

## BASE PROSPECTUS



**HSBC Bank plc**

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

as Issuer

### **WARRANT AND CERTIFICATE PROGRAMME**

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

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

*Application has been made to admit Warrants issued under the Programme to listing on the Official List of the FSA (in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (the "**FSMA**") (the "**UK Listing Authority**")), and to trading on the domestic market (the "**Domestic Market**") of the London Stock Exchange plc (the "**London Stock Exchange**"), which is a regulated market for the purposes of Directive 93/22/EEC (the "**Investment Services Directive**"). Such admission is expected to take effect on or about 4 September 2007. Any tranche of Warrants intended to be admitted to listing on the Official List of the UK Listing Authority and admitted to trading on the Domestic Market will be so admitted to listing and trading upon submission to the UK Listing Authority and the London Stock Exchange of the relevant Final Terms and any other information required by the UK Listing Authority and the London Stock Exchange, subject in each case to the issue of the relevant Warrants (as the case may be). Prior to official listing and acceptance of Warrants to trading, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day in London after the date of the transaction. Warrants may also be admitted to trading on the Professional Securities Market of the London Stock Exchange, which is an unregulated market for the purposes of the Investment Services Directive. This Base Prospectus will be valid until 12 months from the date hereof.*

*In addition, this document, subject to its approval for such purpose by the FSA, shall constitute listing particulars issued in compliance with the Listing Rules of the Financial Services Authority made under section 73A of the Financial Services and Markets Act 2000 with respect to issues of Warrants under the Programme in respect of which application is to be made to the London Stock Exchange for such Warrants to be admitted to trading on the London Stock Exchange's Professional Securities Market, which is an unregulated market for the purposes of the Investment Services Directive.*

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

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

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

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

Warrants issued pursuant to the Programme may include Warrants offered in the United States to qualified institutional buyers (as defined in Rule 144A ("**Rule 144A**") of the United States Securities Act 1933, as amended (the "**Securities Act**")) pursuant to Rule 144A under the Securities Act.

With the exception of Warrants offered pursuant to Rule 144A as described above, Warrants issued pursuant to the Programme have not been and will not be registered under the Securities Act or under any U.S. state securities laws and, unless so registered, may not be offered or sold within the United States or to, or for the benefit of a "U.S. person" (as defined in Regulation S ("**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 and applicable U.S. state securities laws.

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

*Manager*  
***HSBC Bank plc***

3 September 2007

## IMPORTANT NOTICES

*The Issuer accepts responsibility for the information contained in this document. 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 document is in accordance with the facts and does not omit anything likely to affect the import of such information.*

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

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

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

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

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

*possession this Base Prospectus or any Warrants come must inform themselves about, and observe, any such restrictions. For details of certain restrictions on the distribution of this Base Prospectus and the offer or sale of Warrants in the European Economic Area, the United Kingdom, the United States, Hong Kong, Japan and France, see "Purchase and Sale of Warrants" below.*

THE WARRANTS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), ANY U.S. STATE OR FOREIGN SECURITIES COMMISSION OR ANY OTHER REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT REVIEWED, CONFIRMED OR DETERMINED THE ACCURACY OR ADEQUACY OF THIS BASE PROSPECTUS AND ANY ACCOMPANYING BASE PROSPECTUS SUPPLEMENTS AND FINAL TERMS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

*In addition, during the 40-day period beginning on the later of the date on which a Series of Warrants is first offered pursuant to Regulation S to persons other than distributors and the date of closing of such offering, such Warrants will only be issued or transferred to a person that is neither a U.S. person nor holding such Warrants for the account or benefit of a U.S. person except pursuant to Regulation S under the Securities Act or an available exemption from the legislation requirements of the Securities Act. Terms in the previous sentence have the meaning given to them in Regulation S.*

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

*The Warrants have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and the securities issued upon their exercise may not be registered under the Securities Act. The Warrants may not be offered, sold, pledged or otherwise transferred in the United States or to U.S. persons (both as defined in Regulation S) except in a transaction that is exempt from the registration requirements of the Securities Act and in compliance with any applicable U.S. state securities laws. Accordingly the Warrants may be offered and sold (i) in the United States, to qualified institutional buyers (as defined in Rule 144A) pursuant to Rule 144A under the Securities Act ("**Rule 144A**") or (ii) outside the United States, in accordance with Regulation S and the applicable laws of the jurisdiction(s) in which such offers and sales occur. The Warrants may not be exercised by or on behalf of a U.S. person unless registered under the Securities Act or an exemption from such registration is available. The terms "United States" and "U.S. person" used in this paragraph have the meaning given to them in Regulation S.*

*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 U.S. tax treatment and U.S. tax structure of transactions under the Programme and all materials of any kind (including opinions or other tax analyses) that are provided by or on behalf of the Issuer to that person relating to such U.S. tax treatment and U.S. tax structure.*

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

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

*All references in this document to "Sterling" 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 "Hong Kong Dollar", "HKD" and "HK\$" refer to the lawful currency of the Hong Kong Special Administrative Region, all references to "Japanese Yen" and "JPY" refer to the lawful currency of Japan and all references to "Euro", "euro", "EUR" and "€" refer to the lawful currency of the member states of the European Union that have adopted or adopt the single currency in accordance with the Treaty 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.*

## TABLE OF CONTENTS

Summary Note.....	7
Risk Factors.....	12
Incorporation By Reference .....	22
Clearing and Settlement .....	23
Taxation .....	27
ERISA Considerations .....	33
General Information.....	34
Terms and Conditions of the Warrants .....	37
<i>Pro Forma</i> Final Terms For The Warrants .....	81
Purchase and Sale of Warrants.....	98
Offers and Sales of Warrants.....	105
Summary of provisions relating to the Warrants while in Global Form.....	106

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

*This summary (the "**Summary Note**") must be read as an introduction to the Base Prospectus dated 3 September 2007 (as from time to time supplemented, the "**Base Prospectus**") relating to a Programme for the issuance of warrants (the "**Warrants**") established by HSBC Bank plc. Any decision to invest in the Warrants should be based on a consideration of the Base Prospectus, including the documents incorporated by reference, and this Summary Note as a whole. Following the implementation of the relevant provisions of the Prospectus Directive (Directive 2003/71/EC) in each Member State of the European Economic Area no civil liability will attach to the Issuer in any such Member State solely on the basis of this Summary Note, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus. Where a claim relating to the information contained in 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 Warrants" below 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 Bank are S K Green, M F Geoghegan CBE, D D J John, S O'Sullivan, D C Budd, C-H Filippi, J D Fishburn, S T Gulliver, C M S Jones, R E S Martin, A R D Monro-Davies, P M Shawyer and J F Trueman. The executive management are S K Green, Chairman, M F Geoghegan CBE, Deputy Chairman, D D J John, Chief Executive, S O'Sullivan, Chief Operating Officer, D C Budd, Director, International and S T Gulliver, Head of HSBC's Corporate, Investment Banking and Markets and Group Investment Businesses.

The auditors of the Bank are KPMG Audit Plc Chartered Accountants of 1 Canada Square, London, E14 5AG.

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

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

As at 31 December 2006, the Group had total assets of £440,760 million, loans and advances to customers and banks of £244,844 million, total customer accounts and deposits by banks of £265,863 million and total equity of £20,938 million. For the year ended 31 December 2006, the Group's operating profit was £3,836 million on total operating income of £11,709 million. The Issuer had a total capital ratio of 11.2% and a tier 1 capital ratio of 7.5% as at 31 December 2006.

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.

*Changes in general economic conditions in the markets in which the Bank operates*, such as: changes in foreign exchange rates; volatility in interest rates; volatility in equity markets; lack of liquidity in wholesale funding markets in periods of economic or political crisis; illiquidity and downward price pressure in UK and eurozone real estate markets, particularly consumer-owned real estate markets; the impact of lower than expected investment returns on the burden of funding private and public sector defined benefit pensions; the effect of unexpected changes in actuarial assumptions on longevity which would influence the funding of private and public sector defined benefit pensions; continuing or deepening recessions and employment fluctuations; and consumer perception as to the continuing availability of credit, and price competition in the market segments served by the Bank.

*Changes in governmental policy and regulation*, including: the monetary, interest rate and other policies of central banks and other regulatory authorities, including the UK Financial Services Authority, the Bank of England, the European Central Bank and the central banks of other leading economies and markets where the Bank operates; expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; initiatives by local, state and national regulatory agencies or legislative bodies to revise the practices, pricing or responsibilities of financial institutions serving their consumer markets; changes in bankruptcy legislation in the principal markets in which the Bank operates and the consequences thereof; general changes in governmental policy that may significantly influence investor decisions in particular markets in which the Bank operates; other unfavourable political or



diplomatic developments producing social instability or legal uncertainty which in turn may affect demand for the Bank's products and services; the costs, effects and outcomes of regulatory reviews, actions or litigation, including any additional compliance requirements; and the effects of competition in the markets where the Bank operates including increased competition from non-bank financial services companies.

*Factors specific to the Bank*, such as: 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.

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 will be those set out herein under "Terms and Conditions of the Warrants" as supplemented, modified or replaced by the relevant Final Terms. The Warrants and the Warrant Agency Agreement are governed by English law.

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

The aggregate amount, type, style, issue price, currency, expiry date and other terms and conditions with respect to a Series of Warrants will be established at the time of issuance and, 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 in circumstances specified in the Final Terms the right to receive a cash amount from the Issuer or the right to receive delivery of securities or other property against, where so specified, payment of a specified sum. Warrants create options exercisable by the Warrantheader but there is no obligation upon such Warrantheader to exercise his Warrant nor any obligation upon the Issuer to pay or cause to be paid any amount in respect of unexercised Warrants.

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

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

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

Modifications to the terms and conditions of the Warrants may be made without the consent of any Warrantheaders where the Issuer determines that the modification is not

materially prejudicial to the interests of the Warrantheolders or to correct an inconsistency with the term sheet relating to the relevant Warrants.

Warrants issued under the Programme, and any Cash Settlement Amount or Physical Settlement Amount payable or deliverable thereunder, may be linked to one or more underlying variables such as shares and/or other securities, indices, currency exchange rates, bonds, interest rates, the credit of one or more entities, bullion, commodities or any other variable. Any such Warrants may entail significant risks not associated with a similar investment in fixed or floating rate securities, including a return that may be significantly less than the return available on an investment in fixed rate or floating rate securities.

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

The Warrants may be offered for sale only (i) in the United States to qualified institutional buyers (as defined in Rule 144A) pursuant to Rule 144A or (ii) outside the United States to non-U.S. persons in reliance on and in accordance with Regulation S and in accordance with the applicable laws of the jurisdiction(s) in which offers or sales occur.

With the exception of Warrants offered pursuant to Rule 144A as described above, Warrants may be offered for sale only (i) in the United States in a transaction exempt from the registration requirements of the Securities Act or (ii) outside the United States to non-U.S. persons in reliance on and in accordance with Regulation S and in accordance with the applicable laws of the jurisdiction(s) in which offers or sales occur.

There are also other legal restrictions on the offer, distribution or sale of Warrants in a number of other jurisdictions including the United Kingdom. Persons into whose possession the Base Prospectus or any Warrants come must inform themselves about, and observe, any such restrictions. For further information, please refer to "Purchase and Sale of Warrants" in this Base Prospectus.

Application has been made to admit Warrants issued under the Programme to the Official List of the UK Listing Authority and to trading on the Domestic Market or the Professional Securities Market of the London Stock Exchange plc. However, Warrants may also be issued under the Programme on an unlisted basis or be admitted to listing, trading and/or quotation by other stock exchanges, listing authorities and/or quotation systems. The Final Terms applicable to a Series will specify whether Warrants of such Series are to be admitted to the Official List of the UK Listing Authority and to trading on either the gilt-edged and fixed interest market or the Professional Securities Market of the London Stock Exchange plc or admitted to listing, trading and/or quotation by any other stock exchange, listing authority and/or quotation system or are to be unlisted. Whether or not any Warrants are admitted to listing, trading or quotation, there may be no active trading market for the Warrants.

Unless otherwise specified in the applicable Final Terms, Warrants shall be accepted for clearing through one or more clearing systems. These systems may include the systems operated by the Depository Trust Company ("**DTC**"), Euroclear Systems ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream Luxembourg**"). 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.

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

## RISK FACTORS

*Prospective investors in the Warrants should read the entire Base Prospectus including any supplements thereto (and in respect of any particular series of Warrants, the applicable Final Terms). Words and expressions defined in the "Terms and Conditions of the Warrants" below or elsewhere in this Base Prospectus have the same meanings in this section. Investing in the Warrants involves certain risks. Prospective investors should consider, among other things, the following:*

A wide range of Warrants may be issued under the Programme. The Issuer may issue Warrants linked to one or more variables such as an index or formula, changes in the prices of securities or commodities, movements in currency exchange rates, movements in interest rates, movements in levels of indices, the credit of one or more entities or other factors (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 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 Warrants.

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

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

An investment in Warrants is speculative and entails substantial risks. Warrants are only suitable for highly sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks of an investment in the Warrants. Prospective Warrant holders should understand that in some instances they could suffer a partial or complete loss of their investment subject, if applicable, to any minimum redemption amount specified in the relevant Final Terms and that any investment return on a Warrant determined by reference to changes in the value of the Reference Asset(s) described in the Final Terms is subject to fluctuation and may be less than would be received by investing in a conventional debt instrument. Changes in value of the Reference Asset(s) cannot be predicted.

Notwithstanding a purchaser's capability to understand and make independent decisions regarding investing in the Warrants, by purchasing Warrants, the purchaser implicitly

represents and warrants to the Issuer and the Managers that, and the Issuer and the Managers may assume that, the complexity and risks inherent in the Warrants are suitable for the purchaser's objectives and financial situation and, if applicable, the size, nature and condition of its business, regardless of whether the same have been disclosed to the Issuer or the Managers.

#### *Warrants are Unsecured Obligations*

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

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

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

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

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

provided with liquidity of investment or that it will continue throughout the life of the Warrants.

#### *No Ownership Rights*

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

#### *Certain Considerations Regarding Hedging*

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

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

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

#### *Potential Conflicts of Interest*

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

#### *Change of Law*

The Conditions are based on English law and United Kingdom tax law in effect as at the date of this document. No assurance can be given as to the impact of any possible

judicial decision or change to English law or administrative practice after the date of this document.

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

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

#### *Capital Risks relating to Warrants*

Save to the extent otherwise provided in the relevant Final Terms, the repayment of any amount invested in Warrants and any return on investment is variable and not guaranteed. The performance of the investment depends on the value of a Reference Asset throughout the term of the Warrants. The value of the Reference Asset(s) 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, 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 Warrants.

#### *Certain Factors Affecting the Value and Trading Price of Warrants*

The Cash Settlement Amount (in the case of cash settled Warrants) or the difference in value of the Physical Settlement Amount and the Strike Price (the "**Physical Settlement Value**") at any time prior to expiration is typically expected to be less than the trading price of such Warrants at that time. Any difference between the trading price and the Cash Settlement Amount or Physical Settlement Value will reflect, among other things, a "time value" for the Warrants. The "time value" of the Warrants will depend partly upon the length of the period remaining to expiration and expectations concerning the value of the Reference Asset or Relevant Factor to which the Warrant relates. Warrants

offer hedging and investment diversification opportunities but also pose some additional risks with regard to interim value. The interim value of the Warrants varies with the price, value and/or level of the Reference Asset and the Relevant Factor, as well as by a number of other interrelated factors, including those specified herein.

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

(a) *Reference Asset Value*

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

(b) *Interest Rates*

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

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

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



(d) *Time Remaining to Expiry*

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

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

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

(f) *Dividend rates*

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

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

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

(h) *Disruption Events*

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

(i) *Settlement Disruption Event*

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

(j) *Value of Baskets*

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

*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.

### *Information*

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

### *Political Risks*

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

### *Exchange rate risks and exchange controls*

In the case of Cash Settled Warrants, the Issuer will pay the Cash Settlement Amount in respect of the Warrants in the Settlement Currency specified in the applicable Final Terms. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Settlement Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Settlement Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Settlement Currency would decrease (i) the Investor's Currency equivalent yield on the Warrants, (ii) the Investor's Currency equivalent value of the Cash Settlement Amount in respect of the Warrants and (iii) the Investor's Currency equivalent market value of the Warrants. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, the Cash Settlement Amount that investors may receive may be less than expected or zero.

The Issuer may also suspend its obligations to make any payment under any Warrants if and for as long as such exchange controls have occurred and are continuing. Holders of

Warrants shall not be entitled to any interest or other compensation in respect of any such suspension.

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

## INCORPORATION BY REFERENCE

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

- (a) the registration document (with the exception of any documents incorporated by reference therein) relating to the Issuer dated 30 May 2007 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 2006 and for the year ended 31 December 2005 (the "**Financial Information**") submitted to and filed with the FSA;
- (c) the Regulatory News Service release dated 30 July 2007 headed "HSBC Bank plc - Presentation of Selected Financial Information for the six months ended 30 June 2007" (the "**RNS Release**"); and
- (d) the unaudited abridged unconsolidated interim financial statements of the Bank for the six months ended 30 June 2007 (the "**Unconsolidated Interim Financial Statements**") submitted to and filed with the FSA,

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 or the Unconsolidated Interim Financial Statement do not form part of the Base Prospectus.

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

## **CLEARING AND SETTLEMENT**

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

### **Euroclear and Clearstream, Luxembourg**

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

Distributions with respect to book-entry interests in the Warrants held through Euroclear and Clearstream, Luxembourg will be credited, to the extent received by the Principal Warrant Agent, 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 Warrants holding through DTC will receive, to the extent received by the Principal Warrant Agent, all distributions with respect to book-entry interests in the Warrants from the Principal Warrant Agent through DTC. Distributions in the United States will be subject to relevant U.S. tax laws and regulations.

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 Warrant to such persons may be limited. Because DTC, Euroclear and Clearstream, Luxembourg can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Registered Warrant to pledge such interest to persons or entities which do not participate in the relevant clearing system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

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

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

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



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

*Trading between Euroclear and/or Clearstream, Luxembourg participants:* Secondary market sales of book-entry interests in the Warrants held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Warrants 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.

*Trading between DTC participants:* Secondary market sales of book-entry interests in the Warrants between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's SDFS system in same-day funds, if payment is effected in 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 between the DTC participants.

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

*Trading between Euroclear/Clearstream, Luxembourg seller and DTC purchaser:* When book-entry interests in the Warrants are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC participant wishing to purchase a beneficial interest in a Restricted Global Registered Warrant (subject to the certification procedures provided in the Warrant Agency Agreement), the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7.45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary 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 depositary for Euroclear and

Clearstream, Luxembourg will (a) transmit appropriate instructions to the Custodian who will in turn deliver such book-entry interests in the Warrants free of payment to the relevant account of the DTC participant and (b) instruct the Registrar to (i) decrease the amount of Warrants registered in the name of the nominee of the common depository for Euroclear and Clearstream, Luxembourg and evidenced by the Unrestricted Global Registered Warrant and (ii) increase the amount of Warrants registered in the name of Cede & Co. and evidenced by the Restricted Global Registered Warrant.

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

## TAXATION

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

### **United Kingdom Taxation**

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments in respect of the Warrants and of the treatment of Warrants for the purposes of United Kingdom stamp duty and related taxes. 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. Warrantheolders who are in any doubt as to their tax position should consult their professional advisers. Warrantheolders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Warrants are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Warrants. In particular, Warrantheolders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Warrants even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

#### **(A) Withholding Tax**

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

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

United Kingdom stamp duty or stamp duty reserve tax may be payable on any 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 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 a Member State. In addition, the Member States have entered into reciprocal 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 person for, an individual resident in one of those territories.

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

## UNITED STATES TAXATION

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

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

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

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

As used herein, the term "**U.S. Holder**" means a beneficial owner of Warrants that is for U.S. federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation, or other entity treated as a corporation, created or organized under the laws of the United States or any state thereof, (iii) an estate the income of which is subject to

U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or that has validly elected to be treated as a U.S. person. A "**Non-U.S. Holder**" is a beneficial owner of Warrants that is not a U.S. Holder.

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

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

#### *Characterisation*

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

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

#### *Treatment of Dividend Related Payments*

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

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

#### *Exercise of a LEPO*

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

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

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

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

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

#### *Characterisation*

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

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

Upon the sale or exchange of a Non-LEPO to a person other than the Issuer, or upon an exercise of a Non-LEPO, a U.S. Holder will be required to recognise taxable gain or

loss in an amount equal to the difference between the amount realised upon the sale, exchange or exercise and the U.S. Holder's adjusted tax basis in the Non-LEPO. In general, a U.S. Holder's tax basis for a Non-LEPO is the U.S. dollar value of the amount paid for the Non-LEPO. Such gain or loss would generally be treated as short-term or long-term capital gain or loss, depending on the U.S. Holder's holding period for the Non-LEPO.

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

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

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

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



## ERISA CONSIDERATIONS

By its purchase of any Warrants issued under this Programme, the purchaser thereof will be deemed to have represented and warranted either that (i) it is not and will not be, and is not purchasing the Warrants, as applicable, with assets of, an employee benefit plan subject to ERISA or a Plan subject to Section 4975 of the Internal Revenue Code, as amended (the "**Code**"), or another employee benefit plan which is subject to any federal, state, local or foreign law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code ("**Similar Law**"), or (ii) its acquisition and holding of such Warrants, as applicable, do not and will not give rise to a non-exempt prohibited transaction described in Section 406 of ERISA or Section 4975 of the Code (or, in the case of such another plan, any Similar Law).

In addition to the foregoing, the acquisition, holding and transfer of each Series of Warrants issued under this Programme will also be subject to such restrictions, if any, as described in the Final Terms of any such issuance, which may prohibit or limit the acquisition, holding or transfer of such Warrants to employee benefit plans, as defined under ERISA (whether or not subject to ERISA) or Plans subject to Section 4975 of the Code.

## GENERAL INFORMATION

1. The establishment of the Programme and the issue of Warrants under the Programme have been duly authorised by and pursuant to resolutions of the board of directors of the Issuer dated 20 July 2007.
2. The 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 Warrants of each Series will be set out in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system which shall have accepted the relevant Warrants for clearance together with any further appropriate information. The address of Euroclear Bank S.A./N.V. is 1 Boulevard du Roi Albert II, 1120 Brussels, Belgium. The address of Clearstream Banking, société anonyme is 42 Avenue JF Kennedy, L-1855 Luxembourg.
3. Settlement arrangements will be agreed between the Issuer, the relevant Manager(s) and the Registrar or Principal Warrant Agent in relation to each Tranche of Warrants.
4. In the case of unlisted warrants, Definitive Warrants may not in all circumstances be printed from engraved steel plates. If they are not to be so printed, a statement to that effect will be made in the relevant Final Terms.
5. In relation to the Issuer, any transfer of, or payment in respect of, a Warrant involving the government of any country which is at the relevant time the subject of United Nations sanctions, any person or body resident in, incorporated in or constituted under the laws of any such country or exercising public functions in any such country, or any person or body controlled by any of the foregoing or by any person acting on behalf of the foregoing, may be subject to restrictions pursuant to such sanctions.
6. The Issuer will, at its registered office and at the specified offices of the Warrant Agents, make available for inspection during normal office hours, free of charge, upon oral or written request, a copy of this Base Prospectus and any document incorporated by references in this Base Prospectus. Written or oral requests for such documents should be directed to the specified office of any Warrant Agent.
7. For so long as Warrants are capable of being issued under the Programme, the following documents may be inspected during normal business hours at the registered office of the Issuer:
  - (a) the Warrant Issuance Agreement and the Warrant Agency Agreement (to which is scheduled the form of Global Warrant, Registered Global Warrant and Definitive Warrants); and
  - (b) any Final Terms, save that Final Terms relating to a Series of Warrants that is not listed will only be available for inspection by a holder of such Warrant and such holder must provide evidence satisfactory to the Issuer as to the identity of such holder.

8. Any instrument effecting or evidencing the transfer of a Warrant and executed in the United Kingdom will be inadmissible as evidence in United Kingdom civil proceedings unless duly stamped. An instrument of transfer executed outside the United Kingdom may also be inadmissible in United Kingdom civil proceedings unless duly stamped after it has been first received in the United Kingdom.
  
9. In relation to Warrants admitted to listing on the Official List of the UK Listing Authority only, all notices to Warrantholders, will be valid (a) if published, in the case of Bearer Warrants, 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, (b) in the case of Registered Warrants, if mailed to their registered address (as advised by the Registrar) or to that of the first named of them in the case of joint Holders; and (c) *provided that* the rules of the relevant stock exchange and/or quotation system by which the have then been admitted to listing, trading and/or quotation have been complied with. In relation to unlisted Warrants, all notices to Warrantholders will be valid if delivered to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or depositary for communication by them to the persons shown in their respective records.
  
10. On 27 July 2007, the UK Office of Fair Trading ("**OFT**") issued High Court legal proceedings against a number of UK financial institutions, including the Bank, to determine the legal status and enforceability of certain of the charges applied to their personal customers in relation to unauthorised overdrafts (the "**Charges**"). The proceedings were commenced with the agreement of all parties concerned. Proceedings are at a very early stage, and may (if appeals are pursued) take a number of years to conclude. A range of outcomes is possible, depending upon the Court's assessment of each Charge across the period under review. The Bank considers the Charges to be and to have been valid and enforceable, and intends strongly to defend its position. The Bank does not consider the matter to be material in the context of its issuance or servicing of debt securities or notes or warrants.

In the first half of 2007, £120 million of goodwill payments were expensed by the Bank in respect of overdraft fees applied in previous years. These payments were made to customers on an ex gratia basis, without any admission of liability, taking into consideration the cost implications of legal action and the reluctance of the Bank to engage in legal action against its customers.

11. With effect from 7 August 2007, the following addition was made to the paragraph entitled "*Management - Directors*" in the Registration Document:

Name	Function	Other principal activities outside the Issuer
S O'Sullivan	Chief Operating Officer	—

The following amendment was made to the paragraph entitled "*Management - Executive Committee*" in the Registration Document:

Name	Function	Other principal activities outside the Issuer
S O'Sullivan	Director and Chief Operating Officer (Deputy Chairman of Executive Committee)	—

With effect from 7 August 2007, DC Budd ceased to be the Chief Operating Officer and Deputy Chairman of Executive Committee and became Director, International.

With effect from 1 September 2007, C-H Filippi will no longer act as Chairman and Chief Executive Officer, HSBC France and Group Managing Director, HSBC Holdings plc and will become non-executive Chairman, HSBC France.

## TERMS AND CONDITIONS OF THE WARRANTS

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

This Warrant is one of a series (each, a "**Series**") of warrants (the "**Warrants**") issued by HSBC Bank plc in its capacity as issuer (the "**Issuer**") pursuant to a warrant and certificate agency agreement dated 3 September 2007 (as further modified and/or amended from time to time, the "**Warrant Agency Agreement**") made between the Issuer, HSBC Bank plc in its capacity as calculation agent (the "**Calculation Agent**", which expression shall include any successor calculation agent appointed in accordance with the Warrant Agency Agreement or, in respect of any Series of Warrants, such other calculation agent as may be specified in the relevant Final Terms (as defined below)), HSBC Bank plc as principal warrant agent (the "**Principal Warrant Agent**", which expression includes any successor or substitute principal warrant agent appointed in accordance with the Warrant Agency Agreement, and together with any additional warrant agent specified in the relevant Final Terms or appointed pursuant to the Warrant Agency Agreement, the "**Warrant Agents**"), HSBC Bank plc in its capacity as authentication agent (the "**Authentication Agent**", which expression includes any successor or substitute authentication agent appointed in accordance with the Warrant Agency Agreement), HSBC Bank USA, N.A. as transfer agent (the "**Transfer Agent**", which expression includes any successor or substitute transfer agent appointed in accordance with the Warrant Agency Agreement) and HSBC Bank USA, N.A. as registrar (the "**Registrar**", which expression includes any additional or successor or substitute or other warrant registrar specified in the relevant Final Terms appointed in accordance with the Warrant Agency Agreement). The Warrants also have the benefit of a warrant and certificate issuance agreement dated 3 September 2007 (as further modified and/or amended from time to time, the "**Warrant Issuance Agreement**") and made between the Issuer and HSBC Bank plc and The Hongkong and Shanghai Banking Corporation Limited as managers (the "**Managers**", which expression shall include any successor Manager specified in the relevant Final Terms). The following terms and conditions (the "**Conditions**") include brief summaries of, and are subject to, certain provisions of the Warrant Agency Agreement, a copy of which will be available for inspection at the specified office of the Principal Warrant Agent. The Warrant holders (as defined in Condition 1) 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) 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 list on the domestic market (the "**Domestic Market**") of the London Stock Exchange plc (the "**London Stock Exchange**"), be lodged with the London Stock Exchange and will be available at the specified office of each of the

Warrant Agents. The Warrants may also be admitted to trading on the professional securities market. In the case of a Tranche of Warrants in relation to which application has not been made to list 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) 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.

**"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.

**"Cash Settlement Amount"** has the meaning ascribed thereto in Condition 3.

**"Cash Settlement Payment Date"** has, subject to Condition 4(j) 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.

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

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

**"Determination Date"** means a day on which the Issuer notifies the Clearing System that it has elected for Physical Settlement or Cash Settlement in accordance with Condition 4(d), as specified in the relevant Final Terms.

**"Euroclear"** means Euroclear Bank S.A./N.V., as operator of the Euroclear System.

**"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:

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

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

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

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

"**Holder**" has the meaning ascribed thereto in Condition 1.

"**Issue Date**" has the meaning ascribed thereto in Condition 1.

"**Minimum Exercise Number**" has the meaning ascribed thereto in Condition 5.

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

"**Permitted Multiple**" has the meaning ascribed thereto in Condition 5.

"**Physical Settlement**" has the meaning ascribed thereto in Condition 3.

"**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, or other securities or property to which such Warrants relate, as specified in the relevant Final Terms, as adjusted pursuant to Condition 17 and "**Security**" shall be construed accordingly.

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

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

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

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

"**Settlement Currency**" has the meaning ascribed thereto in Condition 3.

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

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

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

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

"**Transfer Expenses**" means with respect to any Warrants, all stamp, transfer, registration and similar duties and all expenses, scrip fees, levies and registration charges payable on or in respect of or arising on, or in connection with, the purchase or



transfer, delivery or other disposition by the transferor to the order of the relevant Warrantholders of any Securities.

"**Warrantholder**" has the meaning ascribed thereto in Condition 1.

## 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 bearer form ("**Bearer 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**"). The Global Warrant will be deposited on the issue date (the "**Issue Date**") specified in the relevant Final Terms with a common depository for the relevant Clearing System(s). Warrants in definitive bearer form will be issued only if so specified in the relevant Final Terms. In the case of Registered Warrants, a certificate will be issued to each Warrantholder in respect of its registered holding. Each such certificate will be numbered serially with an identifying number which will be recorded in the register (the "**Register**") maintained by the Warrant Registrar in respect of the Registered Warrants. No single Tranche or Series of Warrants offered in reliance on Rule 144A may include Bearer Warrants. In the case of the Bearer Warrants, the person for the time being appearing in the books of the relevant Clearing System(s) as the holder of a Warrant shall be treated for all purposes by the Issuer, the Warrant Agent, the relevant Clearing System(s) and all other persons dealing with such person as the holder thereof (a "**Warrantholder**" or a "**Holder**") and as the person entitled to exercise the rights represented thereby, notwithstanding any notice to the contrary, except that (i) Euroclear shall not be treated as the Holder of any Warrant held in an account with Clearstream, Luxembourg on behalf of Euroclear's accountholders and (ii) Clearstream, Luxembourg shall not be treated as the Holder of any Warrant held in an account with Euroclear on behalf of Clearstream, Luxembourg's accountholders. In the case of Registered Warrants, the person for the time being in whose name such Registered Warrant is so registered in the Register shall be treated for all purposes by the Issuer, the Warrant Agent, the relevant Clearing System(s) and all other persons dealing with such person as the holder thereof (a "**Warrantholder**" or a "**Holder**").

### (b) *Transfer*

All transactions in (including transfers of) Bearer Warrants, in the open market or otherwise, shall be effected only through the Clearing System(s) in which the Bearer Warrants to be transferred are held or are to be held. Title to the Bearer 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 Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and the securities issued upon their exercise may not be registered under the Securities Act. The Warrants may not be offered, sold, pledged or otherwise transferred in the United States or to U.S. persons except in a transaction that is exempt from the

registration requirements of the Securities Act and in compliance with any applicable U.S. state securities laws. Accordingly the Warrants may be offered and sold (i) in the United States, to qualified institutional buyers (as defined in Rule 144A) pursuant to Rule 144A under the Securities Act ("**Rule 144A**") or (ii) outside the United States, in accordance with Regulation S and the applicable laws of the jurisdiction(s) in which such offers and sales occur. The Warrants may not be exercised by or on behalf of a U.S. person unless registered under the Securities Act or an exemption from such registration is available. The terms "United States" and "U.S. person" used in this paragraph have the meaning given to them in Regulation S.

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 offered in reliance on Regulation S will be conditional upon delivery of certain certifications as described under "Purchase and Sale of Warrants."

(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 Registrar but without the consent of the Holders of any Warrants. A copy of the current Regulations are available for inspection during usual business hours at the specified office of the Registrar and the Transfer Agents.

(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 Registrar shall deliver only Registered Warrants 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 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, subject to Condition 3(h) and prior to termination of the Warrants as provided in Conditions 6 and 10.

#### (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 or preceding Business Day as specified in the relevant Final Terms, subject to Condition 3(h) and prior to termination of the Warrants as provided in Conditions 6 and 10.

#### (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 or preceding Business Day as specified in the relevant Final Terms, subject to Condition 3(h) and prior to termination of the Warrants as provided in Condition 9.

#### (d) *Cash Settlement*

If the Warrants are specified in the relevant Final Terms as being Cash Settlement Warrants, then, subject to Condition 3(f) 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) 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;

("Physical Settlement") all as more fully described in Condition 4. 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 elect Physical Settlement in accordance with Condition 3(e) instead of Cash Settlement in accordance with Condition 3(d). 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 elect Cash Settlement in accordance with Condition 3(d) instead of Physical Settlement in accordance with Condition 3(e). 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*

Unless automatic exercise ("**Automatic Exercise**") is specified in the relevant Final Terms as applicable, Warrants 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, 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) *Settlement within the United States*

Notwithstanding the foregoing, with respect to any Warrants that are Physical Settlement Warrants, no cash, securities or other property shall be delivered in the United States (as this term is defined in Regulation S) in connection with the settlement of such Warrants unless the holder thereof shall have delivered any required certifications (including an Exercise Notice) and other documentation (which may include legal opinions) in conjunction with any exercise of such Warrants.

**4. Exercise Procedure**

(a) *Exercise*

- (i) Subject to prior termination of the Warrants as provided in Condition 9, if Automatic Exercise is not specified as applying in the applicable Final Terms:

Warrants may be exercised on the Exercise Date by the sending of a tested fax confirmed in writing of a duly completed Exercise Notice (copies of which may be obtained from the relevant Clearing System, or the Principal Warrant Agent) in accordance with Condition 4(b) to the Principal Warrant Agent, not later than 10.00 a.m. (local time in the place where the Clearing System through which such Warrants are exercised is located):

- (A) in the case of Warrants specified in the relevant Final Terms as being American Style Warrants, on any Business Day during the Exercise Period;
- (B) in the case of Warrants specified in the relevant Final Terms as being European Style Warrants, on the Expiry Date, subject to Condition 3(b); 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).

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

- (ii) Subject to prior termination of the Warrants as provided in Condition 9, if Automatic Exercise is specified as applying in the applicable Final Terms, Warrants with respect to which no Exercise Notice has been delivered in the manner set out in Condition 4(a)(i) and in accordance with Condition 4(b) shall be automatically exercised on the Expiry Date and the provisions of Condition 4(j) shall apply.

(b) *Exercise Notice*

Each Exercise Notice shall:

- (i) specify the name, address, telephone and facsimile details of the Warrantholder in respect of the Warrants being exercised;
- (ii) specify the number of Warrants of each Tranche being exercised (which must be not less than the Minimum Exercise Number (as defined in Condition 5));
- (iii) specify the number of the Warrantholder's account at the relevant Clearing System to be debited with the Warrants being exercised and irrevocably instruct, or, as the case may be, confirm that the Warrantholder has irrevocably instructed, the relevant Clearing System to debit the Warrantholder's account with the Warrants being exercised and to credit the same to the account of the Principal Warrant Agent;
- (iv) where applicable, specify the number of the Warrantholder's account at the relevant Clearing System to be credited with the Cash Settlement Amount for the Warrants being exercised;
- (v) in the case of Warrants offered and sold in reliance on Regulation S, certify that (i) each person exercising such Warrants is not a U.S. person, that such Warrants are not beneficially owned by or on behalf of U.S. persons or persons within the United States, that such Warrants are not being exercised within the U.S. or by or on behalf of U.S. persons or persons within the United States, and that no cash, securities or other property have been or will be delivered within the United States or to or for the account or benefit of a U.S. person in connection with the exercise of the Warrants and authorize the production of such certification in applicable administrative or legal proceedings (the terms "United States" and "U.S. person" used in this paragraph having the meaning given to them in Regulation S); or (ii) the Warrant and the securities delivered upon exercise thereof have been registered under the Securities Act or are exempt from registration thereunder;
- (vi) in the case of Warrants offered and sold in reliance on Rule 144A, certify that each person exercising such Warrants is a "qualified institutional buyer" (as defined in Rule 144A); and
- (vii) include an irrevocable undertaking to pay any applicable stamp duty, stamp duty reserve tax and/or other taxes or duties ("**Taxes**") 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(e) is specified in the relevant Final Terms as being applicable, the Exercise Notice shall also:

- (aa) irrevocably instruct the relevant Clearing System to debit on the Strike Price Payment Date a specified account of the Warrantholder with the aggregate Strike Price in respect of the Warrants being exercised (together with any applicable Taxes) and to transfer such amount to such account as shall have been specified by the Issuer to the relevant Clearing System for that purpose;
- (bb) include an irrevocable undertaking to pay any applicable Taxes due by reason of the transfer (if any) of the Securities to the account at the relevant Clearing System specified, or as otherwise specified, by the Warrantholder and an authority to the Issuer and the relevant Clearing System to debit a specified account of the Warrantholder with an amount in respect thereof; and
- (cc) specify the number of the Warrantholder's account with the relevant Clearing System to be credited with the relevant Securities or, as the case may be, the delivery details for such Securities.

(c) *Verification of Warrantholder*

To exercise Bearer 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 Warrants is the Holder thereof according to the records of such Clearing System and that such Holder has an account at the relevant Clearing System which contains an amount equal to the aggregate Strike Price (if any) in respect of the Warrants being exercised. If the Exercise Notice is, in the determination of the relevant Clearing System, improperly completed, or sufficient Warrants or sufficient funds equal to the aggregate Strike Price are not available in the specified account(s) with the relevant Clearing System on the Exercise Date, the Exercise Notice will be treated as null and void and a new duly completed Exercise Notice must be submitted if exercise of the Holder's Warrants is still desired.

On or prior to the Cash Settlement Payment Date or the Settlement Date, as the case may be, the relevant Clearing System will debit the Warrantholder's account with the Warrants being exercised.

(d) *Notification to Principal Warrant Agent*

The relevant Clearing System shall notify the Principal Warrant Agent in writing (with a copy to the Issuer) not later than 11.00 a.m. (local time in the place where the Clearing System through which such Warrants are exercised is located) on the Business Day

immediately following the Exercise Date of the number of the account with such Clearing System to which the Cash Settlement Amount or, in the case of Physical Settlement, the Securities are to be credited for the benefit of the Warrantholder.

(e) *Debit of Warrantholder's Account*

The relevant Clearing System will on or before the Cash Settlement Payment Date or the Settlement Date, as the case may be, debit the relevant account of the Warrantholder and credit the relevant account of the Principal Warrant Agent (in favour of the Issuer) with the Warrants being exercised and, if the Warrants are specified in the relevant Final Terms as being Physical Settlement Warrants or if the Issuer has elected for optional Physical Settlement in accordance with Condition 3(f), 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) 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) or Condition 3(g) 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 or telex to the number specified in the relevant Exercise Notice and any notice so sent shall be deemed received by the relevant Warrantholder.

(f) *Payment*

In respect of Warrants which have been exercised, the Calculation Agent shall by close of business or such other time as is specified in the relevant Final Terms on the date specified therefor in the relevant Final Terms determine the Cash Settlement Amount (if any) to be paid on the relevant Cash Settlement Payment Date in respect of the relevant Warrants provided that the Calculation Agent has received a tested telex from the relevant Clearing System specifying the number of Warrants which have been exercised in accordance with Condition 4(a) 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(f)) or the Issuer shall have elected for optional Physical Settlement in accordance with Condition 3(e), 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)) or if the Issuer elects for optional Physical Settlement in accordance with Condition 3(f), 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 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 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.

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.

**If Automatic Exercise is not specified in the applicable Final Terms, any Warrant with respect to which the Exercise Notice has not been duly completed and**

**delivered in the manner set out above by the cut-off time specified in Condition 4(a)(i) shall become void.**

(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)), 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) or (e), 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.

(j) *Automatic Exercise*

This paragraph only applies if Automatic Exercise is specified in the applicable Final Terms and Warrants are automatically exercised as provided in Condition 4(a)(ii).

In order to receive the Cash Settlement Amount, if the Warrants are Cash Settled Warrants, or the Securities, if the Warrants are Physical Settlement Warrants, in respect of a Warrant, the relevant Warrantholder must deliver or send by tested telex confirmed in writing a duly completed Exercise Notice to the Principal Warrant Agent on any Business Day until not later than 10.00 a.m. (local time in the place where the Clearing

System through which such Warrants are exercised is located) on the day (the "**Cut-off Date**") falling 180 days after the Expiry Date.

The Exercise Notice shall include the applicable information set out in the Exercise Notice referred to in Condition 4(b). The Business Day during the period from the Expiry Date until the Cut-off Date on which an Exercise Notice is delivered to the Principal Warrant Agent is referred to in this Condition 4(j) as the "**Exercise Notice Delivery Date**", provided that if the Exercise Notice is delivered to the Principal Warrant Agent at or after 10:00 a.m.(local time in the place where the Clearing System through which such Warrants are exercised is located) on a Business Day, the Exercise Notice Delivery Date shall be deemed to be the next succeeding Business Day.

Subject to the relevant Warrantholder performing its obligations in respect of the relevant Warrant in accordance with these Terms and Conditions, (i) in the case of Cash Settled Warrants, the Cash Settlement Payment Date shall be the fourth Business Day following the Exercise Notice Delivery Date and (ii) in the case of Physical Settlement Warrants and subject to Condition 17(f), the fourth Clearing System Business Day following the Exercise Notice Delivery Date. In the event that a Warrantholder does not so deliver an Exercise Notice in accordance with this Condition 4(j) prior to 10.00 a.m. (local time in the place where the Clearing System through which such Warrants are exercised is located) on the Cut-off Date, the Issuer's obligations in respect of such Warrants shall be discharged and no further liability in respect thereof shall attach to the Issuer.

## **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.

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

- (a) Following the occurrence of an EMU Event, the Calculation Agent may make such adjustment (and determine the effective date of such adjustment) as it, in its sole and absolute discretion, determines appropriate, if any, to the Strike Price (if any), the formula for the Cash Settlement Amount, the Settlement Price, the number of Securities to which each Warrant relates, the number of securities comprised in a Security Basket Warrant, the amount, the number of or type of shares, bonds, other securities or other property which may be delivered in respect of such Warrants and/or any other adjustment and, in any case, any other variable relevant to the exercise, settlement or payment terms of the relevant Warrants which in the sole and absolute discretion of the Calculation Agent have been or may be affected by such EMU Event.
- (b) Following the occurrence of an EMU Event, without prejudice to the generality of the foregoing, the Issuer shall be entitled to: (i) make such conversions between amounts denominated in the national currency units (the "**National**

**Currency Units**") of the member states of the European Union that have adopted the single currency in accordance with the Treaty 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 and any other amount as it determines, in its sole and absolute discretion, to be appropriate.

- (c) None of the Issuer, a Warrant Agent or the Calculation Agent will be liable to any Warrantholder or other person for any commissions, cost, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection therewith.
- (d) For the purposes hereof, "**EMU Event**" means the occurrence of any of the following, as determined by the Determination Agent, acting in a commercially reasonable manner:
  - (i) the withdrawal from legal tender of any currency that, before the introduction of the euro, was lawful currency in one of the member state;
  - (ii) the redenomination of any security to which the Warrants relate into euro;
  - (iii) any change in the currency of denomination of any index to which the Warrants relate;
  - (iv) any change in the currency in which some or all such securities or other property contained in any such index is denominated;
  - (v) the disappearance or replacement of a relevant rate option or other price source for the national currency of any member state, or the failure of the agreed sponsor (or successor sponsor) to publish or display a relevant rate, index, price, page or screen; or
  - (vi) the change by any organised market, exchange or clearance, payment or settlement system in the unit of account of its operating procedures to the euro.

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

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

The Issuer reserves the right at any time to vary or terminate the appointment of the Principal Warrant Agent or the Calculation Agent or the Authentication Agent or the

Registrar or the Transfer Agent and to appoint another Principal Warrant Agent or a substitute Calculation Agent or a substitute Authentication Agent or a substitute Registrar or a substitute Transfer Agent, provided that (i) so long as any Warrant is outstanding, the Issuer will maintain a Principal Warrant Agent and a Calculation Agent and an Authentication Agent and (ii) so long as the Warrants have been admitted to the Official List of the UK Listing Authority 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 Registrar or a Transfer Agent and of any appointment of a Warrant Agent or a Calculation Agent or an Authentication Agent or a Registrar or a Transfer Agent will be given to Warrantholders in accordance with Condition 10. 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. Force Majeure and Illegality**

### *(a) Force Majeure*

The Issuer shall have the right to terminate its obligations under the Warrants, subject to the following sentence, 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 Warrantholders in accordance with Condition 10.

### *(b) Illegality*

In the event that any one or more of the provisions contained in these terms should be held to be invalid, illegal or unenforceable in any respect, the Issuer will endeavour in good faith to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which is not detrimental on either the Issuer or the Warrantholder, and which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

## **10. Notices**

All notices to Warrantholders 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 UK Listing Authority 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 term sheet 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 substitute any holding company of the Issuer or any wholly-owned, direct or indirect subsidiary of HSBC Holdings plc (the "**New Issuer**") in place of the Issuer, as obligor under the Warrants of any Series, provided that the New Issuer shall assume all obligations of the Issuer in relation to the Warrantheolders under or in relation to such Warrants. 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. 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 Warrantheolder shall be entitled to claim from the Issuer any indemnification or payment in respect of any tax consequence of any such substitution upon such Warrantheolder.

## 15. Governing Law

### (a) *Governing law*

The Warrants and all 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 arising from or connected with the Warrants.

## 16. Third Party Rights

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

## 17. Additional provisions relating to equity-linked Security Warrants, equity-linked Security Basket Warrants, Index Warrants and Index Basket Warrants.

As used in this Condition 17 and in relation to any Series of Security Warrants or Security Basket Warrants that relate to either one or more equity securities (including any Depositary Receipts), Index Warrants or Index Basket Warrants, or such other Warrants the relevant Final Terms for which specify that this Condition 17 shall apply, the following expressions shall have the following meanings, subject as otherwise provided in the relevant Final Terms:

**"Additional Disruption Event"** has the meaning ascribed thereto in Condition 17(h).

**"Averaging Date"** means, in respect of each Valuation Date, each date specified as such or otherwise determined as provided in the relevant Final Terms (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day), subject to the provisions of Condition 17(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.

**"Clearance 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.

**"Clearance System Business Day"** means, in respect of a Clearance System, any day on which such Clearance 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 of any relevant Securities under the relevant Warrant which is due to illiquidity in the market for such Securities.

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

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

**"Depositary Receipt(s)"** means any Security specified as such in the relevant Final Terms provided that if the relevant Deposit Agreement is terminated at any time, any reference to any Depositary Receipt(s) shall thereafter be construed as a reference to the relevant Underlying Securities and the Calculation Agent will make such adjustment as it, in its sole and absolute discretion, determines to be appropriate to the relevant Warrants and determine, in its sole and absolute discretion, the effective date of such adjustment.

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

**"DR Linked Warrants"** means a Series of Security Warrants which relate to one or more Securities which are Depositary Receipts.

**"Early Closure"** means (a) the closure on any Exchange Business Day of the relevant Exchange (in the case of Security Warrants or Security Basket Warrants) or any relevant Exchange(s) relating to securities that comprise 20 per cent. or more of the

level of the relevant Index (in the case of Index Warrants or Index Basket Warrants) or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of: (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day; or (b) if the Warrants are Multiple Exchange Index 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 (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 Price"** means, with respect to a Security and a Valuation Date (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 this Condition 17, and **"Indices"** shall be construed accordingly.

**"Index Basket Warrants"** means a Series of Warrants relating to a basket of Indices, as specified in the relevant Final Terms.

**"Index Warrants"** means a Series of Warrants relating to a single Index, as specified in the relevant Final Terms.

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

**"Initial Index Level"** means the level of the Index 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 level of such Index as determined by the Calculation Agent as of the Valuation Time on the relevant Exchange on the Strike Date.

**"Initial Price"** means the price per Security 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.

**"Knock-in Determination Day"** means each Scheduled Trading Day during the Knock-in Determination Period, unless such day is a Disrupted Day due to the occurrence of an event giving rise to a Disrupted Day prior to the Knock-in Valuation Time on such day. If such day is a Disrupted Day due to the occurrence of such an event, then the Knock-in Determination Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the original date that, but for the occurrence of a Disrupted Day, would have been the Knock-in Determination Day is a Disrupted Day. In that case, that eighth Scheduled Trading Day shall be deemed to be the Knock-in Determination Day, notwithstanding the fact that such day is a Disrupted Day, and the Calculation Agent shall determine the price of the Security or, as the case may be, the level of the Index in the same manner that it would determine a price of a Security or, as the case may be, a level of an Index on a deemed Valuation Date that is also a Disrupted Day in accordance with the provisions of Condition 17(b)(ii)(A)(1), (2) or (3), 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.

**"Knock-in Valuation Time"** means the time or period of time on any Knock-in Determination Day specified as such in the relevant Final Terms or in the event that the

relevant Final Terms do not specify a Knock-in Valuation Time, the Knock-in Valuation Time shall be the Valuation Time.

**"Knock-out Determination Day"** means each Scheduled Trading Day during the Knock-out Determination Period, unless such day is a Disrupted Day due to the occurrence of an event giving rise to a Disrupted Day prior to the Knock-out Valuation Time on such day. If such day is a Disrupted Day due to the occurrence of such an event, then the Knock-out Determination Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the original date that, but for the occurrence of a Disrupted Day, would have been the Knock-out Determination Day is a Disrupted Day. In that case, that eighth Scheduled Trading Day shall be deemed to be the Knock-out Determination Day, notwithstanding the fact that such day is a Disrupted Day, and the Calculation Agent shall determine the price of the Security or, as the case may be, the level of the Index in the same manner that it would determine a price of a Security or, as the case may be, a level of an Index on a deemed Valuation Date that is a Disrupted Day in accordance with the provisions of Condition 17(b)(ii)(A)(1), (2) or (3), 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.

**"Knock-out Valuation Time"** means the time or period of time on any Knock-out Determination Day specified as such in the relevant Final Terms or in the event that the

relevant Final Terms do not specify a Knock-out Valuation Time, the Knock-out Valuation Time shall be the Valuation Time.

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

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

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

**"Merger Event"** means in respect of any relevant Securities, any (i) reclassification or change of such Securities that results in a transfer of or an irrevocable commitment to transfer all of such Securities outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of the Underlying Company with or into another entity or person (other than a consolidation, amalgamation or merger in which such Underlying Company is the continuing entity and which does not result in a

reclassification or change of all of such Securities outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase otherwise obtain 100% 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 owner or controlled by such other entity) immediately prior to such event collectively representing less than 50% 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.

"**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.

"**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 Depositary Agreement.

**"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 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 Reuter Money 3000 Service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor for the purpose of displaying comparable information).

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



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

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

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

**"Settlement Cycle"** means, in respect of a Security or an Index, the period of Clearance 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, subject to Condition 4, 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 Clearance System provided that if a Settlement Disruption Event prevents delivery of such Securities on that day, then the Settlement Date shall be determined in accordance with Condition 17(b)(iii).

**"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 Clearance System cannot clear the transfer of such Security.

**"Successor Index"** has the meaning given in Condition 17(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% and less than 100% 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 Depositary 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 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 this Condition 17.

**"Valuation Time"** means, (a) in relation to each Security to be valued or each Index the level of which falls to be determined on any date, the time on such date specified as such in the relevant Final Terms or, if no such time is specified, the Scheduled Closing Time on the relevant Exchange on such date in relation to such Security or Index, as applicable. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time; or (b) in relation to a Multiple Exchange Index, (i) for the purposes of determining whether a Market Disruption Event has occurred: (a) in respect of any Component Security, the Scheduled Closing Time on the Exchange in respect of such Component Security, and (b) in respect of any options contracts or future contracts on the Index, the close of trading on the Related Exchange; and (ii) in all other circumstances, the time at which the official closing level of the Index is calculated and published by the Index Sponsor.

(a) *Knock-in and Knock-out Provisions*

If "Knock-in Event" is specified as applicable in the Final Terms in relation to any Warrant, then, unless otherwise specified in such Final Terms, the terms of the Warrants as to exercise and/or payment and/or delivery under the relevant Warrants subject to a Knock-in Event shall be conditional upon the occurrence of such Knock-in Event.

If "Knock-out Event" is specified as applicable in the Final Terms in relation to any Warrants, then, unless otherwise specified in such Final Terms, the terms of the Warrants as to exercise and/or payment and/or delivery under the relevant Warrants subject to a Knock-out Event shall be conditional upon the occurrence of such Knock-out Event.

(b) *Consequences of Disrupted Days*

(i) If any Valuation Date is a Disrupted Day, then:

(A) in the case of an Index Warrant or a Security Warrant, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day. In that case:

(1) in respect of an Index Warrant the Calculation Agent shall determine in its absolute discretion that either:

(aa) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the Market Disruption Event; or

(bb) the Valuation Date shall be the first succeeding Exchange Business Day on which there is no Market Disruption Event, unless no such day has occurred by the thirtieth Scheduled Trading Day following the Scheduled Valuation Date, in which case that thirtieth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the Market Disruption Event,

and, in each case, the Calculation Agent shall determine the level of the Index as of the Valuation Time on that eighth or (as the case may be) thirtieth Scheduled Trading Day determined in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth or (as the case may be) thirtieth Scheduled Trading Day of each security or other property comprised in the Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security or other property on that eighth or (as the case may be) thirtieth Scheduled Trading Day, its good faith estimate of the value for the relevant security or other property as of the Valuation Time on that eighth or (as the case may be) thirtieth Scheduled Trading Day); and

(2) in respect of a Security Warrant, that eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day and the Calculation Agent shall determine its good faith estimate of the value for the relevant Security as of the Valuation Time on that eighth Scheduled Trading Day;

(B) in the case of an Index Basket Warrant, the Valuation Date for each Index not affected by the occurrence of a Disrupted Day shall be the

Scheduled Valuation Date and the Valuation Date for each Index affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day which is not a Disrupted Day relating to that Index, unless each of the eight succeeding Scheduled Trading Days is a Disrupted Day relating to that Index. In that case, the Calculation Agent shall determine in its absolute discretion that either:

- (1) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the relevant Index notwithstanding the fact that such day is Disrupted Day relating to that Index; or
- (2) the Valuation Date shall be the first succeeding Scheduled Trading Day which is not a Disrupted Day relating to that Index, unless no such day has occurred by the thirtieth Scheduled Trading Day following the Scheduled Valuation Date, in which case that thirtieth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is Disrupted Day,

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 or (as the case may be) thirtieth Scheduled Trading Day in accordance with the formula for and method of calculating that Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth (or as the case may be) thirtieth Scheduled Trading Day of each security or other property comprised in the relevant Index (or, if an event giving rise to a Disrupted Day has occurred in respect to the relevant security or other property on that eighth (or as the case may be) thirtieth Scheduled Trading Day, its good faith estimate of the value for the relevant security or other property as of the Valuation Time on that eighth (or as the case may be) thirtieth Scheduled Trading Day); and

- (C) in the case of an Security Basket Warrant, the Valuation Date for each Security not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Security affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to that Security, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to that Security. In that case, (1) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the relevant Security, notwithstanding the fact that such day is a Disrupted Day, and (2) the Calculation Agent shall determine, in its sole and absolute discretion, its good faith

estimate of the value for that Security as of the Valuation Time on that eighth Scheduled Trading Day.

(c) *Averaging Dates*

If Averaging Dates are specified in the relevant Final Terms, then notwithstanding any other provisions of these Conditions, the following provisions will apply to the valuation of the relevant Index or Securities:

(A) For the purpose of determining the Settlement Price in relation to a Valuation Date, the Settlement Price will be:

(1) in respect of an Index Warrant or Cash Settlement Security Warrant, the arithmetic mean of the Relevant Prices of the Index or 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 Price is so provided, the arithmetic mean of the amounts for such basket calculated on each Averaging Date as the sum of the Relevant Prices 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 17(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 17(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 Warrant or Security Warrant, the Averaging Date shall be the first succeeding Valid Date. If the first succeeding Valid Date has not occurred as of the Valuation Time on the eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date (the **"Scheduled Final Averaging Date"**) in relation to the relevant Scheduled Valuation Date, then:

(i) in respect of an Index Warrant, the Calculation Agent shall determine in its absolute discretion that either:

(x) that eighth Scheduled Trading Day shall be deemed to be the Averaging Date, (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date); or

(y) the Averaging Date shall be the first succeeding Valid Date, unless no such day has occurred by the thirtieth Scheduled

Trading Day following the Scheduled Final Averaging Date, in which case that thirtieth Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether that thirtieth Scheduled Trading Day is already an Averaging Date),

and, in each case, the Calculation Agent shall determine the relevant level for that Averaging Date in accordance with Condition 17(b)(i)(A)(1); and

(ii) in respect of a Security Warrant, that eighth Scheduled Trading Day shall be deemed the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date), and the Calculation Agent shall determine, in its sole and absolute discretion, the relevant price for that Averaging Date in accordance with Condition 17(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 eighth Scheduled Trading Day immediately following the Scheduled Final Averaging Date, then:

(i) in respect of an Index Basket Warrant, the Calculation Agent shall determine in its absolute discretion that either:

(x) that eighth Scheduled Trading Day shall be deemed to be the Averaging Date, (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date) in relation to such Index; or

(y) the Averaging Date shall be the first succeeding Valid Date, unless no such day

has occurred by the thirtieth Scheduled Trading Day following the Scheduled Final Averaging Date, in which case that thirtieth Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether that thirtieth Scheduled Trading Day is already an Averaging Date) in relation to such Index,

and, in each case, the Calculation Agent shall determine the relevant level for that Averaging Date in accordance with Condition 17(b)(i)(B); and

- (ii) in respect of a Security Basket Warrant, that eighth Scheduled Trading Day shall be deemed the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date) in relation to such Security, and the Calculation Agent shall determine, in its sole and absolute discretion, the relevant amount for that Averaging Date in accordance with Condition 17(b)(i)(C)(2).

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 or Index Cancellation 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).



(d) *Adjustments to Indices*

This Condition 17(d) is applicable only in relation to Index Warrants and Index Basket Warrants.

(i) Successor Index

If a relevant Index is (A) not calculated and announced by the Index Sponsor but is calculated and published by a successor to the Sponsor acceptable to the Calculation Agent, or (B) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of that Index, then in each case that Index (the "**Successor Index**") will be deemed to be the Index.

(ii) Index Adjustment Events

If (A) on or prior to any Valuation Date, a relevant Index Sponsor announces that it will make a material change in the formula for or the method of calculating that Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent stock and capitalisation or other routine events) (an "**Index Modification**") or permanently cancels the Index (an "**Index Cancellation**"), or (B) on any Valuation Date the Index Sponsor fails to calculate and announce a relevant Index (an "**Index Disruption**" and together with an Index Modification and an Index Cancellation, each an "**Index Adjustment Event**"), then the Issuer may take the action described in (1) or (2) below:

- (1) require the Calculation Agent to determine, in its sole and absolute discretion, the Final Price using, in lieu of a published level of that Index, the level for that Index as at that Valuation Date as determined by the Calculation Agent in its sole and absolute discretion in accordance with the formula for and method of calculating that Index last in effect prior to the change, failure or cancellation, but using only those securities that comprised that Index immediately prior to that Index Adjustment Event; or
- (2) cancel the Warrants by giving notice to Warrantholders in accordance with Condition 11. If the Warrants are so cancelled the Issuer will pay an amount to each Warrantholder in respect of each Warrant held by him which amount shall be the fair market value of a Warrant taking into account the Index Adjustment Event, less the cost to the Issuer and/or any of its affiliates or agents of unwinding any underlying related hedging arrangements (including any cost of funding in respect of such hedging arrangements) plus, if already paid, the Strike Price, all as determined by the Calculation Agent in its sole and absolute

discretion. Payments will be made in such manner as shall be notified to the Warrantholders in accordance with Condition 11.

(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.

(e) *Delivery Disruption of Physical Settlement Warrants*

This Condition 17(e) 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(e).

If the Calculation Agent determines, in its sole and absolute discretion, that a Delivery Disruption Event has occurred, it shall notify the Issuer who shall promptly notify the relevant Warrantholder(s) and the Issuer may then:

- (A) determine, in its sole and absolute discretion, that the obligation to deliver the relevant Securities Transfer Amount will be terminated and the Issuer will pay such amount as in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion) is fair in the circumstances by way of compensation for the non-delivery of the Securities Transfer Amount, in which event the entitlements of the respective Warrantholder(s) to receive the relevant Securities Transfer Amount shall cease and the Issuer's obligations under the Warrants shall be satisfied in full upon payment of such amount; or

- (B) deliver on the Settlement Date such amount of the Securities Transfer Amount (if any) as it can deliver on that date and pay such amount as in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion) is fair in the circumstances by way of compensation for the non-delivery of the remainder of the Securities Transfer Amount, in which event the entitlements of the respective Warrantholder(s) to receive the relevant Securities Transfer Amount shall cease and the Issuer's obligations under the Warrants shall be satisfied in full upon payment of such amount.

Where this Condition 17(e) falls 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, determines to be appropriate to give practical effect to such provisions.

(f) *Settlement Disruption of Physical Settlement Warrants*

This Condition 17(f) is applicable only in relation to Warrants specified in the relevant Final Terms as being Physical Settlement Warrants.

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 Clearance System unless a Settlement Disruption Event prevents settlement on each of the eighth relevant Clearance 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 Clearance 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 that eighth relevant Clearance 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 Clearance 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 Clearance 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.

(g) *Adjustments and Events affecting Securities*

This Condition 17(g) 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, 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 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.

(h) *Additional Disruption Event*

Following the occurrence of any Additional Disruption Event, the Calculation Agent will, in its sole and absolute discretion, determine whether or not the Warrants shall continue and, if so, determine, in its sole and absolute discretion, any adjustments to be made. If the Calculation Agent determines that the relevant Warrants shall continue, it may make such adjustment(s) as it, in its sole and absolute discretion, determines to be appropriate, if any, to the amount, number or type of Securities, other property or securities which may be transferred under the Warrants, including, without limitation, the Strike Price, the formula for the Cash Settlement Amount set out in the relevant Final Terms and/or any other adjustment to any other terms of the Warrants 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.

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

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

- (i) "**Change in Law**" means that, on or after the Issue Date, (A) due to the adoption of or any change in any applicable law or regulation (including without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines

in its sole and absolute discretion that (x) it has become illegal for the Issuer or any of its affiliates to hold, acquire or dispose of Securities or any Component Security (y) the Issuer or any of its affiliates will incur a materially increased cost in the Issuer performing its obligations under the Warrants (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position);

- (ii) **"Hedging Disruption"** means that the Issuer or any of its affiliates is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk or any other relevant price risk including, without limitation, any currency risk of the Issuer issuing and performing its obligations with respect to the Warrants or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s);
- (iii) **"Increased Cost of Hedging"** means that the Issuer or any of its affiliates 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 or any other relevant price risk including, without limitation, any currency risk of the Issuer 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 or its affiliate, as applicable, shall not be deemed an Increased Cost of Hedging; and
- (iv) **"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 any currency in which any Security or Index component to which the Warrants relate and together with any other currency specified as such in the relevant Final Terms a **"Reference Currency"** for the currency specified as the Settlement Currency in the relevant Final Terms or the transfer of the Settlement Currency out of any jurisdiction specified as a **"Reference Jurisdiction"** in the relevant Final Terms, or the transfer of a Reference Currency within any Reference Jurisdiction, in each case when compared with the restrictions, prohibitions and delays existing on the Issue Date.

(i) *Other Adjustments*

Upon the occurrence of any other event(s) that the Calculation Agent determines (in its discretion, but acting reasonably) affects or could potentially affect the value of the Warrants, the Calculation Agent may (in its discretion, but acting reasonably) determine whether or not the Warrants shall continue and, if so, whether to make any 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 THE WARRANTS**

Final Terms dated [•]

Series No.: [•]

Tranche No.: [•]

**HSBC Bank plc**

**Warrant and Certificate Programme (the "Programme")**

**Issue of**

**[Aggregate 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 (the "**Conditions**") set forth in the Base Prospectus dated 3 September 2007 in relation to the above Programme [and the supplemental Prospectus dated [ ]<sup>2</sup> 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]<sup>3</sup> and copies may be obtained from [address].]

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

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 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

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<sup>2</sup> Only include details of supplement Prospectus in which the Conditions have been amended for the purposes of all issues under the Programme.

<sup>3</sup> If required by the UKLA in accordance with Article 14 of the Prospectus Directive.

Prospectus(es) are available for viewing at [address] and copies may be obtained from [address].

*[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.]*

[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 Warrants offered hereby have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States. Accordingly, they may be offered and sold (i) in the United States, pursuant to Rule 144A under the Securities Act ("**Rule 144A**"), only to "qualified institutional buyers" (as defined in Rule 144A); or (ii) outside the United States, in accordance with Regulation S under the Securities Act ("**Regulation S**"). Prospective investors in the United States are hereby notified that, with respect to any sales of Warrants in the United States, the Manager will be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. Investors should also be aware that Warrants may not be re-offered, re-sold, pledged or otherwise transferred within the United States (within the meaning of Regulation S) except in a transaction that is exempt from the registration requirements of the Securities Act and in compliance with any applicable state securities laws. See "Transfer Restrictions".

**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.]]**

### **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"), OR THE STATE SECURITIES LAW OF ANY STATE OF THE UNITED STATES OR THE LAWS OF ANY OTHER**

**JURISDICTION. THE WARRANTS MAY NOT BE OFFERED OR SOLD DIRECTLY OR INDIRECTLY WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS DEFINED IN REGULATIONS OF THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. SEE "TRANSFER RESTRICTIONS".**

**THE WARRANTS ARE BEING OFFERED (A) IN RELIANCE ON RULE 144A ("RULE 144A") UNDER THE SECURITIES ACT IN EACH CASE TO "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A; EACH A "QIB"), AND (B) IN ACCORDANCE WITH REGULATIONS UNDER THE SECURITIES ACT ("REGULATION S") TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLERS OF THE WARRANTS PURSUANT TO CLAUSE (A) ABOVE WILL BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A.**

**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.**

**[HSBC Bank plc]**

**[The Hongkong and Shanghai Banking Corporation Limited]**

*[Insert Issue Date]*

1. Issuer: HSBC Bank plc
2. Principal Warrant Agent: HSBC Bank plc
3. Calculation Agent: HSBC Bank plc
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).]
- (iii) Whether issue is of Warrants or Certificates: [Warrants/Certificates] (if the issue is of Certificates, all references in this Final Terms and in the Prospectus to Warrants shall be deemed to be "Certificates" for the purposes of this issue)
6. 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 Domestic 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 Warrants*)

13. Type of Warrants: [ ]
14. Series represented by: [Global Warrant<sup>4</sup>]/[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] Style [Call/Put] Warrants. Condition [3(a)/3(b)/3(c)] 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*)] [Automatic Exercise is [not] applicable]
- (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*]
- (v) Knock-in Event: [Applicable to [specify relevant payment or delivery]]
- (a) Knock-in Event: [ ] [[Greater than/greater than or equal to/less than/less than or equal to/the Knock-in [Price/Level]]]
- (b) Knock-in Period Beginning Date (if other than as specified in the definition thereof in Condition 17): [ ]
- (c) Knock-in Period Ending Date (if other than as specified in the definition thereof in Condition 17): [ ]

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<sup>4</sup> 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 registered form and represented by a Global Registered Warrant.

- (d) Knock-in Price: [ ]
- (e) Knock-in Valuation Time (if other than as specified in the definition thereof in Condition 17): [ ]
- (vi) Knock-out Event: [Applicable to [specify relevant payment or delivery]]
- (a) Knock-out Event: [ ] [[Greater than/greater than or equal to/less than/less than or equal to/the Knock-out [Price/Level]]]
- (b) Knock-out Period Beginning Date (if other than as specified in the definition thereof in Condition 17): [ ]
- (c) Knock-out Period Ending Date (if other than as specified in the definition thereof in Condition 17): [ ]
- (d) Knock-out Price: [ ]
- (e) Knock-out Valuation Time (if other than as specified in the definition thereof in Condition 17): [ ]
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. Index Warrant or Index Basket Warrant: [Applicable. The Warrants are [Index Warrants/Index Basket Warrants]]/[Not Applicable].
- (i) Index/Indices: [ ] [The Exchanges/[ ] [ ] [is/are] Multiple Index Exchange(s)]
- (ii) Basket: [*specify each Index in the Basket and indicate the relative proportions/Not Applicable*]
- (iii) Index Sponsor(s): [ ] [The definition in Condition 17 applies]
- (iv) Exchange(s): [ ]
- (v) Related Exchange(s): [ ] [All Exchanges]
- (vi) Valuation Time: [ ]
- (vii) Valuation Date: [ ]
- (viii) Averaging Dates: [Applicable/Not Applicable] [*If applicable, specify dates*]

- (ix) Relevant Price: [ ]
- (x) Settlement Price: [ ]
- (xi) Additional Disruption Event: [The following Additional Disruption Events apply: [Change in Law, Hedging Disruption, Increased Cost of Hedging, Currency Event] [Other] [Not Applicable]]
- (xii) Other Information: [ ]
21. Security Warrant or Security Basket Warrant: [Applicable. The Warrants are [Security Warrants/Security Basket Warrants]]/[Not Applicable].
- (i) Securities: [*Ordinary/other*] shares of [par value] [*currency/amount*] of [ ] and "Security" means any one of them.
- (ii) Basket: [*specify each Security in the Basket and indicate the relative proportions/Not Applicable*]
- (iii) Exchange(s): [*specify exchange on which the Securities are listed*]
- (iv) Related Exchange: [*Specify/Not Applicable*]
- (v) Relevant Company/Companies: [ ]
- (vi) Valuation Time: [ ]
- (vii) Valuation Date: [ ]
- (viii) Averaging Dates: [Applicable/Not Applicable] [*If applicable, specify dates*]
- (ix) Relevant Price: [ ]
- (x) Settlement Price: [ ]
- (xi) Clearance System: [ ]
- (xii) Additional Disruption Event: [The following Additional Disruption Events apply: [Change in Law, Hedging Disruption, Increased Cost of Hedging, Currency Event] [Other] [Not Applicable]]



22. Averaging Date Market Disruption: [Omission/Postponement/Modified Postponement/Not Applicable/Other (*Specify*)]
23. Business Day: [As in the Conditions/other (*specify*)]
24. Determination Date: [ ]
25. 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 circumstance when the risks are most evident]*

#### **[LISTING AND ADMISSION TO TRADING APPLICATION**

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Warrants described herein pursuant to HSBC Bank plc's Warrant and Certificate Programme]

#### **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:

"THE SECURITIES REPRESENTED HEREBY [AND THE SECURITIES TO BE DELIVERED UPON EXERCISE HEREOF]<sup>5</sup> HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 AS AMENDED (THE "SECURITIES ACT"), OR ANY U.S. STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THESE SECURITIES, AGREES FOR THE BENEFIT OF THE ISSUER THAT THE SECURITIES REPRESENTED HEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY TO OR THROUGH THE ISSUER (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR A PERSON PURCHASING FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), *PROVIDED*, THAT A PURCHASER OF THE SECURITIES PURSUANT TO (1), (2) OR (3) ABOVE SHALL HAVE EXECUTED AND DELIVERED TO THE ISSUER AN INVESTOR LETTER.

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<sup>5</sup> To be included if the underlying securities have not been registered under the Securities Act.

**ANY EXERCISE OF THIS SECURITY WILL BE CONDITIONED ON (1) THE DELIVERY OF A DULY EXECUTED EXERCISE NOTICE BY THE HOLDER HEREOF AND (2) WITH RESPECT TO EXERCISE BY ANY U.S. PERSON, THE UNDERLYING SECURITIES BEING (A) REGISTERED UNDER THE SECURITIES ACT OR (B) SUBJECT TO AN EXEMPTION FROM REGISTRATION THEREUNDER AT THE TIME OF SUCH EXERCISE"**

- (4) Each purchaser of Restricted Warrants acknowledges that the Issuer, the Registrar, the Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Restricted 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

### 26. LISTING

- (i) Listing [Application [will be/has been] made to admit the Warrants to listing on the Official List of the Financial Services Authority. 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 Professional Securities Market/Domestic Market/other] 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 U.S. National Association of Securities Dealers.] [Not Applicable]

*[(Where documenting a fungible issue need to indicate that original warrants are already admitted to trading.)]<sup>6</sup>*

### 27. [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.]

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<sup>6</sup> Not required for debt securities with a denomination per unit of at least EUR50,000.

28. **[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."

29. **[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]<sup>7</sup>*

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

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<sup>7</sup> Not required for debt securities with a denomination per unit of at least EUR50,000.

30. **[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 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]<sup>8</sup>. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Also include appropriate index disclaimers. Where the underlying is not an index, need to include equivalent information.]<sup>9</sup>*

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

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

**OPERATIONAL INFORMATION**

31. ISIN Code: [ ]
32. Common Code: [ ]
33. CUSIP: [ ]
34. Valoren Number: [ ]
35. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [None/specify]
36. Delivery: Delivery [against/free of] payment
37. Additional Warrant Agent(s) (if any): [None/specify]

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<sup>8</sup> Not required for debt securities with a denomination per unit of at least EUR50,000.

<sup>9</sup> 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% of the nominal value of the Notes).

38. Common Depositary: [specify]
39. Notices:  
(Condition 10) [specify any other means of effecting communication]
40. City in which specified office of Registrar to be maintained: [specify]
41. Other relevant Terms and Conditions: [ ]
42. Other Final Terms: [ ]<sup>10</sup>
43. ERISA Considerations: [ ]

#### **TERMS AND CONDITIONS OF THE OFFER**

44. Offer Price: [Issue Price][specify]
45. Conditions to which the offer is subject: [Not applicable/give details]
46. Description of the application process: [Not applicable/give details]
47. Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not applicable/give details]
48. Details of the minimum and/or maximum amount of application: [Not applicable/give details]
49. Details of the method and time limits for paying up and delivering the Warrants: [Not applicable/give details]
50. Manner in and date on which results of the offer are to be made public: [Not applicable/give details]
51. Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not applicable/give details]

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<sup>10</sup> If new term constitutes a "significant new factor", consider whether supplement to the Prospectus is required

52. Categories of potential investors to which the Warrants are offered and whether tranche(s) have been reserved for certain countries: [Not applicable/*give details*]
53. Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not applicable/*give details*]
54. Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not applicable/*give details*]
55. 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*]



## ANNEX

*[Disclosure of information concerning the underlying Securities, Index or Indices]*

*[Include a clear and comprehensive explanation to help investors understand how the value of their investment is affected by the value of the underlying instrument(s), especially under the circumstances when the warrants are most evident unless the securities have a denomination per unit of at least EUR 50,000 or can only be acquired for at least EUR 50,000 per security.]*

*[Include a statement setting out the type of the underlying and details of where information on the underlying can be obtained:*

- *an indication where information about the past and the further performance of the underlying and its volatility can be obtained,*
- *where the underlying is a security,*
  - *the name of the issuer of the security,*
  - *the ISIN (international security identification number) or other such security identification code,*
- *where the underlying is an index,*
  - *the name of the index and a description of the index if it is composed by the issuer. If the index is not composed by the issuer, where information about the index can be obtained,*
- *where the underlying is an interest rate,*
  - *a description of the interest rate,*
- *others:*
  - *where the underlying does not fall within the categories specified above the securities note shall contain equivalent information,*
- *where the underlying is a basket of underlyings,*
  - *disclosure of the relevant weightings of each underlying in the basket.]*

## 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.

### United States of America

In relation to Warrants to be offered and sold outside the United States of America in reliance on Regulation S under the Securities Act:

The Warrants have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to or for the account or benefit of U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from or in a transaction not subject to the registration requirements of the Securities Act.

Each Manager represents and agrees 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 represents and agrees that neither it nor its affiliates (if any) nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Regulation S Warrants, and each Manager, its affiliates (if any) and any person acting on its or their behalf have complied and will comply with the offering restrictions requirements of Regulation S under the Securities Act.

Each Manager agrees that, at or prior to confirmation of sale of Regulation S Warrants it will have sent to each distributor, Manager or person receiving a selling concession, fee or other remuneration that purchases Regulation S Warrants from it or through it a confirmation or notice to substantially the following effect:

"The Warrants covered hereby have not been registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered and sold within the United States or to or for the account or benefit of

U.S. persons, except in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them by Regulation S."

The terms "United States" and "U.S. person" have the meanings given to them by Regulation S under the Securities Act.

For Warrants to be offered or sold in the United States of America pursuant to Rule 144A under the Securities Act:

- (1) Each Manager agrees that it will not, acting either as principal or agent, offer or sell any Warrants in the United States other than Warrants in registered form bearing a restrictive legend thereon, and it will not, acting either as principal or agent, offer, sell, reoffer or resell any of such Warrants (or approve the resale of any such Warrants):
  - (a) except (A) inside the United States through a U.S. broker manager that is registered under the United States Securities Exchange Act of 1934 (the "Exchange Act") to institutional investors, each of which such Manager reasonably believes is a "qualified institutional buyer" (as defined in Rule 144A under the United States Securities Act of 1933, as amended), or a fiduciary or agent purchasing Warrants for the account of one or more qualified institutional buyers or (B) otherwise in accordance with the restrictions on transfer set forth in such Warrants, the Warrant Issuance Agreement, the Base Prospectus and the relevant Final Terms; or
  - (b) by means of any form of general solicitation or general advertisement, including but not limited to (A) any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast of television or radio and (B) any seminar or meeting whose attendees have been advised by any general solicitation or general advertising.

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

- (2) Each Manager represents and agrees 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.]

*Warrants will be issued in accordance with the provisions of United States Treasury Regulation § 1.163-5(c)(2)(i)(D) (the "**D Rules**"), unless the relevant Final Terms specifies that Warrants will be issued in accordance with the provisions of United States Treasury Regulation § 1.163-5(c)(2)(i)(C) (the "**C Rules**").*

In addition, each Manager represents and agrees that:

- (i) except to the extent permitted under U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D) (the "**D Rules**"), (a) it has not offered or sold, and during the restricted period will not offer or sell, Warrants in bearer form to a person who is within the United States or its possessions or to a United States person, and (b) it has not delivered and will not deliver within the United States or its possessions definitive Warrants in bearer form that are sold during the restricted period;
- (ii) 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 Warrants in bearer form are aware that such Warrants 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;
- (iii) if it is a United States person, it is acquiring Warrants in bearer form for purposes of resale in connection with their original issuance and, if it retains Warrants in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D)(6);
- (iv) it acknowledges that any offer or sale will be considered to be made in the United States or its possessions if it has an address within the United States or its possessions for the offeree or purchaser of such Warrant with respect to such offer or sale; and
- (v) with respect to each affiliate (if any) that acquires from such Manager Warrants in bearer form for the purposes of offering or selling such Warrants during the restricted period, such Manager hereby represents and agrees on behalf of such affiliate to the effect set forth in subparagraphs (i), (ii), (iii) and (iv) of this paragraph.

Terms used in the above paragraph have the meanings given to them by the United States Internal Revenue Code of 1986 and regulations thereunder, including the D Rules.

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.

TEFRA C issues only:

In addition, under U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the "**C Rules**"), Warrants in bearer form must be issued and delivered outside the United States and its possessions in connection with their original issuance. Each Manager represents and agrees that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, Warrants in bearer form within the United States or its possessions in connection with the original issuance. Further, each Manager represents and agrees in connection with the original issuance of Warrants in bearer form, it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if either of such Manager or such prospective purchaser is within the United States or its possessions and will not otherwise involve any of its U.S. offices in the offer or sale of Warrants in bearer form. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the C Rules.

Each issuance of index-, commodity- or currency-linked Warrants shall be subject to additional U.S. selling restrictions as the relevant Manager or Managers shall agree with the Issuer as a term of the issuance and purchase of such Warrants. Each Manager agrees that it shall offer, sell and deliver such Warrants only in compliance with such additional U.S. selling restrictions.

#### **Public Offer Selling Restriction Under the Prospective 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 Manager represents and agrees 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) in the final terms in relation to the Warrants, which specify that an offer of those Warrants is being made other than pursuant to Article 3(2) of the Prospectus

Directive in that Relevant Member State (a "**Non-Exempt Offer**"), in the period beginning on 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 and ending on the date specified in such prospectus in 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;
- (e) at any time in the denomination per Warrant being offered amounts to at least euro 50,000; or
- (f) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive
- (g) provided that no such offer of Warrants referred to in (b) to (f) 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**

Each Manager represents and agrees 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 French Securities Laws**

Each Manager represents and agrees 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.

### **Japan**

Each Manager understands that the Warrants have not been and will not be registered under the Securities and Exchange Law of Japan (as amended) (the "**Securities and Exchange Law**"). Accordingly, each of the Managers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Warrants in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Securities and Exchange Law and other relevant laws and regulations of Japan. As used in this paragraph, "**resident of Japan**" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

### **Hong Kong**

Each Manager represents and agrees 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 Securities 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.

## **General**

- (1) Each Manager acknowledges 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 undertakes 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.

In accordance with the above, each Manager warrants to and undertakes 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 jurisdictions.



## **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 bearer form ("**Bearer Warrants**"), represented by a global warrant (the "**Global Warrant**") or if, and only if, in reliance on Rule 144A, in registered form ("**Registered Warrants**").

### **Registered Warrants**

#### **Global Registered Warrants**

In the case of Registered Warrants held in specified clearing systems ("**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, N. A. 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 U.S. Definitive Registered Warrants and Regulation S Definitive Registered Warrants. Restricted Global Registered Warrants (and any U.S. Definitive Registered Warrants issued in exchange therefor) will be subject to certain restrictions on transfer contained in a legend appearing on the face of such Warrants as will be set out in the relevant Final Terms under "Transfer Restrictions".

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

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

On or prior to the 40th day after the later of the commencement of the offering of the relevant Tranche and the issue date for that Tranche, a beneficial interest in the relevant Unrestricted Global Registered Warrant may be transferred to a person who wishes to take delivery of such beneficial interest through the relevant Restricted Global Registered Warrant only upon receipt by the Registrar (as defined in the Warrant 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 jurisdiction. After such 40th day, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of such Restricted Global Registered Warrant, as will be set out in the relevant Final Terms under "Transfer Restrictions".

Beneficial interests in a Restricted Global Registered Warrant may be transferred to a person who wishes to take delivery of such beneficial interest through the relevant Unrestricted Global Registered Warrant, whether before, on or after such 40th day, only upon receipt by the Registrar of a written certification from the transferor (in the applicable form provided in the Warrant Issuance Agreement) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 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 depositary 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 Registrar, or any Warrant Agent or any affiliate of any of the above or any person by whom any of the above is controlled for

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

### **Exchange and Transfer of Global Registered Warrants for Definitive Registered Warrants**

In the case of Restricted Global Registered Warrants held through DTC, beneficial interests in a Restricted Global Registered Warrant will be exchangeable for U.S. Definitive Registered Warrants: (i) if DTC notifies the Issuer that it is no longer willing or able to discharge properly 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 Restricted Global Registered Warrant requests that such interest be exchanged for U.S. Definitive Registered Warrants; or (iv) at the option of the Issuer, if the Issuer, any Warrant Agent or the 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 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 Restricted Global Registered Warrant will be exchangeable for U.S. 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 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 U.S. Definitive Registered Warrants, as the case may be, to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Holders. A person having an interest in the relevant Global Registered Warrant must provide the Registrar with:

- (i) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver the relevant Definitive Registered Warrant; and
- (ii) in the case of a Restricted Global Registered Warrant only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. U.S. Definitive Registered Warrants issued in exchange for a beneficial interest in a Restricted Global Registered Warrant will bear the legends applicable to transfers pursuant to Rule 144A (as set out in the relevant Final Terms under "**Transfer Restrictions**").

If an Unrestricted Global Registered Warrant relating to a Series or (if issued in Tranches) Tranche of Warrants of which the Restricted Global Registered Warrant forms a part has, pursuant to its terms, been exchanged in whole, but not in part, for Regulation S Definitive Registered Warrants, beneficial interests in the Restricted Global Registered Warrant may be transferred to a person who wishes to take delivery thereof in the form of a Regulation S Definitive Registered Warrant. Such Regulation S Definitive Registered Warrants shall be registered in such name(s) as DTC, Euroclear or Clearstream, Luxembourg, as applicable, shall direct in writing.

Upon (i) notification to the Registrar by the Custodian 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 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 Registrar will (against presentation by DTC or HSBC Bank USA, N. A., as custodian, of the Restricted Global Registered Warrant at the specified office of the Registrar or the 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 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 of the Terms and Conditions of the Warrants.

The holder of a Definitive Registered Warrant may transfer such Warrant by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of U.S. Definitive Registered Warrants issued in exchange for beneficial interests in a Restricted Global Registered Warrant bearing the legend referred to in the relevant Final Terms under "Transfer Restrictions", or upon specific request for removal

of the legend on a U.S. Definitive Registered Warrant, the Issuer will only deliver U.S. Definitive Registered Warrants that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer, that neither the legend nor the restriction on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

The Registrar will not register the transfer of or exchange of interests in a Global Registered Warrant for Definitive Registered Warrants for a period of 15 calendar days preceding the due date for any payment in respect of the Warrants.

With respect to the registration of transfer of any U.S. Definitive Registered Warrants, the Registrar will register the transfer of any such U.S. Definitive Registered Warrants if the transferor, in the form of transfer on such U.S. Definitive Registered Warrants, has certified to the effect that such transfer is (i) to persons who the transferor reasonably believes to be qualified institutional buyers within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction, (ii) in accordance with Regulation S, (iii) pursuant to an exemption from Rule 144 under the Securities Act (if available) or (iv) to the Issuer or its affiliates.

Regulation S Definitive Registered Warrants may be exchangeable for or transferable to a person wanting to take delivery thereof in the form of interests in a Restricted Global Registered Warrant, and U.S. Definitive Registered Warrants may be transferable to a person wanting to take delivery thereof in the form of interests in an Unrestricted Global Registered Warrant, in each case, upon receipt by the Registrar of a duly completed certificate in the form of Schedule 5 to the Warrant Agency Agreement and in accordance with the requirements of the Warrant Issuance Agreement.

**REGISTERED AND HEAD OFFICE OF THE ISSUER**

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