

OFFERING CIRCULAR



**THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED**

*(registered and incorporated in Hong Kong: Number 263876)*

as Issuer and, in respect of Notes issued by  
any New Issuer (as defined herein), as Guarantor

**U.S.\$20,000,000,000**  
**Medium Term Note Programme**

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Application has been or will be made to The Stock Exchange of Hong Kong Limited (the **Hong Kong Stock Exchange**) for listing of, and permission to deal in, notes (the **Notes**) issued under the programme (the **Programme**) to “professional investors” as defined in the Securities and Futures Ordinance ((Cap.571) of Hong Kong) and any rules made under that Ordinance during the period of twelve months after the date of this Offering Circular. The listing of the Programme will be effective from 13 March 2013.

This Offering Circular replaces the Offering Circular dated 12 March 2012.

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*Programme Arranger and Dealer*

**The Hongkong and Shanghai Banking Corporation Limited**

12 March 2013

Each of The Hongkong and Shanghai Banking Corporation Limited (the **Bank**) and any New Issuer (as defined below) may from time to time issue Notes under the Programme and each of them in such capacity is herein referred to as an **Issuer**. Notes issued by any New Issuer will be unconditionally and irrevocably guaranteed by the Bank (the **Guarantee**) which, in such capacity, is herein referred to as the **Guarantor**.

The Bank may, from time to time, nominate newly incorporated wholly-owned Subsidiaries (as defined in the terms and conditions of the Notes) of the Bank with no operating history as additional issuers to issue Guaranteed Notes (as defined in the terms and conditions of the Notes) pursuant to the Programme (each a **New Issuer**). It is intended that such New Issuer shall accede to the terms of the Programme at the time of such issuance by executing a deed of adherence (a **Deed of Adherence**) and shall become, and be treated as, an **Issuer** for the purpose of the Programme.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **Hong Kong Listing Rules**) for the purpose of giving information with regard to the Bank. The Bank accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representations as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

This Offering Circular should be read and construed with any amendment or supplement hereto and with any other documents incorporated by reference and, in relation to any Series (as defined herein) of Notes, should be read and construed together with the relevant Pricing Supplement(s) (as defined herein).

The Bank has confirmed to the Dealers (as defined under “Subscription and Sale”) that this Offering Circular is true, accurate and complete in all material respects and is not misleading in any material respect; that the opinions and intentions expressed herein are honestly held and based on reasonable assumptions; that there are no other facts in relation to the information contained or incorporated by reference in this Offering Circular the omission of which would, in the context of the Programme or the issue of the Notes, make any statement herein or opinions or intentions expressed herein misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing. The Bank has further confirmed to the Dealers that this Offering Circular (together with the relevant Pricing Supplement) contains all such information as may be required by all applicable laws, rules and regulations.

No person has been authorised by the Bank to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other document entered into in relation to the Programme or any information supplied by the Bank or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Bank or any Dealer.

No representation or warranty is made or implied by the Dealers or any of their respective affiliates, and neither the Dealers nor any of their respective affiliates makes any representation or warranty or accepts any responsibility, as to the accuracy or completeness of the information contained in this Offering Circular. Neither the delivery of this Offering Circular or any Pricing Supplement nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Offering Circular is true subsequent to the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial situation of the Bank since the date hereof or, as the case may be, the date upon which this Offering Circular has been most recently amended or supplemented or the

balance sheet date of the most recent financial statements which are deemed to be incorporated into this Offering Circular by reference or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Offering Circular and any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular or any Pricing Supplement comes are required by the Bank and the Dealers (and in the case of any New Issuer, will be required) to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Offering Circular or any Pricing Supplement and other offering material relating to the Notes, see “*Subscription and Sale*”.

In relation to Notes that will be listed on the Hong Kong Stock Exchange, this Offering Circular may only be distributed to professional investors (as described in this Offering Circular) for that Series of Notes, see “*Subscription and Sale — Hong Kong*”.

In particular, the Notes and (in case of any Notes issued by any New Issuer) the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**), and may include Notes in bearer form which are subject to U.S. tax law requirements. Subject to certain exceptions, Notes and (in case of any Notes issued by any New Issuer) the Guarantee may not be offered, sold or delivered directly or indirectly within the United States or to or for account or benefit of U.S. persons, as defined in Regulation S under the Securities Act.

**Neither this Offering Circular nor any Pricing Supplement may be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.**

Neither this Offering Circular nor any Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Bank, any New Issuer, the Dealers or any of them that any recipient of this Offering Circular or any Pricing Supplement should subscribe for or purchase any Notes. Each recipient of this Offering Circular or any Pricing Supplement shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Bank or any New Issuer (as applicable).

**This Offering Circular has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented Directive 2003/71/EC (the Prospectus Directive) (as amended (which includes the amendments made by Directive 2010/73/EU (the 2010 PD Amending Directive) (each, a Relevant Member State) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Offering Circular as completed by pricing supplements in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Bank, any New Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Bank, any New Issuer or any Dealer to publish or supplement a prospectus for such offer.**

All references in this Offering Circular to **HK\$** and **Hong Kong dollars** are to the lawful currency of Hong Kong, to **euro** are to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended, to **U.S.\$**, **United States dollars** and **U.S. dollars** are to the lawful currency of the United States of America, to **Renminbi**, **RMB** and **CNY** are to the lawful currency of the People's Republic of China (the **PRC**) and to **£** and **Sterling** are to the lawful currency of the United Kingdom.

All hyperlink references in this Offering Circular to a website or webpage are guidance to sources of other information as is in the public domain only. The contents of such website or webpage (the **Contents**) do not form part of this Offering Circular or the Programme. Neither the Bank, any New Issuer, the Dealers nor any of them accept responsibility for any damages or losses incurred or suffered arising out of or in connection with the use of such hyperlink or such Contents. Such Contents have neither been prepared for the Programme nor for incorporation into this Offering Circular. Such hyperlink or Contents may be limited to persons located or residing in only that particular jurisdiction, and may not be intended for persons located or residing in jurisdictions that restrict the distribution of such hyperlink or Contents.

## **DOCUMENTS INCORPORATED BY REFERENCE**

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

- (1) the most recently published audited annual financial statements and any interim financial statements (whether audited or unaudited) published subsequent to the last year specified in such annual financial statements, of the Bank and any New Issuer from time to time (if any); and
- (2) all amendments and supplements to this Offering Circular prepared by the Bank and any New Issuer from time to time,

save that any statement contained in this Offering Circular or in any of the documents incorporated by reference in, and forming part of, this Offering Circular shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement.

## **SUPPLEMENTARY LISTING DOCUMENTS**

If at any time any Issuer shall be required to prepare supplementary listing documents pursuant to the Hong Kong Listing Rules, the Bank and any New Issuer (as applicable) will prepare and make available an appropriate amendment or supplement to this Offering Circular or a further Offering Circular which, in respect of any subsequent issue of Notes to be listed on the Hong Kong Stock Exchange, shall constitute supplementary listing documents under the Hong Kong Listing Rules.

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IN CONNECTION WITH THE ISSUE OF ANY TRANCHE (AS DEFINED HEREIN) OF NOTES UNDER THE PROGRAMME, THE DEALER (IF ANY) WHO IS SPECIFIED IN THE RELEVANT PRICING SUPPLEMENT AS THE STABILISING INSTITUTION (OR ANY PERSON ACTING FOR THE STABILISING INSTITUTION) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF A STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISING INSTITUTION (OR PERSONS ACTING ON BEHALF OF ANY STABILISING INSTITUTION) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

## SUMMARY OF THE PROGRAMME

*The following is a brief summary only and should be read in conjunction with the rest of this document and, in relation to any Notes, in conjunction with the relevant Pricing Supplement and, to the extent applicable, the Terms and Conditions of the Notes set out herein.*

Issuer:	The Hongkong and Shanghai Banking Corporation Limited.
Accession of New Issuers:	The Bank may nominate any newly incorporated wholly-owned Subsidiary of the Bank with no prior operating history to accede to the Programme. In such circumstances the relevant Subsidiary Issuer will agree to be bound by all the terms of the Programme, and thereby become a New Issuer thereunder. The accession of such New Issuer will be effective upon (i) the execution by the New Issuer of a Deed of Adherence substantially in the form scheduled to the amended and restated issuing and paying agency agreement dated 12 March 2013 (the <b>Issuing and Paying Agency Agreement</b> ) and (ii) the passing of a resolution of the board of directors of the Bank approving the accession to the Programme by the New Issuer and the giving of a guarantee in respect of the Notes to be issued by the New Issuer. Upon accession to the Programme by the New Issuer, the New Issuer will execute a deed of covenant relating to direct enforcement rights for accountholders in clearing systems (the <b>New Deed of Covenant</b> ) and the Bank will execute a deed of guarantee to guarantee the payment of all sums expressed to be payable from time to time by the New Issuer in respect of Notes issued under the Programme (the <b>Deed of Guarantee</b> ). It is intended that from and after the execution and delivery of such Deed of Adherence, New Deed of Covenant and Deed of Guarantee such New Issuer shall become and be treated as an “Issuer” for the purpose of the Programme.
Guarantor:	The Hongkong and Shanghai Banking Corporation Limited (other than in respect of Notes issued by itself).
Arranger:	The Hongkong and Shanghai Banking Corporation Limited.
Dealers:	The Arranger and any other dealer appointed from time to time either generally in respect of the Programme or in relation to a particular Tranche (as defined below) of Notes.
Issuing and Paying Agent:	The Hongkong and Shanghai Banking Corporation Limited.
Initial Programme Amount:	U.S.\$20,000,000,000 (and, for this purpose, any Notes denominated in another currency shall be translated into U.S. dollars at the date of the agreement to issue such Notes using the spot rate of exchange for the purchase of such currency against payment of U.S. dollars being quoted by the Issuing and Paying Agent on the date of such agreement or such other rate as the relevant Issuer and the relevant Dealer(s) may agree) in aggregate principal amount of Notes outstanding at any one time. The maximum aggregate principal amount of Notes which may be outstanding under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealership Agreement as defined under “Subscription and Sale”.

Issuance in Series:

Notes will be issued in series (each, a **Series**). Each Series may comprise one or more tranches (**Tranches** and each, a **Tranche**) issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that (i) the issue date and the amount of the first payment of interest may be different in respect of different Tranches and (ii) a Series may comprise Notes in bearer form and Notes in registered form and Notes in more than one denomination. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes in bearer form and Notes in registered form and may comprise Notes of different denominations.

Form of Notes:

Notes may be issued in bearer form or in registered form. In respect of each Tranche of Notes issued in bearer form, the relevant Issuer will deliver a temporary global Note or (if so specified in the relevant Pricing Supplement in respect of Notes to which U.S. Treasury Regulation section 1.163-5(c)(2)(i)(C) (the **TEFRA C Rules**) applies or to which TEFRA is not applicable (as so specified in such Pricing Supplement)) a permanent global Note. Such global Note will be either (i) deposited on or before the relevant issue date thereof with a depositary or a common depositary for Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking, société anonyme, Luxembourg (**Clearstream, Luxembourg**) and/or any other relevant clearing system or (ii) lodged on or before the relevant issue date thereof with a sub-custodian in Hong Kong for the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the **CMU Service**). Each temporary global Note will be exchangeable for a permanent global Note or, if so specified in the relevant Pricing Supplement, for Notes in definitive bearer form and/or (in the case of a Series comprising both bearer and registered Notes and if so specified in the relevant Pricing Supplement) registered form in accordance with its terms. Each permanent global Note will be exchangeable for Notes in definitive bearer form and/or (in the case of a Series comprising both bearer and registered Notes and if so specified in the relevant Pricing Supplement) registered form in accordance with its terms. Notes in definitive bearer form will, if interest-bearing, have interest coupons (**Coupons**) attached and, if appropriate, a talon (**Talon**) for further Coupons. Notes in registered form may not be exchanged for Notes in bearer form.

Currencies:

Notes may be denominated in any currency or currencies (including, without limitation, Australian Dollars (**AUD**), Canadian Dollars (**CAD**), euro (**EUR**), Hong Kong dollars (**HK\$**), Indonesian Rupiah (**IDR**), Japanese Yen (**JPY**), Malaysian Ringgit (**MYR**), New Zealand Dollars (**NZD**), Sterling (**GBP**), Renminbi (**RMB** or **CNY**), Singapore Dollars (**SGD**), Thai Baht (**THB**) and United States dollars (**U.S.\$**)) subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to compliance as aforesaid, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.



The proceeds of each issue of Notes by any New Issuer must either be received by the Issuer from an authorised institution (as defined in the Banking Ordinance (Cap. 155) of Hong Kong) or a bank incorporated outside Hong Kong which is not an authorised institution (as so defined) or otherwise in compliance with the Banking Ordinance (Cap. 155) of Hong Kong.

Status of Notes issued by the Bank:

The Notes issued by the Bank will constitute direct, unconditional, unsubordinated and unsecured obligations of the Bank and will rank *pari passu* without any preference amongst themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Bank other than any such obligations as are preferred by law, all as further described in Condition 3.1.

Status of Guaranteed Notes issued by any New Issuer:

The Guaranteed Notes issued by any New Issuer will constitute direct, unconditional, unsubordinated and unsecured obligations of such New Issuer and will rank *pari passu* without any preference among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of such New Issuer other than such obligations as are preferred by law, all as further described in Condition 3.2.

The Guaranteed Notes will be guaranteed as to payment of principal and interest by the Bank upon the terms of the Guarantee. Claims in respect of the Guarantee will rank *pari passu* with all other present and future unsecured and unsubordinated obligations of the Bank other than any such obligations as are preferred by law, all as further described in Condition 3.2.

Issue Price:

Notes may be issued at any price and either on a fully or partly paid basis, as specified in the relevant Pricing Supplement.

Maturities:

Notes may be issued with any maturity or with no fixed maturity date, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Any Notes in respect of which the issue proceeds are received by any New Issuer (if such New Issuer is not an authorised person permitted to accept deposits under the Financial Services and Markets Act 2000 (the **FSMA**) or is exempt under the FSMA) in the United Kingdom and which must be redeemed before the first anniversary of their date of issue must (a) (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and the Notes may not be transferred unless the redemption value of each Note is not less than £100,000 (or such an equivalent amount), and (ii) be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or 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 or (b) be issued in other circumstances which do not constitute a contravention of section 19 of the FSMA by such New Issuer.

Redemption:	Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula or otherwise) as may be specified in the relevant Pricing Supplement. The terms of any such redemption, including notice periods, any relevant conditions to be satisfied and the relevant redemption dates and prices will be indicated in the relevant Pricing Supplement.
Early Redemption:	Early redemption will be permitted for taxation reasons as mentioned in “Terms and Conditions of the Notes — Early Redemption for Taxation Reasons”, but will otherwise be permitted only to the extent specified in the relevant Pricing Supplement. Early redemption in any circumstances will only be permitted subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Interest:	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed or floating rate and may vary during the lifetime of the relevant Series.
Fixed Rate Notes:	Interest on Fixed Rate Notes will be payable in arrears on such date or dates in each year as may be set out in the relevant Pricing Supplement. The basis on which interest will be calculated on Fixed Rate Notes will be as set out in the relevant Pricing Supplement.
Floating Rate Notes:	Floating Rate Notes will bear interest calculated by reference to London Interbank Offered Rate ( <b>LIBOR</b> ) or such other benchmark as may be set out in the relevant Pricing Supplement. The margin over or under LIBOR or such other benchmark will be set out in the relevant Pricing Supplement.  Interest on Floating Rate Notes will be payable in arrears on the Interest Payment Dates specified in the relevant Pricing Supplement. Interest Periods will be selected by the Issuer, in its sole and absolute discretion, prior to issue and specified in the relevant Pricing Supplement. The basis on which interest will be calculated on Floating Rate Notes will be as set out in the relevant Pricing Supplement.  Floating Rate Notes may, if so specified in the relevant Pricing Supplement, bear interest at a minimum rate and/or a maximum rate.
Variable Coupon Amount Notes:	The Pricing Supplement relating to an issue of Variable Coupon Amount Notes will set out the basis for calculating the amounts of interest payable in respect of such Notes, which may be by reference to a stock or commodity index, a currency exchange rate or any other index or formula or as otherwise set out in the relevant Pricing Supplement.
Zero Coupon Notes:	Zero Coupon Notes may be offered and sold at a discount to their principal amount and will not bear interest.
Index Linked Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Index Linked Notes will be calculated by reference to such stock or commodity or other index, currency exchange rate or formula as determined by the Issuer and as set out in the relevant Pricing Supplement.

Cash Equity Notes:	Payments in respect of Cash Equity Notes will be calculated by reference to the value of a Security or Securities and/or a formula, as set out in the relevant Pricing Supplement.
Equity Linked Notes:	Equity Linked Notes may be issued, in respect of which either an amount calculated by reference to the value of a Security or Securities and/or a formula will be payable or a Securities Transfer Amount will be deliverable, as set out in the relevant Pricing Supplement.
Other Notes:	Terms applicable to any other type of Note which the Issuer may issue under the Programme will be set out in the relevant Pricing Supplement. The term “Note” when used herein includes debt instruments, by whatever name called, issued by the Issuer under the Programme.
Denominations:	Notes will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Taxation:	<p>Payments in respect of Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Hong Kong or (in the case of Notes issued by a New Issuer) the jurisdiction of incorporation of the New Issuer or (in any case) any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the relevant Issuer or, as the case may be, the Guarantor will (subject to customary exceptions) pay such additional amounts as will result in the holders of Notes or Coupons receiving such amounts as they would have received in respect of such Notes or Coupons had no such withholding or deduction been required.</p> <p><i>The Issuers and financial institutions through which payments on the Notes are made may be required to withhold U.S. tax at a rate of 30 per cent. on all, or a portion of, payments made on the Notes after 31 December 2016, pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code (FATCA) or similar law implementing an intergovernmental approach to FATCA where the recipient is a Recalcitrant Account Holder (as defined under “Taxation”) or any non-U.S. financial institution that does not enter into an agreement with the U.S. Internal Revenue Service to provide certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA. See “Taxation — U.S. Foreign Account Tax Compliance Act”. Noteholders should consult their own tax advisers on how the FATCA rules may apply to payments they receive under the Notes.</i></p>
Governing Law:	Unless otherwise specified in the Pricing Supplement, the Notes and (in the case of any Notes issued by any New Issuer) the Guarantee will be governed by, and shall be construed in accordance with, English law.

Listing:	Each Series may be listed on the Hong Kong Stock Exchange and/or any other stock exchange as may be agreed between the relevant Issuer and the relevant Dealer(s) and specified in the relevant Pricing Supplement or may be unlisted provided that any listed Notes issued by a New Issuer will be subject to agreeing satisfactory listing arrangements with the Hong Kong Stock Exchange at such time.
Terms and Conditions:	A Pricing Supplement will be prepared in respect of each Tranche of Notes a copy of which will, in the case of Notes to be listed on the Hong Kong Stock Exchange, be delivered to the Hong Kong Stock Exchange on or before the date of issue of such Notes. The terms and conditions applicable to each Tranche will be those set out herein under “Terms and Conditions of the Notes” as supplemented, modified or replaced by the relevant Pricing Supplement.
Enforcement of Notes in Global Form:	In the case of Notes in global form (other than Notes issued by a New Issuer), individual investors’ rights will be governed by a Deed of Covenant (as amended, supplemented or replaced from time to time) dated 12 March 2013, a copy of which will be available for inspection at the specified office of the Issuing and Paying Agent. In the case of Notes issued by a New Issuer, individual investors’ rights will be governed by a New Deed of Covenant, a copy of which will be available for inspection at the specified office of the Issuing and Paying Agent.
Clearing Systems:	The CMU Service, Euroclear, Clearstream, Luxembourg and/or any other clearing system, as specified in the relevant Pricing Supplement.
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom, Hong Kong, Japan, Singapore and People’s Republic of China, see “Subscription and Sale”.
Private Placements in the United States:	Offers and sales in accordance with applicable exemptions from registration (Rule 144A/Section 4(2)) under the United States Securities Act of 1933 (as amended) will be permitted, if specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory requirements of the United States of America.

## TERMS AND CONDITIONS OF THE NOTES

*The following (disregarding the italicised paragraphs) are the Terms and Conditions of the Notes which as supplemented, modified or replaced in relation to any Notes by the relevant Pricing Supplement, will be applicable to each Series or Tranche of Notes:*

This Note is one of a Series (as defined below) of Notes issued by The Hongkong and Shanghai Banking Corporation Limited (the **Bank**) or any additional issuer which has acceded to the Programme by executing a deed of adherence (the **Deed of Adherence**) pursuant to the terms of the Issuing and Paying Agency Agreement referred to below (each a **New Issuer** and together with the Bank, the **Issuers** and each an **Issuer**).

The Notes are issued pursuant to and in accordance with an amended and restated issuing and paying agency agreement (as amended, supplemented or replaced from time to time, the **Issuing and Paying Agency Agreement**) dated 12 March 2013 and made between the Bank, The Hongkong and Shanghai Banking Corporation Limited as issuing and paying agent (the **Issuing and Paying Agent**, which expression shall include any successor to The Hongkong and Shanghai Banking Corporation Limited in its capacity as such) and as principal registrar (the **Principal Registrar**, which expression shall include any successor to The Hongkong and Shanghai Banking Corporation Limited in its capacity as such). The Issuing and Paying Agency Agreement contains provisions for the appointment of additional paying agents (the **Paying Agents**, which expression shall include the Issuing and Paying Agent and any substitute paying agents appointed in accordance with the Issuing and Paying Agency Agreement). Notes issued by the Bank have the benefit of a deed of covenant (as amended, supplemented or replaced from time to time, the **Deed of Covenant**) dated 12 March 2013 executed by the Bank in relation to the Notes. Notes issued by a New Issuer have the benefit of a new deed of covenant (as amended, supplemented or replaced from time to time, the **New Deed of Covenant** (in or substantially in the form scheduled to the Issuing and Paying Agency Agreement)) executed by the New Issuer (and the term **Deed of Covenant** in relation to any such New Issuer shall be deemed to include the New Deed of Covenant). Notes issued by a New Issuer have the benefit of a deed of guarantee (as amended, supplemented or replaced from time to time, the **Deed of Guarantee** (in or substantially in the form scheduled to the Issuing and Paying Agency Agreement)) executed by The Hongkong and Shanghai Banking Corporation Limited (the **Guarantor**). Copies of the Issuing and Paying Agency Agreement, the Deed of Covenant and the Deed of Guarantee are available for inspection during normal business hours at the specified office of each of the Paying Agents and the Principal Registrar. All persons from time to time entitled to the benefit of obligations under any Notes shall be deemed to have notice of, and shall be bound by, all of the provisions of the Issuing and Paying Agency Agreement, the Deed of Covenant and the Deed of Guarantee insofar as they relate to the relevant Notes.

The Notes are issued in series (each, a **Series**), and each Series may comprise one or more tranches (**Tranches** and each, a **Tranche**) of Notes. Each Tranche will be the subject of a pricing supplement (each, a **Pricing Supplement**), a copy of which will be available for inspection during normal business hours at the specified office of the Issuing and Paying Agent and/or, as the case may be, the Registrar (as defined in Condition 2.2). In the case of a Tranche of Notes in relation to which application has not been made for listing on any stock exchange, copies of the Pricing Supplement will only be available for inspection by a Holder (as defined in Condition 2) of or, as the case may be, a Relevant Account Holder (as defined in the Deed of Covenant) in respect of, such Notes.

References in these Terms and Conditions to:

- (i) the Issuer are to whichever one of the Bank or any New Issuer as is specified as such in the Pricing Supplement(s) prepared in relation to the Notes of the relevant Tranche or Series;
- (ii) Notes are to Notes of the relevant Tranche or Series and any references to Coupons (as defined in Condition 1.6) are to Coupons relating to Notes of the relevant Series; and
- (iii) the Pricing Supplement are to the Pricing Supplement(s) prepared in relation to the Notes of the relevant Tranche or Series.

In respect of any Notes, references herein to these Terms and Conditions are to these terms and conditions as supplemented or modified or (to the extent thereof) replaced by the Pricing Supplement.

## 1. Form and Denomination

- 1.1 Notes are issued in bearer form (**Bearer Notes**) or in registered form (**Registered Notes**), as specified in the Pricing Supplement and are serially numbered. Registered Notes will not be exchangeable for Bearer Notes.

### *Bearer Notes*

- 1.2 The Pricing Supplement shall specify whether U.S. Treasury Regulation section 1.163-5(c)(2)(i)(D) (the **TEFRA D Rules**) or U.S. Treasury Regulation section 1.163-5(c)(2)(i)(C) (the **TEFRA C Rules**) shall apply, or whether TEFRA shall not be applicable. Unless the Pricing Supplement specifies that TEFRA C rules are applicable in respect of the Notes or that TEFRA is not applicable and that the Notes are represented on issue by a permanent global note (a **Permanent Global Note**), each Tranche of Bearer Notes is represented upon issue by a temporary global Note (a **Temporary Global Note**).

Where the Pricing Supplement applicable to a Tranche of Bearer Notes specifies that the TEFRA C Rules apply or that TEFRA is not applicable, such Pricing Supplement shall also specify whether such Tranche is represented upon issue by a Temporary Global Note or a Permanent Global Note.

Interests in a Temporary Global Note may be exchanged for:

- (a) interests in a Permanent Global Note; or
- (b) if so specified in the Pricing Supplement, definitive notes in bearer form (**Definitive Notes**) and/or (in the case of a Series comprising both Bearer Notes and Registered Notes and if so specified in the Pricing Supplement) Registered Notes.

Exchanges of interests in a Temporary Global Note for Definitive Notes or, as the case may be, a Permanent Global Note will be made only on or after the Exchange Date (as specified in the Pricing Supplement) and (unless the Pricing Supplement specifies that the TEFRA C Rules are applicable to the Notes or that TEFRA is not applicable) provided certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in such form as is customarily issued in such circumstances by the relevant clearing system) has been received. An exchange for Registered Notes will be made at any time or from such date as may be specified in the Pricing Supplement, in each case, without any requirement for certification.

- 1.3 The bearer of any Temporary Global Note shall not (unless, upon due presentation of such Temporary Global Note for exchange (in whole but not in part only) for a Permanent Global Note or for delivery of Definitive Notes and/or Registered Notes, such exchange or delivery is improperly withheld or refused and such withholding or refusal is continuing at the relevant payment date) be entitled to receive any payment in respect of the Notes represented by such Temporary Global Note which falls due on or after the Exchange Date or be entitled to exercise any option on a date after the Exchange Date.
- 1.4 Unless the Pricing Supplement specifies that the TEFRA C Rules are applicable to the Notes or that TEFRA is not applicable and subject to Condition 1.3 above, if any date on which a payment of interest is due on the Notes of a Tranche occurs whilst any of the Notes of that Tranche are represented by a Temporary Global Note, the related interest payment will be made on the Temporary Global Note only to the extent that certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in such form as is customarily issued in such circumstances by the relevant clearing system) has been received by the Issuing and Paying Agent (in the case of a Temporary Global Note lodged with a sub-custodian for the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the **HKMA**) (the **CMU Service**)) or (in any other case) by Euroclear Bank SA/NV (**Euroclear**) or Clearstream Banking, société anonyme, Luxembourg (**Clearstream, Luxembourg**) or any other relevant

clearing system. Payments of amounts due in respect of a Permanent Global Note or (subject to Condition 1.3 above) a Temporary Global Note (if the Pricing Supplement specifies that the TEFRA C Rules are applicable to the Notes or that TEFRA is not applicable) will be made through the CMU Service or Euroclear or Clearstream, Luxembourg or any other relevant clearing system without any requirement for certification.

- 1.5** Interests in a Permanent Global Note will be exchanged by the Issuer in whole but not in part only at the option of the Holder of such Permanent Global Note, for Definitive Notes and/or (in the case of a Series comprising both Bearer and Registered Notes and if so specified in the Pricing Supplement) Registered Notes, (a) if an Event of Default occurs in respect of any Note of the relevant Series; or (b) if Notes represented by the Permanent Global Note are held on behalf of the CMU Service or Euroclear or Clearstream, Luxembourg or any other relevant clearing system and the relevant clearing system is closed for business for a continuous period of fourteen days (other than by reason of public holidays) or announces an intention to cease business permanently or in fact does so; or (c) if so specified in the Pricing Supplement, at the option of the Holder of such Permanent Global Note upon such Holder's request, in all cases at the cost and expense of the Issuer. In order to exercise the option contained in paragraph (c) of the preceding sentence, the Holder must, not less than forty-five days before the date upon which the delivery of such Definitive Notes and/or Registered Notes is required, deposit the relevant Permanent Global Note with the Issuing and Paying Agent at its specified office with the form of exchange notice endorsed thereon duly completed. If the Issuer does not make the required delivery of Definitive Notes and/or Registered Notes by 6.00 p.m. (Hong Kong time) on the day on which the relevant notice period expires or, as the case may be, the thirtieth day after the day on which such Permanent Global Note becomes due to be exchanged and, in the case of (a) above, such Note is not duly redeemed (or the funds required for such redemption are not available to the Issuing and Paying Agent for the purposes of effecting such redemption and remain available for such purpose) by 6.00 p.m. (Hong Kong time) on the thirtieth day after the day on which such Note became immediately redeemable such Permanent Global Note will become void in accordance with its terms but without prejudice to the rights conferred by the Deed of Covenant.
- 1.6** Interest-bearing Definitive Notes have attached thereto at the time of their initial delivery coupons (**Coupons**), presentation of which will be a prerequisite to the payment of interest save in certain circumstances specified herein. Interest-bearing Definitive Notes, if so specified in the Pricing Supplement, have attached thereto at the time of their initial delivery, a talon (**Talon**) for further coupons and the expression "Coupons" shall, where the context so requires, include Talons.

#### *Global Registered Note Certificates*

- 1.7** Registered Notes of each Tranche may be represented by one or more global Notes in registered form without Coupons or Talons. Unless specified otherwise in the applicable Pricing Supplement, Registered Notes sold outside the United States in reliance on Regulation S (**Regulation S**) under the United States Securities Act of 1933, as amended (the **Securities Act**), (**Unrestricted Notes**) in global form will be either (i) deposited on or before the relevant issue date therefor with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or (ii) lodged on or before the relevant issue date therefor with a sub-custodian in Hong Kong for the CMU Service. Unless specified otherwise in the applicable Pricing Supplement, Registered Notes sold within the United States in reliance on Rule 144A (**Rule 144A**) under the Securities Act (**Restricted Notes**) in global form will be deposited on or before the relevant issue date therefor with a custodian for, and registered in the name of a nominee for, one or more clearing system(s). Interests in such global Unrestricted Notes and/or Restricted Notes will be exchangeable for individual Notes in registered form (**Individual Registered Note Certificates**) if so specified in the relevant Pricing Supplement and in accordance with their respective terms.

#### *Denomination*

##### *Denomination of Bearer Notes*

- 1.8** Bearer Notes are in the denomination or denominations (each of which denomination is integrally divisible by each smaller denomination) specified in the Pricing Supplement. Bearer Notes of one denomination may not be exchanged for Bearer Notes of any other denomination.

### *Denomination of Registered Notes*

- 1.9** Registered Notes are in the minimum denomination specified in the Pricing Supplement or integral multiples thereof.

### *Currency of Notes*

- 1.10** The Notes are denominated in such currency as may be specified in the Pricing Supplement. Any currency may be so specified (including, without limitation, Australian Dollars (**AUD**), Canadian Dollars (**CAD**), euro (**EUR**), Hong Kong dollars (**HK\$**), Indonesian Rupiah (**IDR**), Japanese Yen (**JPY**), Malaysian Ringgit (**MYR**), New Zealand Dollars (**NZD**), Pounds Sterling (**GBP**), Renminbi (**RMB** or **CNY**), Singapore Dollars (**SGD**), Thai Baht (**THB**) and United States dollars (**U.S.\$**)), subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

## **2. Title and Transfer**

- 2.1** Title to Bearer Notes and Coupons passes by delivery. References herein to the **Holders** of Bearer Notes or Coupons are to the bearers of such Bearer Notes or such Coupons.
- 2.2** Title to Registered Notes passes by registration in the register which the Issuer shall procure to be kept by the Registrar. The Issuing and Paying Agency Agreement enables the Issuer and the Guarantor to appoint a registrar (the **Alternative Registrar**) other than the Principal Registrar in relation to any Series comprising Registered Notes. For the purposes of these Terms and Conditions, **Registrar** means, in relation to any Series comprising Registered Notes, the Principal Registrar or, as the case may be, the Alternative Registrar, as specified in the Pricing Supplement provided always that where such Series is listed on the Hong Kong Stock Exchange, the Registrar shall have its specified office in Hong Kong. References herein to the **Holders** of Registered Notes are to the persons in whose names such Registered Notes are so registered in the relevant register.
- 2.3** The Holder of any Bearer Note, Coupon or Registered Note will (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing thereon, or any theft or loss thereof) and no person shall be liable for so treating such Holder.

### *Transfer of Registered Notes and exchange of Bearer Notes for Registered Notes*

- 2.4** A Registered Note may, upon the terms and subject to the conditions set forth in the Issuing and Paying Agency Agreement, be transferred in whole or in part only (provided that such part is, or is an integral multiple of, the minimum denomination specified in the Pricing Supplement) upon the surrender of the Registered Note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. 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.
- 2.5** If so specified in the Pricing Supplement, the Holder of Bearer Notes may exchange the same for the same aggregate principal amount of Registered Notes upon the terms and subject to the conditions set forth in the Issuing and Paying Agency Agreement. In order to exchange a Bearer Note for a Registered Note, the Holder thereof shall surrender such Bearer Note at the specified office outside the United States of the Issuing and 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 in Condition 2.7) where the exchange date would, but for the provisions of Condition 2.6, occur between the Record Date (as defined in Condition 8.2(c)) for such payment of interest and the date on which such payment of interest falls due.



- 2.6 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 collection by each relevant Holder 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. For these purposes, a form of transfer or request for exchange received by the Registrar or the Issuing and Paying Agent after the Record Date in respect of any payment due in respect of Registered Notes shall be deemed not to be effectively received by the Registrar or the Issuing and Paying Agent until the day following the due date for such payment.
- 2.7 For the purposes of these Terms and Conditions:
- (a) **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 Issuing and Paying Agent, in the place where the specified office of the Issuing and Paying Agent is located;
  - (b) the **exchange date** shall be the Relevant Banking Day following the day on which the relevant Bearer Note shall have been surrendered for exchange in accordance with Condition 2.5; and
  - (c) the **transfer date** shall be the Relevant Banking Day following the day on which the relevant Registered Note shall have been surrendered for transfer in accordance with Condition 2.4.
- 2.8 The issue of new Registered Notes on transfer or on the exchange of Bearer Notes for Registered Notes will be effected without charge by or on behalf of the Issuer, the Issuing and Paying Agent or the Registrar, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the Issuer, the Issuing and Paying Agent or the Registrar may require in respect of) any tax, duty or other governmental charges which may be imposed in relation thereto.
- 2.9 Upon the transfer, exchange or replacement of Registered Notes bearing the private placement legend (the **Private Placement Legend**) set forth in the form of Registered Note scheduled to the Issuing and Paying Agency Agreement, the Registrar shall deliver only Registered Notes that also bear such legend unless either (i) such transfer, exchange or replacement occurs three or more years after the later of (1) the original issue date of such Notes or (2) the last date on which the Issuer or (except in the case of Notes issued by the Bank) the Guarantor or any affiliates (as defined below) of the Issuer or (except in the case aforesaid) the Guarantor as notified to the Registrar by the Issuer or (except in the case aforesaid) the Guarantor as provided in the following sentence, was the beneficial owner of such Note (or any predecessor of such Note) or (ii) there is delivered to the Registrar an opinion reasonably satisfactory to the Issuer of counsel experienced in giving opinions with respect to questions arising under the securities laws of the United States to the effect that neither such legend nor the restrictions on transfer set forth therein are required in order to maintain compliance with the provisions of such laws. The Issuer and (except in the case of Notes issued by the Bank) the Guarantor covenant and agree that they will not acquire any beneficial interest, and will cause their “affiliates” (as defined in Rule 144(a)(1) under the Securities Act) not to acquire any beneficial interest, in any Registered Note bearing the Private Placement Legend unless they notify the Registrar of such acquisition. The Registrar and all Holders shall be entitled to rely without further investigation on any such notification (or lack thereof).
- 2.10 For so long as any of the Registered Notes bearing the Private Placement Legend remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer and (except in the case of Notes issued by the Bank) the Guarantor covenant and agree that they shall, during any period in which they are not subject to Section 13 or 15(d) under the United States Securities Exchange Act of 1934, as amended, the **Exchange**

**Act** nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, make available to any Holder of such Notes in connection with any sale thereof and any prospective purchaser of such Notes from such Holder, in each case upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

### 3. Status and Guarantee

#### 3.1 Notes

- (a) This Condition 3.1 is applicable to all Notes which are specified in the applicable Pricing Supplement as being Notes issued by the Bank.
- (b) The Notes of each Series issued by the Bank constitute direct, unconditional, unsubordinated and unsecured obligations of the Bank, ranking *pari passu* without any preference among themselves and, at their date of issue, ranking *pari passu* with all other present and future unsecured and unsubordinated obligations of the Bank other than any such obligations preferred by provisions of law that are both mandatory and of general application.

#### 3.2 Guaranteed Notes

- (a) This Condition 3.2 is applicable to all Notes which are specified in the applicable Pricing Supplement as being Guaranteed Notes issued by any New Issuer (**Guaranteed Notes**).
- (b) The Guaranteed Notes of each Series constitute direct, unconditional, unsubordinated and unsecured obligations of the relevant New Issuer, ranking *pari passu* without any preference among themselves and, at their date of issue, ranking *pari passu* with all other present and future unsecured and unsubordinated obligations of the relevant New Issuer other than any such obligations as are preferred by provisions of law that are both mandatory and of general application.
- (c) The Guaranteed Notes will be guaranteed as to payment of principal and interest by the Bank upon the terms of the guarantee (the **Guarantee**) to be contained in a deed of guarantee (as amended, supplemented or replaced from time to time) (the **Deed of Guarantee**).
- (d) In relation to each Series of Guaranteed Notes, claims in respect of the Guarantee rank, at the date of issue of such Notes, *pari passu* with all other present and future unsecured and unsubordinated obligations of the Bank other than any such obligations as are preferred by provisions of law that are both mandatory and of general application.

#### 3.3 Definition of “Subsidiary”

In these Conditions, **Subsidiary** means a subsidiary as defined in section 2 of the Companies Ordinance (Cap.32) of Hong Kong.

### 4. Interest

#### *Interest*

- 4.1 Notes may be interest-bearing or non interest-bearing, as specified in the Pricing Supplement. Words and expressions appearing in this Condition 4 and not otherwise defined herein or in the Pricing Supplement shall have the meanings given to them in Condition 4.8.

#### *Interest-bearing Notes*

- 4.2 Notes which are specified in the Pricing Supplement as being interest-bearing shall bear interest from their Interest Commencement Date at the Interest Rate and such interest shall be payable in arrear on each Interest Payment Date.

### *Floating Rate Notes*

**4.3** If the Pricing Supplement specifies the Interest Rate applicable to the Notes as being Floating Rate it shall also specify which page (the **Relevant Screen Page**) on the Reuters Screen or any other information vending service shall be applicable. If such a page is so specified, the Interest Rate applicable to the relevant Notes for each Interest Accrual Period shall be determined by the Calculation Agent on the following basis:

- (a) the Calculation Agent will determine the rate for deposits (or, as the case may require, the arithmetic mean (rounded, if necessary, to the nearest ten thousandth of a percentage point, 0.00005 per cent. being rounded up to 0.0001 per cent.) of the rates for deposits) in the relevant currency for a period of the duration of the relevant Interest Accrual Period on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (b) if, on any Interest Determination Date, no such rate for deposits so appears (or, as the case may be, if fewer than two such rates for deposits so appear) or if the Relevant Screen Page is unavailable, the Calculation Agent will request appropriate quotations and will determine the arithmetic mean (rounded as aforesaid) of the rates at which deposits in the relevant currency are offered by four major banks in the Relevant Market, selected by the Calculation Agent, at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Market for a period of the duration of the relevant Interest Accrual Period and in an amount that is representative for a single transaction in the relevant market at the relevant time;
- (c) if, on any Interest Determination Date, only two or three rates are so quoted, the Calculation Agent will determine the arithmetic mean (rounded as aforesaid) of the rates so quoted; or
- (d) if fewer than two rates are so quoted, the Calculation Agent will determine the arithmetic mean (rounded as aforesaid) of the rates quoted by four major banks in the Relevant Financial Centre selected by the Calculation Agent, at approximately 11.00 a.m. (Relevant Financial Centre time (or local time at such other financial centre or centres as aforesaid)) on the first day of the relevant Interest Accrual Period for loans in the relevant currency to leading European banks for a period for the duration of the relevant Interest Accrual Period and in an amount that is representative for a single transaction in the relevant market at the relevant time,

and the Interest Rate applicable to such Notes during each Interest Accrual Period will be the sum of the relevant margin (the **Relevant Margin**) specified in the Pricing Supplement and the rate (or, as the case may be, the arithmetic mean (rounded as aforesaid) of the rates) so determined provided, however, that, if the Calculation Agent is unable to determine a rate (or, as the case may be, an arithmetic mean of rates) in accordance with the above provisions in relation to any Interest Accrual Period, the Interest Rate applicable to such Notes during such Interest Accrual Period will be the sum of the Relevant Margin and the rate (or, as the case may be, the arithmetic mean (rounded as aforesaid) of the rates) determined in relation to such Notes in respect of the last preceding Interest Accrual Period.

### *Maximum or Minimum Interest Rate*

**4.4** If any maximum or minimum Interest Rate is specified in the Pricing Supplement, then the Interest Rate shall in no event be greater than the maximum or be less than the minimum so specified.

### *Accrual of Interest*

**4.5** Interest shall accrue on the principal amount of each Note during each Interest Accrual Period from the Interest Commencement Date. Interest will cease to accrue as from the due date for redemption therefor unless upon due presentation or surrender thereof (if required), payment in full of the Redemption Amount (as defined in Condition 5.11) is improperly withheld or refused or default is otherwise made in the payment thereof in which case interest shall continue to

accrue on the principal amount in respect of which payment has been improperly withheld or refused or default has been made (as well after as before any demand or judgment) at the Interest Rate then applicable or such other rate as may be specified for this purpose in the Pricing Supplement until the date on which, upon due presentation or surrender of the relevant Note (if required), the relevant payment is made or, if earlier (except where presentation or surrender of the relevant Note is not required as a precondition of payment), the seventh day after the date on which, the Issuing and Paying Agent or, as the case may be, the Registrar having received the funds required to make such payment, notice is given to the Holders of the Notes in accordance with Condition 14 that the Issuing and Paying Agent or, as the case may be, the Registrar has received the required funds (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder).

*Interest Amount(s), Calculation Agent and Reference Banks*

- 4.6** If a Calculation Agent is specified in the Pricing Supplement, the Calculation Agent, as soon as practicable after the Relevant Time on each Interest Determination Date (or such other time on such date as the Calculation Agent may be required to calculate any Redemption Amount (as defined in Condition 5.11), obtain any quote or make any determination or calculation) will determine the Interest Rate and calculate the amount(s) of interest payable (the **Interest Amount(s)**) in respect of each Denomination of the Notes (in the case of Bearer Notes) and the minimum denomination (in the case of Registered Notes) for the relevant Interest Accrual Period, calculate the Redemption Amount, obtain such quote or make such determination or calculation, as the case may be, and cause the Interest Rate and the Interest Amounts for each Interest Period and the relevant Interest Payment Date or, as the case may be, the Redemption Amount to be notified to the Issuing and Paying Agent, the Registrar (in the case of Registered Notes), the Issuer, the Guarantor (except in the case of Notes issued by the Bank), the Holders in accordance with Condition 14 and, if the Notes are listed on a stock exchange and such exchange so requires, such exchange as soon as possible after their determination or calculation but in no event later than the fourth Hong Kong Banking Day thereafter or, if earlier in the case of notification to the stock exchange, the time required by the relevant stock exchange. The Interest Amounts and the Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of an Interest Accrual Period or the Interest Period. If the Notes become due and payable under Condition 6, the Interest Rate and the accrued interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Interest Rate or the Interest Amount so calculated need be made. The determination of each Interest Rate, Interest Amount and Redemption Amount, the obtaining of each quote and the making of each determination or calculation by the Calculation Agent shall (in the absence of manifest error) be final and binding upon the Issuer, the Guarantor (except in the case of Notes issued by the Bank) and the Holders and neither the Calculation Agent nor any Reference Bank shall have any liability to the Holders in respect of any determination, calculation, quote or rate made or provided by it.

The Issuer and (except in the case of Notes issued by the Bank) the Guarantor will procure that there shall at all times be such Reference Banks as may be required for the purpose of determining the Interest Rate applicable to the Notes and a Calculation Agent, if provision is made for one in the Terms and Conditions.

If the Calculation Agent is incapable or unwilling to act as such or if the Calculation Agent fails duly to establish the Interest Rate for any Interest Accrual Period or to calculate the Interest Amounts or any other requirements, the Issuer and (except in the case of Notes issued by the Bank) the Guarantor will appoint a leading bank engaged in the Relevant Market to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

### *Calculations and Adjustments*

**4.7** The amount of interest payable in respect of any Note for any period shall be calculated by multiplying the product of the Interest Rate to:

- (a) in the case of Notes which are represented by a global Note (a **Global Note**), the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are partly paid Notes, the aggregate amount paid up); or
- (b) in the case of Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction (and rounding the resultant figure to the nearest sub-unit of the relevant specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention), save that if the Pricing Supplement specifies a specific amount in respect of such period, the amount of interest payable in respect of such Note for such period will be equal to such specified amount. Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period will be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods. Where the Denomination of a Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Denomination, without any further rounding.

In the Conditions, **sub-unit** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4, by the Calculation Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor (except in the case of Notes issued by the Bank), the Issuing and Paying Agent, the Registrar, the other Paying Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

### *Definitions*

**4.8** For the purposes of these Terms and Conditions:

**Applicable Business Day Convention** means the “Business Day Convention” which may be specified in the Pricing Supplement as applicable to any date in respect of the Notes unless the Pricing Supplement specifies “No Adjustment” in relation to any date in which case such date shall not be adjusted in accordance with any Business Day Convention. Different Business Day Conventions may apply, or be specified in relation to, the Interest Payment Dates, Interest Period End Dates and any other date or dates in respect of any Notes.

**Banking Day** means, in respect of any city, any day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in that city.

**Business Day** means (i) a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business and settle payments in the relevant currency in the Relevant Financial Centre in respect of the relevant Notes and/or in any other place or any other days as may be specified in the Pricing Supplement and (ii) in relation to Notes denominated or redenominated or payable in euro, a day on which the TARGET2 system is operating.

**Business Day Convention** means a convention for adjusting any date if it would otherwise fall on a day that is not a Business Day and the following Business Day Conventions, where specified in the Pricing Supplement in relation to any date applicable to any Notes, shall have the following meanings:

- (a) **Following Business Day Convention** means that such date shall be postponed to the first following day that is a Business Day;
- (b) **Modified Following Business Day Convention** or **Modified Business Day Convention** means that such date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (c) **Preceding Business Day Convention** means that such date shall be brought forward to the first preceding day that is a Business Day; and
- (d) **FRN Convention** or **Eurodollar Convention** means that each such date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the Pricing Supplement after the calendar month in which the preceding such date occurred Provided that:
  - (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred.

**Calculation Agent** means such agent as may be specified in the Pricing Supplement as the Calculation Agent.

**Day Count Fraction** means, in respect of the calculation of an amount for any period of time (**Calculation Period**), such day count fraction as may be specified in these Conditions or in the Pricing Supplement and:

- (a) if **Actual/Actual (ICMA)** is so specified, means:
  - (i) 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
  - (ii) where the Calculation Period is longer than one Regular Period during which it falls, 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 (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

- (b) if **Actual/Actual (ISDA)** or **Actual/Actual** is so specified, means the actual number of days in the Calculation Period 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);
- (c) if **Actual/365 (Fixed)** is so specified, means the actual number of days in the Calculation Period divided by 365;
- (d) if **Actual/360** is so specified, means the actual number of days in the Calculation Period divided by 360;
- (e) if **30/360** is so specified, means
- (i) in respect of Fixed Rate Notes only, the number of days in the Calculation Period (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

(ii) in respect of Notes other than Fixed Rate Notes,

the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

“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 of 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 of the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless such number is 31, in which case D<sub>1</sub> 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 D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

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

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

where:

“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 of 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 of 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 D<sub>1</sub> 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 D<sub>2</sub> will be 30; and

- (g) if **30E/360 (ISDA)** is specified in the relevant Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

“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 of 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 of the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> 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 D<sub>2</sub> will be 30.

**Interest Accrual Period** means, in respect of an Interest Period, each successive period beginning on and including an Interest Period End Date and ending on but excluding the next succeeding Interest Period End Date during that Interest Period provided always that the first Interest Accrual Period shall commence on and include the Interest Commencement Date and the final Interest Accrual Period shall end on but exclude the date of final maturity.

**Interest Commencement Date** means the date of issue of the Notes (as specified in the Pricing Supplement) or such other date as may be specified as such in the Pricing Supplement.

**Interest Determination Date** means, in respect of any Interest Accrual Period, the date falling such number (if any) of Banking Days in such city(ies) as may be specified in the Pricing Supplement prior to the first day of such Interest Accrual Period, or if none is specified:

- (a) in the case of Notes denominated in Hong Kong dollars or Pounds Sterling, the first day of such Interest Accrual Period; or



- (b) in the case of Notes denominated in euro, the date falling two TARGET2 Business Days prior to the first day of such Interest Accrual Period; or
- (c) in any other case, the date falling two London Banking Days prior to the first day of such Interest Accrual Period.

**Interest Payment Date** means the date or dates specified as such in, or determined in accordance with the provisions of, the Pricing Supplement and, if an Applicable Business Day Convention is specified in the Pricing Supplement, as the same may be adjusted in accordance with the Applicable Business Day Convention or if the Applicable Business Day Convention is the FRN Convention and an interval of a number of calendar months is specified in the Pricing Supplement as being the Interest Period, each of such dates as may occur in accordance with the FRN Convention at such specified period of calendar months following the date of issue of the Notes (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case).

**Interest Period** means each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date provided always that the first Interest Period shall commence on and include the Interest Commencement Date and the final Interest Period shall end on but exclude the date of final maturity.

**Interest Period End Date** means the date or dates specified as such in, or determined in accordance with the provisions of, the Pricing Supplement and, if an Applicable Business Day Convention is specified in the Pricing Supplement, as the same may be adjusted in accordance with the Applicable Business Day Convention or, if the Applicable Business Day Convention is the FRN Convention and an interval of a number of calendar months is specified in the Pricing Supplement as the Interest Accrual Period, such dates as may occur in accordance with the FRN Convention at such specified period of calendar months following the Interest Commencement Date (in the case of the first Interest Period End Date) or the previous Interest Period End Date (in any other case) or, if none of the foregoing is specified in the Pricing Supplement, means the date or each of the dates which correspond with the Interest Payment Date(s) in respect of the Notes.

**Interest Rate** means the rate or rates (expressed as a percentage per annum) or amount or amounts (expressed as a price per unit of relevant currency) of interest payable in respect of the Notes specified in, or calculated or determined in accordance with the provisions of, the Pricing Supplement.

**ISDA Definitions** means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the Pricing Supplement) as published by the International Swaps and Derivatives Association, Inc.).

**Participating Member State** means a member state of the European Union which adopts the euro as its lawful currency in accordance with the Treaty.

**Reference Banks** means such banks as may be specified in the Pricing Supplement as the Reference Banks or, if none are specified, **Reference Banks** has the meaning given in the ISDA Definitions, *mutatis mutandis*.

**Regular Period** means:

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

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

**Relevant Financial Centre** means such financial centre or centres as may be specified in relation to the relevant currency for the purposes of the definition of “Business Day” in the ISDA Definitions.

**Relevant Market** means the London interbank market or such other market as may be specified in the Pricing Supplement.

**Relevant Time** means the time as of which any rate is to be determined as specified in the Pricing Supplement or, if none is specified, at which it is customary to determine such rate.

**Reuters Screen** means, when used in connection with a designated page and any designated information, the display page so designated on the Reuter Money 3000 Service (or such other page as may replace that page on that service for the purpose of displaying such information).

**TARGET2** means the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET2) System.

**TARGET2 Business Day** means a day on which the TARGET2 system is operating.

**Treaty** means the Treaty on the Functioning of the European Union, as amended.

#### *Non-Interest Bearing Notes*

- 4.9** If any Maturity Redemption Amount (as defined in Condition 5.1) in respect of any Note which is non-interest bearing is not paid when due, interest shall accrue on the overdue amount at a rate per annum (expressed as a percentage per annum) equal to the Amortisation Yield defined in, or determined in accordance with the provisions of, the Pricing Supplement or at such other rate as may be specified for this purpose in the Pricing Supplement until the date on which, upon due presentation or surrender of the relevant Note (if required), the relevant payment is made or, if earlier (except where presentation or surrender of the relevant Note is not required as a precondition of payment), the seventh day after the date on which, the Issuing and Paying Agent or, as the case may be, the Registrar having received the funds required to make such payment, notice is given to the Holders of the Notes in accordance with Condition 14 that the Issuing and Paying Agent or, as the case may be, the Registrar has received the required funds (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder). The amount of any such interest shall be calculated in accordance with the provisions of Condition 4.7 as if the Interest Rate was the Amortisation Yield, the principal amount was the overdue sum and the Day Count Fraction was as specified for this purpose in the Pricing Supplement or, if not so specified, 30E/360 (as defined in Condition 4.8).

## **5. Redemption and Purchase**

### *Redemption at Maturity*

- 5.1** Unless previously redeemed, or purchased and cancelled or unless such Note is specified in the Pricing Supplement as having no fixed maturity date, each Note shall be redeemed at its maturity redemption amount (the **Maturity Redemption Amount**) (which shall be its principal amount or such other redemption amount as may be specified in or determined in accordance with the formula or other means specified in the Pricing Supplement) on the date or dates (or, in the case of Notes which bear interest at a floating rate of interest, on the date or dates upon which interest is payable) specified in the Pricing Supplement (the **Maturity Date**) and, in the case of Equity Linked Notes in respect of which the relevant Option (as defined in the Pricing Supplement) has been exercised, in accordance with the provisions set out in the relevant Pricing Supplement.

### *Early Redemption for Taxation Reasons*

- 5.2 If, in relation to any Series of Notes, as a result of any change in the laws, regulations or rulings of Hong Kong or, in the case of Notes issued by any New Issuer, the jurisdiction of incorporation of the relevant New Issuer, or (in any such case) of any political subdivision thereof or any authority or agency therein or thereof having power to tax or in the interpretation or administration of any such laws, regulations or rulings which becomes effective on or after the date of issue of such Notes or any other date specified in the Pricing Supplement, the Issuer or (except in the case of Notes issued by the Bank), if the Guarantee was called, the Guarantor would be required to pay additional amounts as provided in Condition 7, the Issuer may, at its option and having given no less than thirty nor more than sixty days' notice (ending, in the case of Notes which bear interest at a floating rate, on a day upon which interest is payable) to the Holders of the Notes in accordance with Condition 14 (which notice shall be irrevocable), redeem all (but not some only) of the outstanding Notes comprising the relevant Series at their early tax redemption amount (the **Early Redemption Amount (Tax)**) (which shall be their principal amount or, in the case of Notes which are non-interest bearing, their Amortised Face Amount (as defined in Condition 5.12) or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the Pricing Supplement), together with accrued interest (if any) thereon Provided, however, that no such notice of redemption may be given earlier than 90 days (or, in the case of Notes which bear interest at a floating rate a number of days which is equal to the aggregate of the number of days falling within the then current interest period applicable to the Notes plus 60 days) prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

The Issuer may not exercise such option in respect of any Note which is the subject of the prior exercise by the Holder thereof of its option to require the redemption of such Note under Condition 5.7.

### *Early Redemption for reasons of Force Majeure*

- 5.3 (a) This condition 5.3 is applicable to the Notes only if it is specified in the relevant Pricing Supplement as being applicable.
- (b) The Issuer shall have the right to terminate its obligation under the Notes, if the Calculation Agent shall have determined in its absolute discretion, that performance of such obligations (or the Issuer's or the Issuer's affiliate's obligations under any hedging or funding arrangement established in connected therewith) shall have become unlawful or impracticable in whole or in part, including without limitation as a result of compliance with any applicable present or future law, rule, regulation, judgment, order or directive or with any requirement or request of any governmental, administrative, legislative or judicial authority or power. In such circumstances the Notes shall be redeemable at the option of the Issuer at an amount equal to the fair market value of the Notes (as determined by the Calculation Agent) immediately prior (and ignoring the circumstances leading) to such early redemption, adjusted to account fully for any reasonable expenses and costs incurred by the Issuer and/or its affiliates in connection with the Issuer's obligations under the Notes or any related hedging or funding arrangements (including, without limitation, the holding of any underlying and/or any swaps or other instruments of any type whatsoever hedging the Issuer's obligations under the Notes) as a result of such events, including, without limitation, the costs of unwinding any such related hedging and funding arrangements.

### *Optional Early Redemption (Call)*

- 5.4 If this Condition 5.4 is specified in the Pricing Supplement as being applicable, then the Issuer may, having given the appropriate notice and subject to such conditions as may be specified in the Pricing Supplement, redeem all (but not, unless and to the extent that the Pricing Supplement specifies otherwise, some only) of the Notes of the relevant Series at their call early redemption amount (the **Early Redemption Amount (Call)**) (which shall be their principal amount or, in the

case of Notes which are non-interest bearing, their Amortised Face Amount (as defined in Condition 5.12) or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the Pricing Supplement), together with accrued interest (if any) thereon on the date specified in such notice.

The Issuer may not exercise such option in respect of any Note which is the subject of the prior exercise by the Holder thereof of its option to require the redemption of such Note under Condition 5.7.

**5.5** The appropriate notice referred to in Condition 5.4 is a notice given by the Issuer to the Holders of the Notes of the relevant Series in accordance with Condition 14, which notice shall be irrevocable and shall specify:

- the Series of Notes subject to redemption;
- whether such Series is to be redeemed in whole or in part only and, if in part only, the aggregate principal amount of and (except in the case of a Temporary Global Note or Permanent Global Note) the serial numbers of the Notes of the relevant Series which are to be redeemed;
- the due date for such redemption, which shall be not less than thirty days nor more than sixty days after the date on which such notice is given and which shall be such date or the next of such dates (**Call Option Date(s)**) or a day falling within such period (**Call Option Period**), as may be specified in the Pricing Supplement and which is, in the case of Notes which bear interest at a floating rate, a date upon which interest is payable; and
- the Early Redemption Amount (Call) at which such Notes are to be redeemed.

#### *Partial Redemption*

**5.6** If the Notes of a Series are to be redeemed in part only on any date in accordance with Condition 5.4:

- 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 Issuing and Paying Agent may specify, or identified in such other manner or in such other place as the Issuing and Paying Agent may approve and deem appropriate and fair;
- in the case of a Temporary Global Note or a Permanent Global Note, the Notes to be redeemed shall be selected in accordance with the rules of the CMU Service and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system; and
- 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 integral multiple thereof,

subject always to compliance with all applicable laws and the requirements of any stock exchange on which the relevant Notes may be listed.

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 Conditions 2.4 to 2.10 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.

#### *Optional Early Redemption (Put)*

**5.7** If this Condition 5.7 is specified in the Pricing Supplement as being applicable, then the Issuer shall, upon the exercise of the relevant option by the Holder of any Note of the relevant Series, redeem such Note on the date specified in the relevant Put Notice (as defined below) at its put

early redemption amount (the **Early Redemption Amount (Put)**) (which shall be its principal amount or, if such Note is non-interest bearing, its Amortised Face Amount (as defined in Condition 5.12) or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the Pricing Supplement), together with accrued interest (if any) thereon. In order to exercise such option, the Holder must, not less than forty-five days before the date on which such redemption is required to be made as specified in the Put Notice (which date shall be such date or the next of the dates (**Put Date(s)**) or a day falling within such period (**Put Period**) as may be specified in the Pricing Supplement), deposit the relevant Note (together, in the case of an interest-bearing Definitive Note, with all unmatured Coupons appertaining thereto other than any Coupon maturing on or before the date of redemption (failing which the provisions of Condition 8.1(f) apply)) during normal business hours at the specified office of, in the case of a Bearer Note, any Paying Agent or, in the case of a Registered Note, the Registrar together with a duly completed early redemption notice (**Put 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 specifying, in the case of a Temporary Global Note or Permanent Global Note or Registered Note, the aggregate principal amount in respect of which such option is exercised (which must be the minimum denomination specified in the Pricing Supplement or an integral multiple thereof). No Note so deposited and option exercised may be withdrawn (except as provided in the Issuing and Paying Agency Agreement).

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 Conditions 2.4 to 2.10 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.

The Holder of a Note may not exercise such option in respect of any Note which is the subject of a prior exercise by the Issuer of its option to redeem such Note under either Condition 5.2, 5.3 or 5.4.

#### *Purchase of Notes*

**5.8** The Issuer, the Guarantor (except in the case of Notes issued by the Bank) and any of their respective subsidiaries may at any time purchase Notes in the open market or otherwise and at any price provided that all unmatured Coupons appertaining thereto are purchased therewith.

#### *Cancellation of Redeemed and Purchased Notes*

**5.9** Notes and Coupons purchased in accordance with this Condition 5 may be held, surrendered for cancellation or reissued or resold, and any Notes so reissued or resold shall for all purposes be deemed to form part of the original Series of Notes. All unmatured Notes and Coupons redeemed in accordance with this Condition 5 will be cancelled forthwith and may not be reissued or resold.

#### *Further Provisions applicable to Redemption Amounts*

**5.10** The provisions of Condition 4.6 and the last paragraph of Condition 4.7 shall apply to any determination or calculation of the Redemption Amount required by the Pricing Supplement to be made by the Calculation Agent (as defined in Condition 4.8).

**5.11** References herein to **Redemption Amount** shall mean, as appropriate, the Maturity Redemption Amount, Early Redemption Amount (Tax), Early Redemption Amount (Call), Early Redemption Amount (Put) and Early Termination Amount (as defined in Condition 6.2) or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the Pricing Supplement.

**5.12** In the case of any Note which is non-interest bearing, the **Amortised Face Amount** shall be an amount equal to the sum of:

- (a) the Issue Price specified in the Pricing Supplement; and
- (b) the product of the Amortisation Yield (compounded annually) being applied to the Issue Price from (and including) the Issue Date specified in the Pricing Supplement to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable.

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 the Day Count Fraction (as defined in Condition 4.8) specified in the Pricing Supplement for the purposes of Condition 4.9.

**5.13** If any Redemption Amount (other than the Maturity Redemption Amount) is improperly withheld or refused or default is otherwise made in the payment thereof, the Amortised Face Amount shall be calculated as provided in Condition 5.12 but as if references in subparagraph (ii) to the date fixed for redemption or the date upon which such Note becomes due and repayable were replaced by references to the earlier of:

- (a) the date on which, upon due presentation or surrender of the relevant Note (if required), the relevant payment is made; and
- (b) (except where presentation or surrender of the relevant Note is not required as a precondition of payment), the seventh day after the date on which, the Issuing and Paying Agent or, as the case may be, the Registrar having received the funds required to make such payment, notice is given to the Holders of the Notes in accordance with Condition 14 of that circumstance (except to the extent that there is a failure in the subsequent payment thereof to the relevant Holder).

## **6. Enforcement**

### **6.1 Events of Default**

- (a) The following events or circumstances as modified by, and/or such other events as may be specified in, the Pricing Supplement (each an **Event of Default**) shall be acceleration events in relation to the Notes of any Series, namely, default is made in the payment of any amount of principal or interest in respect of the Notes on the due date for payment thereof and such default continues for 14 days, provided that it shall not be an Event of 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 14 days by independent legal advisers of recognised standing as to such validity or applicability.
- (b) If any Event of Default shall occur in relation to any Series of Notes, any Holder of a Note of the relevant Series may, by written notice to the Issuer, at the specified office of the Issuing and Paying Agent, declare that such Note and (if the Note is interest-bearing) all interest then accrued on such Note shall be forthwith due and payable, whereupon the same shall become immediately due and payable at its Early Termination Amount (as defined in Condition 6.2), together with all interest (if any) accrued thereon without presentment, demand, protest or other notice of any kind, all of which the Issuer will expressly waive, anything contained in such Notes to the contrary notwithstanding, unless, prior thereto, all Events of Default in respect of the Notes of the relevant Series shall have been cured.

## 6.2 *Winding-up of the Bank*

In the event of an order being made or an effective resolution being passed for the winding-up of the Bank in Hong Kong (otherwise than in connection with a scheme of reconstruction or amalgamation the terms of which shall previously have been approved by an Extraordinary Resolution (as defined in the Issuing and Paying Agency Agreement) of the Holders of the relevant Series of Notes) any Holder of a Note may, by written notice to the Issuer, at the specified office of the Issuing and Paying Agent, declare such Note and (if the Note is interest-bearing) all interest then accrued on such Note to be forthwith due and payable, whereupon the same shall become immediately due and payable at its early termination amount (the **Early Termination Amount**) (which shall be its principal amount (unless otherwise specified in the applicable Pricing Supplement) or, if such Note is non-interest bearing, its Amortised Face Amount (as defined in Condition 5.12) (unless otherwise specified in the applicable Pricing Supplement)).

## 6.3 *No Other Remedies*

No remedy against any New Issuer or the Bank other than as specifically provided by this Condition 6 shall be available to 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 in respect of any breach by any New Issuer or the Bank of any obligation, condition or provision under such Notes or Coupons or otherwise.

## 7. **Taxation**

7.1 Subject to Condition 7.5, all payments (whether in respect of principal, interest or otherwise) in respect of the Notes or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Hong Kong or (in the case of Notes issued by any New Issuer) the jurisdiction of incorporation of the relevant New Issuer, or (in any such case) any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as will result in the receipt by the Holder of such amounts as would have been received by such Holder if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:

- (a) by or on behalf of a Holder 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 Hong Kong or the jurisdiction of incorporation of the relevant New Issuer (in the case of Notes issued by a New Issuer) other than the mere holding of such Note or Coupon; or
- (b) more than thirty days after the Relevant Date except to the extent that the Holder thereof would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of thirty days; or
- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union.

- 7.2 For the purposes of these Terms and Conditions, the **Relevant Date** means whichever is the later of (i) the date on which the payment in question first becomes due and (ii) if the full amount payable has not been duly paid to the Issuing and Paying Agent, or as the case may be, the Registrar in accordance with the Issuing and Paying Agency Agreement on or prior to such due date, the date on which, such full amount having been so duly paid and remaining available for payment to Holders, notice to that effect has been given to the Holders of the Notes of the relevant Series in accordance with Condition 14.
- 7.3 If the Issuer or (except in the case of Notes issued by the Bank) the Guarantor becomes subject at any time to any taxing jurisdiction other than Hong Kong or the jurisdiction of incorporation of the relevant New Issuer, as relevant, references in Condition 5.2 and Condition 7.1 to Hong Kong or the jurisdiction of incorporation of such New Issuer shall be read and construed as references to Hong Kong or the jurisdiction of incorporation of such New Issuer and/or to such other jurisdiction(s).
- 7.4 Any reference in these Terms and Conditions to **principal** and/or **interest** in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 7. Unless the context otherwise requires, any reference in these Terms and Conditions to “principal” shall include any premium payable in respect of a Note, any Redemption Amount and any other amounts in the nature of principal payable pursuant to these Terms and Conditions and “interest” shall include all amounts payable pursuant to Condition 4 and any other amounts in the nature of interest payable pursuant to these Terms and Conditions.
- 7.5 Notwithstanding any other provision in these Terms and Conditions, the Issuer or, as the case may be, the Guarantor shall be permitted to withhold or deduct any amounts required by the U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended successor or provisions), pursuant to any inter-governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service (**FATCA withholding**). Neither the Issuer nor, as the case may be, the Guarantor will have any obligation to pay additional amounts or otherwise indemnify a Holder for any FATCA withholding deducted or withheld by the Issuer, the Guarantor, a Paying Agent or any other party as a result of any person (other than an agent of the Issuer or, as the case may be, the Guarantor) not being entitled to receive payments free of FATCA withholding.

## 8. Payments

### 8.1 *Payments - Bearer Notes*

- (a) This Condition 8.1 is applicable in relation to Notes in bearer form.
- (b) Payment of amounts (other than interest) due in respect of Bearer Notes will be made against presentation and (save in the case of partial payment) surrender of the relevant Bearer Notes at the specified office of any of the Paying Agents.
- (c) Payment of amounts in respect of interest on Bearer Notes will be made:
- (i) in the case of a Temporary Global Note or Permanent Global Note, against presentation of the relevant Temporary Global Note or Permanent Global Note at the specified office of any of the Paying Agents outside (unless Condition 8.1(d) applies) the United States (which term, as used therein, means the United States of America and its possessions) and, in the case of a Temporary Global Note, upon due certification as required therein;
  - (ii) in the case of Definitive Notes without Coupons attached thereto at the time of their initial delivery, against presentation of the relevant Definitive Notes at the specified office of any of the Paying Agents outside (unless Condition 8.1(d) applies) the United States; and



- (iii) in the case of Definitive Notes delivered with Coupons attached thereto at the time of their initial delivery, against surrender of the relevant Coupons or, in the case of interest due otherwise than on a scheduled date for the payment of interest, against presentation of the relevant Definitive Notes, in either case at the specified office of any of the Paying Agents outside (unless Condition 8.1(d) applies) the United States.
- (d) Payments of amounts due in respect of interest on the Bearer Notes and exchanges of Talons for Coupon sheets in accordance with Condition 8.1(g) will not be made at the specified office of any Paying Agent in the United States 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. If paragraphs (a) and (b) of the previous sentence apply, the Issuer and (except in the case of Notes issued by the Bank) the Guarantor shall forthwith appoint a further Paying Agent with a specified office in New York City.
- (e) If the due date for payment of any amount due in respect of any Bearer Note is not a Relevant Financial Centre Day (as defined in Condition 8.3(c)), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day, and from such day and thereafter will be entitled to receive payment by cheque on any local banking day, and will be entitled to payment by transfer to a designated account on any day which is a local banking day, a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located 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 Terms and Conditions in which event interest shall continue to accrue as provided in Condition 4.5 or, if appropriate, Condition 4.9.
- (f) Each Definitive Note initially delivered with Coupons or Talons attached thereto should be presented and, save in the case of partial payment of the Redemption Amount, surrendered for final redemption together with all unmatured Coupons and Talons relating thereto, failing which:
  - (i) if the Pricing Supplement specifies that this paragraph (i) of Condition 8.1(f) is applicable (and, in the absence of specification, this paragraph (i) shall apply to Definitive Notes which bear interest at a fixed rate or rates or in fixed amounts) and subject as hereinafter provided, the amount of any missing unmatured Coupons (or, in the case of a payment not being made in full, that portion of the amount of such missing Coupon which the Redemption Amount paid bears to the total Redemption Amount due) (excluding, for this purpose, but without prejudice to paragraph (iii) below, Talons) will be deducted from the amount otherwise payable on such final redemption, the amount so deducted being payable against surrender of the relevant Coupon at the specified office of any of the Paying Agents at any time within ten years of the Relevant Date applicable to payment of such Redemption Amount;
  - (ii) if the Pricing Supplement specifies that this paragraph (ii) of Condition 8.1(f) is applicable (and, in the absence of specification, this paragraph (ii) shall apply to Notes which bear interest at a floating rate or rates or in variable amounts) all unmatured Coupons (excluding, for this purpose, but without prejudice to paragraph (iii) below, Talons) relating to such Definitive Notes (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them; and

- (iii) in the case of Definitive Notes initially delivered with Talons attached thereto, all unmatured Talons (whether or not surrendered therewith) shall become void and no exchange for Coupons shall be made thereafter in respect of them.

The provisions of paragraph (i) of this Condition 8.1(f) notwithstanding, if any Definitive Notes should be issued with a maturity date and an Interest Rate or Rates such that, on the presentation for payment of any such Definitive Note without any unmatured Coupons attached thereto or surrendered therewith, the amount required by paragraph (i) to be deducted would be greater than the Redemption Amount otherwise due for payment, then, upon the due date for redemption of any such Definitive Note, 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, upon application of the provisions of paragraph (i) in respect of such Coupons as have not so become void, the amount required by paragraph (i) to be deducted would not be greater than the Redemption Amount otherwise due for payment. Where the application of the foregoing sentence requires some but not all of the unmatured Coupons relating to a Definitive Note to become void, the relevant Paying Agent shall 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.

- (g) In relation to Definitive Notes initially delivered with Talons attached thereto, on or after the due date for the payment of interest on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent outside (unless Condition 8.1(d) applies) the United States in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 10 below. Each Talon shall, for the purpose of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

## **8.2 Payments - Registered Notes**

- (a) This Condition 8.2 is applicable in relation to Notes in registered form.
- (b) Payment of the Redemption Amount (together with accrued interest) due in respect of Registered Notes will be made against presentation and, save in the case of partial payment of the Redemption Amount, surrender of the relevant Registered Notes at the specified office of the Registrar. If the due date for payment of the Redemption Amount of any Registered Note is not a Relevant Financial Centre Day (as defined in Condition 8.3(c)), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day, and from such day and thereafter will be entitled to receive payment by cheque on any local banking day, and, will be entitled to payment by transfer to a designated account on any day which is a local banking day, a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located 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 Terms and Conditions in which event interest shall continue to accrue as provided in Condition 4.5 or, as appropriate, Condition 4.9.
- (c) Payment of amounts (whether principal, interest or otherwise) due (other than the Redemption Amount) in respect of Registered Notes will be paid to the Holder thereof (or, in the case of joint Holders, the first-named) as appearing in the register kept by the Registrar (i) where in global form, at the close of the business day (being for this purpose, in respect of Notes clearing through Euroclear and Clearstream, Luxembourg, a day on which Euroclear and Clearstream, Luxembourg are open for business, and in respect of Notes clearing through the CMU Service, the CMU Service is open for business) before the relevant due date, and (ii) where in definitive form, as at opening of business (local time in the place of the specified office of the Registrar) on the fifteenth Relevant Banking Day (as defined in Condition 2.7) before the due date for such payment (the **Record Date**).

- (d) Notwithstanding the provisions of Condition 8.3(b), payment of amounts (whether principal, interest or otherwise) due (other than the Redemption Amount) in respect of Registered Notes will be made in the currency in which such amount is due by cheque (in the case of payment in Pounds Sterling, drawn on a town clearing branch of a bank in the city of London) and posted to the address (as recorded in the register held by the Registrar) of the Holder thereof (or, in the case of joint Holders, the first-named) on the Relevant Banking Day (as defined in Condition 2.7) 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 (or if the relevant currency is euro, any other account to which euro may be transferred or credited) in which case payment shall be made on the relevant due date for payment by transfer to such account. In the case of payment by transfer to an account, if the due date for any such payment is not a Relevant Financial Centre Day, then the Holder thereof will not be entitled to payment thereof until the first day thereafter which is a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located 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 Terms and Conditions in which event interest shall continue to accrue as provided in Condition 4.5 or, as appropriate, Condition 4.9.

### **8.3 Payments - General Provisions**

- (a) Save as otherwise specified in these Terms and Conditions, this Condition 8.3 is applicable in relation to Notes whether in bearer or in registered form.
- (b) 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 (a) by cheque (in the case of payment in Pounds Sterling, drawn on a town clearing branch of a bank in the city of London) or (b) at the option of the payee, by transfer to an account denominated in the relevant currency (or if the relevant currency is euro, any other account to which euro may be transferred or credited) specified by the payee. Payments will, without prejudice to the provisions of Condition 7, be subject in all cases to any applicable fiscal or other laws and regulations in the place of payment.
- (c) For the purposes of these Terms and Conditions:
- (i) **Relevant Financial Centre Day** means (i) a day on which commercial banks and foreign exchange markets settle payments in the Relevant Financial Centre and in any other place specified in the Pricing Supplement and (ii) in the case of euro, a day on which the TARGET2 system is operating; and
- (ii) **local banking day** means a day (other than a Saturday or Sunday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place of presentation of the relevant Note or, as the case may be, Coupon.
- (d) No commissions or expenses shall be charged to the Holders of Notes or Coupons in respect of such payments.

### **8.4 Redenomination, Renominalisation and Reconventioning**

- (a) This Condition 8.4 is applicable to the Notes only if it is specified in the relevant Pricing Supplement as being applicable.
- (b) If the country of the currency in which the Notes are denominated becomes or, announces its intention to become, a Participating Member State, the Issuer may, without the consent of the Holders of the Notes and the Holders of the Coupons, on giving at least 30 days' prior

notice to the Holders of the Notes and the Paying Agents (and, in the case of Registered Notes, the Registrar) in accordance with Condition 14, designate a date (the **Redenomination Date**), being an Interest Payment Date under the Notes falling on or after the date on which such country becomes a Participating Member State.

- (c) Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:
- (i) the Notes shall be deemed to be redenominated in 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 conversion of such currency into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Union regulations); *provided, however, that*, if the Issuer determines, with the agreement of the Issuing and Paying Agent that the then market practice in respect of the redenomination in 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 Holders of the Notes and the Holders of the Coupons, each stock exchange (if any) on which the Notes are then listed and the Paying Agents (and, in the case of Registered Notes, the Registrar) of such deemed amendments;
  - (ii) if Notes have been issued in bearer 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 Holders of the Notes 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 8.4) 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 Issuing and Paying Agent may specify and as shall be notified to the Holders of the Notes in the Euro Exchange Notice.
  - (d) Following redenomination of the Notes pursuant to this Condition 8.4, where Notes have been issued in bearer definitive form, the amount of interest due in respect of the Notes will be calculated by reference to the Calculation Amount of the Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant Holder.
  - (e) If the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable and Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, with effect from the Redenomination Date the Interest Determination Date shall be deemed to be the date falling two TARGET2 Business Days before the first day of the relevant Interest Period.

## 9. Valuation, Adjustments, Extraordinary Events affecting Securities and Indices

### 9.1 Valuation, Market Disruption and Averaging Dates

- (a) **“Valuation Time”** means:
- (i) in relation to each Security to be valued or each Index (other than a Multiple Exchange Index) the level of which is to be determined, the time on the relevant Valuation Date or Averaging Date specified as such in the relevant Pricing Supplement or, if no such time is specified, the Scheduled Closing Time on the relevant Exchange on the relevant Valuation Date or Averaging Date, as the case may be, in relation to such Security or Index, provided that if the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time,
  - (ii) in relation to a Multiple Exchange Index, (a) for the purposes of determining whether a Market Disruption Event has occurred: (1) in respect of any Component Security, the Scheduled Closing Time on the Exchange in respect of such Component Security, and (2) in respect of any options contracts or future contracts on the Multiple Exchange Index, the close of trading on the Related Exchange; and (b) in all other circumstances, the time at which the official closing level of the Multiple Exchange Index is calculated and published by the Sponsor.
- (b) **Valuation Date** means each date specified or otherwise determined as provided in the relevant Pricing Supplement, or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day unless Disrupted Day is specified as applying in the applicable Pricing Supplement and, in the opinion of the Calculation Agent, such day is a Disrupted Day. If such day is a Disrupted Day then:
- (i) in the case of an Index Linked Note, an Equity Linked Note or a Cash Equity Note (as specified in the relevant Pricing Supplement) which, in each case, relates to a single Security or Index, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the Valuation Rollover Days (as specified in the Pricing Supplement) immediately following the Scheduled Valuation Date is a Disrupted Day. In that case:
    - (A) in respect of an Index Linked Note, (i) the Deemed Valuation Date (as specified in the Pricing Supplement) shall be deemed to be the Valuation Date notwithstanding the fact that such day is a Disrupted Day and (ii) the Calculation Agent shall determine the level of the Index including a Multiple Exchange Index, as of the Valuation Time on the Deemed Valuation Date in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on the Deemed Valuation Date of each security/commodity comprised in the Index or each Component Security of the Multiple Exchange Index, as the case may be (or if an event giving rise to a Disrupted Day has occurred in respect of the relevant security/commodity or Component Security, as the case may be, on the Deemed Valuation Date, its good faith estimate of the value for the relevant security/commodity or Component Security, as the case may be, as of the Valuation Time on the Deemed Valuation Date); and
    - (B) in respect of an Equity Linked Note or a Cash Equity Note, (i) the Deemed Valuation Date (as specified in the Pricing Supplement) shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine its good faith estimate of the value for the Security as of the Valuation Time on the Deemed Valuation Date;
  - (ii) in the case of an Index Linked Note (as specified in the relevant Pricing Supplement) which relates to a basket of Indices, the Valuation Date for each Index not affected by

the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Index affected by the occurrence of a Disrupted Day (each an **Affected Index**) shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to the Affected Index, unless each of the Valuation Rollover Days (as specified in the Pricing Supplement) immediately following the Scheduled Valuation Date is a Disrupted Day relating to that Affected Index. In that case, (i) the Deemed Valuation Date (as specified in the Pricing Supplement) shall be deemed to be the Valuation Date for the Affected Index, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the level of that Index as of the Valuation Time on the Deemed Valuation Date in accordance with the formula for and method of calculating that Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on the Deemed Valuation Date of each security/commodity comprised in that Index or each Component Security of the Multiple Exchange Index, as the case may be (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security/commodity or Component Security, as the case may be, on the Deemed Valuation Date, its good faith estimate of the value for the relevant security/commodity or Component Security, as the case may be, as of the Valuation Time on the Deemed Valuation Date); and

- (iii) in the case of an Equity Linked Note or a Cash Equity Note (as specified in the relevant Pricing Supplement) which, in each case, relates to a basket of Securities the Valuation Date for each Security not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Security affected (each an **Affected Security**) by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to the Affected Security, unless each of the Valuation Rollover Days (as specified in the Pricing Supplement) immediately following the Scheduled Valuation Date is a Disrupted Day relating to the Affected Security. In that case, (i) the Deemed Valuation Date (as specified in the Pricing Supplement) shall be deemed to be the Valuation Date for the Affected Security, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine its good faith estimate of the value for the Affected Security as of the Valuation Time on the Deemed Valuation Date.

(c) **Market Disruption Event** in relation to an Index Linked Note, an Equity Linked Note and a Cash Equity Note (as specified in the relevant Pricing Supplement) means:

- (i) in respect of an Index (other than a Multiple Exchange Index) to which an Index Linked Note relates:

(A) the occurrence or existence of:

- (i) a Trading Disruption; or
- (ii) an Exchange Disruption,

which in either case the Calculation Agent determines, in its sole and absolute discretion, to be material at any time during the one hour period that ends at the relevant Valuation Time; or

(B) an Early Closure.

For the purposes of determining whether a Market Disruption Event in respect of an Index exists at any time, if a Market Disruption Event occurs in respect of a security/commodity included in the Index at any time, then the relevant percentage contribution of that security/commodity to the level of the Index shall be based on a comparison of (i) the portion of the level of the Index attributable to that security/commodity and (ii) the overall level of the Index, in each case immediately before the occurrence of such Market Disruption Event;

(ii) in respect of a Security to which Equity Linked Note or a Cash Equity Note relates:

(A) the occurrence or existence at any time during the one hour period that ends at the relevant Valuation Time of:

(i) any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise:

(aa) relating to the Security on the Exchange; or

(bb) in futures or options contracts relating to the Security on any relevant Related Exchange; or

(ii) any event (other than an event described in (B) below) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (A) to effect transactions in, or obtain market values for, the Securities on the Exchange, or (B) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Security on any relevant Related Exchange,

which in either case the Calculation Agent determines, in its sole and absolute discretion, to be material; or

(B) the closure on any Exchange Business Day of any relevant Exchange(s) or Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or such Related Exchange(s), as the case may be, at least one hour prior to the earlier of (A) the actual closing time for the regular trading session on such Exchange(s) or such Related Exchange(s) on such Exchange Business Day or (B) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day; and

(iii) in respect of a Multiple Exchange Index to which an Index Linked Note relates, either:

(A) the occurrence or existence, in respect of any Component Security, of:

(i) a Trading Disruption, or

(ii) an Exchange Disruption,

which in either case the Calculation Agent determines, in its sole and absolute discretion, to be material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded; or

(iii) an Early Closure;

where the aggregate of all Component Securities in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists comprises 20 per cent. or more of the level of the Multiple Exchange Index; or

(B) the occurrence or existence, in respect of futures or options contracts relating to the Multiple Exchange Index of:

(i) a Trading Disruption; or

(ii) an Exchange Disruption,

which in either case the Calculation Agent determines, in its sole and absolute discretion, to be material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Related Exchange; or

(iii) an Early Closure.

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

(d) If Averaging Dates are specified in the relevant Pricing Supplement, then notwithstanding any other provisions of these Conditions, the following provisions will apply to the valuation of the relevant Index or Securities:

(i) **Averaging Date** means, in respect of each Valuation Date, each date specified or otherwise determined as provided in the relevant Pricing Supplement (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day).

(ii) The Maturity Redemption Amount will be:

(A) in respect of an Index Linked Note or an Equity Linked Note settled by way of Cash Settlement or a Cash Equity Note which, in each case, relates to a single Security or Index (as the case may be), the arithmetic mean of the Relevant Prices of the Index or the Securities on each Averaging Date;

(B) in respect of an Index Linked Note which relates to a basket of Indices, the arithmetic mean of the amounts for such basket determined by the Calculation Agent in its sole and absolute discretion as provided in the relevant Pricing Supplement at the relevant Valuation Time on each Averaging Date or, if no means for determining the Maturity Redemption Amount is so provided, the arithmetic mean of the amounts for such basket calculated on each Averaging Date as the sum of the Relevant Prices of each Index comprised in such basket (weighted or adjusted in relation to each Index as provided in the relevant Pricing Supplement); and

(C) in respect of an Equity Linked Note settled by way of Cash Settlement or Cash Equity Note which relates to a basket of Securities, the arithmetic mean of the prices for such basket determined by the Calculation Agent in its sole and absolute discretion as provided in the relevant Pricing Supplement at the relevant Valuation Time on each Averaging Date or, if no means for determining the Maturity Redemption Amount is so provided, the arithmetic mean of the amounts for such basket calculated on each Averaging Date as the sum of the values calculated for the Securities of each Underlying Company as the product of (aa) the Relevant Price of such Security and (bb) the relevant number of such Securities comprised in such basket.

(iii) In the case of any Averaging Date being a Disrupted Day, if the consequence specified in the relevant Pricing Supplement is in relation to **Averaging Date Market Disruption**:

(A) **Omission**, then such Averaging Date will be deemed not to be a relevant Averaging Date for purposes of determining the relevant Maturity Redemption Amount. If through the operation of this provision no Averaging Date would



occur with respect to the relevant Valuation Date, then Condition 9.1(b) will apply for purposes of determining the relevant level, price or amount on the final Averaging Date with respect to that Valuation Date as if such final Averaging Date were a Valuation Date that was a Disrupted Day;

(B) **Postponement**, then Condition 9.1(b) will apply for purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that already is or is deemed to be an Averaging Date for the Note; or

(C) **Modified Postponement**, then:

(i) in the case of an Index Linked Note, an Equity Linked Note or a Cash Equity Note which relates to a single Index or type of Security, the Averaging Date shall be the first succeeding Valid Date. If the first succeeding Valid Date has not occurred as of the Valuation Time on each of the Averaging Rollover Days (as specified in the Pricing Supplement) immediately following the original date that, but for the occurrence of another Averaging Date (or Disrupted Day), would have been the final Averaging Date (the **Scheduled Final Averaging Date**) in respect of the relevant Scheduled Valuation Date, then:

(aa) in respect of an Index Linked Note, the Deemed Averaging Date (as specified in the Pricing Supplement) shall be deemed to be the Averaging Date, (irrespective of whether the Deemed Averaging Date is already an Averaging Date), and the Calculation Agent shall determine, in its sole and absolute discretion, the relevant level for that Averaging Date in accordance with Condition 9.1(b)(i)(A); and

(bb) in respect of an Equity Linked Note or a Cash Equity Note, the Deemed Averaging Date (as specified in the Pricing Supplement) shall be deemed to be the Averaging Date (irrespective of whether the Deemed Averaging Date is already an Averaging Date), and the Calculation Agent shall determine, in its sole and absolute discretion, the relevant price for that Averaging Date in accordance with Condition 9.1(b)(i)(B); and

(ii) in the case of an Index Linked Note, an Equity Linked Note or a Cash Equity Note which relates to a basket of Indices or Securities, the Averaging Date for each Index or Security not affected by the occurrence of a Disrupted Day shall be the day specified in the relevant Pricing Supplement as an Averaging Date in relation to the relevant Valuation Date (the **Scheduled Averaging Date**) and the Averaging Date for an Index or Security affected by the occurrence of a Disrupted Day shall be the first succeeding Valid Date in relation to such Index or Security. If the first succeeding Valid Date in relation to such Index or Security has not occurred as of the Valuation Time on each of the Averaging Rollover Days (as specified in the Pricing Supplement) immediately following the Scheduled Final Averaging Date that, but for the occurrence of another Averaging Date (or Disrupted Day), would have been the final Averaging Date in relation to the relevant Scheduled Valuation Date, then:

(aa) in respect of an Index Linked Note, the Deemed Averaging Date (as specified in the Pricing Supplement) shall be deemed to be the Averaging Date (irrespective of whether the Deemed Averaging Date is already an Averaging Date) in relation to such Index, and the Calculation Agent shall determine, in its sole and absolute discretion, the relevant level for that Averaging Date in accordance with Condition 9.1(b)(ii); and

(bb) in respect of an Equity Linked Note or a Cash Equity Note, the Deemed Averaging Date (as specified in the Pricing Supplement) shall be deemed to be the Averaging Date (irrespective of whether the Deemed Averaging Date is already an Averaging Date) in relation to such Security, and the Calculation Agent shall determine, in its sole and absolute discretion, the relevant amount for that Averaging Date in accordance with Condition 9.1(b)(iii).

**Valid Date** means a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date in relation to the relevant Valuation Date does not or is not deemed to occur.

If any Averaging Dates in relation to a Valuation Date occur after that Valuation Date as a result of the occurrence of a Disrupted Day, then (i) the relevant Cash Settlement Payment Date or, as the case may be, the relevant Settlement Date or (ii) the occurrence of an Extraordinary Event or a Potential Adjustment Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date.

- (iv) If (1) on or prior to any Averaging Date in respect of an Index Linked Note which relates to a single Index or a basket of Indices, as the case may be, an Index Modification or Index Cancellation (in each case, as defined in Condition 9.2) occurs, or (2) on any Averaging Date in respect of an Index Linked Note which relates to a single Index or a basket of Indices, as the case may be, an Index Disruption (as defined in Condition 9.2) occurs, then the consequences in respect of Index Adjustment Event (as defined in Condition 9.2) for the purpose of Condition 9.2 shall apply to such Index Linked Note.
- (e) **Fixing Date** means each date specified or otherwise determined as provided in the relevant Pricing Supplement, or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day unless Disrupted Day is specified as applying in the applicable Pricing Supplement and, in the opinion of the Calculation Agent, such day is a Disrupted Day. If such day is a Disrupted Day then:
- (i) in the case of an Index Linked Note, an Equity Linked Note or a Cash Equity Note (as specified in the relevant Pricing Supplement) which, in each case, relates to a single Security or Index, the Fixing Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the Fixing Rollover Days (as specified in the Pricing Supplement) immediately following the Scheduled Fixing Date is a Disrupted Day. In that case:
- (A) in respect of an Index Linked Note, (i) the Deemed Fixing Date (as specified in the Pricing Supplement) shall be deemed to be the Fixing Date notwithstanding the fact that the Deemed Fixing Date is a Disrupted Day and (ii) the Calculation Agent shall determine the level of the Index as of the Valuation Time on the Deemed Fixing Date in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on the Deemed Fixing Date of each security/commodity comprised in the Index or Component Security of a Multiple Exchange Index, as the case may be (or if an event giving rise to a Disrupted Day has occurred in respect of the relevant security/commodity or Component Security, as the case may be, on the Deemed Fixing Date, its good faith estimate of the value for the relevant security/commodity or Component Security, as the case may be, as of the Valuation Time on the Deemed Fixing Date); and

- (B) in respect of an Equity Linked Note or a Cash Equity Note, (i) the Deemed Fixing Date (as specified in the Pricing Supplement) shall be deemed to be the Fixing Date, notwithstanding the fact that the Deemed Fixing Date is a Disrupted Day, and (ii) the Calculation Agent shall determine its good faith estimate of the value for the Security as of the Valuation Time on the Deemed Fixing Date;
- (ii) in the case of an Index Linked Note (as specified in the relevant Pricing Supplement) which relates to a basket of Indices, the Fixing Date for each Index not affected by the occurrence of a Disrupted Day shall be the Scheduled Fixing Date, and the Fixing Date for each Index affected by the occurrence of a Disrupted Day (each an **Fixing Disrupted Index**) shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to the Fixing Disrupted Index, unless each of the Fixing Rollover Days (as specified in the Pricing Supplement) immediately following the Scheduled Fixing Date is a Disrupted Day relating to that Fixing Disrupted Index. In that case, (i) the Deemed Fixing Date (as specified in the Pricing Supplement) shall be deemed to be the Fixing Date for the Fixing Disrupted Index, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the level of that Index as of the Valuation Time on the Deemed Fixing Date in accordance with the formula for and method of calculating that Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on the Deemed Fixing Date of each security/commodity comprised in that Index or Component Security of a Multiple Exchange Index, as the case may be (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security/commodity or Component Security, as the case may be, on the Deemed Fixing Date, its good faith estimate of the value for the relevant security/commodity or Component Security, as the case may be, as of the Valuation Time on the Deemed Fixing Date); and
- (iii) in the case of an Equity Linked Note or a Cash Equity Note (as specified in the relevant Pricing Supplement) which, in each case, relates to a basket of Securities the Fixing Date for each Security not affected by the occurrence of a Disrupted Day shall be the Scheduled Fixing Date, and the Fixing Date for each Security affected (each an **Fixing Disrupted Security**) by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to the Fixing Disrupted Security, unless each of the Fixing Rollover Days (as specified in the Pricing Supplement) immediately following the Scheduled Fixing Date is a Disrupted Day relating to the Fixing Disrupted Security. In that case, (i) the Deemed Fixing Date (as specified in the Pricing Supplement) shall be deemed to be the Fixing Date for each Fixing Disrupted Security, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine its good faith estimate of the value for the Fixing Disrupted Security as of the Valuation Time on the Deemed Fixing Date.

## 9.2 *Adjustments to Index*

This Condition 9.2 is applicable only in relation to Notes specified in the relevant Pricing Supplement as being Index Linked Notes.

If the relevant Index is (i) not calculated and announced by the agreed sponsor (the **Sponsor**), but is calculated and announced by a successor to the Sponsor (the **Successor Sponsor**) acceptable to the Issuer or (ii) replaced by a successor Index using, in the determination of the Calculation Agent (such determination to be at the Calculation Agent's sole and absolute discretion), the same or a substantially similar formula for and method of calculation as used in the calculation of that Index, then that Index (the **Successor Index**) will be deemed to be the index so calculated and announced by the Successor Sponsor or that successor Index, as the case may be.

If (i) on or prior to any Valuation Date, the Sponsor or (if applicable) the Successor Sponsor makes or announces that it will make a material change in the formula for or the method of calculating the relevant Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes

in constituent stock, capitalisation or other routine events) (an **Index Modification**) or permanently cancels the Index and no Successor Index exists (an **Index Cancellation**), or (ii) on any Valuation Date the Sponsor or (if applicable) the Successor Sponsor fails to calculate and announce a relevant Index (an **Index Disruption** and, together with an Index Modification and an Index Cancellation, each an **Index Adjustment Event**), then the Calculation Agent shall determine if such Index Adjustment Event has a material effect on the Notes and, if so, shall determine, in its sole and absolute discretion, whether or not the relevant Notes shall continue and, if so, determine, in its sole and absolute discretion, any adjustments to be made. If the Calculation Agent determines that the relevant Notes shall continue, it may, without limitation, determine the payment under the Notes using, in lieu of a published level of that Index, the level for that Index as at that Valuation Date as determined by the Calculation Agent in its sole and absolute discretion in accordance with the formula for and method of calculating that Index last in effect prior to that change or failure, but using only those securities/commodities that comprised that Index immediately prior to that Index Adjustment Event (other than those securities that have since ceased to be listed on any relevant Exchange).

If the Calculation Agent determines in its sole and absolute discretion that the relevant Notes shall be terminated, then the Notes shall be terminated as of the date selected by the Calculation Agent in its sole and absolute discretion and the entitlements of the relevant Holders to receive the relevant Maturity Redemption Amount shall cease and the Issuer's obligations under the relevant Notes shall be satisfied in full upon payment of the Early Termination Settlement Amount.

If the level of an Index published or announced on a given day and used or to be used by the Calculation Agent to determine the payment under the Notes is subsequently corrected and the correction is published or announced by the Sponsor or a Successor Sponsor on any day before the date on which the relevant payment instructions are given (as notified by the Issuer to the Calculation Agent), the Calculation Agent shall determine the payment under the Notes that is payable as a result of that correction.

### **9.3 Settlement Disruption**

This Condition 9.3 is applicable only in relation to Equity Linked Notes which are to be redeemed by the delivery of a Securities Transfer Amount.

In case of Notes to which this Condition 9.3 is applicable, the Calculation Agent shall determine, in its sole and absolute discretion, whether or not at any time a Settlement Disruption Event has occurred and where it determines such an event has occurred and so has prevented delivery of Securities on the original day that but for such Settlement Disruption Event would have been the Settlement Date, then the Settlement Date will be the first succeeding day on which delivery of such Securities can take place through the relevant Clearance System unless a Settlement Disruption Event prevents settlement on each of the eight relevant Clearance System Business Days immediately following the original date (or during such other period (the **Disruption Period**) specified in the relevant Pricing Supplement) that, but for the Settlement Disruption Event, would have been the Settlement Date. In that case, if the Securities are Government Bonds or other debt securities, the Issuer shall use reasonable efforts to deliver such Securities promptly thereafter in a commercially reasonable manner (as determined by the Calculation Agent in its sole and absolute discretion) outside the Clearance System and in all other cases (a) if such Securities can be delivered in any other commercially reasonable manner (as determined by the Calculation Agent in its sole and absolute discretion), then the Settlement Date will be the first day on which settlement of a sale of Securities executed on that eighth relevant Clearance System Business Day, or during such other period specified in the relevant Pricing Supplement, customarily would take place using such other commercially reasonable manner (as determined by the Calculation Agent in its sole and absolute discretion) of delivery (which other manner of delivery will be deemed the relevant Clearance System for the purposes of delivery of the relevant Securities), and (b) if such Securities cannot be delivered in any other commercially reasonable manner (as determined by the Calculation Agent in its sole and absolute discretion), then the Settlement Date will be postponed until delivery can be effected through the relevant Clearance System or in any other commercially reasonable manner.

In the case of an Equity Linked Note (as specified in the relevant Pricing Supplement) which relates to a basket of Securities, if as a result of a Settlement Disruption Event some but not all of the Securities comprised in a basket of Securities are affected, the Settlement Date for Securities not affected by the Settlement Disruption Event will be the original Settlement Date and the Settlement Date for the Securities that are affected by the Settlement Disruption Event shall be determined as provided above. In the event that a Settlement Disruption Event will result in the delivery on a Settlement Date of some but not all of the Securities comprised in a basket of Securities, the Calculation Agent shall determine in its discretion the appropriate *pro rata* portion of the amount payable to be paid by the Issuer in respect of that partial settlement.

For the purposes hereof:

**Settlement Disruption Event** in relation to a Security means an event which the Calculation Agent, in its sole and absolute discretion, determines to be beyond the control of the Issuer or relevant obligor and to be an event as a result of which the relevant Clearance System cannot clear the transfer of such Security.

#### **9.4 Delivery Disruption**

This Condition 9.4 is applicable only in relation to Equity Linked Notes which are to be redeemed by the delivery of a Securities Transfer Amount.

In the case of Notes to which this Condition 9.4 is applicable, if the Calculation Agent determines, in its sole and absolute discretion, that a Delivery Disruption Event has occurred, it shall notify the Issuer who shall promptly notify the relevant Holder(s) and the Issuer may then:

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

Where this Condition 9.4 falls to be applied, insofar as the Calculation Agent determines in its sole and absolute discretion to be practical, the same shall be applied as between the Holders on a *pro rata* basis, but subject to such rounding down (whether of the amount of a payment or of a number of Securities to be delivered) and also to such other adjustments as the Calculation Agent determines, in its sole and absolute discretion, determines to be appropriate to give practical effect to such provisions.

For the purposes hereof:

**Delivery Disruption Event** means, as determined by the Calculation Agent in its sole and absolute discretion, the failure by the Issuer to deliver or to procure delivery on the relevant Settlement Date the Securities Transfer Amount under the relevant Note where such failure to deliver or procure delivery is due to illiquidity in the market for such Securities.

## 9.5 Adjustments and Extraordinary Events affecting Securities

This Condition 9.5 is applicable only in relation to Equity Linked Notes and Cash Equity Notes.

### (a) Adjustments

The Calculation Agent will determine, in its sole and absolute discretion, whether or not at any time a Potential Adjustment Event has occurred and where it determines that such an event has occurred, the Calculation Agent will, in its sole and absolute discretion, determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Securities. If so, the Calculation Agent will, in its sole and absolute discretion, determine whether or not the relevant Notes shall continue and, if so, determine, in its sole and absolute discretion, any adjustments to be made. If the Calculation Agent determines that the relevant Notes shall continue, it may make such adjustment as it in its sole and absolute discretion determines to be appropriate, if any, to the formula for the Maturity Redemption Amount set out in the relevant Pricing Supplement, the number of Securities to which each Note relates, the number of Securities comprised in a basket, the amount, the number of or type of shares, other securities or other property which may be delivered pursuant to such Notes and/or any other adjustment and, in any case, any other variable relevant to the settlement or payment terms of the relevant Notes as the Calculation Agent determines, in its sole and absolute discretion, to be appropriate to account for that diluting or concentrative effect and determine, in its sole and absolute discretion, the effective date(s) of such adjustment(s).

If the Calculation Agent determines in its sole and absolute discretion that the relevant Notes shall be terminated, then the Notes shall be terminated as of the date selected by the Calculation Agent in its sole and absolute discretion and the entitlements of the relevant Holders to receive the relevant Maturity Redemption Amount shall cease and the Issuer's obligations under the relevant Notes shall be satisfied in full upon payment of the Early Termination Settlement Amount.

For the purposes hereof:

**Extraordinary Dividend** means, an amount per Security declared by the Underlying Company and characterised by the Calculation Agent, in its absolute discretion, to have a diluting effect on the theoretical value of the relevant Security. For the avoidance of doubt, an Extraordinary Dividend only relates to the occurrence of a Potential Adjustment Event; and

**Potential Adjustment Event** means:

- (i) a subdivision, consolidation or reclassification of relevant Securities (unless resulting in a Merger Event) or a free distribution or dividend of any such Securities to existing holders whether by way of bonus, capitalisation or similar issue; or
- (ii) a distribution, issue or dividend to existing holders of the relevant Securities of (1) such Securities or (2) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Underlying Company equally or proportionately with such payments to holders of any such Securities or (3) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Underlying Company as a result of a spin-off or other similar transaction or (4) any other type of securities, rights or warrants or other assets, in any case for payment (cash or otherwise) at less than the prevailing market price as determined by the Calculation Agent in its sole and absolute discretion; or
- (iii) an Extraordinary Dividend; or
- (iv) a call by the Underlying Company in respect of relevant Securities that are not fully paid; or

- (v) a repurchase by the Underlying Company or any of its subsidiaries of relevant Securities whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or
  - (vi) in respect of the Underlying Company, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of the Underlying Company, pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value as determined by the Calculation Agent, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or
  - (vii) any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Securities; or
  - (viii) any other event specified in the relevant Pricing Supplement.
- (b) Merger Event and Tender Offer

Following the occurrence of any Merger Event in relation to which the Merger Date is on or before the Maturity Date or any Tender Offer in relation to which the Tender Offer Date is on or before the Maturity Date, the Calculation Agent will, in its sole and absolute discretion, determine whether or not the relevant Notes shall continue and, if so, determine, in its sole and absolute discretion, any adjustments to be made. If the Calculation Agent determines that the relevant Notes shall continue, it may (i) make such adjustment as it, in its sole and absolute discretion, determines to be appropriate, if any, to the exercise, settlement, payment or any other terms of the relevant Notes as the Calculation Agent determines appropriate to account for the economic effect on such Notes of such Merger Event or Tender Offer (provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Securities or to such Notes), which may, but need not, be determined by reference to the adjustment(s) made in respect of such Merger Event or Tender Offer by an options exchange to options on the relevant Securities traded on such options exchange and (ii) determine the effective date of that adjustment. If the Calculation Agent determines in its sole and absolute discretion that the relevant Notes shall be terminated, then the Notes shall be terminated as of the date selected by the Calculation Agent in its sole and absolute discretion and the entitlements of the relevant Holders to receive the relevant Securities Transfer Amount or Maturity Redemption Amount, as the case may be, shall cease and the Issuer's obligations under the relevant Notes shall be satisfied in full upon payment of the Early Termination Settlement Amount.

For the purposes hereof:

**Merger Event** means in respect of any relevant Securities, any:

- (i) reclassification or change of such Securities that results in a transfer of or an irrevocable commitment to transfer all of such Securities outstanding to another entity or person; or
- (ii) consolidation, amalgamation, merger or binding share exchange of the Underlying Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Underlying Company is the continuing entity and which does not result in any such reclassification or change of all of such Securities outstanding); or
- (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Securities of the Underlying Company that results in a transfer of or an irrevocable commitment to transfer all such Securities (other than such Securities owned or controlled by such other entity or person); or

- (iv) consolidation, amalgamation, merger or binding share exchange of the Underlying Company or its subsidiaries with or into another entity in which the Underlying Company is the continuing entity and which does not result in a reclassification or change of all such Securities outstanding but results in the outstanding Securities (other than Securities owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Securities immediately following such event, in each case if the Merger Date is on or before the Valuation Date or, if the Notes are to be redeemed by delivery of Securities or Securities Transfer Amount, the Maturity Date;

**Merger Date** means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent in its sole and absolute discretion;

**Tender Offer** means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Underlying Company, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant; and

**Tender Offer Date** means in respect of a Tender Offer, the date on which voting shares in the amount of the applicable percentage threshold are actually purchased or otherwise obtained (as determined by the Calculation Agent).

- (c) Nationalisation, Insolvency, Insolvency Filing or Delisting

If:

- (i) all the Securities or all the assets or substantially all the assets of the Underlying Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof (**Nationalisation**); or
- (ii) by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting the Underlying Company (a) all the Securities of the Underlying Company are required to be transferred to a trustee, liquidator or other similar official or (b) holders of the Securities become legally prohibited from transferring them (**Insolvency**);
- (iii) the Underlying Company institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organization or the jurisdiction of its head or home office, or it consents to a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by the Underlying Company shall not be deemed an Insolvency Filing (**Insolvency Filing**); or
- (iv) the Exchange announces that pursuant to the rules of such Exchange, the Securities cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or, where the Exchange is with the European Union, in any member state of the European Union) (**Delisting**),



the Calculation Agent will, in its sole and absolute discretion, determine whether or not the relevant Notes shall continue and, if so, determine, in its sole and absolute discretion, any adjustments to be made. If the Calculation Agent determines that the relevant Notes shall continue, it may make such adjustment as it, in its sole and absolute discretion, determines to be appropriate, to account for the economic effect on such Notes of such Nationalisation, Insolvency, Insolvency Filing or Delisting (as the case may be).

If the Calculation Agent determines in its sole and absolute discretion that the relevant Notes shall be terminated, then:

- (i) in the case of an Equity Linked Note or a Cash Equity Note (as specified in the relevant Pricing Supplement) which, in each case, relates to a single Security, the relevant Notes shall be terminated as of the date determined by the Calculation Agent in its sole and absolute discretion and the entitlements of the relevant Holders to receive the relevant Securities Transfer Amount or Maturity Redemption Amount, as the case may be, shall cease and the Issuer's obligations under the Notes shall be satisfied in full upon payment of the Early Termination Settlement Amount; and
- (ii) in the case of an Equity Linked Note or a Cash Equity Note (as specified in the relevant Pricing Supplement) which, in each case, relates to a basket of Securities, the relevant Notes or a portion of the relevant Notes represented by the affected Securities shall be terminated as of the date determined by the Calculation Agent in its sole and absolute discretion and the Issuer shall pay such amount as, in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion), is fair in the circumstances by way of compensation for the Notes or the termination of the portion of the relevant Notes represented by the affected Securities, and in the case of a termination of a portion of the Notes the remainder of the Notes will continue with such basket comprising Securities that are not affected Securities, and the Calculation Agent shall adjust any relevant terms if necessary to preserve as nearly as practicable the economic terms of the Notes for the remaining Securities.

For the purposes hereof and for the purposes of any reference in a Pricing Supplement to "Announcement Date":

**Announcement Date** means (A) in respect of a Nationalisation the date of the first public announcement to nationalise (whether or not subsequently amended) that leads to the Nationalisation, (B) in respect of an Insolvency, the date of the first public announcement of the institution of a proceeding or presentation of a petition or passing of a resolution (or other analogous procedure in any jurisdiction) that leads to the Insolvency, (C) in respect of a Delisting, the date of the first public announcement by the Exchange that the Securities will cease to be listed, traded or publicly quoted in the manner described in Condition 9.5(c)(iv), in each case as determined by the Calculation Agent in its sole and absolute discretion.

(d) Conversion

In respect of an Equity Linked Note or a Cash Equity Note which relates to Government Bonds or other debt securities, following the occurrence of any Conversion, the Calculation Agent will, in its sole and absolute discretion, determine whether or not the Notes will continue and, if so, determine, in its sole and absolute discretion, any adjustments to be made. If the Calculation Agent determines that the Notes shall continue, it may make such adjustment as it, in its sole and absolute discretion, determines to be appropriate to the formula for the Maturity Redemption Amount set out in the relevant Pricing Supplement, the number of Securities to which each Note relates, the number of Securities comprised in a basket, the amount, number of or type of shares, other securities or other property which may be delivered under such Notes and, in any case, any other variable relevant to the settlement or payment terms of the relevant Notes and/or any other adjustment and determine, in its sole and absolute discretion, the effective date(s) of such adjustment. If the Calculation Agent determines, in its sole and absolute discretion, that the Notes shall be terminated, then the Notes shall be terminated as of the date selected by the Calculation

Agent in its sole and absolute discretion and the entitlements of the respective exercising Holders to receive the relevant Securities Transfer Amount or Maturity Redemption Amount, as the case may be, shall cease and the Issuer's obligations under the Notes shall be satisfied in full upon payment of the Early Termination Settlement Amount.

For the purposes hereof:

**Conversion** means in respect of any relevant Securities any irreversible conversion by the Underlying Company, of such Securities into other securities.

(e) Corrections to Published Prices affecting Government Bonds or debt securities

In respect of an Equity Linked Note or a Cash Equity Note which relates to Government Bonds or other debt securities, if the price published or announced on a given day and used or to be used by the Calculation Agent to determine a Spot Price is subsequently corrected and the correction is published or announced by the person responsible for that publication or announcement within 30 days of the original publication or announcement, and an amount is repayable to the Issuer as a result of that correction, the Issuer shall be entitled to reimbursement of the relevant payment by the relevant Holder, together with interest on that amount (at a rate per annum that the Calculation Agent determines, in its sole and absolute discretion, to be the spot offered rate for deposits in the relevant Currency (as specified in the Pricing Supplement) in the London interbank market as at approximately 11:00 a.m. London time, or, if spot rates for deposits in such Currency in the London interbank market, at a rate per annum that the Calculation Agent determines, in its sole and absolute discretion, to be the spot offered rate for deposits in the relevant Currency in the interbank market for such Currency as at approximately the time the spot offered rate is fixed for such Currency, on the relevant Cash Settlement Payment Date) for the period from and including the day of payment of the refund or payment resulting from that correction (all as calculated by the Calculation Agent in its sole and absolute discretion). Any such reimbursement shall be effected in such manner as the Issuer shall agree with the Calculation Agent and notified to the relevant Holder by facsimile or telex.

## **9.6 *Effects of European Economic and Monetary Union***

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

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

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

For the purposes hereof:

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

- (a) the redenomination of any security into euro;
- (b) the change by any organised market, exchange or clearing, payment or settlement system in the unit of account of its operating procedures to the euro;
- (c) any change in the currency of denomination of any Index; or
- (d) any change in the currency in which some or all of the securities or other property comprising any Index is denominated.

**Participating Member State** means any member state of the European Union which adopts the single currency in accordance with the Treaty.

### **9.7 Additional Disruption Events**

Following the occurrence of any Additional Disruption Event, the Calculation Agent will, in its sole and absolute discretion, determine whether or not the Notes shall continue and, if so, determine, in its sole and absolute discretion, any adjustments to be made. If the Calculation Agent determines that the relevant Notes shall continue, it may make such adjustment as it, in its sole and absolute discretion, determines to be appropriate, if any, to the amount, number or type of Securities, other property or securities which may be transferred under the Notes, including, without limitation, the formula for the Maturity Redemption Amount set out in the relevant Pricing Supplement and/or any other adjustment which the Calculation Agent, in its sole and absolute discretion, determines to be appropriate to account for the economic effect on such Notes of such Additional Disruption Event. Such change or adjustment shall be effective on such date selected by the Calculation Agent in its sole and absolute discretion determine. If the Calculation Agent determines in its sole and absolute discretion that the relevant Notes shall be terminated, then the Notes shall be terminated as of the date selected by the Calculation Agent in its sole and absolute discretion and the entitlements of the relevant Holders to receive the relevant Securities Transfer Amount or Maturity Redemption Amount, as the case may be, shall cease and the Issuer's obligations under the relevant Notes shall be satisfied in full upon payment of the Early Termination Settlement Amount. To the extent that the Calculation Agent determines that the Issuer shall suspend its obligations to make any payment or delivery in respect of the Notes as a result of the occurrence or continuation of any Additional Disruption Event, Holders shall not be entitled to any interest or other compensation in respect of any such suspension.

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

- (a) **Change in Law** means that, on or after the Issue Date specified in the Pricing Supplement (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines in good faith that (X) it has become illegal to hold, acquire or dispose of Securities or Component Securities, or (Y) it will incur a materially increased cost in performing its obligations under the Notes (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position); and

- (b) **Hedging Disruption** means that the Issuer or any of its affiliates is unable, after using commercially reasonable efforts, to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk or any other relevant price risk including, without limitation, any currency risk of entering into the Notes and performing its obligations with respect to the Notes or (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s).

## 9.8 *Other Adjustments*

Upon the occurrence of any event(s) that the Calculation Agent determines (in its discretion, but acting reasonably) affects or could potentially affect the value of an Index Linked Note, an Equity Linked Note or a Cash Equity Note, the Calculation Agent may (in its discretion, but acting reasonably) make any additional adjustments to the Put Strike Price, the number and/or type of Securities and/or Indices to which such an Index Linked Note, an Equity Linked Note or a Cash Equity Note relates, and to any other exercise, settlement, payment or other term of such an Index Linked Note, an Equity Linked Note or a Cash Equity Note including, without limitation, the amount, number or type of cash, shares, other securities or property which may be transferred under such Index Linked Note, an Equity Linked Note or a Cash Equity Note, and determine the effective date(s) of such adjustments.

## 9.9 *Definitions*

For the purposes of these Terms and Conditions:

**Additional Disruption Event** has the meaning ascribed thereto in Condition 9.7 (*Additional Disruption Events*).

**Cash Equity Note** means a Series of Notes in respect of which the amount payable at maturity is calculated by reference to the value of a Security or Securities and/or a formula (as indicated in the relevant Pricing Supplement).

**Cash Settlement** means, in relation to a Series of Notes, that the relevant Holder is entitled to receive from the Issuer on the Cash Settlement Payment Date an amount calculated in accordance with the relevant Pricing Supplement in the relevant Currency (as specified in the Pricing Supplement).

**Cash Settlement Payment Date** means, in relation to a Series of Notes, the date specified or otherwise determined as provided in the relevant Pricing Supplement. In the case of an Index Linked Note, a Cash Equity Note or an Equity Linked Note which relates to a basket of Indices or Securities and in relation to which the Cash Settlement Payment Date is expressed to be determined by reference to a Valuation Date, if as a result of the occurrence of a Disrupted Day there is more than one Valuation Date with respect to Indices or Securities comprised in such basket, then the relevant Cash Settlement Payment Date shall be determined by reference to the Valuation Date which is the last to occur.

**Clearance System** means, in relation to a Series of Notes, such of Euroclear, Clearstream, Luxembourg or any domestic clearance system through which transfers of the Securities are customarily settled as is specified as such in the form from time to time approved by the Issuer for use as a Transfer Notice, or any successor to such clearance system.

**Clearance System Business Day** means, in respect of a Clearance System, any day on which such Clearance System is (or, but for the occurrence of a Settlement Disruption Event, would have been) open for the acceptance and execution of settlement instructions.

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

**Component Security** means with respect to a Multiple Exchange Index, each component security of that Multiple Exchange Index.

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

**Early Closure** means:

- (a) with respect to an Index (other than a Multiple Exchange Index), the closure on any Exchange Business Day of any relevant Exchange(s) relating to securities/commodities that comprise 20 per cent. or more of the level of the relevant Index or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or such Related Exchange(s), as the case may be, at least one hour prior to the earlier of (A) the actual closing time for the regular trading session on such Exchange(s) or such Related Exchange(s) on such Exchange Business Day or (B) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day; or
- (b) with respect to a Multiple Exchange Index, the closure on any Exchange Business Day of the Exchange in respect of any Component Security or the Related Exchange prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange (as the case may be) at least one hour prior to the earlier of: (i) the actual closing time for the regular trading session on such Exchange or Related Exchange (as the case may be) on such Exchange Business Day; and (ii) the submission deadline for orders to be entered into such Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

**Early Termination Settlement Amount** means such amount as in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion) is fair in the circumstances by way of compensation for the termination of the Notes.

**Equity Linked Note** means a Series of Notes in respect of which either an amount, which shall be calculated by reference to the value of a Security or Securities and/or a formula, is payable or a Securities Transfer Amount is deliverable (as indicated in the relevant Pricing Supplement).

**Exchange** means (a) with respect to a Security or an Index (other than a Multiple Exchange Index), each exchange or quotation system specified as such in the applicable Pricing Supplement, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the securities/commodities comprising such Index, in the case of an Index relating to Index Linked Notes, or the Securities, in the case of a Security relating to Equity Linked Notes, has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the securities/commodities comprising such Index, in the case of an Index relating to Index Linked Notes, or the Securities, in the case of a Security relating to Equity Linked Notes, on such temporary substitute exchange or quotation system as on the original Exchange); or (b) in the case of a Multiple Exchange Index and each relevant Component Security, the principal stock exchange on which such Component Security is principally traded or quotation system specified as such in the applicable Pricing Supplement, as determined by the Calculation Agent (which exchange or quotation system as of the Issue Date specified as such in the applicable Pricing Supplement), any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Component Security has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the Component Security on such temporary substitute exchange or quotation system as on the original Exchange).

**Exchange Business Day** means (a) with respect to a Security or an Index (other than a Multiple Exchange Index), any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time; or (b) with respect to a Multiple Exchange Index, any Scheduled Trading Day on which (i) the Sponsor publishes the level of the Multiple Exchange Index and (ii) the Related Exchange is open for trading during its regular trading session, notwithstanding the Related Exchange closing prior to its Scheduled Closing Time.

**Exchange Disruption** means:

- (a) with respect to an Index (other than a Multiple Exchange Index), any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent in its sole and absolute discretion) the ability of market participants in general (A) to effect transactions in, or obtain market values for, on any relevant Exchange(s), securities/commodities that comprise 20 per cent. or more of the level of the relevant Index, or (B) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Index on any relevant Related Exchange; or
- (b) with respect to a Multiple Exchange Index, any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent in its sole and absolute discretion) the ability of market participants in general to effect transactions in, or obtain market values for (i) any Component Security on the Exchange in respect of such Component Security or (ii) futures or options contracts relating to the Multiple Exchange Index on the relevant Related Exchange.

**Extraordinary Event** means a Merger Event, Nationalisation, Insolvency, Insolvency Filing or Delisting.

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

**Index** means, in relation to a Series of Notes, the index, as adjusted pursuant to Condition 9, to which the relevant Note relates, as specified in the relevant Pricing Supplement and may be a Multiple Exchange Index, and **Indices** shall be construed accordingly.

**Index Linked Note** means a Series of Notes in respect of which the amount payable at maturity is calculated by reference to one or more indices and/or one or more formulae (as indicated in the relevant Pricing Supplement).

**Maturity Redemption Amount** has the meaning ascribed thereto in Condition 5.1.

**Multiple Exchange Index** means an Index specified as such in the Pricing Supplement.

**Option** has the meaning ascribed thereto in the relevant Pricing Supplement.

**Related Exchange** means, in relation to an Index or a Security, each exchange or quotation system specified as such for such Index or Security in the applicable Pricing Supplement, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Index or Security, as the case may be, has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Index or Security, as the case may be, on such temporary substitute exchange or quotation system as on the original Related Exchange), provided that where “All Exchanges” is specified as the Related Exchange in the applicable Pricing Supplement, **Related Exchange** shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Index or Security, as the case may be.

**Relevant Price** has the meaning ascribed thereto in the relevant Pricing Supplement.

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

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

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

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

**Securities** means the equity securities, Government Bonds, debt securities or other securities or property, as adjusted pursuant to Condition 9, to which the relevant Note relates, as specified in the relevant Pricing Supplement, and **Security** shall be construed accordingly.

**Securities Transfer Amount** has the meaning ascribed thereto in the relevant Pricing Supplement.

**Settlement Cycle** means, in relations to Securities, the period of Clearance System Business Days following a trade in such Securities on the Exchange in which settlement will customarily occur according to the rules of such Exchange.

**Settlement Date** means, in relation to Securities to be delivered in respect of an Equity Linked Note (a) in the case of Equity Linked Notes which relate to equity securities and unless otherwise specified in the relevant Pricing Supplement, the date that falls one Settlement Cycle following the Maturity Date (or, if such date is not a Clearance System Business Day, the next following Clearance System Business Day) or, (b) in any other case, and unless otherwise specified in the relevant Pricing Supplement, the date specified as such in the relevant Pricing Supplement, subject to adjustment in accordance with the Following Business Day Convention unless another Business Day Convention is specified in the relevant Pricing Supplement. In each case, if a Settlement Disruption Event prevents delivery of such Securities on that day, then the Settlement Date shall be determined in accordance with Condition 9.3.

**Spot Price** has the meaning ascribed thereto in the relevant Pricing Supplement.

**Trading Disruption** means:

- (a) with respect to an Index (other than a Multiple Exchange Index), any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise:
  - (A) on any relevant Exchange(s) relating to securities/commodities that comprise 20 per cent. or more of the level of the relevant Index; or
  - (B) in futures or options contracts relating to the relevant Index on any relevant Related Exchange; or

- (b) with respect to a Multiple Exchange Index, any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (i) relating to any Component Security on the Exchange in respect of such Component Security, or (ii) in futures or options contracts relating to the Multiple Exchange Index on any relevant Related Exchange.

**Underlying Company** has the meaning ascribed thereto in the relevant Pricing Supplement.

## **10. Prescription**

**10.1** Claims for payment of principal and interest in respect of Notes will be prescribed and become void unless made, in the case of principal, within ten years or, in the case of interest, five years after the Relevant Date (as defined in Condition 7.2) for payment thereof.

**10.2** In relation to Definitive Notes initially delivered with Talons attached thereto, there shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue pursuant to Condition 8.1(f) or the due date for the payment of which would fall after the due date for the redemption of the relevant Note or which would be void pursuant to this Condition 9 or any Talon the maturity date of which would fall after the due date for redemption of the relevant Note.

## **11. The Paying Agents, the Registrars and the Calculation Agent**

**11.1** The initial Paying Agents and Registrars and their respective initial specified offices are specified below. The Calculation Agent in respect of any Notes shall be specified in the Pricing Supplement. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent (including the Issuing and Paying Agent) or the Registrar or the Calculation Agent and to appoint additional or other Paying Agents or another Registrar or another Calculation Agent Provided that there will at all times be (i) an Issuing and Paying Agent, (ii) in the case of Registered Notes, a Registrar, (iii) so long as the Notes are listed on the Hong Kong Stock Exchange and/or any other stock exchange, a Paying Agent (which may be the Issuing and Paying Agent) and a Registrar each with a specified office in Hong Kong and/or in such other place as may be required by such other stock exchange, (iv) in the circumstances described in Condition 8.1(d), a Paying Agent with a specified office in New York City, (v) a Calculation Agent where required by the Terms and Conditions applicable to any Notes and (vi) a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced to conform to, such Directive (in the case of (i), (ii), (v) and (vi) with a specified office located in such place (if any) as may be required by the Terms and Conditions). The Paying Agents, the Registrar and the Calculation Agent reserve the right at any time to change their respective specified offices to some other specified office in the same city. Notice of all changes in the identities or specified offices of any Paying Agent, the Registrar or the Calculation Agent will be given promptly by the Issuer to the Holders in accordance with Condition 14.

**11.2** The Paying Agents, the Registrar and the Calculation Agent act solely as agents of the Issuer and (except in the case of Notes issued by the Bank) the Guarantor and, save as provided in the Issuing and Paying Agency Agreement or any other agreement entered into with respect to its appointment, do not assume any obligations towards or relationship of agency or trust for any Holder of any Note or Coupon and each of them shall only be responsible for the performance of the duties and obligations expressly imposed upon it in the Issuing and Paying Agency Agreement or other agreement entered into with respect to its appointment or incidental thereto.

## **12. Replacement of Notes**

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Issuing and Paying Agent or such Paying Agent or Paying Agents as may be specified for such purpose in the Pricing Supplement (in the case of Bearer Notes and Coupons) or of the Registrar (in the case of Registered Notes) (**Replacement Agent**), subject to all applicable laws and the requirements of any stock exchange on which the Notes are listed,



upon payment by the claimant of all expenses incurred in connection with such replacement and upon such terms as to evidence, security, indemnity and otherwise as the Issuer and (except in the case of Notes issued by the Bank) the Guarantor and the Replacement Agent may require. Mutilated or defaced Notes and Coupons must be surrendered before replacements will be delivered therefor.

### **13. Meetings of Holders and Modification**

#### *Meetings of Holders*

**13.1** The Issuing and Paying Agency Agreement contains provisions (which shall have effect as if incorporated herein) for convening meetings of the Holders of Notes of any Series to consider any matter affecting their interest, including (without limitation) the modification by Extraordinary Resolution of these Terms and Conditions, the Deed of Covenant and (except in the case of Notes issued by the Bank) the Deed of Guarantee insofar as the same may apply to such Notes. An Extraordinary Resolution passed at any meeting of the Holders of Notes of any Series will be binding on all Holders of the Notes of such Series, whether or not they are present at the meeting, and on all Holders of Coupons relating to Notes of such Series.

In addition, a resolution in writing signed on behalf of all Holders who for the time being are entitled to receive notice of a meeting of Holders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

#### *Manifest Error*

**13.2** The Issuer and (except in the case of Notes issued by the Bank) the Guarantor may, with the consent of the Issuing and Paying Agent, but without the consent of the Holders of Notes of any Series or the related Coupons (if any), amend these Terms and Conditions and the Deed of Covenant and (except in the case of Notes issued by the Bank) the Deed of Guarantee insofar as they may apply to such Notes to correct a manifest error.

### **14. Notices**

#### *To Holders of Bearer Notes*

**14.1** Notices to Holders of Bearer Notes will, save where another means of effective communication has been specified herein or in the Pricing Supplement, be deemed to be validly given if published in a leading daily newspaper having general circulation in Hong Kong (which is expected to be the South China Morning Post) or, if such publication is not practicable, if published in a leading English language daily newspaper having general circulation in Asia (or, if permitted by the relevant stock exchange, in the case of Notes represented by a Temporary Global Note or Permanent Global Note, if delivered to Euroclear and Clearstream, Luxembourg and/or any other relevant clearing system for communication by them to the persons shown in their respective records as having interests therein or, in the case of Notes represented by a Temporary Global Note or a Permanent Global Note which is held in the CMU Service, if given to the persons shown, in a 'CMU Instrument Position Report' issued by the CMU Service on the business day immediately before the preceding Interest Payment Date, as holding interests in the relevant Temporary Global Note or Permanent Global Note, as the case may be). The Issuer shall also ensure that notices are duly published in compliance with the requirements of each stock exchange on which the Notes are listed. Any notice so given will be deemed to have been validly given on the date of 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) or, as the case may be, on the date of such delivery to Euroclear and Clearstream, Luxembourg and/or such other clearing system or the persons shown in the 'CMU Instrument Position Report'. Holders of Coupons will be deemed for all purposes to have notice of the contents of any notice given to Holders of Bearer Notes in accordance with this Condition. A copy of each notice given pursuant to this Condition will in any event be delivered to the CMU Service, Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system.

**14.2** Notices to Holders of Registered Notes will be deemed to be validly given upon despatch by first class mail (or equivalent) or (if posted to an overseas address) by air mail to them (or, in the case of joint Holders, to the first-named in the register kept by the Registrar) at their respective addresses as recorded in the register kept by the Registrar.

## **15. Further Issues**

The Issuer may from time to time, without the consent of the Holders of any Notes or Coupons, create and issue further notes, bonds or debentures having the same terms and conditions as such Notes in all respects (or in all respects except for the first payment of interest, if any, on them and/or the denomination thereof) so as to form a single series with the Notes of any particular Series.

## **16. Currency Indemnity**

The currency in which the Notes are denominated or, if different, payable, as specified in the Pricing Supplement (the **Contractual Currency**), is the sole currency of account and payment for all sums payable by the Issuer in respect of the Notes, including damages. Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Holder of a Note or Coupon in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the Contractual Currency which such Holder is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that amount is less than the amount in the Contractual Currency expressed to be due to any Holder of a Note or Coupon in respect of such Note or Coupon the Issuer shall indemnify such Holder against any loss sustained by such Holder as a result. In any event, the Issuer shall indemnify each such Holder against any cost of making such purchase which is reasonably incurred. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder of a Note or Coupon and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due in respect of the Notes or any judgment or order. Any such loss aforesaid shall be deemed to constitute a loss suffered by the relevant Holder of a Note or Coupon and no proof or evidence of any actual loss will be required by the Issuer.

## **17. Waiver and Remedies**

No failure to exercise, and no delay in exercising, on the part of the Holder of any Note, any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or future exercise thereof or the exercise of any other right. Rights hereunder shall be in addition to all other rights provided by law. No notice or demand given in any case shall constitute a waiver of rights to take other action in the same, similar or other instances without such notice or demand.

## **18. Law and Jurisdiction**

**18.1** Unless otherwise specified in the Pricing Supplement, the Notes and all matters (including without limitation any non-contractual obligations) arising from or connected with the Notes are governed by, and shall be construed in accordance with, English law.

The Deed of Covenant, the Issuing and Paying Agency Agreement, any Deed of Adherence, any New Deed of Covenant and any Deed of Guarantee and all matters (including without limitation any non-contractual obligations) arising from or connected with them are governed by, and shall be construed in accordance with, English law.

- 18.2** If the Issuer is represented by an attorney or attorneys in connection with the signing and/or execution and/or delivery of this Offering Circular or each agreement or document referred to herein or made pursuant hereto and the relevant power or powers of attorney is or are expressed to be governed by the laws of a particular jurisdiction, it is hereby expressly acknowledged and accepted by the other parties hereto that such laws shall govern the existence and extent of such attorney's or attorneys' authority and the effects of the exercise thereof (including without limitation any non-contractual obligations).
- 18.3** The courts of England have exclusive jurisdiction to settle any dispute (including a dispute relating to any non-contractual obligations), arising from or connected with the Notes, the Dealership Agreement, the Issuing and Paying Agency Agreement, the Deed of Covenant and (except in the case of Notes issued by the Bank) the Deed of Guarantee (a **Dispute**).
- 18.4** The Issuer agrees, and (except in the case of Notes issued by the Bank) the Guarantor will agree in the Deed of Guarantee, that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- 18.5** Condition 18.3 is for the benefit of the Holders only. As a result, nothing in this Condition 18 (*Law and Jurisdiction*) prevents any Holder from taking proceedings relating to a Dispute (**Proceedings**) in any other courts with jurisdiction. To the extent allowed by law, Holders may take concurrent Proceedings in any number of jurisdictions.
- 18.6** The Issuer agrees, and (except in the case of Notes issued by the Bank) the Guarantor will agree in the Deed of Guarantee, that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to HSBC Holdings plc at 8 Canada Square, London E14 5HQ (marked for the attention of "The Legal Department") or at any address of the Issuer or, as the case may be, the Guarantor, in Great Britain at which service of process may be served on it in accordance with Part 34 of the Companies Act 2006. Nothing in this paragraph shall affect the right of any Holder to serve process in any other manner permitted by law. This clause applies to Proceedings in England and to Proceedings elsewhere.

## **19. Right of Third Parties**

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

## USE OF PROCEEDS

It is intended that the net proceeds of the issue of each Tranche of Notes will be used to develop and expand the business of the Bank and its subsidiaries (the **Bank Group**) and for general financing purposes.

# THE BANK GROUP

## Incorporation and business

The Bank was established with limited liability in the Hong Kong Special Administrative Region (the **Hong Kong SAR**) by The Hongkong and Shanghai Bank Ordinance 1866, as continued by The Hongkong and Shanghai Banking Corporation Limited Ordinance (Cap. 70) of Hong Kong (as amended) (the **Ordinance**). On 6 October 1989, the Bank was registered pursuant to Part IX of the Companies Ordinance (Cap. 32) of Hong Kong with company number 263876 and its then name was changed to “The Hongkong and Shanghai Banking Corporation Limited”. On 6 June 1997, Memorandum and Articles of Association were adopted, replacing the Ordinance in part and superseding The Hongkong and Shanghai Bank Regulations (Cap. 70A) of Hong Kong which formerly were the constitutive documents of the Bank. Its registered and head office is situated at 1 Queen’s Road Central, Hong Kong. It is the largest bank incorporated in the Hong Kong SAR and is one of the three banks in the Hong Kong SAR which are currently authorised by the Government of the Hong Kong SAR to issue Hong Kong currency notes.

Serving the financial and wealth management needs of an international customer base, the Bank Group provides a range of personal, commercial and corporate banking and related financial services in 20 countries and territories in Asia-Pacific – with the largest network of any international financial institution in the region – and in six other countries around the world. Employing some 65,600 people, of whom 34,000 work for the Bank itself, the Bank Group had consolidated assets at 31 December 2012 of HK\$6,065 billion.

The Bank is a wholly-owned subsidiary of HSBC Holdings plc. HSBC Holdings plc and its subsidiaries (the **HSBC Group**) have an international network covering 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.

## Directors and Secretary

As of the date of this Offering Circular, the Directors and Secretary of the Bank are set out below.

### Name of Directors

Stuart T Gulliver, *Chairman*  
Dr William Fung Kwok Lun\*, SBS, OBE, *Deputy Chairman*  
Laura Cha May Lung\*, GBS, *Deputy Chairman*  
Peter Wong Tung Shun, *Chief Executive*  
Graham John Bradley\*  
Dr Raymond Ch’ien Kuo Fung\*, GBS, CBE  
Naina L Kidwai  
Rose Lee Wai Mun  
Victor Li Tzar Kuoi\*  
Zia Mody\*  
Christopher D Pratt\*  
James Riley\*  
Andreas Sohmen-Pao\*  
T Brian Stevenson\*, SBS  
Dr Rosanna Wong Yick-ming\*, DBE  
Marjorie Yang Mun Tak\*  
Tan Sri Dr Francis Yeoh Sock Ping\*, CBE

### Name of Secretary

Paul A Stafford, ACIS

\* Non-executive Director of the Bank

## Principal Subsidiaries

The principal subsidiaries of the Bank as at 31 December 2012 are set out below:

Name	Place of Incorporation	Nominal value of issued share capital/registered capital	Class of share/registered capital	Bank's interest in issued share capital/registered capital	Principal activity
Hang Seng Bank Limited <sup>1</sup>	Hong Kong SAR	HK\$9,559 million	Ordinary	62.14 per cent.	Banking
HSBC Bank (China) Company Limited <sup>1</sup>	People's Republic of China	RMB12,400 million	Registered capital	100 per cent.	Banking
HSBC Bank Malaysia Berhad <sup>1</sup>	Malaysia	RM\$115 million	Ordinary	100 per cent.	Banking
HSBC Bank Australia Limited <sup>2</sup>	Australia	A\$751 million	Ordinary	100 per cent.	Banking
		A\$60 million	Preference	100 per cent.	
HSBC Bank (Taiwan) Limited <sup>2</sup>	Taiwan	TWD30,000 million	Ordinary	100 per cent.	Banking
HSBC Insurance (Asia) Limited <sup>2</sup>	Hong Kong SAR	HK\$2,798 million	Ordinary	100 per cent.	Insurance
HSBC Life (International) Limited <sup>2</sup>	Bermuda	HK\$2,778 million	Ordinary	100 per cent.	Retirement benefits and life insurance

1 Held directly

2 Held indirectly

The principal countries of operation are the same as the countries of incorporation except for HSBC Life (International) Limited which operates mainly in the Hong Kong SAR.

## Share capital

The following shows the authorised and the issued and fully paid share capital of the Bank as at 31 December 2012:

### Authorised:

The authorised ordinary share capital of the Bank was HK\$80,000 million divided into 32,000 million ordinary shares of HK\$2.50 each. The authorised preference share capital of the Bank was U.S.\$13,450,500,000 comprising 3,750,500,000 cumulative redeemable preference shares of U.S.\$1.00 each, 7,500,000,000 non-cumulative irredeemable preference shares of U.S.\$1.00 each and 2,200,000,000 cumulative irredeemable preference shares of U.S.\$1.00 each.

*Issued:*

The issued and fully paid-up ordinary share capital of the Bank was made up of HK\$58,968,707,252.50 comprising 23,587,482,901 ordinary shares of HK\$2.50 each. The issued and fully paid up preference share capital was U.S.\$10,233,500,000 comprising 1,450,500,000 cumulative redeemable preference shares of U.S.\$1.00 each, 6,653,000,000 non-cumulative irredeemable preference shares of U.S.\$1.00 each and 2,130,000,000 cumulative irredeemable preference shares of U.S.\$1.00 each.

In accordance with Hong Kong Accounting Standard 32 *Financial Instruments: Presentation*, the issued and fully paid up preference shares are presented as liabilities in the consolidated balance sheet and the balance sheet of the Bank.

**Total shareholders' equity**

The total shareholders' equity of the Bank Group as at 31 December 2012 was HK\$437,399 million comprising HK\$58,969 million of share capital, HK\$133,790 million of other reserves, HK\$224,640 million of retained profits and HK\$20,000 million of proposed fourth interim dividend.

**Subordinated liabilities**

Subordinated liabilities of the Bank Group, as at 31 December 2011 and 2012, consists of undated primary capital notes and other loan capital having an original term to maturity of five years or more, raised by the Bank Group for the development and expansion of its business.

	<b>2012</b>	<b>2011</b>
	<i>HK\$m</i>	<i>HK\$m</i>
Bank Group subordinated liabilities	<u>13,867</u>	<u>16,114</u>

**Debt Securities in Issue**

The debt securities in issue of the Bank Group as at 31 December 2012 were HK\$74,647 million.

The Bank has announced its financial statements as of and for the year ended 31 December 2012 on 4 March 2013 in a news release headed "THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED 2012 CONSOLIDATED RESULTS - HIGHLIGHTS" (the **Highlights**), which is available for review at the following hyperlink: [http://www.hsbc.com.hk/1/PA\\_esf-ca-app-content/content/about/mediarelease/pdf/n13mar04e.pdf](http://www.hsbc.com.hk/1/PA_esf-ca-app-content/content/about/mediarelease/pdf/n13mar04e.pdf). For further information on the consolidated capitalisation of the Bank, please refer to pages 16 to 18 of the Highlights. Any information appearing on such website does not form part of this Offering Circular.

## TAXATION

The statements below regarding taxation are based on relevant law and practice at the date of this Offering Circular and are subject to any subsequent changes in law or practice (which could be made on a retroactive basis). The following statements do not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and may not apply equally to all persons. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the tax consequences of their ownership of the Notes.

### Hong Kong

#### *Withholding Tax*

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising on the sale of the Notes.

#### *Profits Tax*

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

1.1 Interest on the Notes may be subject to profits tax in the following circumstances:

- (i) interest on the Notes is derived from Hong Kong and is received by or accrues to a company carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a company, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or
- (iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong) and arises through or from the carrying on by the financial institution of its business in Hong Kong, notwithstanding that the moneys in respect of which the interest is received or accrues are made available outside Hong Kong.

1.2 Pursuant to the Exemption from Profits Tax (Interest Income) Order, interest income accruing on or after 22 June 1998, to a person other than a financial institution, on deposits (denominated in any currency) placed with an authorised institution in Hong Kong is exempt from the payment of Hong Kong profits tax. This exemption does not apply, however, to deposits that are used to secure or guarantee money borrowed in certain circumstances. Provided no prospectus involving the issue of the Notes is registered under the Companies Ordinance (Cap. 32) of Hong Kong, the issue of the Notes by the Bank is expected to constitute a deposit to which the above exemption from payment will apply.

1.3 In addition, Hong Kong profits tax may be chargeable on profits arising on the sale, disposal or redemption of the Notes where such sale, disposal or redemption are or form part of a trade, profession or business carried on in Hong Kong.

#### *Stamp Duty*

Stamp duty may be payable on the issue of the Notes if the Bearer Notes are either (a) issued by the Bank or (b) issued in Hong Kong. Stamp duty will however not be payable in either case provided either:

- (i) the Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstance in the currency of Hong Kong; or



- (ii) the Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong).

If stamp duty is payable it is payable by the Issuer on issue of the Bearer Notes at a rate of 3 per cent. of the market value of the Notes.

No stamp duty will be payable on any subsequent transfer of the Bearer Notes.

No stamp duty is payable on the issue of the Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will however not be payable provided either:

- (i) the Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstance in the currency of Hong Kong; or
- (ii) the Registered Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong).

If stamp duty is payable in respect of the transfer of the Registered Notes, it will be payable at the rate of 0.1 per cent. each by the seller and the purchaser by reference to the amount of the consideration or market value of the Registered Notes, whichever is the greater. If, in the case of either the sale or purchase of the Registered Notes, stamp duty is not paid, both the seller and the purchaser are liable jointly and severally to pay any unpaid stamp duty and also any penalties for late payment. If stamp duty is not paid on or before the due date (two days after the sale or purchase if effected in Hong Kong or 30 days if effected elsewhere) a penalty of up to 10 times the duty payable may be imposed. In addition, stamp duty is payable at the fixed rate of HK\$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

#### *Estate Duty*

No estate duty will be payable in respect of the Bearer Notes and Registered Notes.

#### **EU Savings Directive**

Under EC Council Directive 2003/48/EC (the **Directive**) on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above.

#### **U.S. Foreign Account Tax Compliance Act**

Sections 1471 through 1474 of the U.S. Internal Revenue Code (**FATCA**) impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a **foreign financial institution** or **FFI** (as defined by FATCA)) that does not become a **Participating FFI** by entering into an agreement with the U.S. Internal Revenue Service (**IRS**) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a “United States Account” of the Issuer (a **Recalcitrant Holder**). The Bank is, and other New Issuers may be, classified as an FFI.

The new withholding regime will be phased in beginning 1 January 2014 for payments from sources within the United States and will apply to **foreign passthru payments** (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any Notes characterized as debt (or which are not otherwise characterized as equity and have a fixed term) for U.S. federal tax purposes that are issued on or after the **grandfathering date**, which is the later of (a) 1 January 2014 and (b) the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified on or after the grandfathering date and (ii) any Notes characterized as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued before the grandfathering date, and additional Notes of the same series are issued on or after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an **IGA**). Pursuant to FATCA and the “Model 1” and “Model 2” IGAs released by the United States, an FFI in an IGA signatory country could be treated as a **Reporting FI** not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction generally would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being **FATCA Withholding**) from payments it makes. The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required to withhold as a Participating FFI on foreign passthru payments and payments that it makes to Recalcitrant Holders. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and Hong Kong have not entered into an IGA.

If any Issuer becomes a Participating FFI under FATCA, the relevant Issuer and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

If an amount in respect of FATCA Withholding were to be deducted or withheld from interest, principal or other payments made in respect of the Notes, neither the relevant Issuer, nor the Guarantor, nor any paying agent nor any other person would, pursuant to the terms and conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

**FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.**

**TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.**

## PRO FORMA PRICING SUPPLEMENT

THE NOTES TO WHICH THIS PRICING SUPPLEMENT RELATES HAVE NOT BEEN REGISTERED UNDER THE 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 ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.

Pricing Supplement dated [●]

### THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED

as [Issuer][Guarantor]

and

[[NAME OF NEW ISSUER]

as Issuer]

**U.S.\$20,000,000,000**

### Medium Term Note Programme

Issue of

[●]

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 12 March 2013 [and the supplemental Offering Circular dated [●]]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular [as so supplemented].

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular dated [original date]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [current date], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto.]

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.]*

*[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]<sup>1</sup>*

- |    |                   |  |
|----|-------------------|--|
| 1. | [(i)] Issuer:     | [The Hongkong and Shanghai Banking Corporation Limited]<br>[Name of New Issuer] <sup>2</sup> |
|    | [(ii)] Guarantor: | [The Hongkong and Shanghai Banking Corporation Limited]]                                     |

<sup>1</sup> Include this if the New Issuer (if the New Issuer is not an authorised person permitted to accept deposits under the Financial Services and Markets Act 2000 (the “FSMA”) or is exempt under the FSMA) is the Issuer and the issue proceeds are received by the Issuer in the United Kingdom.

<sup>2</sup> The proceeds of each issue of Notes by the New Issuer must either be received by the Issuer from an authorised institution (as defined in the Banking Ordinance of Hong Kong) or a bank incorporated outside Hong Kong which is not an authorised institution (as so defined) or otherwise in compliance with the Banking Ordinance of Hong Kong.

2. (i) Series Number: [    ]  
(ii) Tranche Number: [    ]  
[(iii) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 29 below, which is expected to occur on or about [*date*]][Not Applicable]]
3. Currency or Currencies: [    ]  
(Condition 1.10)
4. Aggregate Nominal Amount:  
[(i) Series: [    ]  
(ii) Tranche [    ]]
5. [(i) Issue Price: [    ] per cent. of the Aggregate Nominal Amount [(which comprises [    ] per cent. per annum discount rate and [    ] per cent. per annum Option premium rate, each of the Aggregate Nominal Amount)] [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]  
(ii) Net proceeds: [    ] (*Required only for listed issues*)
6. (a) Denomination(s): [    ]  
(Condition 1.8 or 1.9)

*(N.B. Notes must have a minimum denomination of € 100,000 (or equivalent) in order to benefit from EU Transparency Directive (directive 2004/109/EC of the European Parliament and of the Council on the Harmonisation of Transparency Requirements in relation to information about issuers whose securities are admitted to trading on a regulated market) exemptions in respect of wholesale securities and in order to benefit from the wholesale exemption set out in Article 3.2(d) of the Prospectus Directive in that Member State.)*

*(Note — where multiple denominations above [U.S.\$200,000] or equivalent are being used the following sample wording should be followed:*

*“[U.S.\$200,000] and integral multiples of [U.S.\$1,000] in excess thereof up to and including [U.S.\$399,000]. No Notes in definitive form will be issued with a denomination above [U.S.\$399,000].”*)

- (b) Calculation Amount: [    ]

*(If only one Denomination, insert the Denomination.*

*If more than one Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Denominations.)*

7. [(i)] Issue Date: [     ]  
 [(ii)] Interest Commencement Date (if different from the Issue Date): [     ]  
 (Condition 4.8)
- (N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8. Maturity Date: *[specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year]*  
 (Condition 5.1)
- [In relation to Notes issued by a New Issuer (if the New Issuer is not an authorised person permitted to accept deposits under the FSMA or is exempt under the FSMA), if the issue proceeds are received by the Issuer in the United Kingdom and the Maturity Date is earlier than the first anniversary of the Issue Date, the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and the Notes may not be transferred unless the redemption value of each Note is not less than £100,000 (or such an equivalent amount), and be sold only to “professional investors” (or another applicable exemption from section 19 of the Financial Services and Markets Act 2000 must be available).]*
9. Interest Basis: *[●% Fixed Rate]*  
 (Condition 4) *[[specify reference rate] +/-●% Floating Rate]*  
*[Zero Coupon]*  
*[Index Linked Interest]*  
*[Other (specify)]*  
*(further particulars specified below)*
10. Redemption/Payment Basis: *[Redemption at par]*  
*[Index Linked Redemption]*  
*[Cash Equity Redemption]*  
*[Equity Linked Redemption]*  
*[Dual Currency]*  
*[Partly Paid]*  
*[Instalment]*  
*[Other (specify)]*
11. Change of Interest or Redemption/Payment Basis: *[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]*  
*[Not Applicable]*
12. Put/Call Options: *[Investor Put]*  
 (Condition 5.4 and 5.7) *[Issuer Call]*  
*[(further particulars specified below)]*  
*[Not Applicable]*

13. [Date [Board] approval for issuance of Notes [and Guarantee] obtained: [ ] [and [ ], respectively]]  
(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)
14. Listing: [Hong Kong Stock Exchange/other (specify)/None]  
(for Notes to be listed on the Hong Kong Stock Exchange, insert the expected effective listing date of the Notes)
15. Method of distribution: [Syndicated/Non-syndicated]

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

16. **Fixed Rate Note Provisions** [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Interest Rate[(s)]: [ ] per cent. per annum payable in arrear  
(Condition 4.8) on each Interest Payment Date
- (ii) Interest Payment Date(s): [ ] in each year [up to and including the  
(Condition 4.8) Maturity Date (Amend appropriately in the case of irregular coupons)]
- (iii) Fixed Coupon Amount[(s)]: [ ] per Calculation Amount  
(Applicable to Notes in definitive form.)
- (iv) Broken Amount(s): [ ] per Calculation Amount, payable on  
(Applicable to Notes in definitive form.) the Interest Payment Date falling [in/on] [ ] [Not Applicable]
- (v) Day Count Fraction: [ ]  
(Condition 4.8)
- (vi) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]  
(Consider if day count fraction, particularly for euro denominated issues, should be on an Actual/Actual basis)
17. **Floating Rate Note Provisions** [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph. Also consider whether EURO BBA LIBOR or EURIBOR is the appropriate reference rate in respect of euro denominated issues)
- (i) [Interest Period(s)/Interest Payment Dates:] [Specify Interest Payment Dates unless the  
(Condition 4.8) Applicable Business Day Convention in respect of such dates is the FRN Convention, in which case specify a number of months]
- (ii) Interest Period End Dates: [Specify, when the Applicable Business Day  
(Condition 4.8) Convention in respect of such dates is the FRN Convention]
- (iii) Interest Accrual Period: [Specify a number of months, if the  
(Condition 4.8) Applicable Business Day Convention in respect of Interest Period End Dates is the FRN Convention]
- (iv) Applicable Business Day Convention: [Floating Rate Convention/Following  
(Condition 4.8) Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]

- (v) Business Days: (Condition 4.8) [Specify any additional/substitute places or days]
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/other (give details)]
- (vii) Calculation Agent: (Condition 4.8) [Name and specified office, if not the Issuing and Paying Agent]
- (viii) Screen Rate Determination:
- Interest Determination Date(s): (Condition 4.8) [ ]
  - Relevant Screen Page: (Condition 4.3) [ ]
  - Relevant Time: (Condition 4.8) [ ]
  - Relevant Market: (Condition 4.8) [Specify if not the London interbank market]
- (ix) Relevant Margin(s): (Condition 4.3) [+/-][ ] per cent. per annum
- (x) Minimum Interest Rate: (Condition 4.4) [ ] per cent. per annum
- (xi) Maximum Interest Rate: (Condition 4.4) [ ] per cent. per annum
- (xii) Day Count Fraction: (Condition 4.8) [ ]
- (xiii) Reference Banks: (Condition 4.8) [Specify if necessary]
- (xiv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [ ]
18. **Zero Coupon Note Provisions** [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Amortisation Yield: (Condition 4.9) [ ] per cent. per annum
  - (ii) Day Count Fraction: (Condition 4.8) [ ]
  - (iii) Rate of Interest on Overdue Amounts: (Condition 4.9) [Specify, if not the Amortisation Yield]
  - (iv) Any other formula/basis of determining amount payable: [ ]
19. **Index-Linked Interest Note Provisions** [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Index/Formula: [give or annex details]
  - (ii) Calculation Agent: (Condition 4.8) [Name and specified office, if not the Issuing and Paying Agent]

- (iii) Party responsible for calculating the Interest Rate (if not the Calculation Agent) and Interest Amount (if not the Calculation Agent): [ ]
- (iv) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [ ]
- (v) Interest Period(s)/Interest Payment Dates: (Condition 4.8) [*Specify Interest Payment Dates unless the Applicable Business Day Convention in respect of such dates is the FRN Convention, in which case specify a number of months*]
- (vi) Applicable Business Day Convention: (Condition 4.8) [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
- (vii) Additional Business Days: (Condition 4.8) [*Specify any additional/substitute places or days*]
- (viii) Minimum Rate of Interest: (Condition 4.4) [ ] per cent. per annum
- (ix) Maximum Rate of Interest: (Condition 4.4) [ ] per cent. per annum
- (x) Day Count Fraction: (Condition 4.8) [ ]
20. **Dual Currency Interest Note Provisions** [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Rate of exchange/method of calculating rate of exchange: [*give details*]
- (ii) Party, if any, responsible for calculating the principal and/or interest due (if not the Calculation Agent): (Condition 4.8) [*Name and specified office, if not the Issuing and Paying Agent*]
- (iii) Provisions applicable where calculation by reference to rate of exchange impossible or impracticable: [*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
- (iv) Person at whose option specified Currency(ies) is/are payable: [ ]
- (v) Rate of interest on Overdue Amounts: (Condition 4.5) [*Specify, if different from the Interest Rate*]

## PROVISIONS RELATING TO REDEMPTION

21. **Call Option** (Condition 5.4) [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Call Option Date(s)/Call Option Period: [ ]
- (ii) Early Redemption Amount (Call) and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount/*specify other/see Annex*]



- (iii) If redeemable in part: [Specify, otherwise redemption will only be permitted of entire Series]
- (a) Minimum Redemption Amount: [ ]
- (b) Maximum Redemption Amount: [ ]
- (iv) Notice period (if other than as set out in the Conditions): [ ]  
*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
22. **Put Option** [Applicable/Not Applicable]  
 (Condition 5.7) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Put Date(s)/Put Period: [ ]
- (ii) Early Redemption Amount (Put) and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount/specify other/see Annex]
- (iii) Notice period (if other than as set out in the Conditions): [ ]  
*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
23. **Maturity Redemption Amount** [For Equity Linked Notes:  
 (Condition 5.1) Unless previously redeemed or purchased and cancelled and subject to the other terms and conditions of the Notes, the Issuer shall redeem each Note either:
- (i) if the Issuer has exercised the Option in accordance with paragraph 37, by delivering to the Holder on the Settlement Date the Securities Transfer Amount [per Calculation Amount/specify other/see Annex]; or
- (ii) in all other circumstances, by paying an amount equal to [par/an amount determined in accordance with the formula set out in the Annexe [1] hereto] [per Calculation Amount/specify other/see Annex] on the Maturity Date.]
- [For other Notes:  
 Par/[ ] per Calculation Amount/other - specify/See Annex [ ] attached hereto]

24. **Early Redemption for Taxation Reasons**  
(Condition 5.2)
- (i) Early Redemption Amount (Tax): *[Specify, if not the principal amount or, in the case of any Notes which are non-interest bearing, the Amortised Face Amount]* [per Calculation Amount/specify other/see Annex]
- (ii) Date after which changes in law, etc. entitle Issuer to redeem: *[Specify, if not the Issue Date]*
25. **Early Redemption for reasons of Force Majeure**  
(Condition 5.3) [Not Applicable/The provisions [in Condition 5.3] [annexed to this Pricing Supplement] apply]
26. **Other Redemption Provisions** [Not Applicable/give details]
27. **Events of Default**  
(Condition 6.1(a))
- (i) Early Termination Amount: *[Specify, if not the principal amount or, in the case of any Notes which are non-interest bearing, the Amortised Face Amount]* [per Calculation Amount/specify other/see Annex]
- (ii) Any additional (or modifications to) Events of Default: *[Specify]*
28. **Winding-up of the Bank**  
(Condition 6.2)
- Early Termination Amount: *[Specify, if not the principal amount or, in the case of any Notes which are non-interest bearing, the Amortised Face Amount]* [per Calculation Amount/specify other/see Annex]

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

29. **Form of Notes:** [Bearer/Registered]  
(Condition 1.1)
- Bearer Notes**
- (i) Initially represented by a Temporary Global Note or Permanent Global Note: *[Specify]*  
(Condition 1.2)
- (ii) Temporary Global Note exchangeable for Definitive Notes and/or [(if the relevant Series comprises both Bearer and Registered Notes)] Registered Notes: *[Yes/No. If TEFRA C Rules are specified as applying, specify “yes”. If “no” or nothing is specified, Temporary Global Note will be exchangeable for Permanent Global Note]*
- Specify date from which exchanges for Definitive Notes will be made. *[If nothing is specified, exchanges will be made at any time. / Exchanges for a Permanent Global Note or Definitive Notes will be made on or after the Exchange Date.]*  
(Condition 1.2)
- (iii) Permanent Global Note exchangeable at the option of the bearer for Definitive Notes and/or [(if the relevant Series comprises both Bearer Notes and Registered Notes)] Registered Notes: *[Yes/No]*  
(Condition 1.5)

- (iv) Coupons to be attached to Definitive Notes: (Condition 1.6) [Yes/No]
- (v) Definitive Notes to be security printed: [Yes/No]
- (vi) Bearer Notes exchangeable for Registered Notes: (Condition 2.5) [Yes/No]
- (vii) If issued in Registered form:  
 – Registrar: [Name and specified office]  
 (Condition 2.2)
30. Type of Note: [Index Linked/Cash Equity/Equity Linked/Combination/other (*specify*)]
31. Relevant Financial Centre Day(s) or other special provisions relating to Payments: (Condition 8.3) [Not Applicable/*give details. Note that this paragraph relates to the place of payment, and not to business days for interest accrual purposes, to which sub-paragraph [17(v)] relates*]
32. Unmatured Coupons missing upon Early Redemption: [*Specify whether paragraph (i) of Condition 8.1(f) or paragraph (ii) of Condition 8.1(f) applies. If nothing is specified paragraph (i) will apply to fixed rate or fixed coupon amount Notes and paragraph (ii) will apply to floating rate or variable coupon amount Notes*]
33. Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. *If yes, give details*]
34. Details relating to partly paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/*give details*]
35. Redenomination, renominalisation and reconventioning provisions: [Not Applicable/The provisions [in Condition 8.4] [annexed to this Pricing Supplement] apply]\*
36. Other terms or special conditions: [Not Applicable/*give details*]

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\* For Notes denominated in Sterling, if the provisions in Condition 8.4 are stated to be applicable, consider whether to include additional disclosure outlining the resulting United Kingdom tax implications for United Kingdom resident non-corporate Holders of the Notes.

**PROVISIONS APPLICABLE TO INDEX LINKED NOTES, CASH EQUITY NOTES AND EQUITY LINKED NOTES**

*[Delete all paragraphs in this section which are not applicable]*

37. Option:  
(for Equity Linked Notes only)

In consideration of the Option premium comprised in the Issue Price (see paragraph 5), if the Calculation Agent determines that the Closing Price is less than or equal to the Put Strike Price, the Issuer shall have the option (the **Option**), exercisable on the Valuation Date and without notice to the Holder of its intention so to do, to redeem the Notes by delivering the Securities Transfer Amount to (or for the account of) the Holders in accordance with paragraph 23. Except in circumstances where the Issuer is entitled to and does exercise the Option, the Issuer shall redeem the Notes by paying a cash amount to the Holders in accordance with paragraph 23.

The Issuer shall notify the Holders, the Paying Agents and Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system of any such exercise no later than [the day which is both a Relevant Banking Day and a local banking day/*other - specify*] following the Valuation Date.

Each Holder shall, on or before at least [ ] calendar days prior to the Maturity Date (or such earlier date as the Issuer shall determine is necessary for the Issuer, the Paying Agents, Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system to perform their respective obligations hereunder and forthwith notify to the Paying Agents and the Holders) send to Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system (copied to the Issuing and Paying Agent) an irrevocable notice (a **Transfer Notice**) in the form from time to time approved by the Issuer, which must:

- (i) specify the name and address of the Holder;
- (ii) specify the number of Notes in respect of which he is the Holder;
- (iii) specify the number of the Holder's account at Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system, as the case may be, to be debited with such Notes;

- (iv) irrevocably instruct and authorise Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system, as the case may be, (A) to debit the Holder's account with such Notes on the Settlement Date if the Issuer has exercised the Option or otherwise on the Maturity Date and (B) that no further transfers of the Notes specified in the Transfer Notice may be made;
- (v) contain a representation and warranty from the Holder to the effect that the Notes to which the Transfer Notice relates are free from all liens, charges, encumbrances and other third party rights;
- (vi) specify the number and account name of the account at the Clearance System to be credited with the Securities;
- (vii) contain an irrevocable undertaking to pay the Transfer Expenses (if any) (as defined in below) and an irrevocable instruction to Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system, as the case may be, to debit on or after the Settlement Date the cash or other account of the Holder with Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system, as the case may be, specified in the Transfer Notice with such Transfer Expenses;
- (viii) include a certificate of non-U.S. beneficial ownership in the form required by the Issuer; and
- (ix) authorise the production of the Transfer Notice in any applicable administrative or legal proceedings.

A Transfer Notice, once delivered to Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system, shall be irrevocable and may not be withdrawn without the consent in writing of the Issuer. A Holder may not transfer any Note which is the subject of a Transfer Notice following delivery of such Transfer Notice to Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system.

A Transfer Notice shall only be valid to the extent that Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system have not received conflicting prior instructions in respect of the Notes which are the subject of the Transfer Notice.

Failure properly to complete and deliver a Transfer Notice may result in such notice being treated as null and void. Any determination as to whether such notice has been properly completed and delivered as provided shall be made by the Issuing and Paying Agent and shall be conclusive and binding on the Issuer and the Holder.

The Issuing and Paying Agent shall promptly on the local banking day following receipt of such notice send a copy of the Transfer Notice to the Issuer or such person as the Issuer may previously have specified.

Delivery of the Securities will be via the Clearance System. The delivery or transfer of Securities to each Holder is at the relevant Holder's risk and if delivery occurs later than the earliest possible date for delivery, no additional amounts will be payable by the Issuer or the Guarantor.

**38. Provisions for Cash Equity Notes and Equity Linked Notes**

- |  |  |
|--|--|
| (i) Securities:  | [    ]   |
| (ii) Underlying Company(ies):  | [    ]   |
| (iii) Exchange(s):   | [    ]   |
| (iv) Related Exchange(s):  | [    /All Exchanges]                             |
| (v) Cash Settlement Payment Date:  | [Maturity Date/other - <i>specify</i> ]          |
| (vi) Securities Transfer Amount:<br>(for Equity Linked Notes only)   | [    ]   |
| (vii) Settlement Date:<br>(for Equity Linked Notes only)   | [Not Applicable/specify]                         |
| (viii) Settlement Disruption Event:<br>(for Equity Linked Notes only)<br>– Disruption Period (if other than<br>as specified in Condition 9.3): | Condition 9.3 [applies/does not apply]<br>[    ] |
| (ix) Delivery Disruption Event:<br>(for Equity Linked Notes only)  | Condition 9.4 [applies/does not apply]           |
| (x) Potential Adjustment Event:  | Condition 9.5(a) [applies/does not apply]        |
| (xi) Merger Event or Tender Offer:   | Condition 9.5(b) [applies/does not apply]        |
| (xii) Nationalisation, Insolvency,<br>Insolvency Filing or Delisting:  | Condition 9.5(c) [applies/does not apply]        |

- (xiii) Conversion: (for Notes relating to Government Bonds and debt securities only) Condition 9.5(d) [applies/does not apply]
- (xiv) Corrections to published prices affecting Government Bonds or debt securities:  
– Spot Price: [ ] Condition 9.5(e) [applies/does not apply]
39. **Additional provisions for Equity Linked Notes:** [Closing Price means the official closing price of each Security on the Valuation Date on the Exchange.]
- [Put Strike Price means, in respect of each Security, [price in currency].]
40. **Provisions for Index Linked Notes**
- (i) Index(ices): [ ][, being a Multiple Exchange Index]
- (ii) Sponsor: [ ]
- (iii) Exchange(s): [ ]
- (iv) Related Exchange(s): [ ]/All Exchanges]
- (v) Cash Settlement Payment Date: [ ]
- (vi) Adjustment to Index: Condition 9.2 [applies/does not apply]
41. **Valuation Date(s):** [ ]
- (i) Disrupted Day: [Applicable/Not Applicable]
- (ii) Valuation Rollover Days: [Five/Eight/specify other] Scheduled Trading Days
- (iii) Deemed Valuation Date: The [Fifth/Eighth/specify other] Scheduled Trading Day immediately following the Scheduled Valuation Date
42. **Valuation Time:** [ ]
43. **Averaging Dates:** [Yes/No. If yes, specify dates]
- (i) Relevant Prices: [Specify how level of Index or market value of Securities is to be determined]
- (ii) Details relating to how Maturity Redemption Amount will be calculated where the Notes relate to a basket of Indices or Securities: [ ]
- (iii) Averaging Date Market Disruption: [Omission/Postponement/Modified Postponement/ Not Applicable/ Other (specify)]
- (iv) Averaging Rollover Days: [Five/Eight/specify other] Scheduled Trading Days
- (v) Deemed Averaging Date: The [Fifth/Eighth/specify other] Scheduled Trading Day immediately following the Scheduled Averaging Date

44. **Fixing Date** [Yes/No. If yes, specify dates]  
 (i) Fixing Rollover Days: [Five/Eight/specify other] Scheduled Trading Days  
 (ii) Deemed Fixing Date: The [Fifth/Eighth/specify other] Scheduled Trading Day immediately following the Scheduled Fixing Date
45. **Additional Disruption Event:** [The following Additional Disruption Events apply: [Change in Law, Hedging Disruption][other (specify)] / [Not Applicable]
46. **Other terms or special conditions relating to Index Linked Notes, Cash Equity Notes or Equity Linked Notes:** [ ]

## DISTRIBUTION

47. If syndicated, names of Managers: [Not Applicable/give names]
48. If non-syndicated, name of Relevant Dealer: [Not Applicable/give name]
49. Selling Restrictions:  
 United States of America: Category 2 [Specify whether the Notes are subject to TEFRA C or TEFRA D Rules or TEFRA not applicable. In the absence of specification TEFRA D Rules will apply (Condition 1.2)]  
 [Specify whether Notes are Rule 144A eligible]  
 The Exchange Date is [specify Exchange Date (Condition 1.2)]  
 Other: [Specify any modifications of or additions to selling restrictions contained in Dealership Agreement]
50. Stabilising Institution: [ ]  
 [Under currently applicable Hong Kong laws, no transactions may be effected which would stabilise or maintain the market price of Notes listed on the Hong Kong Stock Exchange at a level which might not otherwise prevail.]
51. Additional U.S. federal income tax considerations: [Not applicable/give details]



**OPERATIONAL INFORMATION**

- 52. ISIN Code: [ ]
- 53. Common Code: [ ]
- 54. Clearing System(s): [CMU Service/Euroclear/Clearstream, Luxembourg/Other] [Specify]
- 55. Common Depository/Lodging Agent: [Specify]
- 56. CMU Service Instrument Number: [ ]
- 57. Settlement Procedures: [Specify whether customary medium term note/eurobond/CMU Service/other settlement and payment procedures apply]
- 58. Delivery: Delivery [against/free of] payment
- 59. Additional Paying Agent(s) (if any): [ ]
- 60. Calculation Agent: [ ]
- [61. Details of Issuer: [Only applicable when New Issuer accedes to the Programme, specify country of incorporation, date of incorporation, details of its registered office, authorised share capital, business and directors]]

**[LISTING APPLICATION**

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the U.S.\$20,000,000,000 Medium Term Note Programme of [ ]].

**RESPONSIBILITY**

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

**[THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED]**  
**[NAME OF NEW ISSUER]**

By: .....  
Duly authorised

[Signed on behalf of the Guarantor:

**THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED**

By: .....  
Duly authorised]

[ANNEX[1]

23. Maturity Redemption Amount

[(specify formula)]<sup>1</sup>

[ANNEX [2]]<sup>2</sup>

*[disclosure information in relation to underlying Index/Indices or Securities]*

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<sup>1</sup> If required.

<sup>2</sup> This Annex (and the text on the front page of this Pricing Supplement) is only required for Index Linked Notes, Cash Equity Notes and Equity Linked Notes which are also to be listed on the Hong Kong Stock Exchange or any other stock exchange.

## SUBSCRIPTION AND SALE

Notes may be sold from time to time by the relevant Issuer to the dealers appointed pursuant to the Dealership Agreement (as defined below) either generally in relation to the Programme or in relation to a particular Tranche of Notes (the **Dealers**). Notes may also be sold by the relevant Issuer direct to institutions who are not Dealers provided that the relevant Issuer observes the same selling restrictions as would be applicable to sales by Dealers. The arrangements under which Notes may from time to time be agreed to be sold by the relevant Issuer to, and purchased by, Dealers are set out in an amended and restated dealership agreement dated 12 March 2013 (the **Dealership Agreement**) made between the Bank and the Dealers. Any such agreement will, inter alia, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the relevant Issuer in respect of such purchase. The Dealership Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

The Arranger, the Dealers or certain of their respective affiliates may purchase the Notes or be allocated the Notes for asset management and/or proprietary purposes but not with a view to distribution.

The Arranger, the Dealers or their respective affiliates may purchase the Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the Issuers or the Guarantor or their respective subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separate from any existing sale or resale of the Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Notes). Furthermore, investors in the Notes may include entities affiliated with the HSBC Group.

**United States of America:** *Regulation S Category 2; TEFRA D, unless TEFRA C or TEFRA not applicable is specified as applicable in the relevant Pricing Supplement; Rule 144A Eligible if so specified in the relevant Pricing Supplement.*

The Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**) and the Notes may not be offered or sold within the United States or to or for the account or benefit of U.S. persons except in certain transactions exempt from, or not subject to the registration requirements of the Securities Act. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act.

Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in the preceding sentence have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended and Treasury regulations promulgated thereunder.

Each Dealer has agreed that, except as permitted by the Dealership Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until forty days after the completion of the distribution of the Notes comprising the relevant Tranche, as determined or certified to the Issuing and Paying Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to Notes of such Tranche purchased by or through it, in which case the Issuing and Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to or for the account or benefit of U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto (other than a sale pursuant to Rule 144A) a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to or for the account or benefit of U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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

Each issuance of Index Linked Notes, or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer, the Guarantor and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

### **Public Offer Selling Restriction under the Prospectus Directive**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the pricing supplements in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

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

For the purposes of this provision, the expression **an offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

### **United Kingdom**

In relation to each Tranche of Notes, each Dealer subscribing for or purchasing such Notes has represented to and agreed with the relevant Issuer, the Guarantor (if applicable) and each other such Dealer (if any) that:

- (a) in relation to any Notes having 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:

- (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
- (B) 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 (the **FSMA**) by the Issuer;

- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any 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, or, in the case of the relevant Issuer (other than if the New Issuer is an authorised person) or the Guarantor (where the New Issuer is the Issuer) would not, if it was not an authorised person, apply to the relevant Issuer or the Guarantor (where the New Issuer is 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.

## **Hong Kong**

In relation to each Tranche of Notes issued by the Bank or the New Issuer, each Dealer has represented and agreed or will represent and agree that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) other than (i) to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

## **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the **FIEA**) and, accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

## Singapore

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore, and the Notes will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the **Securities and Futures Act**). Each Dealer has represented, warranted and agreed or will represent, warrant and agree that the Notes may not be offered or sold or made the subject of an invitation for subscription or purchase nor may the Offering Circular or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Notes be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person pursuant to Section 275(1) of the Securities and Futures Act, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act or (c) otherwise than pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the Notes are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor;
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the Securities and Futures Act) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for six months after that corporation or that trust has acquired the Notes pursuant to an offer under Section 275 of the Securities and Futures Act except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the Securities and Futures Act or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act; or
- (2) where no consideration is or will be given for the transfer; or
- (3) where the transfer is by operation of law; or
- (4) pursuant to Section 276(7) of the Securities and Futures Act or Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulation.

## People's Republic of China

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that neither it nor any of its affiliates has offered or sold or will offer or sell any of the Notes in the People's Republic of China (excluding Hong Kong, Macau and Taiwan) as part of the initial distribution of the Notes.

## General

Other than with respect to the listing of the Notes on the relevant stock exchange (if applicable), no action has been or will be taken in any country or jurisdiction by the Bank, the New Issuer or the Dealers that is intended to 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 Offering Circular or any Pricing Supplement comes are required by the Bank, the New Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Bank, (where the New Issuer is the Issuer) the Guarantor nor any of the other Dealers shall have any responsibility therefor.

None of the Bank, (where the New Issuer is the Issuer) the Guarantor and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

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

Selling restrictions may be supplemented or modified with the agreement of the relevant Issuer and (except in the case of Notes issued by the Bank) the Guarantor. Any such supplement or modification will be set out in the relevant Pricing Supplement (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or (in any other case) in a supplement to this document.

## GENERAL INFORMATION

1. The issue price of the Notes listed on the Hong Kong Stock Exchange will be expressed as a percentage of their nominal amount. Transactions will normally be effected for settlement in the relevant currency and for delivery by the end of the second trading day after the date of the transaction. It is expected that dealings will, if permission is granted to deal in and for the listing of Notes issued under the Programme on the Hong Kong Stock Exchange, commence on or about the date two clear business days after the date of publication of the formal notice in relation to the Notes.

However, Notes may be issued pursuant to the Programme which will not be listed on the Hong Kong Stock Exchange or any other stock exchange or which will be listed on such stock exchange as the relevant Issuer and the relevant Dealer(s) may agree.

2. The establishment of the Programme was authorised by resolutions of the boards of directors of the Bank passed on 28 January 1997. The Bank has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.
3. 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 specified in the Pricing Supplement relating thereto. The Notes are also expected to be accepted for clearance through the CMU Service. The CMU Service Instrument Number for each Series of Notes intended to be cleared through the CMU Service will be specified in the Pricing Supplement relating thereto. The relevant Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.
4. Bearer Notes with an original maturity of more than one year and any Coupon appertaining thereto will bear a legend substantially to the following effect: “Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.” The sections referred to in such legend provide that a United States person who holds a Bearer Note or Coupon generally will not be allowed to deduct any loss realised on the sale, exchange or redemption of such Bearer Note or Coupon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.
5. Settlement arrangements will be agreed between the relevant Issuer, the relevant Dealer and the Issuing and Paying Agent or, as the case may be, the Registrar in relation to each Tranche of Notes.
6. There are no litigation or arbitration proceedings against or affecting the Bank, its subsidiaries or any of its assets, nor is the Bank aware of any pending or threatened such proceedings, which are or might be material in the context of the Programme.
7. Since 31 December 2012, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) or general affairs of the Bank or any of its subsidiaries that is material in the context of the Programme.



8. For so long as the Programme remains in effect or any Notes shall be outstanding, copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the registered office of each Issuer and at the specified offices of the Paying Agents and Principal Registrar, namely:
- (a) The Hongkong and Shanghai Banking Corporation Limited Ordinance of Hong Kong and the Memorandum and Articles of Association of the Bank (being the constitutional documents of the Bank) and the Memorandum and Articles of Association of the New Issuer;
  - (b) this Offering Circular and any document incorporated by reference herein;
  - (c) the Issuing and Paying Agency Agreement;
  - (d) the Deed of Covenant;
  - (e) the most recent publicly available audited financial statements of the Bank (beginning with financial statements for the years ended 31 December 2011 and 2012) and the most recent publicly available unaudited financial statements (if any) of the Bank;
  - (f) any Pricing Supplement relating to Notes which are listed on any stock exchange. (In the case of any Notes which are not listed on any stock exchange, copies of the relevant Pricing Supplement will only be available for inspection by a Holder of or, as the case may be, a Relevant Account Holder (as defined in the Deed of Covenant) in respect of, such Notes);
  - (g) a copy of each Deed of Adherence and each New Deed of Covenant executed by each Issuer and a copy of each Deed of Guarantee executed by the Bank in respect of the issue of Notes issued by each New Issuer; and
  - (h) the most recent publicly available audited financial statements and publicly available unaudited financial statements of the New Issuer (if any).

**THE ISSUER**

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