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## **HSBC Holdings plc**

### **Overseas Regulatory Announcement**

The attached announcement has been released to the other stock exchanges on which HSBC Holdings plc is listed.

The Board of Directors of HSBC Holdings plc as at the date of this announcement are: D J Flint, S T Gulliver, S A Catz<sup>†</sup>, L M L Cha<sup>†</sup>, M K T Cheung<sup>†</sup>, J B Comey<sup>†</sup>, J D Coombe<sup>†</sup>, J Faber<sup>†</sup>, R A Fairhead<sup>†</sup>, R Fassbind<sup>†</sup>, J W J Hughes-Hallett<sup>†</sup>, W S H Laidlaw<sup>†</sup>, J P Lipsky<sup>†</sup>, J R Lomax<sup>†</sup>, I J Mackay, Sir Simon Robertson<sup>†</sup> and J L Thornton<sup>†</sup>.

<sup>†</sup> Independent non-executive Director

Hong Kong Stock Code: 5



12 April 2013

**DEBT ISSUANCE PROGRAMME UPDATE  
DATED 11 APRIL 2013**

The following base prospectus and registration documents have been approved by the UK Listing Authority:

A base prospectus dated 11 April 2013 relating to the Debt Issuance Programme of HSBC Holdings plc.

A registration document dated 11 April 2013 in respect of HSBC Holdings plc.

Both documents are attached to this announcement.

Copies of the above documents have been submitted to the National Storage Mechanism and will shortly be available for inspection at:  
<http://www.hemscott.com/nsm.do>.

*ends/more*

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**Note to editors:**

**HSBC Holdings plc**

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from around 6,600 offices in 81 countries and territories in Europe, the Asia-Pacific region, North and Latin America, and the Middle East and North Africa. With assets of US\$2,693bn at 31 December 2012, the HSBC Group is one of the world's largest banking and financial services organisations.

*ends/all*



**HSBC HOLDINGS PLC**

*(a company incorporated with limited liability in England with registered number 617987)*

*as Issuer*

**DEBT ISSUANCE PROGRAMME**

On 28 June 2000, HSBC Holdings plc ("**HSBC Holdings**" or the "**Issuer**") established a Debt Issuance Programme which is described in this document (the "**Programme**") under which notes (the "**Notes**") may be issued by the Issuer. This document (and all documents incorporated by reference herein) has been prepared for the purpose of providing disclosure information with regard to the Notes and has been approved by the United Kingdom Financial Conduct Authority (the "**FCA**"), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC, as amended (the "**Prospectus Directive**") and relevant implementing measures in the United Kingdom, as a base prospectus ("**Base Prospectus**") for the issuance of Notes on a regulated market, as described below. In relation to any Notes, this Base Prospectus must be read as a whole and together also with the relevant Final Terms. Any Notes issued under the Programme on or after the date of this Base Prospectus are issued subject to the provisions described herein. This does not affect any Notes already in issue.

**AN INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS. SEE PAGE 1 FOR RISK FACTORS.**

Application has been made to admit Notes issued under the Programme to listing on the Official List of the Financial Conduct Authority (in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (the "**UK Listing Authority**"), and to trading on the Regulated Market of the London Stock Exchange plc (the "**London Stock Exchange**") which is a regulated market for the purposes of Directive 2004/39/EC (the Markets in Financial Instruments Directive). Such admission is expected to take effect on or about 16 April 2013. Any tranche of Notes intended to be admitted to listing on the Official List of the UK Listing Authority and admitted to trading on the Regulated Market of the London Stock Exchange will be so admitted to listing and trading upon submission to the UK Listing Authority and the London Stock Exchange of the relevant Final Terms and any other information required by the UK Listing Authority and the London Stock Exchange, subject in each case to the issue of the relevant Notes. This Base Prospectus shall be valid for a period of 12 months after the date hereof.

Notes issued under the Programme may be rated. The rating assigned to an issue of Notes may not be the same as the Issuer's credit rating generally. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency. The rating, if any, of a certain series of Notes to be issued under the Programme may be specified in the relevant Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency operating in the EEA before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused, or (2) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (3) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

This Base Prospectus includes details of the long-term and short-term credit ratings assigned to the Issuer by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"), Moody's Investors Service Limited ("**Moody's**") and Fitch Ratings Limited ("**Fitch**"). Each of S&P, Moody's and Fitch are established in the European Union and are registered as Credit Rating Agencies under the CRA Regulation. As such, each of S&P, Moody's and Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

Notes will be issued under the Programme in denominations of at least EUR100,000 or the equivalent in any other specified currency as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or any state securities laws and, unless so registered, may not be offered or sold within the United States or to, or for the benefit of, U.S. persons as defined in Regulation S under the Securities Act except pursuant to an exemption from or in a transaction not subject to the registration requirements of the Securities Act and in compliance with any applicable state securities laws. The Notes may include Notes in bearer form that are subject to U.S. tax law requirements.

**Programme Arranger and Dealer**

**HSBC**

11 April 2013

## IMPORTANT NOTICES

HSBC Holdings accepts responsibility for the information contained in this document and the relevant Final Terms for each Tranche of Notes issued under this Programme. To the best of the knowledge of HSBC Holdings, 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 dealer named under "Subscription and Sale" below (the "**Dealer(s)**", which expression shall include any additional dealers appointed under the Programme from time to time) and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**", which expression shall include any successor to The Law Debenture Trust Corporation p.l.c. as trustee under the trust deed dated 28 June 2000 between HSBC Holdings and the Trustee (such Trust Deed as last modified and restated by a modified and restated trust deed dated 11 April 2013 and as further modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Dealers or the Trustee as to the accuracy or completeness of this Base Prospectus or any document incorporated by reference herein or any further information supplied in connection with any Notes. The Dealers and the Trustee accept no liability in relation to this Base Prospectus or its distribution or with regard to any other information supplied by or on behalf of HSBC Holdings.

No person 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 HSBC Holdings, the Trustee or any of the Dealers.

This Base Prospectus should not be considered as a recommendation by HSBC Holdings, the Trustee or any of the Dealers that any recipient of this Base Prospectus should purchase any of the Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of HSBC Holdings. No part of this Base Prospectus constitutes an offer or invitation by or on behalf of HSBC Holdings, the Trustee or the Dealers or any of them to any person to subscribe for or purchase any of the Notes.

Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Notes shall, in any circumstances, create any implication that there has been no change in the affairs of HSBC Holdings since the date hereof, or that the information contained in this Base Prospectus is correct at any time subsequent to the date hereof or that any other written information delivered in connection herewith or therewith is correct as of any time subsequent to the date indicated in such document. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of HSBC Holdings or its subsidiary undertakings during the life of the Programme.

The distribution of this Base Prospectus and the offer or sale of the Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Base Prospectus or any Notes come must inform themselves about, and observe, any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus, see "Subscription and Sale" below.

In this Base Prospectus and in relation to any Notes, references to the "**relevant Dealers**" are to whichever of the Dealers enters into an agreement for the issue of such Notes as described in "Subscription and Sale" below and references to the "**relevant Final Terms**" are to the Final Terms relating to such Notes.

THE NOTES HAVE NOT BEEN RECOMMENDED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), ANY STATE SECURITIES COMMISSION OR ANY OTHER REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON THE ACCURACY OR ADEQUACY OF THIS BASE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

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 references in this Base Prospectus to "£", "**pounds**", "**Pounds Sterling**" and "**Sterling**" are to the lawful currency of the United Kingdom, all references to "\$", "**dollars**", "**U.S.\$**", "**USD**" and "**U.S. dollars**" are to the lawful currency of the United States of America and all references to "€", "**euro**" and "**EUR**", are 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 Community, as amended.

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

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## **RISK FACTORS**

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

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

### **Risks relating to particular Notes**

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common features of such Notes:

#### ***Notes subject to optional redemption by the Issuer***

An optional redemption feature in relation to any Note is likely to limit its market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

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

#### ***Subordinated Notes and Undated Subordinated Notes***

Subordinated Notes are unsecured and subordinated obligations of the Issuer. In the event that a particular Tranche of Notes is specified as subordinated in the relevant Final Terms and the Issuer is declared insolvent and a winding up is initiated, the Issuer will be required to pay the holders of senior debt and meet its obligations to all its other creditors (including unsecured creditors but excluding any obligations in respect of subordinated debt) in full before it can make any payments on the relevant Notes. If this occurs, the Issuer may not have enough assets remaining after these payments to pay amounts due under the relevant Subordinated Notes.

Undated Subordinated Notes are unsecured and junior subordinated obligations of the Issuer, which, in the event of the winding up of the Issuer will rank as if they were preference shares and not debt obligations of the Issuer. In the event that a particular Tranche of Notes is specified as undated subordinated in the relevant Final Terms and the Issuer is declared insolvent and a winding up is initiated, the Issuer will be required to pay the holders of senior debt and prior ranking subordinated debt and meet its obligations to all its other creditors (including unsecured creditors and any obligations in respect of prior ranking subordinated debt) in full before it can make any payments on the relevant Notes. If this occurs, the Issuer may not have enough assets remaining after these payments to pay amounts due under the relevant Undated Subordinated Notes.

Any obligation of the Issuer to pay principal and interest on Subordinated Notes may be deferred in certain circumstances. Interest on Undated Subordinated Notes may be deferred by the Issuer for any reason.

### ***Resetable Notes***

In the case of any Series of Resetable Notes, the rate of interest on such Resetable Notes will be reset by reference to the then prevailing Mid-Swap Rate, as adjusted for any applicable margin, on the reset dates specified in the relevant Final Terms. This is more particularly described in Condition 3(b) (*Interest on Resetable Notes*). The reset of the rate of interest in accordance with such provisions may affect the secondary market for and the market value of such Resetable Notes. Following any such reset of the rate of interest applicable to the Notes, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest on the relevant Resetable Notes may be lower than the Initial Rate of Interest, the First Reset Rate of Interest and/or any previous Subsequent Reset Rate of Interest.

### ***Notes issued at a substantial discount or premium***

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

### ***In certain circumstances a portion of payments made on or with respect to Notes may be subject to U.S. reporting obligations which, if not satisfied, may require U.S. tax to be withheld***

The Issuer and other financial institutions through which payments on the Notes are made may be required to withhold at a rate of up to 30 per cent. on all, or a portion of, payments made after 31 December 2016 in respect of any Notes which are issued (or materially modified) after 1 January 2014 (or, if later, the date that is six months after the date on which the final regulations that define "foreign passthru payments" are published) or that are treated as equity for U.S. federal tax purposes whenever issued, pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code (commonly referred to as "FATCA").

The Issuer is a foreign financial institution ("**FFI**") for the purposes of FATCA. If the Issuer becomes obliged to provide certain information on its account holders pursuant to a FATCA agreement with the U.S. Internal Revenue Service ("**IRS**") (i.e. the Issuer is a "**Participating FFI**"), then withholding may be triggered if: (a) an investor does not provide information sufficient for the relevant Participating FFI to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States Account" of the Issuer, (b) an investor does not consent, where necessary, to have its information disclosed to the IRS or (c) any FFI that is an investor, or through which payment on the Notes is made, is not a Participating FFI.

An investor that is withheld upon generally will be able to obtain a refund only to the extent an applicable income tax treaty with the United States entitles such investor to a reduced rate of tax on the payment that was subject to withholding under these rules, provided the required information is furnished in a timely manner to the IRS.

The United States and the United Kingdom have entered into an intergovernmental agreement to implement FATCA (the "**IGA**"). Under the IGA, an FFI that is treated as resident in the United Kingdom and that complies with the requirements of the IGA will not be required to withhold on payments of non-U.S. source income. The Issuer expects to comply with the requirements of the IGA.

The application of FATCA to principal or other amounts paid with respect to the Notes is not clear. If an amount in respect of FATCA or as required under the IGA were to be deducted or withheld from principal or other payments on the Notes, the Issuer will have no obligation to pay additional amounts or otherwise indemnify a holder for any such withholding or deduction by the Issuer, a paying agent or any other party, to any person where such person (other than where such person is acting as an agent of the Issuer) is not entitled to receive payments free of such withholding. As a result, investors may receive less principal or other payments on the Notes than expected.

If the Issuer becomes a Participating FFI, the determination of whether FATCA withholding may be imposed will depend on the status of each recipient of payments between the Issuer and investors. The



Issuer does not expect in practice that payments made either by it or by its paying agents in relation to Notes held in clearing systems will be subject to FATCA withholding as it is expected that the paying agents and the relevant clearing systems will be Participating FFIs to the extent necessary to avoid being subject to FATCA withholding. However, it is possible that other parties may be required to withhold on payments on account of FATCA as set out above.

Investors should consult their own advisers about the application of FATCA, in particular if they may be classified as financial institutions under the FATCA rules.

## **Risks relating to Subordinated Notes and Undated Subordinated Notes**

### ***Impact of Basel Committee reforms on subordinated debt***

On 16 December 2010, the Basel Committee issued its final guidance (the "**Basel December 2010 Guidelines**") in relation to a package of new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions ("**Basel III**"). The Basel December 2010 Guidelines included a set of eligibility criteria for Additional Tier 1 and Tier 2 capital instruments.

In the European Union, Basel III will be reflected by amendments to the Capital Requirements Directive (known as "**CRD IV**") and the application of an EU regulation (known as "**CRR**") directly in each member state. Drafts of CRD IV and CRR have been released by the European Commission but are not yet published in final form. The new rules will apply from 1 January 2014 if publication takes place in the Official Journal by 30 June 2013.

The Basel Committee's press release dated 13 January 2011 entitled "Minimum requirements to ensure loss absorbency at the point of non-viability" included additional requirements for all Tier 2 and Additional Tier 1 instruments (the "**Basel III Non-Viability Requirement**") as follows:

"The terms and conditions of all non-common Tier 1 and Tier 2 instruments issued by an internationally active bank must have a provision that requires such instruments, at the option of the relevant authority, to either be written off or converted into common equity upon the occurrence of the trigger event unless:

- (a) the governing jurisdiction of the bank has in place laws that (i) require such Tier 1 and Tier 2 instruments to be written off upon such event, or (ii) otherwise require such instruments to fully absorb losses before tax payers are exposed to loss;
- (b) a peer group review confirms that the jurisdiction conforms with clause (a); and
- (c) it is disclosed by the relevant regulator and by the issuing bank, in issuance documents going forward, that such instruments are subject to loss under clause (a) in this paragraph.

The trigger event is the earlier of: (1) a decision that a write-off, without which the firm would become non-viable, is necessary, as determined by the relevant authority; and (2) the decision to make a public sector injection of capital, or equivalent support, without which the firm would have become non-viable, as determined by the relevant authority."

The powers provided to resolution authorities in the draft CMD (see "*EU Crisis Management Directive*" below) include powers to ensure relevant capital instruments (including Tier 2 capital instruments) fully absorb losses at the point of non-viability of the issuing institution. It is expected that the CMD will confer powers on the resolution authorities to require such capital instruments to be written down in full or converted into common equity Tier 1 instruments at the point of non-viability and before any other resolution action is taken (the "**CMD Loss Absorption Requirement**"). The draft CMD currently contemplates that the CMD Loss Absorption Requirement will be implemented in Member States with effect from 1 January 2015.

The point of non-viability for such purposes is the point at which the appropriate resolution authority determines that the institution meets the conditions for resolution or will no longer be viable unless the relevant capital instruments are written down or extraordinary public support is provided and without such support the appropriate authority determines that the institution would no longer be viable.

It is currently unclear whether the CMD Loss Absorption Requirement, when implemented, will apply to capital instruments (such as Subordinated Notes and Undated Subordinated Notes) that are already in issue at that time of implementation or whether any transition rules will apply. If and to the extent that the CMD is implemented so as to apply to instruments already in issue at the time of implementation, such Notes will be subject to the provisions of the CMD (including the CMD Loss Absorption Requirement), in which case such Notes may be subject to write-down or conversion to common equity Tier 1 instruments upon the occurrence of the relevant trigger event, which may result in Noteholders losing some or all of their investment. The exercise of any such power or any suggestion or anticipation of such exercise could, therefore, materially adversely affect the value of such Notes.

In addition to the CMD Loss Absorption Requirement, the CMD is expected to provide resolution authorities with broader powers to implement other resolution measures with respect to distressed banks, which may include (without limitation) the replacement or substitution of the Issuer as obligor in respect of debt instruments, modifications to the terms of debt instruments (including altering the maturity (if any) and/or the amount of interest payable and/or imposing a temporary suspension on payments) and discontinuing the listing and admission to trading of financial instruments.

As the draft CMD is not in final form, it is not yet possible to assess accurately the full impact of the relevant loss absorption provisions. Until fully implemented, the Issuer cannot predict the precise effects of the changes that result from any proposed Basel III reforms on either its own financial performance or the price of Subordinated Notes and Undated Subordinated Notes or any new notes which are issued in substitution for such Notes ("**Substitute Notes**") in accordance with the terms and conditions of the Notes set out in the "*Terms and Conditions*" section of this Base Prospectus.

### ***Substitution and Redemption***

If specified as being applicable in the relevant Final Terms, Subordinated Notes may contain provisions which permit the Issuer to substitute the relevant Subordinated Notes for new Notes, so that the new Notes replacing the substituted Subordinated Notes, subject to certain restrictions, feature terms and conditions such that they are eligible for Tier 2 capital under the applicable regulatory capital rules. In certain circumstances where the Issuer is unable to achieve the Tier 2 capital recognition of the Notes in full through such a substitution of the Subordinated Notes for new Notes (if specified as being applicable in the relevant Final Terms), the relevant Subordinated Notes may be redeemed early. The exercise of these rights by the Issuer may have an adverse effect on the position of holders of the Subordinated Notes. In addition, the tax and stamp duty consequences of holding any such substituted Notes could be different for some categories of Noteholders from the tax and stamp duty consequences for them of holding Subordinated Notes prior to such substitution.

### **Risks relating to Notes generally**

#### ***There is no active trading market for the Notes***

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

#### ***Notes with multiple Denominations***

Where the Notes of a Series issued under the Programme are specified as having a denomination consisting of a minimum specified denomination plus a higher integral multiple of another smaller amount, it is possible that such Notes may be traded in the clearing systems in amounts in excess of the minimum specified denomination that are not integral multiples of the minimum specified denomination. In such a case, should definitive Notes be required to be issued, Noteholders who, as result of trading

such amounts, hold a principal amount that is less than the minimum specified denomination may not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that their holding amounts to, or is an integral multiple of, the minimum specified denomination.

***The Notes may be redeemed prior to maturity***

In the event that (a) the Issuer would be obliged to increase the amounts payable in respect of any Tranche of Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision thereof or any authority therein or thereof having power to tax, or (b) (unless the relevant Final Terms specify otherwise) the interest payments (or funding costs of the Issuer as recognised in its accounts) under or with respect to the Notes are no longer fully deductible for UK corporation tax purposes, the Issuer may redeem all outstanding Notes of such Tranche in accordance with the Conditions.

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

If Condition 6(i) (*Redemption upon Capital Disqualification Event*) is specified as being applicable in the relevant Final Terms, Notes may also be redeemed at the option of the Issuer if there are changes in the applicable regulatory capital requirements.

*Because the Global Notes and the Global Registered Notes (each as defined below) may be held by or on behalf of Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") and, in the case of Global Registered Notes only, the Depository Trust Company ("**DTC**") investors will have to rely on their procedures for transfer, payment and communication with the Issuer.*

Notes issued under the Programme may be represented by one or more temporary global notes (each, a "**Temporary Global Note**"), permanent global notes (each, a "**Permanent Global Note**" and, together with a Temporary Global Note, the "**Global Notes**"), interests in an unrestricted global registered note certificate (an "**Unrestricted Global Registered Note**") or interests in a restricted global registered note certificate (a "**Restricted Global Registered Note**" and, together with the Unrestricted Global Registered Note, the "**Global Registered Notes**"). Such Global Notes and Global Registered Notes may (i) in the case of Global Notes in NGN form (as defined below), be delivered to a common safe-keeper (the "**Common Safe-keeper**"), or (ii) in the case of Global Notes which are in CGN form (as defined below), be deposited with a common depository for Euroclear and Clearstream, Luxembourg and, (iii) in the case of Global Registered Notes, be deposited with a custodian for and registered in the name of a nominee of DTC. Except in the circumstances described in the relevant Global Note or Global Registered Notes, investors will not be entitled to receive definitive Notes. Euroclear, Clearstream, Luxembourg and DTC will maintain records of the interests in the Global Notes or, as the case may be, Global Registered Notes. While the Notes are represented by one or more Global Notes, or as the case may be, Global Registered Notes, investors will be able to trade their interests only through Euroclear, Clearstream, Luxembourg or DTC, as the case may be.

While Notes are represented by one or more Global Notes or, as the case may be, Global Registered Notes, the Issuer will discharge its payment obligations under such Notes by making payments to (i) in the case of Global Notes in NGN form, the common service provider (the "**Common Service Provider**") acting as agent for Euroclear and Clearstream, Luxembourg in respect of Global Notes, as appropriate, or (ii) in the case of Global Notes in CGN form, the common depository for Euroclear and Clearstream, Luxembourg, as appropriate, or (iii) in the case of Global Notes Certificates, the Custodian for DTC, for distribution to their account holders. A holder of an interest in a Global Note or Global Registered Notes must rely on the procedures of Euroclear, Clearstream, Luxembourg or DTC, as the case may be, to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, interests in the Global Notes or Global Registered Notes.

Holders of interests in the Global Notes or Global Registered Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear, Clearstream, Luxembourg or DTC to appoint appropriate proxies.

### **Modification, waiver and substitution**

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

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

### **Change of law**

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

### **Banking Act**

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

### **EU Crisis Management Directive**

The European Commission has published proposals for a crisis management directive which is intended to enable a range of actions to be taken by relevant regulatory authorities in relation to credit institutions and investment firms which are considered to be at risk of failing. The full scope of the directive and its impact on the Issuer is currently unclear but the implementation of the directive or the taking of any action under it could materially affect the value of any Notes.

On 6 June 2012, the European Commission published a draft legislative proposal for a directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the "**Crisis Management Directive**" or "**CMD**"). The stated aim of the draft CMD is to provide resolution authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' contributions to bank bail-outs and/or exposure to losses. The powers provided to authorities in the draft CMD are divided into three categories: (i) preparatory steps and plans to minimise the risks of potential problems (preparation and prevention); (ii) in the event of incipient problems, powers to arrest a firm's deteriorating situation at an early stage so as to avoid insolvency (early intervention); and (iii) if insolvency of a firm presents a concern as regards the general public interest, a clear means to reorganise or wind down the firm in an orderly fashion while preserving its critical functions and limiting to the maximum extent any exposure of taxpayers to losses.

The draft CMD currently contains four resolution tools and powers:

- (i) sale of business – enables resolution authorities to direct the sale of the firm or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with the procedural requirements that would otherwise apply;
- (ii) bridge institution - enables resolution authorities to transfer of all or part of the business of the firm to a "bridge bank" (a public controlled entity);
- (iii) asset separation - enables resolution authorities to transfer impaired or problem assets to an asset management vehicle to allow them to be managed and worked out over time; and
- (iv) bail-in - gives resolution authorities the power to write-down the claims of unsecured creditors of a failing institution and to convert debt claims to equity (subject to certain parameters as to which liabilities would be eligible for the bail-in tool).

The draft CMD currently contemplates that it will be implemented in Member States with effect from 1 January 2015, except for the bail-in tool, which is contemplated to be implemented by 1 January 2018.

The powers currently set out in the draft CMD would impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. However, the proposed directive is not in final form and changes may be made to it in the course of the legislative process. In addition, many of the proposals contained in the draft CMD have already been implemented in the Banking Act and it is currently unclear to what extent, if any, the provisions of the Banking Act may need to change once the draft CMD is implemented. See risk factors entitled "*Risks relating to Subordinated Notes and Undated Subordinated Notes - Impact of Basel Committee reforms on subordinated debt*" and "*Banking Act*" above. Accordingly, it is not yet possible to assess the full impact of the draft CMD on the Issuer and there can be no assurance that, once it is implemented, the fact of its implementation or the taking of any actions currently contemplated in it would not adversely affect the rights of Noteholders, the price or value of their investment in the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

## DOCUMENTS INCORPORATED BY REFERENCE

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

- the Registration Document of HSBC Holdings dated 11 April 2013 submitted to and filed with the UK Listing Authority;
- the 2011 Annual Report and Accounts of the Issuer and its subsidiary undertakings for the year ended 31 December 2011 submitted to and filed with the UK Listing Authority;
- the 2012 Annual Report and Accounts of the Issuer and its subsidiary undertakings for the year ended 31 December 2012 submitted to and filed with the UK Listing Authority;
- the Form 20-F of the Issuer dated 12 March 2013 filed with the U.S. Securities and Exchange Commission (as set out at: <http://www.sec.gov/Archives/edgar/data/1089113/000119312513103187/0001193125-13-103187-index.htm>);
- the terms and conditions set out on pages 53 to 87 of the Base Prospectus dated 16 March 2012 relating to the Programme under the heading "*Terms and Conditions of the Notes*" (the "**2012 Conditions**");
- the terms and conditions set out on pages 47 to 72 of the Base Prospectus dated 7 March 2011 relating to the Programme under the heading "*Terms and Conditions of the Notes*" (the "**2011 Conditions**");
- the terms and conditions set out on pages 45 to 73 of the Base Prospectus dated 8 March 2010 relating to the Programme under the heading "*Terms and Conditions of the Notes*" (the "**2010 Conditions**");
- the terms and conditions set out on pages 45 to 73 of the Base Prospectus dated 17 March 2009 relating to the Programme under the heading "*Terms and Conditions of the Notes*" (the "**2009 Conditions**");
- the terms and conditions set out on pages 43 to 71 of the Base Prospectus dated 10 March 2008 relating to the Programme under the heading "*Terms and Conditions of the Notes*" (the "**2008 Conditions**");
- the terms and conditions set out on pages 43 to 69 of the Base Prospectus dated 7 December 2006 relating to the Programme under the heading "*Terms and Conditions of the Notes*" (the "**2006 Conditions**"); and
- the terms and conditions set out on pages 39 to 63 of the Base Prospectus dated 20 December 2005 relating to the Programme under the heading "*Terms and Conditions of the Notes*" (the "**2005 Conditions**").

The Issuer will, at its registered office and at the specified offices of the Paying Agents, make available for inspection during normal business hours and free of charge, upon oral or written request, a copy of this Base Prospectus and any document incorporated by reference in this Base Prospectus. Written or oral requests for inspection of such documents should be directed to the specified office of any Paying Agent. Additionally, this Base Prospectus and all the documents incorporated by reference herein will be available for viewing at [www.hsbc.com](http://www.hsbc.com) (please follow links to 'Investor relations', 'Fixed income securities', 'Issuance programmes'). For the avoidance of doubt, any websites referred to in this Base Prospectus or any information appearing on such websites and pages do not form part of this Base Prospectus.

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

## **FORMS OF NOTES; SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM**

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

All Bearer Notes will be issued in either (i) new global note ("**NGN**") form (as set out in Part I(A) and Part I(B) of Schedule 1 of the Trust Deed) or (ii) in classic global note ("**CGN**") form, as agreed by the Issuer and the relevant Dealer(s).

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

### **Registered Notes**

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

### **Global Registered Notes**

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

- (a) a Regulation S Global Registered Note;
- (b) a Rule 144A Global Registered Note; or
- (c) an Unrestricted Global Registered Note and a Restricted Global Registered Note (as each such term is defined below), subject to the Agency Agreement (as defined herein) and in accordance with their respective terms and as specified in the relevant Final Terms.

### **Regulation S Global Registered Notes**

In the case of a Tranche of Registered Notes offered and sold solely outside the United States (as defined in Regulation S) in reliance on Regulation S, such Tranche of Registered Notes may be represented by a Global Registered Note without interest coupons (a "**Regulation S Global Registered Note**") and will either be: (a) in the case of a Regulation S Global Registered Note which is not to be held under the new safekeeping structure (the "**New Safekeeping Structure**"), registered in the name of the common depositary for Euroclear and/or Clearstream, Luxembourg and registered in the name of a nominee for such common depositary and the Regulation S Global Registered Note will be deposited on or about the closing date for the relevant Tranche (the "**Closing Date**") with the common depositary; or (b) in the case of a Regulation S Global Registered Note which is to be held under the New Safekeeping Structure, registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and the Regulation S Global Registered Note will be deposited on or about the Closing Date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg. Interests in any Regulation S Global Registered Note will be exchangeable (in circumstances described below under "*Exchange and Transfer of Global Registered Notes for Definitive Registered Notes*") for Definitive Registered Notes ("**Regulation S Definitive Registered Notes**") in the relevant form scheduled to the Trust Deed.

### **Rule 144A Global Registered Notes**

In the case of a Tranche of Registered Notes offered and sold solely in the United States (as defined in Regulation S) in reliance on Rule 144A, such Tranche of Registered Notes may be represented by a Global Registered Note without interest coupons (a "**Rule 144A Global Registered Note**"), which, unless otherwise provided in the relevant Final Terms, will be deposited on or about the Closing Date for the relevant Tranche with a custodian for DTC and registered in the name of Cede & Co. as nominee for

DTC. Interests in any Rule 144A Global Registered Note will be exchangeable (in the circumstances described below under "*Exchange and Transfer of Global Registered Notes for Definitive Registered Notes*") for Definitive Registered Notes ("**U.S. Definitive Registered Notes**") in the relevant form scheduled to the Trust Deed. Rule 144A Global Registered Notes (and any U.S. Definitive Registered Notes issued in exchange therefor) will be subject to certain restrictions on transfer contained in a legend appearing on the face of such Note as set out under "*Notice to Purchasers of 144A Notes and Transfer Restrictions*".

### **Unrestricted and Restricted Global Registered Notes**

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

The Unrestricted Global Registered Note will either be: (a) in the case of an Unrestricted Global Registered Note which is not to be held under the New Safekeeping Structure, deposited on or about the issue date for the relevant Tranche with, and registered in the name of a nominee for the common depositary for Euroclear and Clearstream, Luxembourg or (b) in the case of an Unrestricted Global Registered Note which is to be held under the New Safekeeping Structure, registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and the Unrestricted Global Registered Note will be deposited on or about the Closing Date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg. A beneficial interest in the Unrestricted Global Registered Note may at all times be held only through Euroclear and Clearstream, Luxembourg. The Restricted Global Registered Note will unless otherwise provided in the relevant Final Terms, be deposited on or about the issue date for the relevant Tranche with a 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 Notes for Definitive Registered Notes*", interests in any Unrestricted Global Registered Note will be exchangeable for Regulation S Definitive Registered Notes and interests in any Restricted Global Registered Note will be exchangeable for U.S. Definitive Registered Notes and Regulation S Definitive Registered Notes, in each case in the relevant form scheduled to the Trust Deed. Restricted Global Registered Notes (and any U.S. Definitive Registered Notes issued in exchange therefor) will be subject to certain restrictions on transfer contained in a legend appearing on the face of such Notes as set out under "*Notice to Purchasers of 144A Notes and Transfer Restrictions*".

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

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

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

Beneficial interests in a Restricted Global Registered Note may be transferred to a person who wishes to take delivery of such beneficial interest through the relevant Unrestricted Global Registered Note, whether before, on or after such fortieth day, only upon receipt by the Registrar of a written certification from the transferor (in the applicable form provided in the Agency 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 Note or the Unrestricted Global Registered Note relating to any Series that is transferred to a person who takes delivery in the form of a beneficial interest in the other Global Registered Note relating to such Series will, upon transfer, cease to be a beneficial interest in such Global Registered Note and become a beneficial interest in the other Global Registered Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other Global Registered Note for as long as it remains such an interest.

### **Owner of Global Registered Notes and Payments**

Subject to certain provisions of the Trust Deed relating to directions, sanctions and consents of Holders of Registered Notes and to meetings of Holders of Notes, so long as DTC or its nominee or Euroclear, Clearstream, Luxembourg or the nominee of their common depository or common safekeeper as the case may be is the registered owner or holder of a Global Registered Note, DTC, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Registered Note for all purposes under the Agency Agreement, the Trust Deed and the Notes. Payments of principal, interest and additional amounts (pursuant to Condition 7 (*Taxation*)), if any, on Global Registered Notes will be made to DTC, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, as the registered holder thereof. None of the Issuer, the Trustee, the Registrar, or any Paying Agent or any affiliate of any of the above or any person by whom any of the above is controlled for the purposes of the Securities Act will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in Global Registered Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. Each such payment in respect of a Global Registered Note will be made to the person shown as the registered owner or holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Registered Note is being held is open for business.

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

Beneficial interests in a Rule 144A Global Registered Note or a Restricted Global Registered Note will be exchangeable (free of charge) for U.S. Definitive Registered Notes: (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 Note or ceases to be a "*clearing agency*" registered under the Exchange Act, or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within ninety 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 the Notes become immediately payable in accordance with Condition 10 (*Enforcement*); or (iv) the holder of the relevant Rule 144A Global Registered Note or Restricted Global Registered Note requests that such interest be exchanged for U.S. Definitive Registered Notes, to the extent that this is stated to be applicable in the relevant Final Terms; or (v) at the option of the Issuer, if the Issuer, any Paying 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 Notes which would not be required if such Notes were in definitive form. Where a Global Registered Note is exchangeable for Definitive Registered Notes, then such Notes shall be tradeable only in principal amounts of at least the Specified Denomination (or if there is more than one Specified Denomination, the lowest Specified Denomination).

Beneficial interests in a Regulation S Global Registered Note or an Unrestricted Global Registered Note will be exchangeable, in whole but not in part, for Regulation S Definitive Registered Notes: (i) if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of fourteen days (other than by reason of legal holidays) or announces an intention permanently to cease business; or (ii) if the Notes become immediately payable in accordance with Condition 10 (*Enforcement*); or (iii) if so specified in the relevant Final Terms, if the holder of the relevant Regulation S Global Registered Note or Unrestricted Global Registered Note requests that such interest be exchanged for Regulation S Definitive Registered Notes; or (iv) at the option of the Issuer, if the Issuer, any Paying 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 Notes which would not be required if such Notes were in definitive form.

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

- (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 Note; and
- (ii) in the case of a Rule 144A Global Registered Note or a Restricted Global Registered Note only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. U.S. Definitive Registered Notes issued in exchange for a beneficial interest in a Rule 144A Global Registered Note or a Restricted Global Registered Note will bear the legends applicable to transfers pursuant to Rule 144A (as set out under "*Notice to Purchasers of 144A Notes and Transfer Restrictions*").

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

Upon (i) notification to the Registrar by the Custodian 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 Agency Agreement, given by the transferee of the beneficial interest in the Restricted Global Registered Note and stating that the transfer of such interest has been made in compliance with the transfer restrictions applicable to the Notes, and pursuant to and in accordance with Regulation S under the Securities Act, the Issuer shall procure that the Registrar will (against presentation by DTC or its custodian of the Restricted Global Registered Note at the specified office of the Registrar or the Transfer Agent, all in accordance with the provisions of the Agency Agreement and, in particular, the regulations concerning the transfer, exchange and registration of Notes set out in Schedule 4 thereto) decrease the aggregate principal amount of Notes registered in the name of the holder of, and represented by, the Restricted Global Registered Note and shall, without charge, procure, in exchange therefor, the delivery, within five Banking Days of the receipt by the Registrar of the Restricted Global Registered Note of the notification and certification referred to in paragraphs (i) and (ii) above, and registration information required to authenticate and deliver such Regulation S Definitive Registered Notes, of an equal aggregate principal amount of duly authenticated and completed Regulation S Definitive Registered Notes substantially in the form (subject to completion) scheduled to the Agency Agreement.

The holder of a Registered Note may transfer such Registered Note in accordance with the provisions of Condition 1 (*Form, Denomination and Title*) of the Terms and Conditions of the Notes.

The holder of a Definitive Registered Note may transfer such Note by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of U.S. Definitive Registered Notes issued in exchange for beneficial interests in a Rule 144A Global Registered Note or a Restricted Global Registered Note bearing the legend referred to under "*Notice to Purchasers of 144A Notes and Transfer Restrictions*", or upon specific request for removal of the legend on a U.S. Definitive Registered Note, the Issuer will only deliver U.S. Definitive Registered Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer, that neither the legend

nor the restriction on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

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

With respect to the registration of transfer of any U.S. Definitive Registered Notes, the Registrar will register the transfer of any such U.S. Definitive Registered Notes if the transferor, in the form of transfer on such U.S. Definitive Registered Notes, has certified to the effect that such transfer is (i) to persons whom 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 registration provided by Rule 144 under the Securities Act (if available) or (iv) to the Issuer or its affiliates.

Regulation S Definitive Registered Notes may be exchangeable for or transferable to a person wanting to take delivery thereof in the form of interests in a Restricted Global Registered Note; and U.S. Definitive Registered Notes may be transferable to a person wanting to take delivery thereof in the form of interests in an Unrestricted Global Registered Note; in each case, upon receipt by the Registrar of a duly completed certificate in the form of Schedule 4 to the Agency Agreement and in accordance with the requirements of the Agency Agreement.

For further information, see "*Notice to Purchasers of 144A Notes and Transfer Restrictions*".

#### **Bearer Notes**

Bearer Notes will be issued either in accordance with the provisions of United States Treasury Regulations 1.163-5(c)(1)(ii) and 1.163-5(c)(2)(i)(D) ("**TEFRA D**") or in accordance with the provisions of United States Treasury Regulations 1.163-5(c)(1)(ii) and 1.163-5(c)(2)(i)(C) ("**TEFRA C**"). Bearer Notes issued in accordance with TEFRA D will be represented upon issue by a temporary global note in bearer form without interest coupons (a "**Temporary Global Note**"). Bearer Notes issued in accordance with TEFRA C will be represented upon issue by a permanent global note in bearer form without interest coupons (a "**Permanent Global Note**") or by a Temporary Global Note. Each Temporary Global Note and Permanent Global Note will be delivered on or prior to the issue date for the relevant Tranche to a common depositary (in the case of Notes in CGN form) or Common Safe-keeper (in the case of Notes in NGN form) acting as an agent for Euroclear and Clearstream, Luxembourg. Beneficial interests in a Temporary Global Note issued in accordance with TEFRA C will be exchangeable at any time and without any requirement for certification for Bearer Notes in definitive form ("**Definitive Bearer Notes**"), in accordance with the terms of such Temporary Global Note and as specified in the relevant Final Terms. Interests in a Temporary Global Note issued in accordance with TEFRA D will be exchangeable either for Definitive Bearer Notes or for interests in a Permanent Global Note, on or after the date which is forty days after the date on which such Temporary Global Note is issued and upon certification as to non-U.S. beneficial ownership thereof or otherwise as required by U.S. Treasury Regulations, in accordance with the terms of such Temporary Global Note and as specified in the relevant Final Terms. Where a Global Note is exchangeable for Definitive Bearer Notes, then such Notes shall be tradeable only in principal amounts of at least the Specified Denomination (or if there is more than one Specified Denomination, the lowest Specified Denomination). If so specified in the relevant Final Terms, the Issuer will waive its right to elect to exchange Permanent Global Note for Definitive Bearer Note in the circumstances described in paragraph (d) of the Permanent Global Note (namely, where the Issuer at its sole discretion considers that it would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction, which would not be suffered were the Notes in definitive form.)

For purposes of complying with TEFRA D, Bearer Notes may not be offered or sold to a United States person. "**United States person**" means any person who is, for U.S. federal income tax purposes, (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organised under the laws of the United States or any political subdivision thereof or therein or (iii) an estate or trust the income of which is subject to United States taxation regardless of its source.

Interests in any Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Bearer Notes, against presentation and (in the case of final exchange) surrender of such Permanent Global Note at the specified office from time to time of the Principal Paying Agent (i) if either of Euroclear or Clearstream, Luxembourg or any other clearing system by which the Notes have been accepted for clearing is closed for business for a continuous period of fourteen days (other than by reason of legal holidays) or announces an intention to cease business permanently, (ii) the Notes of the relevant Series become immediately repayable in accordance with Condition 10 (*Enforcement*); (iii) if the Issuer so elects, where the Issuer or any Paying Agent, 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 Notes which would not be required if such Notes were in definitive form, or (iv) if the Issuer so elects, where the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction, which would not be suffered were the Notes in definitive form.

Definitive Bearer Notes will, if interest-bearing and if so specified in the relevant Final Terms, have interest coupons ("**Coupons**") and, if applicable, a talon for further Coupons. All Definitive Bearer Notes will, if the principal thereof is repayable by instalments, have endorsed thereon a grid for recording the payment of principal.

### **Payments in respect of Bearer Notes**

All payments, if any, in respect of Bearer Notes when represented by a Temporary Global Note or Permanent Global Note in CGN form or in NGN form, will be made against presentation and surrender or, as the case may be, presentation of the relevant Temporary Global Note or Permanent Global Note at the specified office of any of the Paying Agents. On each occasion on which a payment is so made, the Issuer shall procure that, in respect of a CGN, record of such payment is noted on a schedule to the relevant Global Note and, in respect of an NGN, the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

In the case of Bearer Notes represented by Global Notes, each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by the Global Note, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes.

The records of the relevant clearing systems which reflect the amount of Noteholders' interests in the Notes shall be conclusive evidence of the nominal amount of Notes represented by the Global Notes.

If any date on which a payment of interest or principal is due on the Notes of a Series issued in accordance with TEFRA D occurs while any of the Notes of that Series are represented by a Temporary Global Note, the relevant interest or principal payment will be made on such Temporary Global Note only to the extent that certification has been received by Euroclear and/or Clearstream, Luxembourg as to the beneficial ownership thereof, as required by U.S. Treasury Regulations, in accordance with the terms of such Temporary Global Note.

### **Notices**

(i) So long as any Bearer Notes are represented by a Temporary Global Note or a Permanent Global Note, notices to holders of Bearer Notes may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**"), depositary or Common Safe keeper (as may be agreed between the Issuer and the Dealer) for communication by them to entitled accountholders in substitution for publication as required by the Conditions, and (ii) so long as any Regulation S Global Registered Note or Unrestricted Global Registered Note is held on behalf of Euroclear and Clearstream, Luxembourg or an Alternative Clearing System, notices to holders of Notes represented by a beneficial interest in such Global Registered Note may be given by delivery of

the relevant notice to Euroclear and Clearstream, Luxembourg or, as the case may be, such Alternative Clearing System, and (iii) so long as any Rule 144A Global Registered Note or Restricted Global Registered Note is held on behalf of DTC or an Alternative Clearing System, notices to holders of Notes represented by a beneficial interest in such Global Registered Note may be given by delivery of the relevant notice to DTC or, as the case may be, such Alternative Clearing System; except that in the case of (i), (ii) and (iii) above, so long as any Notes are listed on any stock exchange, notices will also be published as required by the rules and regulations of such stock exchange.

### **Meetings**

The provisions for meetings of Holders of Notes scheduled to the Trust Deed provide that, where all the Notes of the relevant Series are held by one person, the quorum in respect of the relevant meeting will be one person present (being, in the case of an individual, present in person or, being, in the case of a corporation, present by a representative) holding all the outstanding Notes of the relevant Series or holding voting certificates or being a proxy in respect of such Notes.

### **Purchase and Cancellation**

Cancellation of any Note surrendered for cancellation following its purchase will be effected by reduction in the principal amount of the relevant Temporary Global Note, Permanent Global Note or, as the case may be, Global Registered Note and, in the case of a Global Registered Note, will be recorded in the Register by the Registrar.

### **Issuer's Option to Redeem in Part**

No drawing of Bearer Notes or redemption *pro rata* of Registered Notes will be required under Condition 6(c) (*Redemption at the Option of the Issuer*) in the event that the Issuer exercises any option to redeem such Notes in part while all such Notes which are outstanding are represented by a Temporary Global Note, Permanent Global Note or, as the case may be, Global Registered Note. In such event, the standard procedures of Euroclear, Clearstream, Luxembourg, DTC or, as the case may be, the Alternative Clearing System shall operate to determine which interests in such Global Notes are to be subject to such option. In relation to Bearer Notes, such partial redemption is to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion.

### **Early Redemption at the option of the Holder — Provisions relating to Registered Notes held in Clearing Systems**

Condition 6(d) (*Redemption at the Option of the Noteholders*) allows for early redemption of Notes at the option of the Holder of such Notes if so specified in the relevant Final Terms. Such option is exercisable by the Holder of the relevant Notes by depositing such Notes, together with a notice of exercise of such option (an "**Option Notice**"), duly completed and signed in accordance with Condition 6(d) (*Redemption at the Option of the Noteholders*), at the specified office of any Paying Agent (in the case of Bearer Notes, outside the United States). In respect of any Registered Notes of the relevant Series of which a nominee for HSBC Bank plc, as common depositary for Euroclear and Clearstream, Luxembourg or the common safekeeper for Euroclear and Clearstream, Luxembourg or Cede & Co. as nominee for DTC, as the case may be, is the registered Holder, such Option Notice will be deemed to have been duly completed and signed by the Holder of the relevant Notes if it has been completed and signed by or on behalf of a person in respect of whom notification has been given by Euroclear or Clearstream, Luxembourg or DTC, as the case may be, to the Registrar that such person is a person who is shown in the records of Euroclear or Clearstream, Luxembourg or DTC, as the case may be, as having relevant Registered Notes of a specified principal amount standing to the credit of its account with Euroclear or Clearstream, Luxembourg or DTC, as the case may be, or delivered from its account with Euroclear and Clearstream, Luxembourg or DTC, as the case may be, for the purpose of exercising such option.

### **Substitution of Subordinated Notes in Global Form**

Upon the exercise by the Issuer of its right to substitute Subordinated Notes in accordance with the Conditions, the Issuer shall be entitled, on the Effective Date to replace the Global Note issued in respect of the relevant Subordinated Notes with a new Global Note representing the Substitute Notes and upon such substitution, the Subordinated Notes so substituted shall be cancelled.

## CLEARING AND SETTLEMENT

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

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

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

Distributions of principal and interest with respect to book-entry interests in the Notes held through Euroclear and Clearstream, Luxembourg will be credited, to the extent received by the Principal Paying 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 Notes holding through DTC will receive, to the extent received by the Principal Paying Agent, all distributions of principal and interest with respect to book-entry interests in the Notes from the Principal Paying 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 Note to such persons may be limited. Because DTC, Euroclear and Clearstream, Luxembourg can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Registered Note to pledge such interest to persons or entities which do not participate in the relevant clearing system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

The aggregate holdings of book-entry interests in the Notes in Euroclear, Clearstream, Luxembourg and DTC will be reflected in the book-entry accounts of each such institution. As necessary, the Registrar will adjust the amounts of Notes on the Register for the accounts of (i) Euroclear and Clearstream, Luxembourg and (ii) DTC to reflect the amounts of Notes held through Euroclear and Clearstream, Luxembourg and DTC, respectively. Beneficial ownership in Notes will be held through financial institutions as direct and indirect participants in Euroclear, Clearstream, Luxembourg and DTC. Euroclear, Clearstream, Luxembourg or DTC, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interests in the Notes will be responsible for establishing

and maintaining accounts for their participants and customers having interests in the book-entry interests in the Notes. The Registrar will be responsible for maintaining a record of the aggregate holdings of Notes registered in the name of a nominee for the common depository for Euroclear and Clearstream, Luxembourg, a nominee for DTC and/or Holders of Notes represented by Definitive Registered Notes. The Principal Paying Agent will be responsible for ensuring that payments received by it from the Issuer for Holders of interests in the Notes holding through Euroclear and Clearstream, Luxembourg are credited to Euroclear and Clearstream, Luxembourg, as the case may be, and the Principal Paying Agent will also be responsible for ensuring that payments received by the Principal Paying Agent from the Issuer for Holders of interests in the Notes holding through DTC are credited to DTC.

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

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

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

***Trading between Euroclear and/or Clearstream, Luxembourg participants:*** Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional eurobonds.

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

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

***Trading between Euroclear/Clearstream, Luxembourg seller and DTC purchaser:*** When book- entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC participant wishing to purchase a beneficial interest in the Restricted Global Registered Note (subject to the certification procedures provided in the Agency Agreement), the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or



Clearstream, Luxembourg delivery free of payment instructions by 7.45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depository for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depository for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the Custodian who will in turn deliver such book-entry interests in the Notes free of payment to the relevant account of the DTC participant and (b) instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee of the common depository for Euroclear and Clearstream, Luxembourg and evidenced by the Unrestricted Global Registered Note and (ii) increase the amount of Notes registered in the name of Cede & Co. and evidenced by the Restricted Global Registered Note.

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

## FORM OF FINAL TERMS

### FINAL TERMS

Final Terms dated [ ]

Series No: [ ]

Tranche No: [ ]

**HSBC Holdings plc**

**Debt Issuance Programme**

**Issue of**

**[Aggregate Principal Amount of Tranche]**

**[Title of Notes]**

### PART A - CONTRACTUAL TERMS

[This document constitutes the Final Terms relating to the issue of the Tranche of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the "**Conditions**") set forth in the Base Prospectus dated 11 April 2013 in relation to the above Programme (incorporating the Registration Document dated 11 April 2013) [and the supplements thereto dated [ ] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC, as amended) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. Pursuant to Article 14 of the Prospectus Directive, the Base Prospectus [and the supplements thereto [is] [are] is available for viewing at [www.hsbc.com](http://www.hsbc.com) (please follow links to 'Investor relations', 'Fixed income securities', 'Issuance programmes')) [and at [ ] during normal business hours] and copies may be obtained from [ ].]

[Terms used herein shall be deemed to be defined as such for the purposes of the [2005/2006/2008/2009/2010/2011/2012] Conditions (the "**Conditions**") which are defined in, and incorporated by reference into, the Base Prospectus dated 11 April 2013 and which are applicable to the Notes. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC, as amended) (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus dated 11 April 2013 [and the supplemental Prospectus dated [ ], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus dated [current date] [and the supplemental Prospectus dated [ ] and [ ]]. Pursuant to Article 14 of the Prospectus Directive, the Prospectus is available for viewing at [www.hsbc.com](http://www.hsbc.com) (please follow links to 'Investor relations', 'Fixed income securities', 'Issuance programmes')) [and at [ ] during normal business hours] and copies may be obtained from [ ].]

1. (i) Issuer: HSBC Holdings plc
2. (i) Series number: [ ]
- (ii) [Tranche number: [ ] [The Notes issued under these Final Terms are to be consolidated and form a single series with [ ] (the "**Original Issue**") issued on [ ] [(ISIN): [ ]].]

- (iii) Date on which the Notes become fungible: [ ] [Not Applicable]
3. Specified Currency: [ ]
4. Aggregate Principal Amount of Notes admitted to trading:
- [(i)] Series: [ ]
- [(ii)] Tranche: [ ]
5. Issue Price: [ ] per cent. of the Aggregate Principal Amount [plus accrued interest from [ ]]
6. (i) Specified Denomination(s) (Condition 1(e)): [ ] [and integral multiples of [ ] in excess thereof up to and including [ ]. No Notes in definitive form will be issued with a denomination above [ ]].
- (ii) Calculation Amount [ ]
7. (i) Issue Date: [ ]
- (ii) Interest Commencement Date: [ ] [Issue Date][Not Applicable]
8. Maturity Date: (Condition 6(a)) [ ] [Interest Payment Date falling in or nearest to [ ]]
9. Interest basis: (Conditions 3 to 5) [ ] [per cent. Fixed Rate Notes]  
[ ] [per cent. Resettable Notes]  
[[ ] +/- [ ] per cent. Floating Rate Notes]  
[Zero Coupon Notes]
10. Redemption basis: (Condition 6) [Redemption at par]  
[Instalment]
11. Put/Call options: [Condition 6[(c)][(d)] will apply as specified below][Not Applicable]
12. (i) Status of the Notes: (Condition 2) [Not Subordinated Notes/Subordinated Notes/Undated Subordinated Notes]
- (ii) Subordinated Notes and Undated Subordinated Notes:
- Condition 2(d) (Subordinated Notes: Deferral of Payments): [Applicable][Not Applicable]
  - Condition 2(e) (Subordinated Notes: Substitution): [Applicable][Not Applicable]
  - Condition 6(i) (Redemption upon Capital Disqualification Event): [Applicable][Not Applicable]
  - Capital Disqualification [[ ] per cent.][Not Applicable]

Event Early  
Redemption Price

(iii) [Date [Board] approval for issuance of Notes obtained: [ ] [and [ ], respectively]]

(iv) CPDI Notes: [Applicable][Not Applicable]

- Projected Payment schedule:

Projected Payment	Comparable yield

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

13. Fixed Rate Notes and Resettable Notes: [Applicable][Not Applicable]  
(Condition 3)
- (a) Fixed Rate Note provisions: [Applicable][Not Applicable] [The Notes are Fixed Rate Notes]  
(Condition 3(a))
- (i) Rate of Interest: [ ] per cent. per annum [payable [annually/ semi-annually/ quarterly /monthly] in arrear]
- (ii) Fixed Interest Payment Dates(s): [ ] in each year commencing on [ ] and ending on [[ ]/[ the Interest Payment Date falling in [ ]].
- (iii) Day Count Fraction: [Actual/Actual(ICMA)][Actual/Actual (ISDA)][Actual/365(Fixed)]  
[Actual/365(Sterling)][Actual/360] [30/360][30E/360][30E/360(ISDA)]
- (iv) Determination Date(s): [[ ] in each year][Not Applicable]
- (b) Resettable Note provisions: [Applicable/Not Applicable] [The Notes are Resettable Notes]  
(Condition 3(b))
- (i) Initial Rate of Interest: [ ] per cent. per annum [payable [annually/semi-annually/ quarterly/monthly] in arrear]
- (ii) First Margin: [+/-][ ] per cent. per annum
- (iii) Subsequent Margin: [+/-][ ] per cent. per annum
- (iv) Resettable Note Interest Payment Date(s): [ ] in each year commencing on [ ] and ending on [ ]
- (v) First Resettable Note Reset Date: [ ]
- (vi) Second Resettable Note Reset Date: [[ ]/Not Applicable]
- (vii) Day Count Fraction: [Actual/Actual(ICMA)][Actual/Actual (ISDA)][Actual/365(Fixed)]  
[Actual/365(Sterling)][Actual/360] [30/360][30E/360][30E/360(ISDA)]
- (viii) Determination Date(s): [[ ] in each year][Not Applicable]

- (ix) Business Day Centre(s): [ ]
- (x) Relevant Screen Page: [ ]
- (xi) Subsequent Resettable Note Reset Dates: [ ]
- (xii) Mid-Swap Rate: [Single Mid-Swap Rate][Mean Mid-Swap Rate]
- (xiii) Mid-Swap Maturity: [ ]
14. Floating Rate Note provisions [Applicable/Not Applicable] [The Notes are Floating Rate Notes]
- (Condition 4)
- (i) Interest Payment Dates: [ ] in each year commencing on [ ] and ending on [[ ]/[ the Interest Payment Date falling in [ ] in each year], [in each case subject to adjustment in accordance with Condition 4(b)].
- (ii) Benchmark: [LIBOR][EURIBOR]
- (iii) Relevant Period: [ ]
- (iv) Relevant screen page: [ ]
- (v) Interest Determination Date(s): [ ]
- (vi) Margin: [+/-] [ ] per cent. per annum
- (vii) Day Count Fraction: [Actual/Actual(ICMA)][Actual/Actual (ISDA)][Actual/365(Fixed)] [Actual/365(Sterling)][Actual/360] [30/360][30E/360][30E/360(ISDA)]
- (viii) Business Day Centre: [ ]  
(Condition 4(b))
- (ix) Maximum Rate of Interest: [Not Applicable /[ ] per cent. per annum]
15. Zero Coupon Note provisions: [Applicable/Not Applicable]  
(Condition 5)
- (i) Accrual Yield: [ ] per cent. per annum
- (ii) Reference Price: [ ]
- (iii) Day Count Fraction: [Actual/Actual(ICMA)][Actual/Actual (ISDA)][Actual/365(Fixed)] [Actual/365(Sterling)][Actual/360] [30/360][30E/360][30E/360(ISDA)]

#### PROVISIONS RELATING TO REDEMPTION

16. Issuer's optional redemption (Call): [Yes/No]  
(Condition 6(c))
- (i) Redemption amount (Call): [ ] per [Calculation Amount]
- (ii) Series redeemable in part: [ ]

- (iii) Call option date(s): [ ]
- (iv) Call option period: [ ]
17. Noteholder's optional redemption (Put): [Yes/No]  
(Condition 6(d))
- (i) Redemption amount (Put): [ ] per [Calculation Amount]
- (ii) Put option date(s): [ ]
- (iii) Put option period: [ ]
18. Redemption for taxation reasons, Condition 6(b)(iii): [Applicable][Not Applicable]
19. Final redemption amount: [ ] per [Calculation Amount]  
(Condition 6(a))
20. Instalment Notes: [Applicable][Not Applicable]  
(Condition 6(h))
- Instalment Amounts and dates for payment of Instalments:

Instalment Amounts:	Dates for payment of Instalments:
[ ]	[ ]

21. Early redemption amount:
- (i) Early redemption amount upon redemption for taxation reasons: [ ][Not Applicable]  
(Condition 6(b)):
- (ii) Early redemption amount upon enforcement: [ ][Not Applicable]  
(Condition 10)

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

22. Form of Notes: (Condition 1(a))
- (a) Form of Notes: [Bearer/Registered]
- [Regulation S Global Registered Note registered in the name of a nominee for [a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]]
- [Rule 144A Global Registered Note registered in the name of a nominee for DTC]
- [Unrestricted Global Registered Note registered in the name of a nominee for [a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg] and Restricted Global Registered Note registered in the name of a nominee for

		DTC]]
	(b) Bearer Notes exchangeable for Registered Notes:	[Yes/No]
23.	(A) If issued in bearer form:	
	(i) Initially represented by a Temporary Global Note or Permanent Global Note:	[ ]
	(ii) Temporary Global Note exchangeable for Permanent Global Note and/or Definitive Bearer Notes and/or Registered Notes: (Condition 1(a))	[ ]
	(iii) Permanent Global Note exchangeable for Definitive Bearer Notes and/or Registered Notes:	[Yes/No] [The Issuer waives its right to elect to exchange Permanent Global Note for Definitive Bearer Notes in the circumstances described in paragraph (d) of the Permanent Global Note]
	(iv) Coupons to be attached to Definitive Bearer Notes:	[Yes/No/Not Applicable]
	(v) Talons for future Coupons to be attached to Definitive Bearer Notes:	[Yes/No/Not Applicable]
	(vi) Definitive Bearer Notes to be security printed:	[Yes/No]
	(vii) Definitive Bearer Notes to be in ICMA or successor's format:	[Yes/No]
	(B) If issued in registered form:	
	(i) Rule 144A Global Registered Note exchangeable for U.S. Definitive Registered Notes:	[Yes/No/Not Applicable]
	(ii) Restricted Global Registered Note exchangeable for U.S. Definitive Registered Notes:	[Yes/No/Not Applicable]
24.	Exchange Date for exchange of Temporary Global Note:	[ ]
25.	Payments (Condition 8)	
	(i) Method of payment:	[ ]
	(ii) Relevant Financial Centre Day:	[ ]
26.	Redenomination: (Condition 9)	
	(i) Redenomination:	[Applicable/Not Applicable]
	(ii) Exchange:	[Applicable/Not Applicable]

27. US Selling restrictions:

[TEFRA D][TEFRA C][TEFRA not applicable]

[Regulation S Compliance Category 2/Rule 144A eligible]

**CONFIRMED**

**HSBC HOLDINGS PLC**

By: .....  
*Authorised Signatory*

Date: .....



## PART B - OTHER INFORMATION

### 1. LISTING

- (i) Listing: Application has been made for the Notes to be admitted to listing on the Official List of the UK Listing Authority with effect from [ ].
- (ii) Admission to trading: Application has been made for the Notes to be admitted to trading on the Regulated Market of the London Stock Exchange plc with effect from [ ].

### 2. RATINGS

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

[S&P: [•]]

[Moody's: [•]]

[Fitch: [•]]

[The Notes have not specifically been rated.]

[The Notes have been rated:]

[S&P: [•]]

[Moody's: [•]]

[Fitch: [•]]

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

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

### 4. [YIELD]

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

### 5. ESTIMATE OF THE TOTAL EXPENSES RELATED TO THE ADMISSION TO TRADING

It is estimated that the total expenses to be incurred in relation to the admission to trading of the Notes will be:[ ].

## OPERATIONAL INFORMATION

1. ISIN Code: [ ]  
    [(i) Unrestricted Global Registered Note: [ ]]  
    [(ii) Restricted Global Registered Note: [ ]]
2. Common Code: [ ]  
    [(i) Unrestricted Global Registered Note: [ ]]  
    [(ii) Restricted Global Registered Note: [ ]]
3. CUSIP Number: [ ][Not Applicable]  
    [(i) Unrestricted Global Registered Note: [ ]]  
    [(ii) Restricted Global Registered Note: [ ]]
4. New Global Note or Classic Global Note: [New Global Note/ Classic Global Note][Not Applicable]
5. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [None][DTC][ ]
6. Settlement procedures: [Eurobond/Medium Term Note][ ]
7. Name and Address of Initial Paying Agent(s) [ ]
8. Additional Paying Agent(s) (if any): [ ]
9. Agent Bank: [HSBC Bank plc][ ]
10. Calculation Agent: [HSBC Bank plc][ ][Not Applicable]
11. City in which specified office of Registrar to be maintained:  
(Condition 12) [ ][Not Applicable]

## TERMS AND CONDITIONS OF THE NOTES

*The following (disregarding any sentences in italics) is the text of the terms and conditions applicable to the Notes, which, as completed in accordance with the provisions of the relevant Final Terms, will be incorporated by reference into each Global Note (subject to the section entitled "Forms of Notes; Summary of Provisions Relating to the Notes while in Global Form" above) and which will be endorsed on the Notes in definitive form (if any) issued in exchange for Global Notes representing each Tranche, details of the relevant Tranche being as set out in the relevant Final Terms.*

This Note is one of a Series of Notes (the "**Notes**") issued pursuant to the debt issuance programme (the "**Programme**") established by HSBC Holdings plc (the "**Issuer**") and is constituted by and issued subject to and with the benefit of a Trust Deed dated 23 June 2000 (such Trust Deed as last modified and restated on 11 April 2013 and as further modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") made between the Issuer and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**" which expression shall wherever the context so admits include its successors) and has the benefit of an Agency Agreement dated 28 June 2000 (such Agency Agreement as last modified and restated on 11 April 2013 and as further modified and/or supplemented and/or restated from time to time, the "**Agency Agreement**") each made between, amongst others, the Issuer, the Principal Paying Agent (the "**Principal Paying Agent**" which expression shall wherever the context so admits include its successors as such, and, together with any successor or additional paying agent appointed in respect of the Notes, the "**Paying Agents**", which expression shall wherever the context so admits include any successor and/or additional paying agents), the Registrar (the "**Registrar**" which expression shall wherever the context so admits include any successor or additional person appointed as such in respect of the Notes), the Transfer Agent (the "**Transfer Agents**", which expression shall wherever the context so admits include any successor or additional person appointed as such in respect of the Notes), the Agent Bank (the "**Agent Bank**" which expression shall wherever the context so admits include any successor or additional person appointed as such in respect of the Notes) each named therein and the Trustee. Under the terms of the Agency Agreement, a calculation agent may be appointed by the Issuer from time to time in respect of any Series of Notes (the "**Calculation Agent**", which expression shall wherever the context so admits include any successor). The initial Principal Paying Agent, the initial Registrar and the initial Agent Bank are as named herein. The Trustee shall exercise the duties, power, trusts, authorities and discretions vested in it by the Trust Deed separately in relation to each Series of Notes in accordance with the provisions of the Trust Deed. Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the principal office for the time being of the Trustee and at the specified office of each of the Principal Paying Agent, the other Paying Agents (if any), the Registrar and the Transfer Agents appointed from time to time pursuant to the terms of the Agency Agreement. The Holders (as defined in Condition 1(f)) for the time being of Notes (the "**Noteholders**") and of any coupons ("**Coupons**") or talons ("**Talons**") (the "**Couponholders**") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

References in these terms and conditions (the "**Conditions**") to "**Notes**" shall, where the context so requires include the temporary global Notes, the permanent global Notes, subordinated Notes ("**Subordinated Notes**"), undated subordinated Notes ("**Undated Subordinated Notes**"), Notes which are not subordinated and such other Notes as may from time to time be issued under the Programme, as the case may be, and the term "**Notes**" includes debt instruments, by whatever name called, issued under the Programme. References to the "**HSBC Holdings**" or the "**Issuer**" means the Issuer in its capacity as issuer of Notes under the Programme. All Notes will be issued in series (each, a "**Series**") and each Series may comprise one or more tranches (each, a "**Tranche**") of Notes. Each Tranche will be the subject of a Final Terms (the "**Final Terms**"), a copy of which will be attached to or incorporated by reference in each Note of such Tranche. Subject as set out in the relevant Final Terms, all Notes issued pursuant to the Programme on the same date, denominated in the same currency, having the same maturity date, bearing interest, if any, on the same basis and issued on identical terms will constitute one Tranche of Notes.

### 1. **Form, Denomination and Title**

#### (a) **Form**

Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") as set out in the relevant Final Terms.

(b) ***Form of Bearer Notes***

Bearer Notes will be in substantially the relevant form (subject to amendment and completion) scheduled to the Trust Deed or in such other form as from time to time may be agreed. Interest-bearing Bearer Notes will, if so specified in the relevant Final Terms, have attached at the time of their initial delivery Coupons, presentation of which will be a prerequisite to the payment of interest in certain circumstances specified below. Interest-bearing Bearer Notes will also, if so specified in the relevant Final Terms, have attached at the time of their initial delivery a Talon exchangeable for further Coupons and the expression "**Coupons**" shall, where the context so requires, include Talons.

(c) ***Form of Registered Notes***

Registered Notes will be in substantially the relevant form (subject to amendment and completion) scheduled to the Trust Deed or in such other form as may from time to time be agreed.

(d) ***Instalment Notes***

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

(e) ***Denomination***

Subject to Condition 9, Bearer Notes will be in the Specified Denomination(s) set out in the relevant Final Terms. Registered Notes will be in the denomination(s) and multiples set out in the relevant Final Terms.

(f) ***Title***

Title to Bearer Notes, Coupons and Talons will pass by delivery. Title to Registered Notes passes by registration in the register which is kept by the Registrar. References herein to the "**Holders**" of Bearer Notes or of Coupons are to the bearers of such Bearer Notes or such Coupons and references herein to the "**Holders**" of Registered Notes are to the persons in whose names such Registered Notes are so registered in the register.

To the extent permitted by law and subject to the provisions of the fourth paragraph of Condition 14(a) while the Notes of any Series are represented by a Note or Notes in global form, the Issuer, the Principal Paying Agent, any other Paying Agents, the Transfer Agents, the Agent Bank and the Registrar may deem and treat the Holder of any Bearer Note or of any Coupon and the person in whose name any Registered Note is registered (and, if more than one, the first named thereof) as the absolute owner thereof (whether or not such Note shall be overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for the purpose of receiving payment on account thereof and for all other purposes.

(g) ***Transfer of Registered Notes***

Subject as provided in the final sentence of this Condition 1(g), a Registered Note may, upon the terms and subject to the conditions set forth in the Agency Agreement, be transferred in whole or in part only upon the surrender of the Registered Note to be transferred, together with the form of transfer (including, without limitation, any certification as to compliance with restrictions on transfer included in such form of transfer) endorsed on it duly completed and executed, at the specified office of the Registrar or any of the Transfer Agents together with such evidence as the Registrar, or as the case may be, the relevant Transfer Agent may reasonably require to prove the title of the transferor and the authority of the persons who have executed the form of transfer. A new Registered Note will be issued to the transferee and, in the case of a transfer of part only of a Registered Note, a new Registered Note in respect of the balance not transferred will be issued to the transferor. No Holder may require the transfer of a Registered Note to be registered during the period of fifteen calendar days ending on the due date for any payment (whether of principal, redemption amount, interest or otherwise) in respect of such Note.

(h) ***Delivery***

Each new Registered Note to be issued upon the transfer of a Registered Note will, within five Relevant Banking Days (as defined in Condition 13) of the Transfer Date (as defined in Condition 13), be available for delivery at the specified office of the Registrar or, as the case may be, the relevant Transfer Agent or (at the request and risk of the Holder of such Registered Note) be mailed by uninsured post to such address as may be specified by such Holder. For these purposes, a form of transfer received by the Registrar or any of the Transfer Agents after the Record Date (as defined in Condition 8(b)) in respect of any payment due in respect of Registered Notes shall be deemed not to be effectively received by the Registrar or such Transfer Agent until the day following the due date for such payment.

(i) ***No charge***

The issue of new Registered Notes on transfer will be effected without charge to the Holder or the transferee by or on behalf of the Issuer, the Registrar or the relevant Transfer Agent, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the Registrar or, as the case may be, the relevant Transfer Agent may require in respect of) any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfers or exchanges.

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

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

(k) ***Rule 144A Legend***

Upon the transfer, exchange or replacement of Registered Notes bearing the private placement legend (the "**Rule 144A Legend**") for the purpose of Rule 144A under the United States Securities Act of 1933, as amended (the "**Securities Act**"), set forth in the form of Registered Note scheduled to the Trust Deed, the Registrar shall deliver only Registered Notes that also bear such legend unless there is delivered to the Issuer and to the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer, that neither the Rule 144A Legend nor the restrictions on transfer set forth therein are required to ensure that transfers thereof comply with the provisions of Rule 144A, Rule 144 or Regulation S under the Securities Act or that such Registered Notes are not "**restricted securities**" within the meaning of Rule 144 under the Securities Act. The Issuer has covenanted and agreed in the Trust Deed that it will not acquire any beneficial interest, and will cause its affiliates not to acquire any beneficial interest, in any Registered Note bearing the Rule 144A Legend unless it notifies the Registrar in writing of such acquisition. The Registrar and all Holders shall be entitled to rely without further investigation on any such notification (or lack thereof).

2. **Status and Subordination**

(a) ***Claims in Respect of Notes***

The Notes of each Series (other than Subordinated Notes and Undated Subordinated Notes) constitute direct, unsecured obligations of the Issuer, ranking *pari passu* without any preference among themselves and, at their date of issue, ranking *pari passu* with all other unsecured and unsubordinated obligations of the Issuer other than any such obligations preferred by law.

The Notes of each Series of Subordinated Notes constitute direct, unsecured obligations of the Issuer ranking *pari passu* without any preference among themselves. The rights of Holders of Subordinated Notes will, in the event of the winding up of the Issuer in England, (i) be subordinated in right of payment to the claims of Senior Creditors (as defined in the Trust Deed) in the manner provided in the Trust Deed and (ii) rank senior to the Issuer's ordinary shares, preference shares and any junior subordinated obligations or other securities of the Issuer which

by law rank, or by their terms are expressed to rank, junior to the Subordinated Notes in the manner provided in the Trust Deed.

The Notes of each Series of Undated Subordinated Notes constitute direct, unsecured obligations of the Issuer ranking *pari passu* without any preference among themselves. The rights of Holders of Undated Subordinated Notes will, in the event of the winding up of the Issuer, be subordinated in right of payment to the claims of Prior Creditors (as defined in the Trust Deed) of the Issuer. In the event of the winding up of the Issuer in England, such Notes shall be treated as if at the close of business on the business day in London preceding the commencement of the winding up of the Issuer, the principal amount payable in respect of the Notes together with Arrears of Interest (as defined in Condition 2(c)) and accrued interest had been converted into Preference Shares, where appropriate, at the rate of exchange ruling on such preceding business day according to the terms set out in Condition 10.

"**Preference Shares**" means preference shares of U.S.\$1 each in the capital of the Issuer having a preferential right to a return of assets and to participate in the profits of the Issuer in the winding up over the rights of the holders of all issued shares for the time being in the capital of the Issuer and having such other rights and privileges and being subject to the restrictions set out in the Trust Deed.

Claims in respect of any Notes or Coupons may not be set off, or be the subject of a counterclaim, by the Holder against or in respect of any obligations of his to the Issuer, the Trustee or any other person and every Holder waives, and shall be treated for all purposes as if he had waived, any right that he might otherwise have to set off, or to raise by way of counterclaim any claim of his in respect of any Notes or Coupons, against or in respect of any obligations of his to the Issuer, the Trustee or any other person. If, notwithstanding the preceding sentence, any Holder receives or recovers any sum or the benefit of any sum in respect of any Note or Coupon by virtue of any such set off or counterclaim, he shall hold the same on trust for the Issuer and shall pay the amount thereof to the Issuer or, in the event of the winding up of the Issuer, to the liquidator of the Issuer.

(b) ***Undated Subordinated Notes: Condition of Payment***

The Issuer's obligation to make any payment of interest and, where applicable, any repayment of principal in respect of any Undated Subordinated Notes is conditional upon the Issuer being able to make such payment and remain Solvent (as defined in the Trust Deed) immediately thereafter.

*NB: Principal and interest on the Undated Subordinated Notes may be used to absorb losses in particular so that, instead of being paid, such principal and interest is utilised to enable the Issuer to continue trading.*

(c) ***Undated Subordinated Notes: Deferral of Interest***

The Issuer may elect to defer the payment of any interest that would otherwise have been due to be paid on any interest payment date (a "**Deferred Interest Payment Date**") in respect of any Undated Subordinated Notes, in which case the Issuer shall not be liable to pay the interest that would otherwise have been due to be paid on the Deferred Interest Payment Date and any failure to pay such interest shall not constitute a default by the Issuer for any purpose. Any interest not paid on a Deferred Interest Payment Date as a result of such an election to defer by the Issuer shall (except to the extent such interest shall subsequently have been paid) constitute "**Arrears of Interest**".

In relation to any Series of Undated Subordinated Notes, Arrears of Interest may, prior to the commencement of the winding up of the Issuer, be paid in whole or in part upon the expiration of not less than seven days' notice to such effect given to the Holders of the Notes of such Series in accordance with Condition 14, but payment in respect of interest periods during which Arrears of Interest have accrued shall be made taking the earliest interest period first. Arrears of Interest shall otherwise only become payable, subject to Condition 2(b), on the due date for repayment of the Notes to which such Arrears of Interest relate. Arrears of Interest shall not themselves bear interest.

(d) ***Subordinated Notes: Deferral of Payments***

In the case of Subordinated Notes in relation to which this Condition 2(d) is specified in the relevant Final Terms as applying, the Issuer shall be entitled, by notice in writing to the Trustee (a "**Deferral Notice**"), to defer the due date for payment of any repayment of principal or payment of interest in respect of such Notes, and, accordingly, on the giving of such Notice the due date for payment of the relevant repayment or payment (the "**Deferred Payment**") shall be so deferred and the Issuer shall not be obliged to make payment thereof on the date the same would otherwise have become due and payable, and such deferral of payment shall not constitute a default by the Issuer. The Issuer may only give a Deferral Notice in circumstances where if it were to make payment of the Deferred Payment it would not be in compliance with the capital adequacy requirements applied to it by the Prudential Regulation Authority (or any successor authority in its function as supervisor of authorised institutions). Interest will accrue on principal deferred as aforesaid in accordance with the provisions of these Conditions and the Trust Deed, save that such interest shall only become due and payable at such time as the principal in respect of which it has accrued becomes due and payable under the following sentence. Promptly upon being satisfied that the Issuer may make payment of the Deferred Payment or a part of it and be in compliance with the capital adequacy requirements applied to it by the Prudential Regulation Authority (or any successor authority in its function as supervisor of authorised institutions) the Issuer shall give to the Trustee written notice thereof (the "**Payment Notice**") and the relevant Deferred Payment (or the appropriate part of it) and any accrued interest as aforesaid shall become due and payable on the seventh day after the date of such notice to the Trustee. The Issuer shall promptly give notice to the Holders of the relevant Series of Notes in accordance with Condition 14 of any Deferral Notice or Payment Notice.

*NB: In the case of Notes which constitute Tier 3 capital, payment of principal and interest in respect of such Notes may only be made if, after such payment, the Issuer's capital resources would not be less than its capital resources requirement.*

(e) ***Subordinated Notes: Substitution***

In the case of Subordinated Notes in relation to which this Condition 2(e) is specified in the relevant Final Terms as applying (such Subordinated Notes, the "**Condition 2(e) Subordinated Notes**"), the Issuer may at its sole discretion and without the consent of the Noteholders, or subject as provided below, the Trustee, by not less than thirty days' nor more than sixty days' notice to the Noteholders in accordance with Condition 14 and the Trustee (with a copy to the Principal Paying Agent), designate a date (such date, the "**Effective Date**") on which all, but not some only, of the relevant Series of Subordinated Notes then outstanding (such notes referred to herein as the "**Existing Notes**") shall be replaced with new notes (the "**Substitute Notes**") which are Qualifying Securities.

Subject to receipt of the certificate in the form described in the definition of Qualifying Securities below, the Trustee shall (at the request and expense of the Issuer) use its reasonable endeavours to participate in, or assist the Issuer with, the substitution of the Existing Notes for Substitute Notes as aforesaid, **provided that**:

- (i) the terms of the proposed Substitute Notes, or the participation in or assistance with such substitution would not impose, in the Trustee's opinion, more onerous obligations upon it or reduce its protections or require the Trustee to incur any liability for which it is not indemnified and/or secured and/or pre-funded to its satisfaction; and
- (ii) a supplemental trust is executed in such a form and manner as the Trustee may deem appropriate.

If the Issuer elects to substitute the Existing Notes for Substitute Notes in accordance with preceding paragraphs, then no further amounts shall be payable in respect of the Existing Notes from the Effective Date but without prejudice to the rights of the Holders of the Substitute Notes delivered in exchange therefor. The Issuer shall give, in the notice designating the Effective Date, details of the procedure that Holders must follow in order to exchange their Existing Notes for Substitute Notes. Any substitution under this Condition 2(e) shall be made in accordance with Condition 13 and the Agency Agreement.

Notwithstanding anything to the contrary contained in these Conditions, the substitution referred to in this Condition 2(e) shall be effective without the consent of the Noteholders and shall be effected by the Issuer entering into a supplemental trust deed to effect such substitution in such a form and manner as the Trustee may deem appropriate in accordance with this Condition 2(e).

In these Conditions:

"**BCBS**" means the Basel Committee on Banking Supervision.

"**CMD**" means any relevant laws or regulations applicable to the Issuer pursuant to, or which implement, or are enacted within the context of, a directive or regulation of the European Parliament and of the European Council establishing an EU-wide framework for the recovery and resolution of credit institutions and investment firms, a first draft of which was published by the European Commission on 6 June 2012, or such other resolution or recovery rules which may from time to time be applicable to the Issuer.

"**Fitch**" means Fitch Ratings Limited or any affiliate thereof.

"**HMRC**" means Her Majesty's Revenue & Customs.

"**Lead Regulator applicable to the Issuer**" means the PRA or any successor entity primarily responsible for the prudential supervision of the Issuer.

"**Moody's**" means Moody's Investors Service Limited or any affiliate thereof.

"**Qualifying Resolution Regime**" means a legal regime effective in the United Kingdom as set out in national law (which, for the avoidance of doubt, may include the CMD), the rules or guidelines of the Lead Regulator applicable to the Issuer or directly applicable European Union requirements, as applicable, pursuant to which securities are to be written off and/or converted to the ordinary shares of the issuer thereof if the issuer is determined to be no longer viable.

"**Qualifying Securities**" means dated subordinated securities issued directly or indirectly by the Issuer which comply with all of the following requirements (as determined by the Issuer in good faith and conclusively evidenced by the delivery by the Issuer to the Trustee of a certificate, certifying satisfaction of the requirements of sub-paragraphs (a) to (f) below, signed by two authorised signatories of the Issuer dated not less than five Business Days prior to the Effective Date, and the Trustee shall accept such certificate as sufficient evidence of satisfaction of sub-paragraphs (a) to (f) below, and it shall be conclusive and binding on the Noteholders):

- (a) such securities are (subject to sub-paragraphs (b) to (f) below) securities which are eligible in full (excluding for these purposes any non-recognition as a result of the customary regulatory amortisation in the five years immediately preceding maturity or any non-recognition due to applicable limitations on the amount of such capital) as Tier 2 capital under the rules or guidelines of the Lead Regulator applicable to the Issuer, and will not, at the time of issuance, become subject to a Capital Disqualification Event;
- (b) subject to the provisions of this sub-paragraph (b) and sub-paragraphs (c) to (f) below, the terms and conditions of such securities are identical to the terms and conditions of the Existing Notes (save for the Issue Date), including, for the avoidance of doubt, as to the status and subordination of the Notes, as to rates of interest and interest payment dates, as to rights to accrued interest in respect of the Existing Notes which has not been paid and as to rights to any other amounts which would have been payable in respect of the Existing Notes, including any rights to receive additional amounts under Condition 7 (*Taxation*), as to maturity date and as to redemption conditions, and further, the terms and conditions of such securities may not contain any contractual provision providing for loss absorption pursuant to which the principal amount in respect of the Substitute Notes may be written off and/or converted to the ordinary shares of the issuer of such securities, in the event of non-viability of the Issuer;
- (c) such securities may contain information with respect to the Qualifying Resolution Regime or the rules or guidelines of the Lead Regulator in this regard to which such securities are subject, if such information is necessary for such securities to qualify as



Tier 2 capital under the rules or guidelines of the Lead Regulator applicable to the Issuer **provided that** such securities may be subject to the provisions of a Qualifying Resolution Regime only to the extent that, immediately prior to such substitution, the Existing Notes were subject to such Qualifying Resolution Regime;

- (d) the Issuer has received either (A) confirmation from HMRC or (B) an opinion of a recognised independent tax counsel confirming no event specified in Conditions 6(b)(i), (ii) or, if specified as applicable in the relevant Final Terms, (iii) has occurred or is anticipated to occur as a result of the relevant substitution (taking into account any anticipated changes to the relevant guidelines of HMRC at such time);
- (e) such securities are (or will upon issue be) listed on a recognised stock exchange within the meaning of section 1005 of the Income Tax Act 2007 (as the same may be amended, supplemented or replaced from time to time) to the extent that the Existing Notes were so listed immediately prior to such substitution; and
- (f) such securities are (or are, upon issue, expected to be), in the opinion of the Issuer in consultation with the relevant Rating Agency, assigned or maintain (if any credit ratings were assigned to the Existing Notes immediately prior to such substitution), at a minimum, the same credit ratings which were assigned to the Existing Notes immediately prior to such substitution.

"**PRA**" means the Prudential Regulation Authority.

"**Rating Agency**" means each of Fitch, Moody's and S&P or their respective successors.

"**S&P**" means Standard & Poor's Credit Market Services Europe Limited or any affiliate thereof.

"**Tier 2 capital**" has the meaning given to it by the Lead Regulator applicable to the Issuer from time to time.

### 3. **Interest on Fixed Rate Notes and Resettable Notes**

#### (a) ***Interest on Fixed Rate Notes***

Notes which are specified in the relevant Final Terms as being Fixed Rate Notes (each a "**Fixed Rate Note**") will bear interest on the principal amount of each Note as at its date of issue (less, in the case of any Instalment Note, any principal amount on which interest shall have ceased to accrue in accordance with paragraph (h) below) at the applicable fixed rate or rates per annum specified in the relevant Final Terms as the rates of interest (each a "**Rate of Interest**") from the date specified in the relevant Final Terms as the interest commencement date (the "**Interest Commencement Date**"). Interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms (each a "**Fixed Interest Payment Date**") and on the date specified in the relevant Final Terms as the date on which such Notes are to be redeemed (the "**Maturity Date**"). The first payment of interest will be made on the first Fixed Interest Payment Date following the Interest Commencement Date.

#### (b) ***Interest on Resettable Notes***

Notes which are specified in the relevant Final Terms as being Resettable Notes (each a "**Resettable Note**") will bear interest on the principal amount of each Note as at its date of issue (less, in the case of any Instalment Note, any principal amount on which interest shall have ceased to accrue in accordance with paragraph (c) below):

- (i) from (and including) the date specified in the relevant Final Terms as the interest commencement date (the "**Interest Commencement Date**") until (but excluding) the First Resettable Note Reset Date at the Initial Rate of Interest;
- (ii) from (and including) the First Resettable Note Reset Date until (but excluding) the Second Resettable Note Reset Date or, if no such Second Resettable Note Reset Date is specified in the relevant Final Terms, the Maturity Date, at the First Reset Rate of Interest; and

- (iii) for each Subsequent Reset Period thereafter (if any), at the relevant Subsequent Reset Rate of Interest.

Interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms as being a Resettable Note Interest Payment Date and on the date specified in the relevant Final Terms as the Maturity Date. The first payment of interest will be made on the first Resettable Note Interest Payment Date following the Interest Commencement Date.

In this Condition 3(b):

**"Business Day"** means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the Business Day Centre(s) specified for this purpose in the relevant Final Terms;

**"First Margin"** means the margin specified as such in the relevant Final Terms;

**"First Resettable Note Reset Date"** means the date specified as such in the relevant Final Terms, **provided, however**, that if the date specified in the relevant Final Terms is not a Business Day, then such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day;

**"First Reset Period"** means the period from (and including) the First Resettable Note Reset Date until (but excluding) the Second Resettable Note Reset Date or, if no such Second Resettable Note Reset Date is specified in the relevant Final Terms, the Maturity Date;

**"First Reset Rate of Interest"** means, subject to Condition 3(c) (*Fallback Provision for Resettable Notes*) below, the rate of interest being determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate plus the First Margin;

**"Initial Rate of Interest"** means the initial rate of interest per annum specified as such in the relevant Final Terms;

**"Mid-Market Swap Rate"** means for any Reset Period the mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the frequency with which scheduled interest payments are payable on the Notes during the relevant Reset Period (calculated on the basis of the Day Count Fraction specified in the relevant Final Terms as determined by the Calculation Agent) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (i) has a term equal to the relevant Reset Period and commencing on the relevant Resettable Note Reset Date, (ii) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (iii) has a floating leg based on the Mid-Swap Floating Leg Benchmark Rate for the Mid-Swap Maturity (as specified in the applicable Final Terms) (calculated on the basis of the Day Count Fraction specified in the relevant Final Terms as determined by the Calculation Agent);

**"Mid-Market Swap Rate Quotation"** means a quotation (expressed as a percentage rate per annum) for the relevant Mid-Market Swap Rate;

**"Mid-Swap Floating Leg Benchmark Rate"** means:

- (i) where the Specified Currency is a currency other than euro, LIBOR; and
- (ii) where the Specified Currency is euro, EURIBOR;

**"Mid-Swap Rate"** means, in relation to a Reset Determination Date and subject to Condition 3(c) (*Fallback Provision for Resettable Notes*) below, either:

- (i) if Single Mid-Swap Rate is specified in the applicable Final Terms, the rate for swaps in the Specified Currency:

(A) with a term equal to the relevant Reset Period; and

(B) commencing on the relevant Resettable Note Reset Date,

which appears on the Relevant Screen Page; or

(ii) if Mean Mid-Swap Rate is specified in the applicable Final Terms, the arithmetic mean (expressed as a percentage rate per annum and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards) of the bid and offered swap rate quotations for swaps in the Specified Currency:

(A) with a term equal to the relevant Reset Period; and

(B) commencing on the relevant Resettable Note Reset Date,

which appear on the Relevant Screen Page,

in either case, as at approximately 11.00 a.m. in the principal financial centre of the Specified Currency on such Reset Determination Date, all as determined by the Calculation Agent;

**"Relevant Screen Page"** means such page, section, caption, column or other part of a particular information service as may be specified as such in the relevant Final Terms;

**"Reset Determination Date"** means, in respect of the First Reset Period, the second Business Day prior to the First Resettable Note Reset Date, in respect of the first Subsequent Reset Period, the second Business Day prior to the Second Resettable Note Reset Date and, in respect of each Reset Period thereafter, the second Business Day prior to the first day of each such Reset Period;

**"Resettable Note Reset Date"** means the First Resettable Note Reset Date, the Second Resettable Note Reset Date and every Subsequent Resettable Note Reset Date as may be specified as such in the relevant Final Terms; **provided, however, that** if the date specified in the relevant Final Terms is not a Business Day, then such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day;

**"Reset Period"** means the First Reset Period or a Subsequent Reset Period;

**"Subsequent Margin"** means the margin(s) specified as such in the relevant Final Terms;

**"Second Resettable Note Reset Date"** means the date specified as such in the relevant Final Terms; **provided, however, that** if the date specified in the relevant Final Terms is not a Business Day, then such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day;

**"Subsequent Reset Period"** means the period from (and including) the Second Resettable Note Reset Date to (but excluding) the next Resettable Note Reset Date, and each successive period from (and including) a Resettable Note Reset Date to (but excluding) the next succeeding Resettable Note Reset Date; and

**"Subsequent Reset Rate of Interest"** means, in respect of any Subsequent Reset Period and subject to Condition 3(c) (*Fallback Provision for Resettable Notes*) below, the rate of interest being determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate plus the applicable Subsequent Margin.

(c) ***Fallback Provision for Resettable Notes***

If on any Reset Determination Date the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page, the Calculation Agent shall request each of the Reference Banks (as defined below) to provide the Calculation Agent with its Mid-Market Swap Rate Quotation as at approximately 11.00 a.m. in the principal financial centre of the Specified Currency on the Reset Determination Date in question. If two or more of the Reference

Banks provide the Calculation Agent with Mid-Market Swap Rate Quotations, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the relevant Reset Period shall be the sum of the arithmetic mean (rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the relevant Mid-Market Swap Rate Quotations and the First Margin or Subsequent Margin (as applicable), all as determined by the Calculation Agent.

If on any Reset Determination Date only one or none of the Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this Condition 3(c), the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) shall be determined to be the rate of interest as at the last preceding Resetable Note Reset Date or, in the case of the first Reset Determination Date, the First Reset Rate of Interest shall be the Initial Rate of Interest.

For the purposes of this Condition 3(c), "**Reference Banks**" means the principal office in the principal financial centre of the Specified Currency of four major banks in the swap, money, securities or other market most closely connected with the relevant Mid-Swap Rate as selected by the Issuer on the advice of an investment bank of international repute.

(d) ***Notification of Rate of Interest for Resetable Notes***

The Agent Bank will cause the First Reset Rate of Interest or (if applicable) the relevant Subsequent Reset Rate of Interest for each interest period to be notified to the Issuer, the Principal Paying Agent, the London Stock Exchange plc, and, for as long as such Notes are represented by Global Notes, Euroclear and/or Clearstream, Luxembourg and/or such other clearing system or depository as may be set out in the relevant Final Terms as soon as possible after the determination thereof but in any event no later than the fourth business day thereafter. In respect of Resetable Notes which are Definitive Notes, the Agent Bank will give notice to the Noteholders of the First Reset Rate of Interest and (if applicable) the relevant Subsequent Reset Rate of Interest in accordance with the provisions of Condition 14.

(e) ***Calculation of Interest Amount for Fixed Notes or Resetable Notes***

The amount of interest payable in respect of a Fixed Rate Note or (as the case may be) Resetable Note in relation to any period shall be calculated by applying the Rate of Interest (in the case of a Fixed Rate Note) or the Initial Rate of Interest, First Reset Rate of Interest or (if applicable) relevant Subsequent Reset Rate of Interest (in the case of a Resetable Note) to:

- (i) in the case of Fixed Rate Notes or, as the case may be, Resetable Notes which are represented by a Global Note, the principal amount of the Notes represented by such Global Note during such Interest Period; or
- (ii) in the case of Fixed Rate Notes or, as the case may be, Resetable Notes in definitive form, the Calculation Amount (as defined in Condition 4(c)(v)) during such Interest Period, as so specified in the applicable Final Terms,

in each case, multiplying the product by the relevant Day Count Fraction (as defined in Condition 4(c)(v)) and rounding the resulting figure to the nearest applicable sub-unit of the currency in which the Note is denominated or, as the case may be, in which such interest is payable (one half of any sub-unit being rounded upwards). For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent. Where the Specified Denomination of a Fixed Rate Note or, as the case may be, Resetable Note in definitive form comprises more than one Calculation Amount, the amount of interest payable in respect of such Note shall be the aggregate of the amounts determined in the manner provided above for each Calculation Amount comprising the Specified Denomination without any further rounding.

(f) ***Determination or Calculation by the Trustee in relation to Resetable Notes***

If the Calculation Agent does not at any time for any reason determine the First Reset Rate of Interest or Subsequent Reset Rate of Interest, the Trustee shall do so and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the

Trustee shall apply the foregoing provisions of this Condition 3, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(g) ***Certificates, etc. to be Final***

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purpose of the provisions of this Condition 3 whether by the Calculation Agent, Agent Bank or the Trustee shall (in the absence of manifest error) be binding on the Issuer, the Trustee, the Paying Agents, (where appropriate) the Registrar and the Holders of Notes and of the Coupons appertaining thereto. No Holder of Notes or of the Coupons appertaining thereto shall be entitled to proceed against the Calculation Agent, Agent Bank, the Trustee, the Paying Agents, the Registrar or any of them in connection with the exercise or non-exercise by them of their powers, duties and discretions hereunder.

(h) ***Cessation of Interest Accrual***

Interest will cease to accrue on each Fixed Rate Note or Resetable Note on the due date for redemption thereof (or, in the case of an Instalment Note, in respect of each instalment of principal, on the due date for payment of the relevant Instalment Amount, as defined in Condition 6) unless, upon due presentation thereof or, in the case of a Registered Note, upon such due date, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue (as well after as before any judgment) up to and including the date on which, in the case of a Bearer Note, upon further presentation thereof, payment in full of the principal amount due in respect of such Fixed Rate Note or (as the case may be) Resetable Note is made or (if earlier) the date upon which notice is duly given to the Holder of such Fixed Rate Note or (as the case may be) Resetable Note that sufficient funds for payment of the principal amount due in respect of it, together with accrued interest, have been received by the Principal Paying Agent or the Trustee or, in the case of a Registered Note, the date on which payment in full is made.

4. **Interest on Floating Rate Notes**

(a) ***Accrual of Interest***

Notes which are specified in the relevant Final Terms as being Floating Rate Notes (each a "**Floating Rate Note**") bear interest on the principal amount of each Note as at its date of issue (less, in the case of any Instalment Note, any principal amount on which interest shall have ceased to accrue in accordance with the following paragraph) from the Interest Commencement Date specified in the relevant Final Terms.

Interest will cease to accrue on each Floating Rate Note on the due date for redemption thereof (or, in the case of an Instalment Note, in respect of each instalment of principal, on the due date for payment of the relevant Instalment Amount) unless, upon due presentation thereof or, in the case of a Registered Note, upon such due date, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue (as well after as before any judgement) up to and including the date on which, in the case of a Bearer Note, upon further presentation thereof, payment in full of the principal amount due in respect of such Note is made or (if earlier) the date upon which notice is duly given to the Holder of such Note that sufficient funds for payment of the principal amount due in respect of it, together with accrued interest, have been received by the Principal Paying Agent or the Trustee or, in the case of a Registered Note, the date on which payment in full is made.

(b) ***Interest Payment Dates and Interest Periods***

Interest on each Floating Rate Note will be payable in arrear on such dates as are specified in the relevant Final Terms for such purpose and on the due date for redemption of such Note (each, an "**Interest Payment Date**") **provided that**, if any Interest Payment Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next Business Day unless it would thereby fall in the next calendar month, in which event the Interest Payment Date shall be the

immediately preceding Business Day. The first payment of interest will be made on the first Interest Payment Date following the Interest Commencement Date.

The period from (and including) the Interest Commencement Date up to (but excluding) the first Interest Payment Date and each period thereafter from (and including) an Interest Payment Date to (but excluding) the next Interest Payment Date is referred to herein as an "**Interest Period**" and the expression "**Business Day**", as used in this Condition 4(b), shall mean a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the Business Day Centre(s) specified for this purpose in the relevant Final Terms.

(c) **Rate of Interest**

The rate at which Floating Rate Notes will bear interest (the "**Rate of Interest**") shall be determined by the Agent Bank on the basis of the following provisions:

- (i) the Rate of Interest in respect of an Interest Period and a Specified Currency shall, subject as provided below, be the Relevant Rate of the Benchmark (where such Relevant Rate is a composite quotation or interest rate per annum or is customarily supplied by one entity) or the arithmetic mean rounded upwards, if necessary, to the nearest 0.00001 per cent. of the Relevant Rates of the Benchmark for the Relevant Period which appear on the appropriate page of the Reuters Screen (as defined in paragraph (iv) below) or such other information vending service as may be set out in the relevant Final Terms as at, in the case of LIBOR, 11.00 a.m. (London time) or, in the case of EURIBOR, 11.00 a.m. (Brussels time) on the Interest Determination Date (as defined in paragraph (iv) below) plus or minus (as appropriate) the percentage rate per annum (if any) over or under the Relevant Rate or, as the case may be, arithmetic mean of the Relevant Rates of the Benchmark by which the Rate of Interest is to be determined as set out in the relevant Final Terms (the "**Margin**"), all as determined by the Agent Bank;
- (ii) if the Reuters Screen or such other information vending service as may be set out in the relevant Final Terms does not contain an appropriate page in respect of the Specified Currency, or if fewer than two of the Relevant Rates appear at such time (other than where such Relevant Rate is a composite quotation or rate or is customarily supplied by one entity), or if the rates which appear as at such time do not apply to a period of a duration equal to the Relevant Period, the Rate of Interest for such Interest Period shall be the Fallback Rate as set out in paragraph (iii) below plus or minus, as applicable, the applicable Margin;
- (iii) to determine the "**Fallback Rate**" the circumstances set out in (ii) above, the Agent Bank will:
  - (A) where the Specified Currency is euro:
    - (1) request the principal Euro-zone office of each of five major banks in the Euro-zone interbank market to provide a quotation of the rate at which deposits in euro are offered by it at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date to prime banks in the Euro-zone interbank market for a period equal to the Relevant Period in an amount that is representative for a single transaction in that market at that time; and
    - (2) discard the highest and lowest quotation and determine the arithmetic mean (rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, 0.000005 being rounded upwards) of such remaining quotations. If fewer than three such quotations are provided as requested, the Agent Bank will determine the arithmetic mean (rounded, if necessary, as aforesaid) of the rates quoted by major banks in the Euro-zone interbank market, selected by the Agent Bank, at approximately 11.00 a.m. (Brussels time) on the first day of the relevant Interest Period for loans in euro to leading Euro-zone banks for a period

equal to the Relevant Period and in an amount that is representative for a single transaction in that market at the time; or

- (B) in any other case, request appropriate quotations and will determine the arithmetic mean of the rate at which deposits in the Specified Currency are offered by three major banks (or, if fewer than three rates are so quoted, two major banks, or, if fewer than two rates are quoted, one major bank) in the London interbank market, selected by the Agent Bank, at approximately 11.00 a.m. (London time) on the Interest Determination Date in respect of the relevant Interest Period to prime banks in the London interbank market for a period equal to the Relevant Period and in an amount that is representative for a single transaction in the relevant market at the relevant time.
- (iv) The relevant Final Terms may specify a maximum rate of interest (a "**Maximum Rate of Interest**"). If a Maximum Rate of Interest is so specified, then the Rate of Interest in respect of an Interest Period shall in no event be greater than such Maximum Rate of Interest.
- (v) In this Condition 4(c), Condition 4(d) and Condition 5:
  - (a) the "**Benchmark**" means LIBOR or EURIBOR as may be set out in the relevant Final Terms;
  - (b) "**Calculation Amount**" means the calculation amount as set out in the relevant Final Terms;
  - (c) "**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**") such day count fraction as may be specified in the relevant Final Terms and:
    - (i) if "**Actual/Actual (ICMA)**" is so specified, means:
      - (1) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
      - (2) where the Calculation Period is longer than one Regular Period, the sum of:
        - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
        - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
    - (ii) if "**Actual/365**" or "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period in respect of which payment is being made divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

- (iii) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if "**Actual/365 (Sterling)**" is so specified, means the actual number of days in the Calculation Period divided by 365 or, in the case the last day of the Calculation Period falls in a leap year, 366;
- (v) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period in respect of which payment is being made divided by 360;
- (vi) if "**30/360**" is so specified, means the number of days in the Calculation Period in respect of which payment is being made in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

Day Count Fraction =

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

where:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D<sub>1</sub>**" is the first calendar day of the Calculation Period, expressed as a number, unless such number would be 31, in which case D1 will be 30; and

"**D<sub>2</sub>**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

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

Day Count Fraction =

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

where:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;



"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D<sub>1</sub>**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"**D<sub>2</sub>**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30;

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

Day Count Fraction =

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

where:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D<sub>1</sub>**" is the first calendar day of the Calculation Period, expressed as a number, of the Calculation Period unless (i) that day is the last day of February, or (ii) such number would be 31, in which case D1 will be 30; and

"**D<sub>2</sub>**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date, or (ii) such number would be 31, in which case D2 will be 30.

- (c) "**Regular Period**" means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to such date and ending on the first Determination Date after such date);
- (d) "**Relevant Rate**" means an offered rate where the Benchmark is LIBOR or EURIBOR;
- (e) the expression "**Interest Determination Date**" means the day determined by the Agent Bank to be customary for fixing the Benchmark rate applicable to deposits in the relevant currency for the relevant Interest Period; and

- (f) the expression "**the appropriate page of the Reuters Screen**" means such page, whatever its designation, on which the Benchmark rates for deposits in the relevant currency of prime banks are for the time being displayed on the Reuters Monitor Money Rates Services.

(d) ***Determination of Rate of Interest and Calculation of Interest Amount***

The Agent Bank will, as soon as practicable after, in the case of LIBOR, 11.00 a.m. (London time) or, in the case of EURIBOR, 11.00 a.m. (Brussels time) as may be set out in the relevant Final Terms on each Interest Determination Date, determine the Rate of Interest and calculate the amount of interest payable in respect of each denomination of the relevant Floating Rate Notes (the "**Interest Amount**") for the relevant Interest Period.

The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to:

- (i) in the case of Floating Rate Notes which are represented by a Global Note, the principal amount of the Notes represented by such Global Note during such Interest Period; or
- (ii) in the case of Floating Rate Notes in definitive form, the Calculation Amount during such Interest Period, as so specified in the applicable Final Terms,

and in each case multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent. Where the Specified Denomination of a Floating Rate Note in definitive form comprises more than one Calculation Amount, the amount of interest payable in respect of such Note shall be the aggregate of the amounts determined in the manner provided above for each Calculation Amount comprising the Specified Denomination without any further rounding.

(e) ***Notification of Rate of Interest and Interest Amount***

The Agent Bank will cause the Rate of Interest, the Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Principal Paying Agent, the London Stock Exchange plc and, for as long as such Notes are represented by Global Notes, Euroclear and/or Clearstream, Luxembourg and/or such other clearing system or depository as may be set out in the relevant Final Terms as soon as possible after the determination thereof but in any event no later than the fourth business day thereafter. In respect of Floating Rate Notes which are Definitive Notes, the Agent Bank will give notice to the Noteholders of the Rate of Interest, the Interest Amount and the relevant Interest Payment Date in accordance with the provisions of Condition 14. The Interest Amount and the Interest Payment Date so notified in respect of any Notes may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to the London Stock Exchange plc.

(f) ***Determination or Calculation by the Trustee***

If the Agent Bank does not at any time for any reason determine the Rate of Interest or calculate the Interest Amount, the Trustee shall do so and such determination or calculation shall be deemed to have been made by the Agent Bank. In doing so, the Trustee shall apply the foregoing provisions of this Condition 4, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(g) ***Certificates, etc. to be Final***

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purpose of the provisions of this Condition 4 whether by the Agent Bank or the Trustee shall (in the absence of manifest error) be binding on the

Issuer, the Trustee, the Paying Agents, (where appropriate) the Registrar and the Holders of Notes and of the Coupons appertaining thereto. No Holder of Notes or of the Coupons appertaining thereto shall be entitled to proceed against the Agent Bank, the Trustee, the Paying Agents, the Registrar or any of them in connection with the exercise or non-exercise by them of their powers, duties and discretions hereunder.

5. **Zero Coupon Notes**

If any amount in respect of any Note which is non-interest bearing (a "**Zero Coupon Note**") is improperly withheld or refused, they shall be redeemed at a redemption amount equal to the sum of:

- (i) the Reference Price as specified in the applicable Final Terms; and
- (ii) the product of the Accrual Yield as specified in the applicable Final Terms (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding):
  - (A) in the case of a Bearer Note, (i) the date on which such Note has been presented and payment in full of the principal amount due in respect of such Note is made or (ii) (if earlier) the date upon which notice is duly given to the Holder of such Note that sufficient funds for payment of the principal amount due in respect of it have been received by the Principal Paying Agent or the Trustee (except to the extent that there is subsequent default in payment); or
  - (B) in the case of a Registered Note, the date on which payment is made in full.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 5 or, if none is so specified, a Day Count Fraction of 30E/360.

6. **Redemption and Purchase**

(a) ***Final Redemption***

Unless previously redeemed or purchased and cancelled as specified below, Notes will be redeemed at their principal amount or such other redemption amount as may be set out in the relevant Final Terms on the Maturity Date specified in the relevant Final Terms. In the case of Notes specified in the relevant Final Terms as being undated, such Notes shall have no Maturity Date and shall be redeemed only in accordance with this Condition 6 or Condition 10.

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

If the Issuer satisfies the Trustee immediately prior to the giving of the notice referred to below that:

- (i) on a subsequent date for the payment of interest on any Series of Notes the Issuer would be required to pay any additional amounts in accordance with the provisions of Condition 7; or
- (ii) if the Issuer were to seek to redeem the Notes (for which purpose no regard shall be had as to whether or not the Issuer would otherwise be entitled to redeem such Notes), the Issuer would (notwithstanding its having made such endeavours as the Trustee shall consider reasonable) be required to pay any additional amounts in accordance with the provisions of Condition 7; or
- (iii) unless the relevant Final Terms specify that this Condition 6(b)(iii) does not apply, on a subsequent date for the payment of interest on any Series of Notes, interest payments (or funding costs of the Issuer as recognised in its accounts) under or with respect to the Notes are no longer fully deductible for UK corporation tax purposes,

then, subject to the final two paragraphs of this Condition 6(b), the Issuer may, having given not less than 30 nor more than forty five days' notice (ending, in the case of Floating Rate Notes, on an Interest Payment Date) to the Noteholders in respect of such Series of Notes, redeem all, but not some only, of the Notes, at their principal amount or such other redemption amount as may be set out in the relevant Final Terms together with interest accrued and unpaid, if any, to the date fixed for redemption **provided that** no such notice of redemption shall be given earlier than ninety days (or in the case of Floating Rate Notes a number of days which is equal to the aggregate of the number of days in the then current Interest Period plus sixty days **provided that** such aggregate number of days shall not be greater than ninety days) prior to the earliest date on which the Issuer would be obliged to pay such additional amounts or (if applicable) is unable to make such deduction, were a payment in respect of the Notes then due.

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

Subject only to the obligation of the Issuer to use such endeavours as aforesaid, it shall be sufficient, to establish the circumstances required to be established pursuant to this Condition 6(b), if the Issuer shall deliver to the Trustee a certificate of an independent legal adviser or accountant satisfactory to the Trustee to the effect either that such circumstances do exist or that, upon a change in or amendment to the laws (including any regulations pursuant thereto), or in the interpretation or administration thereof, of the United Kingdom, which at the date of such certificate is proposed and in the opinion of such legal adviser or accountant is reasonably expected to become effective on or prior to the date on which the relevant payment of principal or interest in respect of the Notes would otherwise be made, becoming so effective, such circumstances would exist.

The provisions of this Condition 6(b) shall apply in relation to Condition 2(e) Subordinated Notes only to the extent that the obligation of the Issuer to pay the additional amounts referred to in (i) or (ii) above or, if the Final Terms specify that Condition 6(b)(iii) applies, the Issuer's inability to deduct referred to in (iii) above arises in each case otherwise than as a result of a substitution referred to in Condition 2(e).

Notwithstanding any other provision in this Condition 6(b), unless Subordinated Notes or, as the case may be, Undated Subordinated Notes have (or will have on the date fixed for redemption) fully ceased to qualify as Tier 2 capital (whether or not such qualification occurred as a result of substitution in accordance with the provisions of Condition 2(e) and excluding for these purposes any non-recognition due to applicable limitations on the amount of such capital) under the rules or guidelines of the Lead Regulator applicable to the Issuer, the Issuer may redeem Subordinated Notes or, as the case may be, Undated Subordinated Notes in accordance with the provisions of this Condition 6(b) prior to the fifth anniversary of the Issue Date only if the Lead Regulator applicable to the Issuer has not amended its rules or guidelines in such a manner that such a redemption is not permitted.

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

Where this Condition 6(c) is stated to be applicable in the relevant Final Terms, Notes shall be redeemable at the option of the Issuer. In such case, the Issuer may at any time (in the case of Fixed Rate Notes, Resetable Notes or Zero Coupon Notes), on any Interest Payment Date (in the case of Floating Rate Notes), on giving (in accordance with Condition 14) not less than thirty nor more than sixty days' notice to the Noteholders (or such other period specified in the relevant Final Terms) (such notice being irrevocable) specifying the date fixed for such redemption, on the date so fixed, redeem all of such Notes (or, if so specified in the relevant Final Terms and subject as therein specified, some only of the Notes) at their principal amount or such other redemption amount as set out in the relevant Final Terms together with interest accrued thereon to the date fixed for redemption.

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

- (i) in the case of Bearer Notes (other than a temporary global Note or permanent global Note), the Notes to be redeemed shall be drawn by lot in such European city as the Principal Paying Agent may specify, or identified in such other manner or in such other place as the Principal Paying Agent and the Trustee may approve and deem appropriate and fair; and
- (ii) in the case of Registered Notes, the Notes shall be redeemed (so far as may be practicable) *pro rata* to their principal amounts, **provided always that** the amount redeemed in respect of each Note shall be equal to the minimum denomination thereof or an appropriate multiple thereof,

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

In the case of the redemption of part only of a Registered Note, a new Registered Note in respect of the unredeemed balance shall be issued in accordance with Condition 13 which shall apply as in the case of a transfer of Registered Notes as if such new Registered Note were in respect of the untransferred balance.

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

Where this Condition 6(d) is stated to be applicable in the relevant Final Terms, Notes shall be redeemable at the option of the Noteholders. In such case, upon any Noteholder giving to the Issuer notice of redemption (such notice being irrevocable) the Issuer will redeem in whole (but not in part) the Note(s) specified in such notice at their principal amount or such other redemption amount as may be set out in the relevant Final Terms together with interest accrued thereon to the date fixed for redemption.

In order to give such notice, the Holder must, not less than forty five days before the date for redemption as set out in the relevant Final Terms (or such other period as may be set out in the Final Terms), deposit the relevant Note (together, in the case of an interest-bearing Definitive Note, with any unmatured Coupons appertaining thereto) with, in the case of a Bearer Note, any Paying Agent, or, in the case of a Registered Note, the Registrar or any Transfer Agent together with a duly completed redemption notice in the form which is available from the specified office of any of the Paying Agents or, as the case may be, the Registrar or any Transfer Agent. The Holder of a Note may not exercise such option in respect of any Note which is the subject of an exercise by the Issuer of its option to redeem such Note under Condition 6(b), (c) or (i).

(e) ***Purchases***

The Issuer or any holding or subsidiary company of it or any subsidiary of any such holding company may at any time purchase Notes at any price in the open market or otherwise and may resell the same.

(f) ***Cancellation***

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

(g) ***Zero Coupon Notes***

Where Zero Coupon Notes are redeemed by the Issuer prior to the Maturity Date set out in the relevant Final Terms, they shall be redeemed at a redemption amount equal to the sum of:

- (i) the Reference Price as set out in the relevant Final Terms; and
- (ii) the product of the Accrual Yield as set out in the relevant Final Terms (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Notes becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 6(g) or, if none is so specified, a Day Count Fraction of 30E/360.

(h) ***Instalment Notes***

Instalment Notes will be redeemed by payment of the Instalment Amounts specified in the relevant Final Terms and each Instalment Amount shall be due and payable on the corresponding Instalment Date specified in the relevant Final Terms. In the case of early redemption, Instalment Notes will be redeemed at their outstanding principal amount.

(i) ***Redemption upon Capital Disqualification Event***

If this Condition 6(i) is specified as being applicable in the relevant Final Terms, then, following the occurrence of a Capital Disqualification Event and, in relation to Condition 2(e) Subordinated Notes, in the event that the Issuer is not able to substitute such Condition 2(e) Subordinated Notes in accordance with Condition 2(e) such that the Substitute Notes are eligible to be recognised in full (excluding for these purposes any non-recognition as a result of the customary regulatory amortisation in the five years immediately preceding maturity or any non-recognition due to any applicable limitations on the amount of such capital) as Tier 2 capital by the Lead Regulator applicable to the Issuer, the Issuer may, within ninety days of the occurrence of the relevant Capital Disqualification Event and on giving not less than thirty nor more than sixty days' notice (ending, in the case of Floating Rate Notes, on an Interest Payment Date) to the Trustee (with a copy to the Principal Paying Agent) and to the Noteholders in accordance with Condition 14, at its option, redeem all, but not some only, of the Subordinated Notes or as the case may be, Undated Subordinated Notes (such option to redeem being referred to herein as a "**Capital Disqualification Event Early Redemption Option**") at the Capital Disqualification Event Early Redemption Price specified in the relevant Final Terms, together with interest accrued and unpaid, if any, to the date fixed for redemption.

The Issuer may exercise the Capital Disqualification Event Early Redemption Option in respect of any Subordinated Note or, as the case may be, Undated Subordinated Note notwithstanding the prior exercise by the Holder thereof of its option to require the redemption of such Subordinated Note or, as the case may be, Undated Subordinated Note under Condition 6(d) above if the due date for redemption under this Condition 6(i) would occur prior to that under Condition 6(d) but not otherwise and, in such circumstances, the exercise of the option under Condition 6(d) shall be rendered ineffective.

Prior to giving the above notice to the Trustee pursuant to this Condition 6(i), the Issuer shall deliver to the Trustee a certificate signed by two authorised signatories of the Issuer stating that a Capital Disqualification Event has occurred and is continuing and, in relation to Condition 2(e) Subordinated Notes, it is not able to substitute the Subordinated Notes in accordance with Condition 2(e) above such that the Substitute Notes are eligible to be recognised in full (excluding for these purposes any non-recognition as a result of the customary regulatory amortisation in the five years immediately preceding maturity or any non-recognition due to any applicable limitations on the amount of such capital) as Tier 2 capital by the Lead Regulator applicable to the Issuer, and the Trustee shall accept such certificate without further inquiry as sufficient evidence of the same and it shall be conclusive and binding on the Noteholders.

In these Conditions:

a "**Capital Disqualification Event**" shall be deemed to have occurred if the Issuer determines, in good faith and after consultation with the Lead Regulator applicable to the Issuer, at any time after the Issue Date, that by reason of the non-compliance with the applicable criteria for Tier 2 capital, the Subordinated Notes or, as the case may be, Undated Subordinated Notes are fully excluded from Tier 2 capital of the Issuer (excluding for these purposes any non-recognition as a result of (i) any non-recognition due to any applicable limitations on the amount of such capital of the Issuer and (ii) any exclusion on or after 1 January 2022 due to the expiry of grandfathering provisions equivalent to those described in Articles 463 to 466 of the CRD IV Proposals); and

"**CRD IV Proposals**" means the text of the political agreement on the "Proposal for a Regulation of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms" published on 26 March 2013.

## 7. **Taxation**

All payments by the Issuer of principal and interest in respect of the Notes will be made without withholding or deduction for or on account of any taxes, duties, assessments or governmental charges of whatever nature, present or future, as are imposed or levied by or on behalf of the United Kingdom (or any authority or political subdivision therein or thereof having power to tax) unless the Issuer is required by law to withhold or deduct any such taxes, duties, assessments or governmental charges.

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

- (a) to, or to a third party on behalf of, a Holder of a Note or Coupon who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of such Note or Coupon; or
- (b) unless it is proved, in the case of Bearer Notes, to the satisfaction of the Principal Paying Agent or the Paying Agent to whom the same is presented, or, in the case of Registered Notes, to the satisfaction of the Registrar, that the Holder is unable to avoid such withholding or deduction by satisfying any statutory requirement or by making a declaration of non-residence or other similar claim for exemption to a Paying Agent or the relevant tax authorities (as applicable) or by notifying (and/or presenting evidence of such notification to) any tax authorities of such payment of principal or interest or by presenting the relevant Note or Coupon at the specified office of another Paying Agent (whether within or outside the European Union); or
- (c) more than thirty days after the Relevant Date (defined below) except, in the case of Bearer Notes, to the extent that the Holder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of thirty days; or
- (d) in the case of Registered Notes, unless the Holder, immediately upon becoming the Holder, (i) is eligible for the benefits of a tax treaty with the United Kingdom that provides for a complete exemption from withholding taxes on payments under the Notes, or (ii) is otherwise entitled to a complete exemption from withholding taxes on payments under the Notes; or
- (e) to, or to a third party on behalf of, a Holder who is not the sole beneficial owner of the Note or any Coupon, or a portion of either, or that is a fiduciary or partnership, but only to the extent that a beneficiary or settlor with respect to the fiduciary, a beneficial owner or member of the partnership would not have been entitled to the payment of an additional amount had the beneficiary, settlor, beneficial owner or member received directly its beneficial or distributive share of the payment; or

- (f) where such withholding or deduction is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

As used herein the "**Relevant Date**" means the date on which such payment first becomes due but, in the case of Bearer Notes, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such money having been so received, notice to that effect shall have been duly given to the relevant Noteholders in accordance with Condition 14.

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

- (i) any additional amounts which may be payable under this Condition 7 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed;
- (ii) the principal amount payable on the relevant Notes on the Maturity Date specified in the relevant Final Terms;
- (iii) the principal amount payable on redemption of the relevant Notes prior to such Maturity Date; and
- (iv) any premium and any other amounts which may be payable under or in respect of the relevant Notes.

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

## 8. **Payments**

### (a) ***Bearer Notes***

Payments of principal and interest (if any) in respect of Bearer Notes will (subject as provided below) be made against presentation and (save in the case of partial payment or payment of an Instalment Amount (other than the final Instalment Amount)) surrender of the relevant Note or, in the case of payments of interest, surrender of the relevant Coupon at the specified office of any Paying Agent outside the United States (subject to the next paragraph).

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

If the due date for payment of any amount due in respect of any Bearer Note is not both a Relevant Financial Centre Day and (unless the Notes are in global form) a Local Banking Day (each as defined below), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in



accordance with these Conditions in which event interest shall continue to accrue as provided in Condition 3 or 4, as appropriate.

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

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

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

Definitive Bearer Notes which are Fixed Rate Notes should be presented for payment with all unmatured Coupons appertaining thereto, failing which the face value of any missing unmatured Coupon (or, in the case of payment not being made in full, that portion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total amount of principal due) will be deducted from the sum due for payment. Any amount of principal so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon within a period of ten years from the Relevant Date (as defined in Condition 7) for the payment of such principal, whether or not such Coupon has become void pursuant to Condition 11 or, if later, five years from the date on which such Coupon would have become due.

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

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

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

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

(b) **Registered Notes**

Payment of the amount due on final redemption (the "**Final Redemption Amount**") in respect of Registered Notes will be made against presentation and, save in the case of partial payment of the Final Redemption Amount, surrender of the relevant Registered Notes at the specified office of the Registrar.

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

If the due date for payments of amounts in respect of any Registered Note is not both a Relevant Financial Centre Day and (if such Note is not in global form and in relation to payments of redemption amount only) a Local Banking Day (each as defined below), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Conditions in which event interest shall continue to accrue as provided in Condition 3 or 4, as appropriate.

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

(c) **General Provisions**

The following provisions apply to both Bearer Notes and Registered Notes. Payments of amounts due (whether principal, interest or otherwise) in respect of Notes will be made in the currency in which such amount is due either (a) by cheque, or (b) at the option of the payee, by transfer to an account denominated in the relevant currency specified by the payee. Payments of principal, interest and other amounts (if any) in respect of Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment but without prejudice to the provisions of Condition 7.

For the purposes of these Conditions:

- (i) "**Relevant Financial Centre Day**" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre or centres for the currency in which payment falls to be made (or, in the case of payments which fall to be made in euro, a Euro Business Day or, where such currency is a National Currency Unit (as defined in Condition 9) and the Notes have been redenominated into euro pursuant to Condition 9, the former principal financial centre or centres) and in any other place set out in the Final Terms;
- (ii) "**Local Banking Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the city in which the Paying Agent or the Registrar to which the relevant Note or Coupon is presented for payment, or the Registrar is located; and
- (iii) "**ISDA Definitions**" means the 2006 ISDA Definitions, (as amended and supplemented as at the date of issue of the first Tranche of the Notes of the relevant Series) as published by the International Swaps and Derivatives Association, Inc. (formerly the International Swap Dealers Association, Inc.).

Without prejudice to the generality of the foregoing, the Issuer reserves the right to require any person receiving payment of principal, interest and/or other sums or, as the case may be, payment

of interest with respect to any Note or Coupon to provide a Paying Agent with such certification or information as may be required to enable the Issuer to comply with the requirements of the U.S. federal income tax laws or such other laws as the Issuer may be required to comply with.

9. **Redenomination**

(a) **General**

Where redenomination is specified in the relevant Final Terms as being applicable, and in respect of Notes denominated in a National Currency Unit (as defined below) (the "**Relevant Currency**"), the Issuer may, without the consent of the Trustee or the Noteholders, on giving at least thirty days' prior notice to the Noteholders in accordance with Condition 14, designate a Redenomination Date in respect of such Notes.

With effect from the Redenomination Date:

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

effect until after they have been notified to the Noteholders in accordance with Condition 14.

None of the Issuer, the Trustee, or any Paying Agent will be liable to any Noteholder or other person for any commission, costs, losses or expenses in relation to or resulting from any credit or transfer of euro or any currency conversion or rounding effected in connection therewith.

(b) ***Interest***

Following redenomination of the Notes pursuant to Condition 9(a):

- (i) where Notes are in definitive form, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of the Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;
- (ii) in respect of Fixed Rate Notes where interest is payable annually, any interest required to be calculated for a period of less than one year in respect of the Notes shall be calculated on the basis of the actual number of days elapsed from (and including) the most recent Fixed Interest Payment Date (or, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**"), divided by the product of (i) the actual number of days in the Fixed Interest Period in which such Accrual Period falls and (ii) the number of Fixed Interest Periods in any year; **provided, however, that**, if the Issuer determines, with the prior agreement of the Trustee, that the market practice in respect of internationally offered euro denominated securities is different from that specified above, the above shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, each stock exchange (if any) on which the Notes are then listed and the Paying Agents of such deemed amendment;
- (iii) in respect of Fixed Rate Notes where interest is payable quarterly or semi-annually, the amount of interest payable in respect of each Note on any Fixed Interest Payment Date shall be calculated by applying the Rate of Interest to the principal amount of such Note, dividing the product by four or two (as the case may be) and rounding the figure down to the nearest euro 0.01. If interest is required to be calculated for any other period, it shall be calculated on the basis of the actual number of days elapsed from (and including) the most recent Fixed Interest Payment Date (or, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**"), divided by the product of (i) the actual number of days in the Fixed Interest Period in which such Accrual Period falls and (ii) the number of Fixed Interest Periods in any year; **provided, however, that**, if the Issuer determines, with the prior agreement of the Trustee, that the market practice in respect of such internationally offered euro denominated securities is different from that specified above, the above shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the Paying Agents of such deemed amendment; and
- (iv) in respect of Resettable Notes, Floating Rate Notes, the Rate of Interest for each Interest Period shall be determined by the Agent Bank on the basis of provisions which it determines, in its sole and absolute discretion, reflect the market practice in respect of such internationally offered euro denominated securities.

(c) ***Definitions***

As used in these Conditions:

"euro" and "EUR" means the lawful currency of the member states of the European Union that have adopted or adopt the single currency in accordance with the Treaty;

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

**"Fixed Interest Period"** means the period from (and including) a Fixed Interest Payment Date (as set out in the relevant Final Terms) to (but excluding) the next succeeding Fixed Interest Payment Date;

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

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

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

- (i) in relation to interest-bearing Notes, shall be a date on which interest in respect of such Notes is payable;
- (ii) is specified by the Issuer in the notice given to the Noteholders pursuant to Condition 9(a); and
- (iii) falls on or after such date as the country of the Relevant Currency becomes a Participating Member State; and

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

**"Treaty"** means the Treaty establishing the European Community, as amended.

## 10. **Enforcement**

- (a) In the case of any Series of Notes other than Subordinated Notes and Undated Subordinated Notes, if default is made for a period of seven days or more in the repayment of any principal due on the Notes of such Series or any of them or for a period of fourteen days or more in the payment of any interest due in respect of the Notes of such Series or any of them, then the Trustee may at its discretion, and if so requested by the Holders of at least one-fifth in principal amount of such Notes then outstanding or if so directed by an Extraordinary Resolution of the Holders of such Notes (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction) shall, give written notice to the Issuer that the Notes of such Series are immediately due and repayable, whereupon the principal amount of such Notes or such other amount as set out in the relevant Final Terms shall become immediately due and repayable together with interest accrued to (but excluding) the date of actual repayment, **provided that** it shall not be such a default to withhold or refuse any such payment:
  - (i) in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment; or
  - (ii) in cases of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice given at any time during the said period of fourteen days by independent legal advisers acceptable to the Trustee as to such validity or applicability.
- (b) In the case of any Series of Subordinated Notes or Undated Subordinated Notes:
  - (i) subject to Condition 2(c) and 2(d), if default is made for a period of seven days or more in the repayment of any principal due on the Notes of such Series or any of them or for a period of fourteen days or more in the payment of any interest due in respect of the Notes of such Series or any of them, then the Trustee may, in order to enforce payment, at its discretion and without further notice, in the case of a Series of Subordinated Notes or Undated Subordinated Notes, institute proceedings for the winding up of the Issuer in

England, **provided that** it shall not be such a default to withhold or refuse any such payment:

- (1) in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment; or
  - (2) in cases of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice given at any time during the said period of seven or fourteen days, as the case may be, by independent legal advisers acceptable to the Trustee as to such validity or applicability;
- (ii) the Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit and may, subject as hereinafter provided, institute proceedings for the winding up of the Issuer in England to enforce any obligation, condition or provision binding on the Issuer under the Trust Deed in relation to such Series of Subordinated Notes or Undated Subordinated Notes or under such Notes or the Coupons appertaining thereto (other than any obligation for the payment of any principal, interest or expenses in respect of such Notes or Coupons) **provided that** the Issuer shall not by virtue of the institution of any such proceedings other than proceedings for the winding up of the Issuer be obliged to pay any sum or sums (whether in respect of principal or interest or other sums in respect of the relevant Notes or the Coupons appertaining thereto or by way of damages in respect of any breach of any such obligation, condition or provision or otherwise howsoever). The Trustee may only institute proceedings for the winding up of the Issuer to enforce the obligations above referred to in this paragraph if a default by the Issuer thereunder is not remedied to the satisfaction of the Trustee within sixty days (or such longer period as the Trustee may permit) after notice of such default has been given to the Issuer by the Trustee requiring such default to be remedied.

*NB: The restriction on the payment of damages would have the effect of limiting the remedies available to the Trustee in the event of a breach of certain covenants by the Issuer.*

- (c) In the case of any Series of Notes, in the event of an order being made or an effective resolution being passed for the winding up of the Issuer in England (otherwise than in connection with a scheme of reconstruction or amalgamation the terms of which shall previously have been approved in writing by the Trustee or by an Extraordinary Resolution of the Holders of the relevant Series of Notes) the Trustee may declare the Notes of the relevant Series to be due and redeemable immediately (and such Notes shall thereby become so due and redeemable) at their principal amount together with accrued interest as provided in the Trust Deed (or, in the case of Undated Subordinated Notes, at the amount calculated pursuant to Condition 10(d) below) or at such other amount specified as the "Early redemption amount upon enforcement" in the relevant Final Terms.
- (d) In the event of the winding up of the Issuer in England (otherwise than in connection with a scheme of reconstruction or amalgamation the terms of which shall previously have been approved in writing by the Trustee or by an Extraordinary Resolution of the Holders of the relevant Series of Notes), each Series of Undated Subordinated Notes then outstanding shall be treated as if at the close of business on the business day in London preceding the commencement of the winding up of the Issuer the principal payable in respect of such Notes and accrued interest had been converted into Preference Shares credited as fully paid according to the following formula:

$$N = \frac{P}{R}$$

where

N = the number of Preference Shares into which each such Note is deemed to be converted, rounded down to the nearest whole number;

P = the principal amount of such Note and, in respect of such Note, all Arrears of Interest and accrued interest; and

R = the equivalent in the currency in which the principal amount of such Note is denominated of one United States dollar as determined as at 11.00 a.m. on such preceding business day in London by the Trustee by reference to market rates;

whereupon, the entitlement of the Holders of such Undated Subordinated Notes in respect of the principal repayable and interest payable in respect of such Notes shall be in lieu of the repayments and payments herein before provided (and subject to Condition 2), to be paid only such sums as would have been payable in respect of such Preference Shares exclusive of any tax credit given in relation to dividends payable thereon.

- (e) The Trustee shall not in any event be bound to take any of the actions referred to in Condition 10(b) (i) or (ii) or Condition 10(c) in respect of any Series of Notes unless (i) it shall have been so requested in writing by the Holders of at least one-fifth of the principal amount of the Notes of the relevant Series then outstanding or it shall have been so directed by an Extraordinary Resolution of the Holders of the Notes of the relevant Series and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.
- (f) No remedy against the Issuer (including any right of set off) other than as specifically provided by this Condition 10 or the Trust Deed shall be available to the Trustee, the Noteholders or Couponholders in respect of any Series of Notes whether for the recovery of amounts owing in respect of such Notes or the Coupons appertaining thereto or under the Trust Deed or in respect of any breach by the Issuer of any obligation, condition or provision under the Trust Deed or such Notes or Coupons or otherwise, and no Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or to proceed in any winding up of the Issuer in England unless the Trustee, having become bound to proceed, fails to do so within a reasonable period and such failure shall be continuing in which case any such Holder may, upon giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise), himself institute proceedings for the relevant remedy and/or prove in any winding up of the Issuer in England in respect of his Notes or, as the case may be, Coupons to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so.

#### 11. **Prescription**

Notes and Coupons will become void unless presented for payment within a period of 10 years and five years, respectively, from the Relevant Date (as defined in Condition 7) in respect thereof. Any monies paid by the Issuer to the Principal Paying Agent or the Trustee for the payment of the principal or interest in respect of any Notes or Coupons and remaining unclaimed when such Notes or Coupons become void will then revert to the Issuer and all liability of the Principal Paying Agent or the Trustee with respect thereto will thereupon cease.

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

#### 12. **Paying Agents, Transfer Agents, Agent Bank and Registrar**

The Agency Agreement contains provisions indemnifying the Principal Paying Agent, the Paying Agents and Transfer Agents (if any), the Agent Bank and the Registrar and absolving them from responsibility in connection with certain matters. The Agency Agreement may be amended by the parties thereto in relation to any Series of Notes if, in the opinion of the Issuer and the Trustee, the amendment will not materially adversely affect the interests of the relevant Holders.

The Issuer reserves the right at any time to vary or terminate the appointment of the Principal Paying Agent, any Paying Agent or Transfer Agent, the Agent Bank or the Registrar and to appoint additional or other Paying Agents and/or Transfer Agents or a substitute Agent Bank or a substitute Registrar, **provided that** it will, so long as any Notes are outstanding, maintain (i) an Agent Bank, (ii) a Paying Agent having a specified office in a city approved by the Trustee (such approval not to be unreasonably withheld or delayed) in Europe which, so long as any Notes are

admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, shall be the place required by such listing authority, stock exchange and/or quotation system, (iii) in the case of any Registered Notes, a Registrar with a specified office in England or such City as may be specified in the relevant Final Terms and (iv) following the introduction of the European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive, unless there is a paying agent in an EU Member State that is not obliged to withhold or deduct tax pursuant to such directive or law, a Paying Agent with a specified office outside the European Union. Notice of all changes in the identities or specified offices of any Paying Agent, Agent Bank or Registrar will be given by the Issuer to Noteholders in accordance with Condition 14.

13. **Replacement, Substitution, Exchange and Transfer**

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

Should the Issuer exercise its right to substitute Subordinated Notes for new Notes in accordance with Condition 2(e), any Subordinated Note subject to such substitution may be replaced on or after the Effective Date at the specified office (in the case of the Bearer Notes) of the Principal Paying Agent or such other Paying Agent or officer as the Trustee may approve or (in the case of Registered Notes) of the Registrar in accordance with the terms specified in the notice in relation to such substitution referred to in Condition 2(e). Subordinated Notes subject to substitution must be surrendered before the related Substitute Notes will be issued.

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

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

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

Each new Registered Note to be issued upon the transfer of a Registered Note or the exchange of a Bearer Note for a Registered Note will, within three Relevant Banking Days of the Transfer Date or, as the case may be, the Exchange Date be available for delivery at the specified office of



the Registrar or, at the option of the Holder requesting such exchange or transfer be mailed (by uninsured post at the risk of the Holder(s) entitled thereto) to such address(es) as may be specified by such Holder. As used herein:

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

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

The Registrar shall not be required to register the transfer of or exchange Registered Notes for a period of fifteen days preceding the due date for any payment of principal of or interest in respect of such Notes.

#### 14. **Notices**

- (a) All notices to the Holders of Notes or the Coupons appertaining thereto will be valid if published in one leading daily newspaper with general circulation in London (which is expected to be the Financial Times) or if such publication is not practicable, if published in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the date of the first such publication (or, if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers).

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

Notwithstanding the foregoing, any notices to Holders of Registered Notes will be deemed to have been validly given if mailed to their registered addresses (as advised by the Registrar) or to that of the first named of them in the case of joint Holders.

Notwithstanding the foregoing, while the Notes of any Series are represented by a Note or Notes in global form ("**Global Notes**") and such Global Notes are deposited with, or with a depositary for or on behalf of, Euroclear and/or Clearstream, Luxembourg and/or any other clearing system or depositary, each person who has for the time being a particular principal amount of the Notes credited to his securities account in the records of Euroclear or Clearstream, Luxembourg or such other clearing system or depositary shall be treated as the Holder in respect of that principal amount of the Notes for all purposes other than for the purposes of payment of principal and interest on such Notes, and in such case notices to the Holders may be given by delivery of the relevant notice to the relevant clearing system or depositary and such notices shall be deemed to have been given to the Holders holding through the relevant clearing system or depositary on the date of delivery to the relevant clearing system or depositary.

- (b) Notices given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Principal Paying Agent or other Paying Agent (if any) at its specified office.

- (c) For so long as any Registered Notes remain outstanding and are "**restricted securities**" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer has agreed under the Trust Deed that it shall, during any period in which it is neither subject to Section 13 or 15(d) under the United States Securities Exchange Act of 1934 (the "**Exchange Act**") nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, furnish to any Holder of, or beneficial owner of an interest in, such Registered Notes, or to any prospective purchaser thereof, upon request of such Holder, such information as is required to be provided pursuant to Rule 144A(d)(4) under the Securities Act in order to permit compliance with Rule 144A in connection with the resale of such restricted securities.

15. **Modification of Terms, Waiver and Substitution**

The Trust Deed contains provisions for convening meetings of the Holders of the Notes of any Series to consider any matter affecting their interests, including, subject to the agreement of the Issuer, the modification by Extraordinary Resolution of the terms and conditions of such Notes or the provisions of the Trust Deed with respect to such Notes except, *inter alia*, certain terms concerning the amount and currency and the postponement of the due date of payment of the Notes and the Coupons appertaining thereto or interest or other amount payable in respect thereof, the modification of which may only be effected if passed at a meeting the quorum at which is persons holding or representing a clear majority, or at any adjourned such meeting not less than one third, in principal amount of the Notes of such Series for the time being outstanding.

An Extraordinary Resolution passed at any meeting of the Holders of the Notes of any Series will be binding on all Holders of Notes of that Series, whether or not they are present at the meeting, and on the Holders of Coupons appertaining to the Notes of that Series.

Subject to certain exceptions, the Trustee may agree, without the consent of the Holders of Notes of any Series or the Holders of the Coupons appertaining thereto (if any) to:

- (i) any modification of any of the provisions of the Trust Deed; and
- (ii) any waiver or authorisation of any breach or proposed breach of any of the provisions of the Trust Deed,

which, in either case, is not in the opinion of the Trustee materially prejudicial to the interests of the Holders of Notes of that Series. Any such modification, waiver or authorisation shall be binding on the Holders of Notes of that Series and the Holders of the Coupons appertaining thereto and, unless the Trustee agrees otherwise, shall be notified to the Holders of Notes of that Series as soon as practicable thereafter.

Subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Holders of Notes of any Series or the Holders of the Coupons appertaining thereto (if any), the Trustee may also agree, subject to such Notes and the Coupons appertaining thereto being irrevocably guaranteed by the Issuer (on a subordinated basis in the case of Subordinated Notes or Undated Subordinated Notes), to the substitution of a subsidiary or holding company of the Issuer or any subsidiary of any such holding company in place of the Issuer as principal debtor under such Notes and the Coupons appertaining thereto (if any) and the Trust Deed insofar as it relates to such Notes.

In connection with the exercise of its powers, trusts, authorities or discretions (including, but not limited to those in relation to any proposed modification, waiver, authorisation, or substitution as aforesaid) the Trustee shall have regard to the interests of the Holders of the Notes of the relevant Series as a class and in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders resulting from the individual Noteholders or Couponholders being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

16. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of Notes having the benefit of the Trust Deed.

17. **Law and Jurisdiction**

The Trust Deed, the Notes and the Coupons (if any) and all matters arising from or connected with the Trust Deed, the Notes and the Coupons (if any) are governed by, and shall be construed in accordance with, English law. The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**"), arising from or connected with the Notes.

In the case of a substitution under Condition 15, the Trustee may agree, without the consent of the Holders of the Notes of any Series or of the Coupons appertaining thereto, to a change of the law governing the Notes of any Series or the Coupons appertaining thereto and/or the Trust Deed insofar as it relates to such Series of Notes **provided that** such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Holders of the Notes of such Series, but the Trustee shall, in giving such agreement, have regard to the interests of the Holders of the Notes of such Series as a class and in particular, but without limitation, shall not have regard to the consequences of such change for individual Noteholders or Couponholders 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 the Trustee shall not be entitled to require, nor shall any Holders of the Notes of any Series or of the Coupons appertaining thereto be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequences of any such substitution upon individual Holders of the Notes of any Series or of the Coupons appertaining thereto.

18. **Third Party Rights**

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

## UNITED KINGDOM TAXATION

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

### (A) United Kingdom Withholding Tax

1. Interest on Notes issued for a term of less than one year (and which are not issued under arrangements the effect of which is to render the Notes part of a borrowing with a total term of one year or more) may be paid by the Issuer without withholding or deduction for or on account of United Kingdom income tax.
2. Notes issued by the Issuer which carry a right to interest will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange within the meaning of section 1005 of the Income Tax Act 2007. Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on such Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

Notes will be regarded as "listed on a recognised stock exchange" for this purpose if (and only if) they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange.

The London Stock Exchange is a recognised stock exchange and accordingly the Notes will constitute quoted Eurobonds provided they are and continue to be included in the United Kingdom official list and admitted to trading on the Regulated Market of that exchange.

3. In all cases falling outside the exemptions described above, interest on the Notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

### (B) Provision of information

4. Noteholders and Couponholders should note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Holder. In certain circumstances, the information so obtained may be passed by HMRC to the tax authorities of certain other

jurisdictions. For the above purposes, "interest" should be taken, for practical purposes, as including payments made by a guarantor in respect of interest on Notes.

5. The provisions referred to above may also apply, in certain circumstances, to payments made on redemption of any Notes which constitute "deeply discounted securities" as defined for the purposes of Schedule 23, Finance Act 2011 (although, in this regard, HMRC published guidance for the year 2012/2013 indicates that HMRC will not exercise its power to obtain information in relation to such payments in that year).
6. Information may also be required to be reported in accordance with regulations made pursuant to the EU Savings Directive (see below).

(C) **Other Rules Relating to United Kingdom Withholding Tax**

7. Notes may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on any such Notes should not be subject to any United Kingdom withholding tax pursuant to the provisions mentioned in (A) above, but may be subject to reporting requirements as outlined above.
8. Where Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax provisions and reporting requirements as outlined above.
9. Where interest has been paid under deduction of United Kingdom income tax, Noteholders or Couponholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.
10. The references to "**interest**" above mean "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation. Noteholders and Couponholders should seek their own professional advice as regards the withholding tax treatment of any payment on the Notes which does not constitute "interest" or "principal" as those terms are understood in United Kingdom tax law.
11. Where a payment on a Note does not constitute (or is not treated as) interest for United Kingdom tax purposes, and the payment has a United Kingdom source, it would potentially be subject to United Kingdom withholding tax if, for example, it constitutes (or is treated as) an annual payment or a manufactured payment for United Kingdom tax purposes (which will be determined by, amongst other things, the terms and conditions completed by the Final Terms of the Note). In such a case, the payment may fall to be made under deduction of United Kingdom tax (the rate of withholding depending on the nature of the payment), subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply.
12. The above summary under the heading "*United Kingdom Taxation*" assumes that there will be no substitution of the Issuer pursuant to Condition 15 (*Modification of Terms, Waiver and Substitution*) of the Notes and does not consider the tax consequences of any such substitution.

## **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 or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at a rate of 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 or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

## UNITED STATES TAXATION

**IMPORTANT INFORMATION:** U.S. federal tax information contained in the following discussion (i) is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code and (ii) was written to support the promotion and marketing of the transactions and matters addressed herein.

The following summary describes certain of the principal U.S. federal income tax consequences resulting from the purchase, ownership and disposition of Notes other than Subordinated Notes and Undated Subordinated Notes, and references in the following summary to "**Notes**" shall be construed accordingly.

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

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

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

### **Treatment of Notes**

Except as otherwise provided in a prospectus supplement, the Issuer intends to treat Notes that are principal protected as indebtedness for U.S. federal income tax purposes; however, the IRS is not bound by this determination and the Notes could be recharacterised. Any such recharacterisation could materially affect the timing or character of the income required to be recognised by U.S. Holders for U.S. federal income tax purposes. Prospective investors are urged to consult with their tax advisers as to the likelihood and likely effect of any such recharacterisation. The remainder of this summary assumes the Notes discussed herein are properly characterised as indebtedness for U.S. federal income tax purposes.

### **U.S. Holders of Notes**

#### *Payments of Interest*

Generally, payments of interest on a Note that is not a Discount Note (as defined below) will be taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received, in accordance with the U.S. Holder's regular method of accounting for U.S. federal income tax purposes.

## ***Original Issue Discount***

### *General*

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

For U.S. federal income tax purposes, OID is the excess of the stated redemption price at maturity of a Note over its issue price, if such excess equals or exceeds a *de minimis* amount (generally defined as ¼ of 1-per cent. of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity from its issue date). The issue price of each Note in an issue of Notes is the first price at which a substantial amount of such issue of Notes has been sold to the public (ignoring sales to bond houses, broker-dealers, or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers). The stated redemption price at maturity of a Note generally is the sum of all payments provided for by the Note other than qualified stated interest payments. The term "**qualified stated interest**" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate.

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

### *Election to Treat all Interest as OID*

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



### **Short-Term Notes**

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

### **Variable Rate Debt Instruments**

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

A "**qualified floating rate**" is any variable rate such that variations in the value of such rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Floating Rate Notes are denominated. Although a multiple of a qualified floating rate will generally not itself constitute a qualified floating rate, a variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35 will constitute a qualified floating rate. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Floating Rate Notes will together constitute a single qualified floating rate. Two or more qualified floating rates will be conclusively presumed to meet the requirements of the previous sentence if the values of all rates on the issue date are within 25 basis points of each other. A variable rate is not a qualified floating rate if it is subject to certain restrictions (including caps, floors, governors, or other similar restrictions) unless such restrictions are fixed throughout the term of the Floating Rate Note or are not reasonably expected to significantly affect the yield on the Floating Rate Note.

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

throughout the term of the Floating Rate Notes or are not reasonably expected to significantly affect the yield on the Floating Rate Notes).

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

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

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

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

### ***Acquisition Premium***

A U.S. Holder that purchases a Note for an amount less than or equal to the Note's stated redemption price at maturity but in excess of its adjusted issue price (this excess being "**acquisition premium**") and that does not make the election described above under "*Original Issue Discount- Election to Treat All Interest as OID*" is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder's adjusted basis in the Note immediately after its purchase over the Note's adjusted issue price, and the denominator of which is the excess of the Note's stated redemption price at maturity over the Note's adjusted issue price. No OID will accrue on a Note purchased for more than its stated redemption price at maturity. In the event the Notes are denominated in a currency other than the U.S. dollar, acquisition premium will be computed in units of the foreign currency, and acquisition premium that is taken into account currently will reduce interest income in units of the foreign currency. On the date acquisition premium offsets interest income, a U.S. Holder may recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) measured by the difference between the spot rate in effect on that date, and on the date the Notes were acquired by the U.S. Holder.

## ***Notes that are Contingent Payment Debt Instrument***

### *Interest Accruals on the Notes*

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

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

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

The Issuer also is required by the CPDI Regulations to determine, solely for U.S. federal income tax purposes, a projected payment schedule of the projected amounts of payments (the "**Projected Payments**") on any Note that is a CPDI. The schedule must produce the comparable yield. The applicable Final Terms for any Note that is a CPDI will specify the Projected Payments for such Note. Under the noncontingent bond method, the Projected Payments are not revised to account for changes in circumstances that occur while the Notes are outstanding. See "*Adjustments to Interest Accruals*" below.

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

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

### *Adjustments to Interest Accruals*

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

U.S. Holder's interest income on the Notes during prior taxable years (reduced to the extent such interest was offset by prior Net Negative Adjustments).

### ***Amortisable Bond Premium***

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

### ***Sale, Exchange or Retirement of a Note***

Except as discussed above, upon the sale, exchange or retirement of a Note, a U.S. Holder generally will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement (other than amounts representing accrued and unpaid interest, which amounts will be taxable as ordinary income) and such U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note generally will equal such U.S. Holder's initial investment in the Note increased by any OID included in income, decreased by the amount of any payments that are not payments of qualified stated interests and any amortisable bond premium applied to reduce interest income with respect to such Note. Such gain or loss generally will be long-term capital gain or loss if the Note has been held by such U.S. Holder for more than one year at the time of such sale, exchange or retirement.

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

### ***Redenomination in Euros***

Under the applicable U.S. Treasury regulations, if, solely as a result of the currency of legacy currencies to the euro, rights and obligations with respect to a Note denominated in a legacy currency become rights or obligations with respect to a Note denominated in euros, such event is not treated as a sale or exchange of the Note. Accordingly, redenomination of the Notes in euros, as may be effected under the terms of the Notes, should not constitute a taxable event for U.S. federal income tax purposes. Each U.S. Holder is advised to consult its own tax adviser as to the impact of such redenomination under U.S. federal income tax rules.

### *Foreign Currency Notes*

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

#### *Payments of Interest In a Foreign Currency*

##### *Cash Method*

A U.S. Holder that uses the cash method of accounting for U.S. federal income tax purposes and receives a payment of interest on a Note (other than OID) will be required to include in income the U.S. dollar value of the Foreign Currency payment (determined on the date such payment is actually or constructively received) regardless of whether the payment is in fact converted to U.S. dollars at that time, and such U.S. dollar value will be the U.S. Holder's tax basis in such Foreign Currency.

##### *Accrual Method*

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

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

##### *Market Discount*

Market discount that is accrued by a U.S. Holder on a Foreign Currency Note will be accrued in such foreign currency. If the U.S. Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder's taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A U.S. Holder that does not elect to include market discount in income currently will recognise, upon the disposition or maturity of the Foreign Currency Note, the U.S. dollar value of the amount accrued, calculated at the spot rate on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

##### *Purchase, Sale, Exchange and Retirement of Notes*

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

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

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

#### *OID*

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

#### *Amortisable Bond Premium*

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

#### *Exchange of Foreign Currencies*

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

#### *Foreign Tax Credit*

The total gross amount of interest, OID, plus any additional amounts (pursuant to Condition 7 (*Taxation*) of the Notes) with respect thereto, will constitute interest income subject to U.S. federal income tax. This amount will be considered income from sources outside the United States and, with certain exceptions, will be grouped together with other items of "passive" income for purposes of computing the foreign tax credit allowable to a U.S. Holder. However the foreign tax credit rules are very complex and prospective

purchasers should consult their tax advisers concerning the foreign tax credit implications of the payment of United Kingdom taxes.

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

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

Subject to the discussion of certain Non-U.S. Holders and the discussion of backup withholding below, (a) payment of principal, premium, redemption amount and interest by the Issuer or any paying agent to a Non-U.S. Holder will not be subject to U.S. federal income or withholding tax, **provided that** such Non-U.S. Holder provides the Issuer, when necessary, appropriate documentation evidencing its status as a Non-U.S. Holder, (b) gain realised by a Non-U.S. Holder on the sale or redemption of the Notes is not subject to U.S. federal income tax or withholding tax and (c) the Notes are not subject to U.S. federal estate tax if held by an individual who was a Non-U.S. Holder at the time of his or her death. Special rules may apply in the case of Non-U.S. Holders (i) that are engaged in a U.S. trade or business, (ii) that are former citizens or long-term residents of the United States, "controlled foreign corporations," "passive foreign investment companies," corporations which accumulate earnings to avoid U.S. federal income tax, and certain foreign charitable organisations, each within the meaning of the Code, or (iii) certain non-resident alien individuals who are present in the United States for one hundred and eighty three days or more during a taxable year. Such persons are urged to consult their U.S. tax advisers before purchasing Notes.

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

For each calendar year in which the Notes are outstanding, each DTC participant or indirect participant holding an interest in a Note on behalf of a beneficial owner of a Note and each paying agent making payments in respect of a Registered Note will generally be required to provide the IRS with certain information, including such beneficial owner's name, address, taxpayer identification number (either such beneficial owner's Social Security number, its employer identification number or its IRS individual taxpayer identification number, as the case may be), and the aggregate amount of interest (including OID) and principal paid to such beneficial owner during the calendar year. These reporting requirements, however, do not apply with respect to certain beneficial owners, including corporations, securities broker-dealers, other financial institutions, tax-exempt organisations, qualified pension and profit sharing trusts and individual retirement accounts.

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

U.S Holders should consult their own tax advisers regarding any reporting requirements they may have as a result of their acquisition, ownership or disposition of the Notes.

## NOTICE TO PURCHASERS OF 144A NOTES AND TRANSFER RESTRICTIONS

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

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

- (a) such 144A Offeree acknowledges that this Base Prospectus is personal to such 144A Offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes other than pursuant to Rule 144A or in offshore transactions in accordance with Regulation S. Distribution of this 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 this Base Prospectus or any documents referred to herein.

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

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

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF THE ISSUER THAT THIS NOTE MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (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, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), OR (4) TO THE ISSUER OR ITS AFFILIATES."

In addition, each purchaser of Restricted Notes acknowledges that the Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Restricted Notes for the account of one or more



qualified institutional buyers it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Before any interest in a Note represented by a Restricted Global Registered Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Registered Note, it will be required to provide the Registrar with written certification (in the form scheduled to the Agency Agreement) as to compliance with the transfer restrictions referred to in sub-clauses (2) and (3) of the legend set forth above. See "*Forms of Notes; Summary of Provisions relating to the Notes while in Global Form*".

## SUBSCRIPTION AND SALE

HSBC Bank plc (the "**Dealer**") has in a modified and restated dealer agreement dated 11 April 2013 (the "**Dealer Agreement**", which expression includes any amendments and supplements thereto) agreed with the Issuer a basis upon which it may from time to time agree either as principal or agent of the Issuer to subscribe for or purchase, to underwrite or, as the case may be, to procure subscribers or purchasers for Notes. When entering into any such agreement to subscribe for or purchase, to underwrite, or as the case may be, to procure subscribers for or purchasers for any particular Series of Notes, the Issuer and the Dealer(s) will agree details relating to the form of such Notes and the Conditions relating to such Notes. The Dealer Agreement contains provisions for the Issuer to appoint other dealers (together with the Dealer, the "**Dealers**") from time to time either generally in respect of the Programme or in relation to a particular Tranche of Notes. **The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.**

### General

Save for having obtained the approval of this Base Prospectus by the UK Listing Authority no action has been or will be taken in any country or jurisdiction by the Issuer or the Dealers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Base Prospectus or any Final Terms come are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they subscribe for, purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

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

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in a supplement to this Base Prospectus.

### *United States of America*

The Notes have not been and will not be registered under the Securities Act or any state securities laws, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except in accordance with Regulation S or Rule 144A under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act.

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

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

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

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. The Dealer Agreement provides that the Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes within the United States only to qualified institutional buyers in reliance on Rule 144A.

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

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

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

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

This Base Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States to non-U.S. persons and for the resale of the Notes in the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than the number of Notes which may be offered pursuant to Rule 144A. This Base Prospectus does not constitute an offer to any person in the United States or to any U.S. person other than any qualified institutional buyer within the meaning of Rule 144A to whom an offer has been made directly by one of the Dealers or an affiliate of one of the Dealers. Distribution of this Base Prospectus by any non-U.S. person outside the United States or by any qualified institutional buyer in the United States to any U.S. person or to any other person within the United States other than any qualified institutional buyer and those persons, if any, retained to advise such non-U.S. person or qualified institutional buyer

with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States other than any qualified institutional buyer and those persons, if any, retained to advise such non-U.S. person or qualified institutional buyer, is prohibited.

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

***Selling restrictions addressing additional United Kingdom securities laws***

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

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 ("**FSMA**") by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

## GENERAL INFORMATION

1. The establishment and continuation of the Programme was authorised pursuant to resolutions of the Board of Directors of the Issuer passed on 26 May 2000, 25 May 2001, 26 April 2002, 25 April 2003, 30 April 2004, 30 September 2005, 24 November 2006, 29 February 2008, 22 January 2009, 20 January 2010, 19 January 2011, 18 January 2012 and 18 January 2013.
2. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Series will be set out in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.
3. Settlement arrangements will be agreed between the Issuer, the relevant Dealer and the Principal Paying Agent or, as the case may be, the Registrar in relation to each Tranche of Notes.
4. In relation to the Issuer, any transfer of, or payment in respect of, a Note or Coupon involving the government of any country which is at the relevant time the subject of United Nations sanctions, any person or body resident in, incorporated in or constituted under the laws of any such country or exercising public functions in any such country or any person or body controlled by any of the foregoing or by any person acting on behalf of the foregoing may be subject to restrictions pursuant to such sanctions.
5. So long as Notes are capable of being issued under this Programme, the following documents may be inspected during normal business hours at the registered office of the Issuer:
  - (a) the constitutional documents of the Issuer;
  - (b) the Dealer Agreement;
  - (c) the Agency Agreement;
  - (d) the Trust Deed (including the Forms of Notes, Coupons, Talons and Receipts);
  - (e) the Annual Report and Accounts of the Issuer and its subsidiary undertakings for the years ended 31 December 2011 and 31 December 2012 together with all other audited consolidated annual reports and accounts of the Issuer subsequent to 31 December 2012;
  - (f) in the case of any issue of listed notes, any Final Terms will generally only be available for inspection by a holder of such Note and such holder must provide evidence satisfactory to the Issuer as to the identity of such holder; and
  - (g) in the case of any issue of listed notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).
6. The Trust Deed provides that the Trustee may rely on certificates or reports from the Auditors (as defined in the Trust Deed) and/or any other expert in accordance with the provisions of the Trust Deed whether or not any such certificate or report or engagement letter or other document entered into by the Trustee and the Auditors or such other expert in connection therewith contains any limit on liability (monetary or otherwise) of the Auditors or such other expert.
7. The Issuer will, at its registered office, at the registered office of HSBC Bank plc and at the specified offices of the Paying Agents, make available for inspection during normal office hours, free of charge, upon oral or written request, a copy of this Base Prospectus and any document incorporated by reference therein prepared in relation to the Programme. Written or oral requests for such documents should be directed to the specified office of any Paying Agent.
8. The Issuer may, on or after the date of this Base Prospectus, make applications for one or more certificates of approval under Article 18 of the Prospectus Directive as implemented in the United Kingdom to be issued by the FCA to the competent authority in any Member State.

9. This Base Prospectus and all the documents incorporated by reference herein will be available for viewing at [www.hsbc.com](http://www.hsbc.com) (please follow links to 'Investor relations', 'Fixed income securities', 'Issuance programmes').
10. In the case of Subordinated Notes or Undated Subordinated Notes, unless such Notes have (or will have on the date fixed for redemption) ceased fully to qualify as part of the Issuer's regulatory capital, the Issuer shall not exercise any right under the Conditions to redeem, substitute or purchase Notes prior to their Maturity Date (if applicable) unless the Issuer has first obtained a Relevant Supervisory Consent, if the same is required at such time by the Lead Regulator applicable to the Issuer.

For these purposes, a "**Relevant Supervisory Consent**" means as required, a consent or waiver to, or, following the giving of any required notice, the receipt of no objection to, the relevant redemption, substitution or purchase from the Lead Regulator applicable to the Issuer.

In the event any Subordinated Notes or Undated Subordinated Notes are to be redeemed in accordance with the Conditions prior to the fifth anniversary of their issue date, due to the occurrence of either a Capital Disqualification Event or pursuant to Condition 6(b) (*Redemption for Taxation Reasons*) the Relevant Rules oblige and are currently expected to continue to oblige the Issuer to demonstrate to the satisfaction of the Lead Regulator applicable to the Issuer that the relevant event was not reasonably foreseeable at the Issue Date, prior to the Relevant Supervisory Consent being obtained for such redemption.

For these purposes, "**Relevant Rules**" means the capital requirement rules from time to time as applied by the Lead Regulator applicable to the Issuer and as amended from time to time, including by virtue of the implementation of the CRD IV and/or the CMD.

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## REGISTRATION DOCUMENT



### HSBC Holdings plc

*(a company incorporated with limited liability in England with registered number 617987)*

This document (which expression shall include this document and all documents incorporated by reference herein) has been prepared for the purpose of providing disclosure information with regard to HSBC Holdings plc ("**HSBC Holdings**" or the "**Issuer**") and has been approved by the United Kingdom Financial Conduct Authority (the "**FCA**"), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC, as amended (the "**Prospectus Directive**") and relevant implementing measures in the United Kingdom (the "**UK Listing Authority**"), as a registration document ("**Registration Document**") issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of providing the information with regard to HSBC Holdings as issuer of debt or derivative securities during the period of twelve months after the date hereof.

This Registration Document includes details of the long-term and short-term credit ratings assigned to the Issuer by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"), Moody's Investors Service Limited ("**Moody's**") and Fitch Ratings Limited ("**Fitch**"). Each of S&P, Moody's and Fitch are established in the European Union and are registered as Credit Rating Agencies under Regulation (EU) No. 1060/2009, as amended (the "**CRA Regulation**"). As such, each of S&P, Moody's and Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

Certain risk factors relating to the Issuer are set out in "**Risk Factors**" on page 3.

11 April 2013

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## **RISK FACTORS**

*Prospective investors in any securities issued by the Issuer should carefully consider risk factors associated with the business of the Issuer and the industry in which it operates together with all other information contained in this Registration Document, including, in particular, the risk factors incorporated by reference into this section. The Issuer considers such risk factors to be the principal risk factors that may affect the Issuer's ability to fulfil its obligations under the Notes.*

*The risk factors incorporated by reference herein do not comprise an exhaustive list or explanation of all risks which investors may face when making an investment in securities issued by the Issuer and should be used as guidance only. Additional risks and uncertainties relating to the Issuer that are not currently known to the Issuer, or that the Issuer currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and its subsidiaries ("**HSBC**" or the "**Group**"), and, if any such risk should occur, the price of any securities issued by the Issuer may decline and investors could lose all or part of their investment.*

The section entitled "Top and emerging risks" on pages 130 to 136 of the 2012 Annual Report and Accounts, as incorporated by reference herein on page 5, sets out a description of the risk factors that may affect the ability of the Issuer to fulfil its obligations to investors in relation to any of its securities.

## IMPORTANT NOTICES

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

*This Registration Document is to be read and construed with all documents incorporated by reference into it.*

*No person has been authorised to give any information or to make any representation not contained in or not consistent with this Registration Document, including any documents incorporated by reference herein, and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, any trustee or any dealer appointed in relation to any issue of debt or derivative securities by the Issuer.*

*This Registration Document, including any documents incorporated by reference herein, should not be considered as a recommendation by the Issuer, any trustee or any dealer appointed in relation to any issue of debt or derivative securities by the Issuer that any recipient of this Registration Document, including any document incorporated by reference herein, should purchase any debt or derivative securities issued by the Issuer. Each investor contemplating subscribing for or purchasing debt or derivative securities issued by the Issuer should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. No part of this Registration Document including any documents incorporated by reference herein constitutes an offer or invitation by or on behalf of the Issuer, any trustee or any dealer appointed in relation to any issue of debt or derivative securities by the Issuer or any of them to any person to subscribe for or to purchase any of the debt or derivative securities issued by the Issuer.*

*Neither the delivery of this Registration Document or any documents incorporated by reference herein or any prospectus or any Final Terms nor the offering, sale or delivery of any debt or derivative securities shall, in any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof, or that the information contained in this Registration Document is correct at any time subsequent to the date hereof or that any other written information delivered in connection herewith or therewith is correct as of any time subsequent to the date indicated in such document. Any dealer or trustee appointed in relation to any issue of debt or derivative or securities by the Issuer expressly does not undertake to review the financial condition or affairs of the Issuer or its subsidiary undertakings during the life of such securities.*

*The distribution of this Registration Document, including any document incorporated by reference herein, and the offer or sale of securities issued by the Issuer may be restricted by law in certain jurisdictions. Persons into whose possession this Registration Document or any document incorporated by reference herein or any securities issued by the Issuer come must inform themselves about, and observe, any such restrictions. For a description of certain restrictions on offers, sales and deliveries of securities issued by the Issuer and on the distribution of this Registration Document, including any document incorporated by reference herein, see the applicable description of arrangements relating to subscription and sale of the relevant debt or derivative securities in the relevant prospectus.*

*In this Registration Document and in relation to any securities issued by the Issuer, references to the "relevant dealers" are to whichever of the dealers enters into an agreement for the issue of such securities issued by the Issuer as described in the applicable description of arrangements relating to subscription and sale of the relevant debt or derivative securities in the relevant prospectus and references to the "relevant Final Terms" are to the Final Terms relating to such securities.*

## DOCUMENTS INCORPORATED BY REFERENCE

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

- the 2011 Annual Report and Accounts of the Issuer and its subsidiary undertakings for the year ended 31 December 2011 submitted to and filed with the UK Listing Authority (the "**2011 Annual Report and Accounts**");
- the 2012 Annual Report and Accounts of the Issuer and its subsidiary undertakings for the year ended 31 December 2012 submitted to and filed with the UK Listing Authority (the "**2012 Annual Report and Accounts**", and, together with the 2011 Annual Report and Accounts, the "**Financial Information**"); and
- the Form 20-F of the Issuer dated 12 March 2013 filed with the Securities and Exchange Commission

(as set out at:

<http://www.sec.gov/Archives/edgar/data/1089113/000119312513103187/0001193125-13-103187-index.htm>

(for the avoidance of doubt, such website and any information appearing on such website and pages do not form part of this Registration Document).

The Issuer will, at its registered office, and at the specified offices of the paying agents specified on the final page of this Registration Document (the "**Paying Agents**"), make available for inspection during normal business hours and free of charge, upon oral or written request, a copy of this Registration Document including any document incorporated by reference herein. Written or oral requests for inspection of such documents should be directed to the specified office of any Paying Agent. Additionally, this Registration Document and all the documents incorporated by reference herein will be available for viewing at [www.hsbc.com](http://www.hsbc.com) (please follow links to 'Investor relations', 'Fixed income securities' and 'Issuance programmes').

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

## HSBC HOLDINGS PLC AND ITS SUBSIDIARY UNDERTAKINGS

### Introduction

HSBC Holdings and its subsidiaries is one of the largest banking and financial services organisations in the world, with a market capitalisation of US\$194 billion at 31 December 2012.

HSBC Holdings is a public limited company registered in England and Wales under registration number 617987. The liability of members is limited. It has its registered and head office at 8 Canada Square, London, E14 5HQ, United Kingdom; telephone number +44 20 7991 8888. The Issuer was incorporated on 1 January 1959 under the Companies Act 1948 as a limited company and was re-registered under the Companies Act 1985 as a public limited company.

As at 31 December 2012, the Group had total assets of US\$2,692,538 million, and total shareholders' equity of US\$175,242 million. For the year ended 31 December 2012, the Group's operating profit was US\$17,092 million on total operating income of US\$82,545 million. The Group had a tier 1 capital ratio of 13.4 per cent. and a core tier 1 capital ratio of 12.3 per cent. as at 31 December 2012.

Headquartered in London, HSBC operates through long-established businesses and has an international network of some 6,600 offices in 81 countries and territories in six geographical regions; Europe, Hong Kong, Rest of Asia-Pacific, Middle East and North Africa, North America and Latin America. Within these regions, a comprehensive range of financial services is offered to personal, commercial, corporate, institutional, investment and private banking clients.

HSBC's products and services are delivered to clients through four global businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking.

Since the establishment in 1999 of HSBC as a uniform, international brand name, the Group's hexagon corporate symbol has become a familiar sight across the world.

### Ratings

HSBC Holdings has been assigned the following long-term credit ratings:

- A+ by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"). This means that S&P is of the opinion that HSBC Holdings has a strong capacity to meet its financial commitments;
- Aa3 by Moody's Investors Service Limited ("**Moody's**"). This means that Moody's is of the opinion that HSBC Holdings is judged to be of high quality and is subject to very low credit risk; and
- AA- by Fitch Ratings Limited ("**Fitch**"). This means that Fitch is of the opinion that HSBC Holdings poses expectations of very low credit risk, indicates very strong capacity for payment of financial commitments and this capacity is not significantly vulnerable to foreseeable events.

HSBC Holdings has also been assigned the following short-term credit ratings:

- A-1 by S&P. This means that S&P is of the opinion that HSBC Holdings' capacity to meet its financial commitment on its short-term obligations is strong;
- P-1 by Moody's. This means that Moody's is of the opinion that HSBC Holdings has a superior ability to repay short-term debt obligations; and



- F1+ by Fitch. This means that Fitch is of the opinion that HSBC Holdings has the strongest intrinsic capacity for timely payment of short-term financial commitments.

Each of S&P, Moody's and Fitch are established in the European Union and are registered as Credit Rating Agencies under Regulation (EU) No. 1060/2009.

### **History and development**

The founding member of HSBC, The Hongkong and Shanghai Banking Corporation ("**The Hongkong and Shanghai Banking Corporation**"), was established in both Hong Kong and Shanghai in 1865. The bank expanded rapidly, with an emphasis on building up representation in mainland China and throughout the rest of Asia, while also establishing a presence in the major financial and trading centres in Europe and America.

In the mid-1950s, The Hongkong and Shanghai Banking Corporation embarked on a strategy of pursuing profitable growth through acquisition as well as organic development – a combination that has remained a key feature of HSBC's approach ever since.

With each acquisition, HSBC has focused on integrating its newly acquired operations with its existing businesses with the aim of maximising the synergy between the various components. Key to this integration process is the blending of local and international expertise.

The Hongkong and Shanghai Banking Corporation purchased The Mercantile Bank of India Limited and The British Bank of the Middle East, now HSBC Bank Middle East Limited, in 1959. In 1965, The Hongkong and Shanghai Banking Corporation acquired a 51 per cent. interest (subsequently increased to a 62.14 per cent. interest) in Hang Seng Bank Limited ("**Hang Seng Bank**"), consolidating its leadership position in Hong Kong. Hang Seng Bank is the fourth-largest listed bank in Hong Kong by market capitalisation.

The Hongkong and Shanghai Banking Corporation entered the US market in 1980 by acquiring a 51 per cent. interest in Marine Midland Banks, Inc., now HSBC USA, Inc. The remaining interest was acquired in 1987.

In 1981, The Hongkong and Shanghai Banking Corporation incorporated its existing Canadian operations, now HSBC Bank Canada. HSBC Bank Canada has since made numerous acquisitions, expanding rapidly to become the largest foreign-owned bank in Canada.

From the early 1980s, The Hongkong and Shanghai Banking Corporation began to focus its acquisition strategy on the UK. In 1987, it purchased a 14.9 per cent. interest in Midland Bank plc, now HSBC Bank plc ("**HSBC Bank**"), one of the UK's principal clearing banks. In 1991, HSBC Holdings was established as the parent company of the Group and, in 1992, it purchased the remaining interest in HSBC Bank. As a consequence of this acquisition, HSBC's head office was transferred from Hong Kong to London in January 1993.

In 1997, HSBC assumed selected assets, liabilities and subsidiaries of Banco Bamerindus do Brasil S.A., now HSBC Bank Brasil S.A.-Banco Múltiplo following the intervention of the Central Bank of Brazil, and in Argentina completed the acquisition of Grupo Roberts, now part of HSBC Bank Argentina S.A.

In 1999, HSBC acquired Republic New York Corporation, subsequently merged with HSBC USA, Inc., and Safra Republic Holdings S.A. In 2004, HSBC Bank USA, Inc. merged with HSBC Bank & Trust (Delaware) N.A. to form HSBC Bank USA, N.A.

To expand its base in the euro zone, HSBC completed its acquisition of 99.99 per cent. of the issued share capital of Crédit Commercial de France S.A., now HSBC France, in 2000.

In 2002, HSBC took further steps in expanding its presence in the Americas, completing the acquisition of 99.59 per cent. of Grupo Financiero Bital, S.A. de C.V., the holding company of what is now HSBC México, S.A, Institución de Banca Múltiple, Group Financiero HSBC.

In 2003, HSBC acquired Household International, Inc., now HSBC Finance Corporation.

Also in 2003, HSBC expanded in Brazil, acquiring Banco Lloyds TSB S.A.-Banco Múltiplo and the country's leading consumer finance company, Losango Promotora de Vendas Limitada.

In 2004, the acquisition of The Bank of Bermuda Limited now HSBC Bank Bermuda Limited, was completed.

In the same year, HSBC acquired Marks and Spencer Retail Financial Services Holdings Limited, which trades as Marks and Spencer Money ("**M&S Money**") in the UK.

Mainland China remains a key long-term growth area for the Group. In 2004, HSBC acquired 19.9 per cent. of Bank of Communications Limited. In 2007, following public offerings of new shares, HSBC's holding in Bank of Communications Limited was reduced to 18.60 per cent, but was subsequently increased to 19.03 per cent.

In 2005, HSBC increased its holding in Ping An Insurance (Group) Company of China, Limited ("**Ping An Insurance**") to 19.9 per cent., having made its initial investment in 2002. Ping An Insurance is the second-largest life insurer and the third-largest property and casualty insurer in mainland China. In 2007, following a public offering of new shares, HSBC's holding in Ping An Insurance was reduced to 16.78 per cent. In December 2012, HSBC announced an agreement to sell its entire shareholding in Ping An Insurance, the sale of which was completed on 6 February 2013, generating a gain of US\$3.0 billion.

In 2005, HSBC Finance completed the acquisition of Metris Companies Inc.

In 2006, HSBC completed its acquisition of 99.98 per cent. of the outstanding shares of Grupo Banistmo S.A. Grupo Banistmo is the leading banking group in Central America.

In 2008, HSBC acquired the assets, liabilities and operations of The Chinese Bank Co., Limited in Taiwan. In the same year, HSBC completed the sale of its seven French regional banks.

In 2009, HSBC completed its acquisition of 88.89 per cent. of PT Bank Ekonomi Raharja Tbk in Indonesia.

Continuing the Group-wide review of HSBC's businesses, 26 disposals or closures of non-strategic and non-core investments were announced in 2012, and a further four in 2013, taking the total to 47 since 2011. The most significant of these transactions which were completed in 2012 were the sale of the US Card and Retail Services business and the upstate New York branches for a total gain of US\$4.0 billion.

In 2012, HSBC merged its operations in Oman with those of the Oman International Bank S.A.O.G and acquired the onshore retail and commercial banking businesses of Lloyds Banking Group in the United Arab Emirates.

## Strategy

HSBC's strategic objective is to become the world's leading international bank.

HSBC's strategic direction is aligned to two long-term trends:

- Financial flows – the world economy is becoming ever-more connected. Growth in world trade and cross-border capital flows continues to outstrip growth in average gross domestic product. Financial flows between countries and regions are highly concentrated, and over the next decade HSBC expects 35 markets to represent 90 per cent. of world trade growth with a similar degree of concentration in cross-border capital flows.
- Economic development – HSBC expects economies currently deemed 'emerging' to have increased five-fold in size by 2050, benefiting from demographics and urbanisation, by which time they will be larger than the developed world. By then, HSBC expects 19 of the 30 largest economies will be markets that are currently described as emerging.

HSBC is one of the few truly international banks and its advantages lie in the extent to which its network corresponds with markets relevant to international financial flows, its access and exposure to high growth markets and businesses, and its strong balance sheet, which helps to generate a resilient stream of earnings.

Based on these long-term trends and HSBC's competitive position, its strategy has two parts:

- Network of businesses connecting the world – HSBC is well positioned to capture the growing international financial flows. Its global reach and range of services put it in a strong position to serve corporate clients as they grow from small enterprises into large and international corporates. Its access to local retail funding and its suite of international products allows HSBC to offer distinctive solutions for these clients profitably.
- Wealth management and retail with local scale – social mobility and wealth creation in the faster-growing markets in which HSBC is positioned will generate demand for financial services which it will meet through its Wealth Management and Global Private Banking businesses. HSBC will only invest in retail businesses in markets where it can achieve critical mass.

To implement this strategy HSBC has set priorities to simplify, restructure and grow the Group.

## Corporate Governance

HSBC is committed to high standards of corporate governance. Throughout the year to 31 December 2012, HSBC has complied with the applicable code provisions of The UK Corporate Governance Code issued by the Financial Reporting Council, save that the Group Risk Committee (all the members of which are independent non-executive Directors), which was established in accordance with the recommendations of the Report on Governance in UK banks and other financial industry entities, is responsible for the oversight of internal control (other than internal control over financial reporting) and risk management systems. If there were no Group Risk Committee, these matters would be the responsibility of the Group Audit Committee.

The Board of HSBC has adopted a code of conduct for transactions in HSBC securities by Directors. The code of conduct complies with The Model Code in the Listing Rules of the FCA. Following specific enquiry, each Director has confirmed that he or she has complied with the code of conduct for transactions in HSBC securities throughout the year, save that, on 15 June 2012, an independent non-

executive Director acquired an interest as beneficial owner in 3,950 retail bonds and as non-beneficial owner in 1,170 retail bonds of RMB10,000 each issued by HSBC Bank plc before giving notification and receiving written clearance to deal. On 10 January 2013, an independent non-executive Director disposed of an interest as beneficial owner in 500 units of euro-denominated preferred securities of EUR1,000 each issued by HSBC Capital Funding (Euro 2) L.P. before giving notification. All Directors have since been reminded of their obligations under the code of conduct for transactions in HSBC securities.

### **Regulation and supervision**

HSBC's operations throughout the world are regulated and supervised by over 450 different central banks and other regulatory authorities in those jurisdictions in which HSBC has offices, branches or subsidiaries. These authorities impose a variety of requirements and controls designed to provide financial stability, transparency in financial markets and a contribution to economic growth. These regulations and controls cover, inter alia, capital adequacy, depositor protection, market liquidity, governance standards, customer protection (for example, fair lending practices, product design and marketing and documentation standards), and social responsibility obligations (for example, anti-money laundering, anti-bribery and corruption, and anti-terrorist financing measures). In addition, a number of countries in which HSBC operates impose rules that affect, or place limitations on, foreign or foreign-owned or controlled banks and financial institutions. The rules include restrictions on the opening of local offices, branches or subsidiaries and the types of banking and non-banking activities that may be conducted by those local offices, branches or subsidiaries; restrictions on the acquisition of local banks or regulations requiring a specified percentage of local ownership; and restrictions on investment and other financial flows entering or leaving the country. Country-specific supervisory and regulatory regimes will determine to some degree HSBC's ability to expand into new markets, the services and products that HSBC will be able to offer in those markets and how HSBC structures specific operations. As a result of government interventions in response to global economic conditions, there has been (and it is expected that there will continue to be) a substantial increase in government regulation and supervision of the financial services industry, including the imposition of higher capital and liquidity requirements, heightened disclosure standards and restrictions on certain types of products or transaction structures.

The Prudential Regulation Authority supervises HSBC on a consolidated basis and it has certain limited direct supervisory powers over the Issuer. In addition, each operating bank, finance company or insurance operation within HSBC is regulated by local supervisors. The primary regulatory authorities are those in the UK, Hong Kong and the US, HSBC's principal jurisdictions of operation. However, and in addition, the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority, as the three European supervisory authorities, are also likely to have greater influence on the supervisory agenda and regulatory approach across the EU. Developments in the EU could lead to changes in how HSBC is regulated and supervised on a day-to-day basis as each of these authorities develops its powers having regard to some of the regulatory initiatives highlighted in HSBC's 2012 Annual Report and Accounts.

The UK financial services regulatory structure is currently in the process of substantial reform. As of 1 April 2013, legislation abolished what was the UK Financial Services Authority (the "FSA") and established three new regulatory bodies. These three bodies comprise the Financial Policy Committee ("FPC"), the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"). The FPC does not directly supervise firms; it is responsible for macro-prudential regulation and considering systemic risk affecting economic and financial stability. The PRA and the FCA have inherited the majority of the FSA's existing functions as the micro-prudential supervisors. Some subsidiaries of the Issuer such as HSBC Bank will be "dual-regulated" firms, subject to prudential

regulation by the PRA and to conduct regulation by the FCA. These reforms endow the new regulatory bodies with additional powers. For example, under certain circumstances, the PRA and FCA are now able to issue directions to unregulated qualifying parent undertakings such as HSBC Holdings.

## DIRECTORS OF HSBC HOLDINGS

**D J Flint**, CBE, Group Chairman

**Skills and experience:** extensive governance experience gained through membership of the Boards of HSBC and BP p.l.c.; considerable knowledge of finance and risk management in banking, multinational financial reporting, treasury and securities trading operations; honoured with a CBE in recognition of his services to the finance industry; member of the Institute of Chartered Accountants of Scotland and the Association of Corporate Treasurers. Fellow of The Chartered Institute of Management Accountants. Joined HSBC in 1995.

**Appointed to the Board:** 1995

**Current appointments include:** director of The Hong Kong Association; and Chairman of the Institute of International Finance since 6 June 2012. A member of the Mayor of Beijing's International Business Leaders' Advisory Council as well as the Mayor of Shanghai's International Business Leaders' Advisory Council; and a member of the International Advisory Board of the China Europe International Business School, Shanghai.

**Former appointments include:** Group Finance Director and Chief Financial Officer; and Executive Director, Risk and Regulation. Co-Chairman of the Counterparty Risk Management Policy Group III; Chairman of the Financial Reporting Council's review of the Turnbull Guidance on Internal Control; member of the Accounting Standards Board and the Standards Advisory Council of the International Accounting Standards Board; served on the Large Business Forum on Tax and Competitiveness and the Consultative Committee of the Large Business Advisory Board of HM Revenue and Customs; partner in KPMG; and non-executive director and Chairman of the Audit Committee of BP p.l.c.

**S T Gulliver**, Group Chief Executive

**Skills and experience:** a career banker with over 30 years' international experience with HSBC; has held a number of key roles in the Group's operations worldwide, including in London, Hong Kong, Tokyo, Kuala Lumpur and the United Arab Emirates; played a leading role in developing and expanding Global Banking and Markets, the wholesale banking division of the Group with operations in over 65 countries and territories. Joined HSBC in 1980.

**Appointed to the Board:** 2008

**Current appointments include:** Chairman of The Hongkong and Shanghai Banking Corporation Limited; and Chairman of the Group Management Board. A member of the Monetary Authority of Singapore International Advisory Panel since 1 June 2012 and a member of the International Advisory Council of the China Banking Regulatory Commission since 10 July 2012.

**Former appointments include:** Chairman, Europe, Middle East and Global Businesses and Chairman of HSBC Bank plc, HSBC Bank Middle East Limited and HSBC Private Banking Holdings (Suisse) SA. Head of Global Banking and Markets; Co Head of Global Banking and Markets; Head of Global Markets; Head of Treasury and Capital Markets in Asia-Pacific; Deputy Chairman of HSBC Trinkaus & Burkhart AG and a member of its Supervisory Board. Ceased to be Chairman of HSBC France on 22 November 2012.

**S A Catz †**

**Skills and experience:** a background in international business leadership, having helped transform Oracle into the largest producer of business management software and the world's leading supplier of software for information management.

**Appointed to the Board:** 2008

**Current appointments include:** President and Chief Financial Officer of Oracle Corporation. Joined Oracle in 1999 and appointed to the board of directors in 2001.

**Former appointments include:** Managing Director of Donaldson, Lufkin & Jenrette.

**L M L Cha, GBS †**

*Member of the Corporate Sustainability Committee and, since 1 January 2013, Chairman.*

**Skills and experience:** extensive regulatory and policy making experience in the finance and securities sector in Hong Kong and mainland China; formerly Vice Chairman of the China Securities Regulatory Commission, being the first person outside mainland China to join the Central Government of the People's Republic of China at vice-ministerial rank; awarded Gold and Silver Bauhinia Stars by the Hong Kong Government for public service; formerly Deputy Chairman of the Securities and Futures Commission in Hong Kong; and has worked in the US and Asia.

**Appointed to the Board:** 2011

**Current appointments include:** non-executive Deputy Chairman of The Hongkong and Shanghai Banking Corporation Limited; non-official member of the Executive Council of Hong Kong SAR; a Hong Kong Deputy to the 12th National People's Congress of China; non-executive director of China Telecom Corporation Limited; member of the Advisory Board of the Yale School of Management; Senior International Advisor for Foundation Asset Management Sweden AB; member of the State Bar of California; and Chairman of the Financial Services Development Council of Hong Kong SAR since 17 January 2013. Appointed a non-executive director of Unilever PLC with effect from 14 May 2013.

**Former appointments include:** non-executive director of Bank of Communications Co., Ltd., Baoshan Iron and Steel Co. Limited; Johnson Electric Holdings Limited; and Chairman of the University Grants Committee in Hong Kong. Ceased to be a director of Hong Kong Exchanges and Clearing Limited on 24 April 2012; Tata Consultancy Services Limited on 29 June 2012; Chairman of the ICAC Advisory Committee on Corruption on 31 December 2012; and Chairman of the Task Force on the Financial Services Development Council of Hong Kong SAR on 17 January 2013.

**M K T Cheung, GBS, OBE †**

*Member of the Group Audit Committee.*

**Skills and experience:** a background in international business and financial accounting, particularly in Greater China and the wider Asian economy; retired from KPMG Hong Kong in 2003 after more than 30 years; awarded the Gold Bauhinia Star by the Hong Kong Government. Fellow of the Institute of Chartered Accountants in England and Wales.

**Appointed to the Board:** 2009

**Current appointments include:** non-executive director of Hang Seng Bank Limited and HKR International Limited; non-executive Chairman of the Airport Authority Hong Kong and the Council of

the Hong Kong University of Science and Technology; director of The Association of Former Council Members of The Stock Exchange of Hong Kong Limited and The Hong Kong International Film Festival Society Ltd; and a member of the Working Group on Transportation under the Economic Development Commission of the Hong Kong SAR Government since 17 January 2013.

**Former appointments include:** non-executive director of Sun Hung Kai Properties Limited and Hong Kong Exchanges and Clearing Limited; Chairman and Chief Executive Officer of KPMG Hong Kong; and council member of the Open University of Hong Kong. Ceased to be a non-official member of the Executive Council of the Hong Kong SAR on 1 July 2012.

**J B Comey †**

*Member of the Financial System Vulnerabilities Committee on 4 March 2013.*

**Skills and experience:** extensive experience in both the public and private sectors in the US federal and state justice systems and as General Counsel to leading international businesses. Former US Deputy Attorney General responsible for supervising operations of the US Department of Justice. As US Attorney for the Southern District of New York, oversaw the prosecution of corporate executives on fraud and securities-related charges and international drug cartels.

**Appointed to the Board:** 4 March 2013

**Current appointments include:** Columbia University Law School, Senior Research Scholar and Hertog Fellow on National Security Law.

**Former appointments include:** General Counsel of Bridgewater Associates, LP. Senior Vice President and General Counsel of Lockheed Martin Corporation; US Deputy Attorney General; US Attorney for the Southern District of New York; and Assistant US Attorney for the Eastern District of Virginia.

**J D Coombe †**

*Chairman of the Group Audit Committee and member of the Group Risk Committee and Group Remuneration Committee.*

**Skills and experience:** a background in international business, financial accounting and the pharmaceutical industry. Formerly Chief Financial Officer of GlaxoSmithKline plc with responsibility for the Group's financial operations globally. Fellow of the Institute of Chartered Accountants in England and Wales.

**Appointed to the Board:** 2005

**Current appointments include:** non-executive Chairman of Hogg Robinson Group plc and non-executive Chairman of Home Retail Group plc since 4 July 2012.

**Former appointments include:** executive director and Chief Financial Officer of GlaxoSmithKline plc; non-executive director of GUS plc; member of the Supervisory Board of Siemens AG; Chairman of The Hundred Group of Finance Directors; and member of the Accounting Standards Board. Ceased to be a council member of The Royal Academy of Arts on 18 September 2012.



## **J Faber †**

*Member of the Group Risk Committee since 1 March 2012*

**Skills and experience:** a background in banking and asset management with significant international experience, having worked in Germany, Tokyo, New York and London. Former Chief Executive Officer of Allianz Global Investors AG and member of the management board of Allianz SE; 14 years' experience with Citigroup Inc. holding positions in Trading and Project Finance and as Head of Capital Markets for Europe, North America and Japan. Has a doctorate from the University of Administrative Sciences in Speyer.

**Appointed to the Board:** 1 March 2012

**Current appointments include:** Chairman of the supervisory board of Deutsche Börse AG; Chairman of the Shareholder Committee of Joh A. Benckiser SARL from 1 January 2012; independent director of Coty Inc.; director of Allianz France S.A., Allianz Investment Management GmbH and Allianz Climate Solutions GmbH; and member of the advisory boards of the Siemens Group Pension Board, the European School for Management and Technology and the German Council for Sustainable Development.

**Former appointments include:** Chairman of Allianz Global Investors Kapitalanlagegesellschaft and Allianz Global Investors Deutschland GmbH; Chairman of the board of Allianz Global Investors SGR; and member of the board of Allianz SpA and of the supervisory board of Bayerische Boerse AG.

## **R A Fairhead, CBE †**

*Chairman of the Group Risk Committee and the Financial System Vulnerabilities Committee, and member of the Group Audit Committee and Nomination Committee.*

**Skills and experience:** a background in international industry, publishing, finance and general management. Formerly Finance Director of Pearson plc with responsibility for overseeing the day-to-day running of the finance function and directly responsible for global financial reporting and control, tax and treasury. Has a Master's in Business Administration from the Harvard Business School.

**Appointed to the Board:** 2004

**Current appointments include:** Chairman, and director of Financial Times Group Limited; director of Pearson plc and non-executive director of The Economist Newspaper Limited. Will retire from these appointments on 27 April 2013. Non-executive member of the board of the UK Government's Cabinet Office.

**Former appointments include:** Executive Vice President, Strategy and Group Control of Imperial Chemical Industries plc; Finance Director of Pearson plc; and Chairman and director of Interactive Data Corporation.

## **R Fassbind †**

*Member of the Group Audit Committee and the Group Remuneration Committee since 1 March 2013.*

**Skills and experience:** a background in financial accounting and international business. Formerly Chief Financial Officer of Credit Suisse Group SA and ABB Group. Has a Master's in Business Administration and a PhD in Economics from the University of Zurich.

**Appointed to the Board:** 1 January 2013

**Current appointments include:** Vice Chairman of the Supervisory Board and member of the audit and compensation committees of Swiss Reinsurance Company; member of the supervisory board and audit committee of Kühne + Nagel International AG; independent director of Oanda Corporation; and member of the supervisory board of the Swiss Federal Audit Oversight Authority.

**Former appointments include:** Chief Financial Officer of Credit Suisse Group AG; Senior Advisor to the Chief Executive, Credit Suisse Group AG; Chief Executive Officer of Diethelm Keller Group; Chief Financial Officer of ABB Group; Chairman of ABB (Switzerland) AG and DKSH AG; and a member of the supervisory board of Winterthur Insurance Company.

**J W J Hughes-Hallett, CMG, SBS †**

*Member of the Nomination Committee and until 31 July 2012, the Group Risk Committee. Member of the Corporate Sustainability Committee since 1 January 2013.*

**Skills and experience:** a background in financial accounting and experience of management of a broad range of international businesses, including aviation, insurance, property, shipping, manufacturing and trading in the Far East, UK, US and Australia. Awarded the Silver Bauhinia Star by the Hong Kong Government. Fellow of the Institute of Chartered Accountants in England and Wales.

**Appointed to the Board:** 2005

**Current appointments include:** Chairman of John Swire & Sons Limited; non-executive director of Cathay Pacific Airways Limited and Swire Pacific Limited; a trustee of the Esmée Fairbairn Foundation; member of The Hong Kong Association; and Chairman of the Governing Board of the Courtauld Institute of Art.

**Former appointments include:** non-executive director of The Hongkong and Shanghai Banking Corporation Limited and a trustee of the Dulwich Picture Gallery until 31 December 2012.

**W S H Laidlaw †**

*Member of the Group Remuneration Committee.*

**Skills and experience:** significant international experience, particularly in the energy sector, having had responsibility for businesses in four continents. Qualified Solicitor and Master's in Business Administration from INSEAD.

**Appointed to the Board:** 2008

**Current appointments include:** Chief Executive Officer of Centrica plc; and Lead Non-executive Board Member of the UK Department for Transport.

**Former appointments include:** Executive Vice President of Chevron Corporation; non-executive director of Hanson PLC; Chief Executive Officer of Enterprise Oil plc; and President and Chief Operating Officer of Amerada Hess Corporation. Ceased to be a member of the UK Prime Minister's Business Advisory Group on 31 December 2012.

**J P Lipsky †**

*Member of the Group Risk Committee since 1 March 2012 and Nomination Committee since 24 May 2012.*

**Skills and experience:** international experience having worked in Chile, New York, Washington and London and interacted with financial institutions, central banks and governments in many countries.

Served at the International Monetary Fund as First Deputy Managing Director, Acting Managing Director and as Special Advisor. Has a PhD from Stanford University.

**Appointed to the Board:** 1 March 2012

**Current appointments include:** Distinguished Visiting Scholar, International Economics Program at the Paul H. Nitze School of Advanced International Studies, Johns Hopkins University. Co chairman of the Aspen Institute Program on the World Economy; director of the National Bureau of Economic Research; and member of the advisory board of the Stanford Institute for Economic Policy Research and the Council on Foreign Relations. A director of the Center for Global Development since 1 May 2012; and Global Policy Advisor for Anderson Global Macro, LLC since 4 February 2013.

**Former appointments include:** Vice Chairman J P Morgan Investment Bank; director of the American Council on Germany and the Japan Society; and a trustee of the Economic Club of New York.

**J R Lomax †**

*Member of the Group Audit Committee and Group Risk Committee.*

**Skills and experience:** experience in both the public and private sectors and a deep knowledge of the operation of the UK government and financial system.

**Appointed to the Board:** 2008

**Current appointments include:** Chairman of the International Regulatory Strategy Group and a director of TheCityUK since 1 January 2013; non-executive director of The Scottish American Investment Company PLC, Reinsurance Group of America Inc., Arcus European Infrastructure Fund GP LLP and Heathrow Airport Holdings Limited (formerly BAA Limited); member of the Council of Imperial College, London; and President of the Institute of Fiscal Studies.

**Former appointments include:** Deputy Governor, Monetary Stability, at the Bank of England and member of the Monetary Policy Committee; Permanent Secretary at the UK Government Departments for Transport and Work and Pensions and the Welsh Office; and Vice President and Chief of Staff to the President of the World Bank.

**I J Mackay**, Group Finance Director

**Skills and experience:** extensive financial and international experience, having worked in London, Paris, US and Asia. Member of the Institute of Chartered Accountants of Scotland. Joined HSBC in 2007.

**Appointed to the Board:** 2010

**Current appointments include:** member of the Group Management Board.

**Former appointments include:** director of Hang Seng Bank Limited; Chief Financial Officer, Asia-Pacific; and Chief Financial Officer, HSBC North America Holdings Inc; Vice President and Chief Financial Officer of GE Consumer Finance and Vice President and Chief Financial Officer of GE Healthcare – Global Diagnostic Imaging.

**Sir Simon Robertson**, Deputy Chairman and senior independent non-executive Director †

*Chairman of the Nomination Committee and member of the Financial System Vulnerabilities Committee.*

**Skills and experience:** a background in international corporate advisory with a wealth of experience in mergers and acquisitions, merchant banking, investment banking and financial markets; honoured with a knighthood in recognition of his services to business; extensive international experience having worked in France, Germany, the UK and the US.

**Appointed to the Board:** 2006

**Current appointments include:** non-executive Chairman of Rolls-Royce Holdings plc until 2 May 2013. The founding member of Robertson Robey Associates LLP, formerly Simon Robertson Associates LLP; non executive director of Berry Bros. & Rudd Limited, The Economist Newspaper Limited, and, since 8 May 2012, Troy Asset Management; partner of NewShore Partners LLP; and trustee of the Eden Project Trust and the Royal Opera House Endowment Fund.

**Former appointments include:** Managing Director of Goldman Sachs International and Chairman of Dresdner Kleinwort Benson. Ceased to be a non-executive director of Royal Opera House, Covent Garden Limited on 31 July 2012.

**J L Thornton †**

*Chairman of the Group Remuneration Committee.*

**Skills and experience:** experience that bridges developed and developing economies and the public and private sectors. A deep knowledge of financial services and education systems, particularly in Asia. During his 23-year career with Goldman Sachs, he played a key role in the firm's global development and was Chairman of Goldman Sachs Asia.

**Appointed to the Board:** 2008

**Current appointments include:** non-executive Chairman and director of HSBC North America Holdings Inc.; Director and Co-Chairman of Barrick Gold Corporation since 15 February 2012 and 5 June 2012 respectively; professor and director of the Global Leadership Program at the Tsinghua University School of Economics and Management; Chairman of the Brookings Institution Board of Trustees; non-executive director of Ford Motor Company and China Unicom (Hong Kong) Limited; director of National Committee on United States-China Relations; trustee of China Institute, and the China Foreign Affairs University; and member of the Council on Foreign Relations and the China Securities Regulatory Commission International Advisory Committee.

**Former appointments include:** non-executive director of Industrial and Commercial Bank of China Limited and Intel Corporation, Inc.; trustee of Asia Society; and President of the Goldman Sachs Group, Inc. Ceased to be a non-executive director of News Corporation, Inc. on 30 November 2012.

† Independent non-executive Director

There are no existing or potential conflicts of interest between any duties owed to the Issuer by its Directors (as described above) and the private interests and/or other external duties owed by these individuals.

#### **Business Address**

The business address of each of the Directors listed above is HSBC Holdings' registered office, which is at 8 Canada Square, London E14 5HQ, United Kingdom.

## **Group Audit Committee**

The Group Audit Committee (the "GAC"), whose members are all independent non-executive Directors, has non-executive responsibility for oversight of and advice to the Board on matters relating to financial reporting and for non-executive oversight of internal controls over financial reporting.

The terms of reference of the GAC, which are reviewed annually, are available at [www.hsbc.com/boardcommittees](http://www.hsbc.com/boardcommittees) (the website and the contents thereof do not form part of this document).

Appointments to the GAC are made for periods of up to three years, extendable by no more than two additional three-year periods.

The members of the GAC throughout 2012 were J D Coombe (Chairman), M K T Cheung, R A Fairhead and J R Lomax. R Fassbind was appointed a member of the GAC with effect from 1 March 2013.

The Board has determined that M K T Cheung, J D Coombe, R A Fairhead, R Fassbind and J R Lomax are independent according to SEC criteria and may be regarded as audit committee financial experts for the purposes of section 407 of the Sarbanes-Oxley Act and have recent and relevant financial experience for the purposes of the UK Corporate Governance Code.

The responsibilities of the GAC are as follows:

- Monitors the integrity of financial statements;
- Oversees the internal control systems over financial reporting, including reviewing their effectiveness;
- Monitors and reviews the effectiveness of the internal audit function;
- Reviews the Issuer's financial and accounting policies and practices; and
- Advises the Board on appointment of the external auditor and is responsible for oversight and remuneration of the external auditor.

## **Major Shareholders**

The ordinary shares of the Issuer are widely held and the Issuer is not directly or indirectly owned or controlled by any one individual or group of collective shareholders. The Issuer is not aware of any arrangements which may result in a change of this position.

## **Share Capital**

As at 28 February 2013, the Issuer has in issue 18,484,651,931 ordinary shares of US\$0.50, each of which are fully paid up. In addition, the Issuer has in issue 1,450,000 6.20 per cent. non-cumulative dollar preference shares, Series A of US\$0.01 each which are fully paid up, and one non-cumulative sterling preference share of £0.01 which is fully paid up.

**Memorandum and Articles of Association**

The objects of HSBC Holdings are unrestricted.

## GENERAL INFORMATION

1. There has been no significant change in the financial or trading position of the Group nor any material adverse change in the prospects of the Issuer since 31 December 2012.
2. Save as disclosed in Note 32 (*Provisions*) and in Note 43 (*Legal proceedings and regulatory matters*) on pages 478 to 480, and on pages 506 to 512 respectively of the Issuer's 2012 Annual Report and Accounts for the year ended 31 December 2012, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened against the Issuer or any of its subsidiary undertakings of which the Issuer is aware) during the 12 month period before the date of this Registration Document which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer and its subsidiary undertakings taken as a whole.
3. The Issuer prepares its consolidated financial statements in accordance with IFRS.
4. KPMG Audit Plc Chartered Accountants of 15 Canada Square, London E14 5GL, United Kingdom has audited without qualification the Financial Statements contained in the Annual Report and Accounts of the Issuer for the financial years ended 31 December 2008, 2009, 2010, 2011 and 2012.
5. For so long as the Issuer may issue securities with respect to which this Registration Document forms part of the prospectus prepared by the Issuer relating to such securities (a "**Prospectus**"), the following documents may be inspected during normal business hours at the registered office of the Issuer:
  - (a) the memorandum and articles of association of the Issuer; and
  - (b) the Annual Report and Accounts of the Issuer and its subsidiary undertakings for the years ended 31 December 2011 and 31 December 2012 together with all other consolidated annual reports and accounts of the Issuer subsequent to 31 December 2012.
6. The Issuer will, at its registered office, and at the specified offices of the Paying Agents, make available for inspection during normal office hours, free of charge, upon oral or written request, a copy of this Registration Document, including any document incorporated by reference herein, and any Prospectus (as defined above). Written or oral requests for inspection of such documents should be directed to the specified office of the Paying Agents.

**HEAD AND REGISTERED OFFICE OF THE ISSUER**

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