Variable, and (ii) the cumulative interest paid up to a given payment dates (including the interest payable in respect of such payment date) is greater than or equal to an amount specified in the Final Terms for such payment date. If such cumulative amount is less than the amount specified in the Final Terms the interest payable on the relevant payment date shall be increased to ensure such cumulative amount is equal to the amount specified in the Final Terms for such payment date.

Interest Rate Reset features relating to Interest Rate-Linked Notes

Interest-in-arrears: Notes in relation to which the interest is determined by reference to an Interest-Related Variable which is determined at the end of a given period.

Interest-in-advance: Notes in relation to which the interest is determined by reference to an Interest-Related Variable which is determined prior to the commencement of a given period.

Underlyings relating to Interest Rate-Linked Notes

Callable step-down Floaters: Callable Notes which are Floating Rate Notes and in relation to which (i) the rate used to calculate the interest is set at a fixed margin above the specified Interest-Related Variable but the total of which is capped at a specified fixed rate and (ii) the interest is only payable if the specified Interest-Related Variable remains below a certain pre-specified level.

Callable Inverse Floaters: Callable Notes in relation to which a fixed rate used to calculate the interest is set for an initial period, after which the rate for any given period is calculated by subtracting from a pre-specified fixed rate a multiple of the specified Interest-Related Variable (subject to a minimum interest rate of 0%).

Constant Maturity Swap ("CMS") Fixed Spread Callable Range Accrual Notes: Notes in relation to which the interest is greater than or equal to a specified fixed rate Callable Notes in relation to which a fixed rate is set for the initial period and then for subsequent periods the fixed rate only accrues for each day during that period if specified constant maturity swap spread (a "CMS Spread") remains above a pre-specified trigger level or lower barrier

VariCap Note: Notes which are not Callable Notes, in relation to which the interest rate calculated in relation to any period is a CMS rate plus a spread, but subject to a minimum rate and a variable maximum interest rate (the "Cap"). The Cap is calculated by reference to a multiple of the specified CMS Spread, which multiple may or may not increase over time, as specified in the relevant Final Terms.

Callable Range Accrual Notes: Range Accrual Notes which are Callable Notes.

Trigger Redemption Range Accrual Notes: Range Accrual Notes which are Trigger Redemption Notes.

Auto-puttable Callable Range Accrual Notes: Range Accrual Notes which are Callable Notes and Auto-puttable Notes.

Fixed Callable Range Accrual Notes: Range Accrual Notes which are Callable Notes and which bear interest at a fixed rate.

Floating Callable Range Accrual Notes: Range Accrual Notes which are Callable Notes and which accrue interest at a floating interest rate.

Forms of Target Accrual Redemption Notes

Target Accrual Redemption Notes (TARNs) (Bullish): Target Accrual Redemption Notes under which a fixed interest rate is set for the initial interest period and then for subsequent interest periods the interest rate is calculated using a fixed rate and subtracting therefrom a multiplier of the level of a specified Interest-Related Variable (subject to a minimum interest rate of 0%).

Bearish TARN: Target Accrual Redemption Notes in relation to which the interest rate is calculated by applying a fixed multiplier to the level of a specified Interest-Related Variable and subtracting a specified fixed rate which increases each year (subject to a minimum interest rate of 0%).

BONUS TARN: Target Accrual Redemption Notes in relation to which the interest rate is calculated using an initial fixed rate during the first interest period, then a higher fixed rate minus a multiplier times a specified Interest-Related Variable during subsequent periods and an additional bonus payment (expressed as a percentage of the notional amount of the Notes and increasing annually throughout the term of the Notes) is made to Noteholders on the redemption date.

SnowRange Notes: Notes which are Callable Notes and in relation to which (i) interest only accrues for each day (a "Qualifying Day") during a period that a specified Interest-Related Variable remains within a specified range (which may vary during the term of the Notes), as specified in the Final Terms, (ii) the interest rate is set for the initial interest period and then leveraged thereafter whereby the interest rate for any given interest period is calculated using the interest rate for the preceding period and applying to it a multiplier (calculated from the number of Qualifying Days in the current period divided by the actual number of days in the current period). (The SnowRange Note is a variation of the CRAN.)

Accumulator Leverage Inverse Floater Note: Floating Rate Notes in relation to which (i) the amount of interest payable to the Noteholder over the term of the Notes is known from the issue date and expressed as a percentage of the notional amount (the "Lifetime Cap") but the timing of interest payments and the maturity date is not known, (ii) the final interest payment is adjusted at maturity so that the sum of all interest payments (including such adjusted payment) equals the Lifetime Cap (iii) the Notes are automatically redeemed at part on an interest payment date if the sum of the interest payments (prior to the adjustment of such interest payment) would otherwise exceed the Lifetime Cap.

BladeRanger Notes: Target Accrual Redemption Notes under which interest only accrues for each day (a "Qualifying Day") during a period that a specified Interest-Related Variable remains within a specified range (which may vary during the term of the Notes), as specified in the Final Terms, (ii) the interest rate is set for the initial interest period and then leveraged thereafter whereby the interest rate for any given interest period is calculated using the interest rate for the preceding period and applying to it a multiplier (calculated from the number of Qualifying Days in the current period divided by the actual number of days in the current period).

Resettable SnowRange: SnowRange Notes which are Callable Notes and in relation to which, on a specified date, the interest payable is reset to the initial interest rate applicable to the first interest period and the interest rate leverage process recommences.

Bearish SnowRange: Callable Notes in relation to which (i) the interest only accrues for each day (a "Qualifying Day") over a period that a specified Interest-Related Variable remains above a pre-specified level which may be increased annually, as specified in the Final Terms and (ii) the interest rate is set for the initial interest period and then leveraged thereafter whereby the interest rate for any given interest period is calculated using the interest rate for the preceding period and applying to it a

multiplier (calculated from the number of Qualifying Days in the current period divided by the actual number of days in the current period).

Front-End SnowRange: SnowRange Notes which are Callable Notes in relation to which the Issuer is entitled to exercise its right to redeem early if the specified Interest-Related Variable remains within the pre-specified range during the first year of the term of the Notes.

Range Accrual Notes: Notes in relation to which the interest is a variable amount (calculated by reference to a formula in the Final Terms) and only accrues for each day during a period that a specified Interest-Related Variable remains within a specified range (which may vary during the term of the Notes), as specified in the Final Terms.

Constant Maturity Swap ("CMS") linked Notes and Remaining Maturity Swap ("RMS") linked Notes

Deferred digital: Notes which are not Callable Notes and in relation to which (i) the timing of the interest rate payment is conditional on the specified Interest-Related Variable and (ii) if the specified Interest-Related Variable remains below a certain trigger level or barrier, the interest rate payable is a fixed amount and if the specified Interest-Related Variable reaches the trigger level or barrier, the interest rate payable is compounded over the term of the Notes and payment is deferred until maturity.

Remaining-Maturity-Swap CRAN: Callable Notes in relation to which interest only accrues for each day over a certain period of time that the specified underlying Remaining-Maturity-Swap (RMS) rate remains below a certain pre-specified trigger level or upper barrier.

RMS Wings Note: Callable Notes in relation to which there is a certain fixed minimum interest rate which only accrues for each day over a certain period of time that the specified Interest-Related Variable is either (i) below a certain pre-specified trigger level or (ii) above a certain higher pre-specified trigger level.

CMS SnowRange: Callable Notes in relation to which (i) interest only accrues for each day (a "Qualifying Day") over a certain period of time that a specified CMS rate remains within a pre-specified range which may increase annually and (ii) the interest rate is set for the initial interest period and then leveraged thereafter whereby the interest rate for any given interest period is calculated using the interest rate for the preceding period and applying to it a multiplier (calculated from the number of Qualifying Days in the current period divided by the actual number of days in the current period).

Bearish CMS: Target Accrual Redemption Notes in relation to which a fixed interest rate is set for the initial interest period and then for subsequent interest periods it is calculated by subtracting a fixed multiplier which increases each year from a specified CMS rate (subject to a minimum interest rate of 0%).

CMS Recovery Note: Callable Notes in relation to which a fixed interest rate is set for the initial interest period and then leveraged thereafter whereby the interest rate for any given interest period is calculated using the interest rate for the preceding period and adding to it the product of a multiple of a specified CMS rate minus a pre-specified interest rate (which increases each year) (subject to minimum interest rate of 0% and a pre-specified maximum interest rate).

CMS TARN Note: Target Accrual Redemption Notes in relation to which a fixed interest rate is set for the initial interest period and then for subsequent interest periods the interest rate is calculated using a fixed rate and subtracting the level of a specified CMS rate (subject to a minimum interest rate of 0%).

CMS Spread-linked Notes

(CMS) Fixed SCRAN: Callable Notes in relation to which a fixed interest rate is set for the initial interest period and then for subsequent interest periods the fixed interest rate only accrues for each day over a certain period of time that a specified constant maturity swap spread (a "CMS Spread") remains above a pre-specified trigger level or lower barrier.

(CMS) Floating SCRAN: Callable Notes in relation to which a fixed interest rate is set for the initial interest period and then for subsequent interest periods a floating rate of interest only accrues for each day over a certain period of time that a specified CMS-Spread remains above a pre-specified trigger level or lower barrier.

Wedding Cake Note: Notes which are not Callable Notes, in relation to which the floating interest rate is comprised of three different tiers of calculation and only accrues for each day that a specified CMS Spread remains (a) above a pre-specified trigger level, (b) remains within a pre-specified range and (c) remains below a pre-specified trigger level, over a certain period of time.

Floating SCRAN: Callable Notes in relation to which a fixed interest rate is set for the initial interest period and then for subsequent interest periods the interest only accrues for each day over a certain period of time that the specified Interest-Related Variable remains above a pre-specified trigger level or lower barrier.

VariCap Note: Notes which are not Callable Notes, in relation to which the interest calculated in relation to any period is a CMS rate plus a spread, but subject to a minimum interest rate and a variable maximum interest rate (the "Cap"). The Cap is calculated by reference to a multiple of the specified CMS Spread, which multiple may or may not increase over time, as specified in the relevant Final Terms.

CMS Steepener (Bearish): Callable Notes in relation to which the interest rate is set at a fixed margin above a specified CMS rate and is payable if such CMS rate remains above a pre-specified trigger level (which increases throughout the term of the Notes) but if the CMS rate falls below the trigger level, then the interest rate payable is capped at a specified fixed amount.

Volatility-linked Notes

Serial Notes: Notes which are not Callable Notes and in relation to which the interest rate is determined by any one of the minimum, the maximum or the average level of the Specified Interest-Related Variable over a certain period of time plus a pre-specified rate.

Sliding Volatility Note: Notes which are not Callable Notes and in relation to which the rate used to calculate the interest is set at a multiple of the value of the change in a specified Interest-Related Variable over a specified period.

Terminal Volatility Note: Notes which are Callable Notes and in relation to which the rate used to calculate the interest rate for any interest period is calculated by multiplying a specified fixed rate by the absolute value of the difference between the specified Interest-Related Variable at the start of one period and such Interest-Related Variable at the end of the period.

Product Description – Inflation Rate-Linked Notes

Notes issued pursuant to the Programme may include Inflation Rate-Linked Notes, being Notes in relation to which the interest payable thereon (if any) and/or the redemption amount thereof is linked to the performance of one or more inflation indices, by way of a specified formula or in such other manner as shall be specified in the relevant Final Terms. Such inflation indices may include (without limitation) the U.S. City Average All Items Consumer Price Index for All Urban Consumers (Bloomberg Code: CPURNSA), the United Kingdom Retail Price Index (Bloomberg Code: UKRPI), the Euro-zone Harmonised Index of Consumer Prices, excluding tobacco (Bloomberg Code: CPTFEMU), the Euro-zone Harmonised Index of Consumer Prices, including tobacco (Bloomberg Code: CPTFIEU), the France Harmonised Index of Consumer Prices excluding tobacco (Bloomberg Code: FRCPXTOB), the France Harmonised Index of Consumer Prices including tobacco (Bloomberg Code: FRCPI), the Indice Nazionale dei Prezzi al Consumo per le Famiglie di Operai e Impiegati (FOI) Senza Tabacchi (Bloomberg Code: ITCPI), the Indice Nazionale dei Prezzi al Consumo per le Famiglie di Operai e Impiegati (FOI) Con Tabacchi (Bloomberg Code: ITCPFOI), the Spain Index of Consumer Prices (Bloomberg Code: SPIPC), the Belgium Index of Consumer Prices (Bloomberg Code: BECPI) and the Netherlands Index of Consumer Prices (Bloomberg Code: NECPIND), or a combination of these or any other published inflation indices. The name of the relevant (or each relevant) inflation index and source where information about such inflation index may be obtained will be specified in the relevant Final Terms.

In addition, any of the features described on pages J-6 to J-13 of this Part J may apply to Inflation Rate-Linked Notes.

The terms and conditions of Inflation Rate-Linked Notes shall consist of the terms and conditions set out in the section headed "Terms and Condition of the Notes" appearing in Part B of the Base Prospectus and Condition 21 (*Provisions relating to Equity-Linked Notes, Cash Equity Notes and Index-Linked Notes*) appearing in Part D of the Base Prospectus, subject to the modifications specified below and the relevant Final Terms. The terms and conditions of Inflation Rate-Linked Warrants shall consist of the terms and conditions set out in the section headed "Terms and Conditions of the Warrants" appearing in Part C of the Base Prospectus and Conditions 17 (*Provisions relating to Equity-Linked Warrants and Index-Linked Warrants*) and 18 (*Valuation, Adjustments and Extraordinary Events affecting Securities*) appearing in Part D of the Base Prospectus, subject to the modifications specified below and the relevant Final Terms.

With respect to Inflation Rate-Linked Notes and Inflation Rate-Linked Warrants, the following provisions shall apply in lieu of Condition 21(f) (*Adjustments to Indices*) and Condition 18(c) (*Adjustments to Indices*) respectively.

21(f) Adjustments to Indices for Inflation Rate-Linked Notes / 18(c) Adjustment to Indices for Inflation Rate-Linked Warrants

Adjustments to Indices for Inflation Rate-Linked Notes

(A) Definitions

In this Condition:

"**Affected Payment Date**" has the meaning given in (B) below;

"**Fallback Bond**" means a bond selected by the Calculation Agent and issued by the government or one of the governments (but not any government agency) of the country (or countries) to whose level of

inflation the relevant Index relates and which pays a coupon and/or redemption amount which is calculated by reference to the level of inflation in such country (or countries), with a maturity date which falls on the same day as the Maturity Date or the Settlement Date, as the case may be, or such other date as the Calculation Agent shall select if there is no such bond maturing on the Maturity Date or Settlement Date, as the case may be. If any bond so selected is redeemed, the Calculation Agent will select a new Fallback Bond on the same basis, but selected from all eligible bonds in issue at the time the original Fallback Bond is redeemed (including any bond for which the redeemed bond is exchanged);

"**Index**" means each inflation index specified as such in the applicable Final Terms;

"**Index Sponsor**" means the entity specified as such in the applicable Final Terms and any successor entity that publishes or announces (directly or through an agent) the level of the Index;

"**Reference Month**" means the calendar month for which the level of the Index was reported, regardless of when this information is published or announced. If the period for which level of the Index was reported is a period other than a month, the Reference Month is the period for which the level of the Index was reported;

"**Related Bond**" means, if specified as applicable in the relevant Final Terms, means the bond specified as such in the relevant Final Terms or, if specified as applicable in the relevant Final Terms and no bond is specified therein, the Fallback Bond, and the Calculation Agent shall use the Fallback Bond for any Related Bond determination;

"**Substitute Index Level**" means the level of the Index, determined by the Calculation Agent pursuant to (C) below, in respect of an Affected Payment Date; and

"**Successor Index**" has the meaning specified in (C) below.

(B) Delay of Publication

If any level of the Index for a Reference Month relevant to the calculation of a payment of interest has not been published or announced by the day that is five Business Days prior to the relevant Interest Payment Date, Maturity Date or Settlement Date, as the case may be (the "**Affected Payment Date**"), the Calculation Agent shall determine the relevant level of the Index using the following methodology:

- (i) If Related Bond is specified as applicable in the relevant Final Terms, the Calculation Agent will take the same action to determine the Substitute Index Level for the Affected Payment Date as that taken by the calculation agent pursuant to the terms and conditions of the Related Bond;
- (ii) If (A) Related Bond is specified as not applicable in the relevant Final Terms; or (B) the Calculation Agent is unable to determine the Substitute Index Level under (i) above for any reason, then the Calculation Agent shall determine the Substitute Index Level as follows:

$$\text{Substitute Index Level} = \text{Base Level} \times (\text{Latest Level} / \text{Reference Level})$$

where:

"**Base Level**" means the level of the Index (excluding any "flash" estimates) published or announced by the Index Sponsor in respect of the month which is 12 calendar months prior to the month for which the Substitute Index Level is being determined;

"*Latest Level*" means the latest level of the Index (excluding any "flash" estimates) published or announced by the Index Sponsor prior to the month in respect of which the Substitute Index Level is being calculated; and

"*Reference Level*" means the level of the Index (excluding any "flash" estimates) published or announced by the Index Sponsor in respect of the month that is 12 calendar months prior to the month referred to in "Latest Level" above. For the avoidance of doubt, any Relevant Level published or announced at any time after the day that is five Business Days prior to the next Interest Payment Date and/or the Redemption Date, as the case may be, will not be used in any calculations and the Substitute Index Level so determined pursuant to this sub-paragraph (B) will be the definitive level.

(C) Cessation of Publication

If a level for the Index has not been published or announced for two consecutive months or the Index Sponsor announces that it will no longer continue to publish or announce the Index, then the Calculation Agent shall determine a Successor Index (in lieu of any previously applicable Index) for the purposes of the Notes by using the following methodology:

- (i) If at any time a successor index has been designated by the calculation agent pursuant to the terms and conditions of the Related Bond, such successor index shall be designated a "**Successor Index**" for the purposes of all subsequent determinations of interest payable and of the Final Redemption Amount, notwithstanding that any other Successor Index may previously have been determined.
- (ii) If a Successor Index has not been determined under (i) above, and a notice has been given or an announcement has been made by the Index Sponsor, specifying that the Index will be superseded by a replacement index specified by the Index Sponsor, and the Calculation Agent determines that such replacement index is calculated using the same or substantially similar formula or method of calculation as used in the calculation of the previously applicable Index, such replacement index shall be the Successor Index from the date that such replacement Index comes into effect.
- (iii) If a Successor Index has not been determined under (i) or (ii) above, the Calculation Agent (acting in its sole and absolute discretion) will determine an appropriate alternative index for such Affected Payment Date, and such index will be deemed a "Successor Index".
- (iv) If the Calculation Agent determines that there is no appropriate alternative index, then the Notes shall be redeemed on as of the date selected by the Calculation Agent in its sole and absolute discretion and the entitlements of the relevant Noteholders to receive any remaining payments of interest and the Final Redemption Amount shall cease and the Issuer's obligations under the relevant Notes shall be satisfied in full upon payment of such amount as in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion) is fair in the circumstances by way of compensation for the early redemption of the Notes.

(D) Rebasing of the Index

If the Calculation Agent determines that the Index has been or will be rebased at any time, the Index as so rebased (the "**Rebased Index**") will be used for purposes of determining the level of an Index from the date of such rebasing; *provided, however, that* the Calculation Agent shall make such adjustments as are made by the calculation agent pursuant to the terms and conditions of the Related Bond, if any, to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as

the Index before it was rebased. If there is no Related Bond, the Calculation Agent shall make adjustments to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Index before it was rebased. Any such rebasing shall not affect any prior payments made under the Notes.

(E) Material Modification

If, on or prior to the day that is five Business Days before the next date which is an Interest Payment Date, the Maturity Date or Settlement Date (as the case may be), an Index Sponsor announces that it will make a material change to an Index, then the Calculation Agent shall make any such adjustments to the Index consistent with adjustments made to the Related Bond, or, if there is no Related Bond, only those adjustments necessary for the modified Index to continue as the Index.

(F) Manifest Error in Publication

If, within thirty days of publication and prior to the Maturity Date or Settlement Date, as the case may be, the Calculation Agent determines that the Index Sponsor has corrected the level of the Index to remedy a manifest error in its original publication, the Calculation Agent will take such action as it may deem necessary and practicable to give effect to such correction.

Amendments to the *Pro Forma* Final Terms with respect to Inflation Rate-Linked Notes and Inflation Rate-Linked Warrants

The following paragraph shall be added to Part A of the *pro forma* Final Terms with respect to Inflation Rate-Linked Notes:

PROVISIONS APPLICABLE TO INFLATION RATE-LINKED NOTES AND INFLATION RATE-LINKED WARRANTS

- | | | |
|-------|-------------------------|--|
| (i) | Index/Indices: | [•] |
| (ii) | Index Sponsor: | [•] |
| (iii) | Related Bond: | [Applicable/Not Applicable] <i>[if applicable and nothing further is specified, then it will be the Fallback Bond]</i> |
| (iv) | Issuer of Related Bond: | [Applicable/Not Applicable] <i>[if applicable specify]</i> |

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