

**HSBC Bank plc**

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

**DEBT ISSUANCE PROGRAMME**

*On 23 June 1994 HSBC Bank plc (formerly, Midland Bank plc) established a Debt Issuance Programme (the "Programme"). This Information Memorandum supersedes any previous information memorandum. Any Notes (as defined below) issued under the Programme on or after the date of this Information Memorandum are issued subject to the provisions described herein. This does not affect any Notes already in issue.*

Application has been made to admit notes (the "Notes") issued during the period of twelve months after the date of this document under the Programme described in this document to listing on the Official List of the Financial Services Authority (in its capacity as competent authority for the purposes of Part IV of the Financial Services Act 1986, the "UK Listing Authority") and to trading on the London Stock Exchange Limited (the "London Stock Exchange"). This document comprises listing particulars issued in compliance with the listing rules made under Section 142 of the Financial Services Act 1986 for the purpose of giving information with regard to the issue during the period of twelve months after the date of this document of Notes under the Programme. A copy of this document has been delivered for registration to the Registrar of Companies in England and Wales in accordance with Section 149 of the Financial Services Act 1986. Application may also be made for the Notes in registered form to be accepted for trading in the Portal System of the National Association of Securities Dealers, Inc. ("Portal").

The Notes have not been and will not be registered under the United States Securities Act of 1933 as amended (the "Securities Act") or any State Securities Laws and, unless so registered, may not be offered or sold within the United States or to, or for the benefit of U.S. persons as defined in Regulation S under the Securities Act except pursuant to an exemption from or in a transaction not subject to the registration requirements of the Securities Act and applicable State Securities Laws. The Notes may include Notes in Bearer Form that are subject to U.S. Tax Law requirements.

**Programme Arranger and Dealer**

**HSBC**

23 June 2000



HSBC Bank plc (the "Bank" or the "Issuer") accepts responsibility for the information contained in this document. To the best of the knowledge and belief of the Bank, which has taken all reasonable care to ensure that such is the case, the information contained in this Information Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Information Memorandum is to be read and construed with any amendment or supplement hereto (this document, as amended or supplemented, the "Information Memorandum"), with, in relation to any issue of Notes, the pricing supplement (each a "Pricing Supplement") relating thereto and with all documents incorporated by reference provided always that any such amendment or supplement and any such documents incorporated by reference shall not form part of the listing particulars contained in this document.

The dealer named under "Subscription and Sale" below (the "Dealers", which expression shall include any additional dealers appointed under the Programme from time to time) and The Law Debenture Trust Corporation p.l.c. (the "Trustee", which expression shall include any successor to The Law Debenture Trust Corporation p.l.c. as trustee under the trust deed dated 23 June 1994 between, inter alia, the Bank and the Trustee (such Trust Deed as amended and restated by a supplemental trust deed dated as of the date hereof and as further amended and/or supplemented and/or restated from time to time, the "Trust Deed")) have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Dealers or the Trustee as to the accuracy or completeness of this Information Memorandum or any document incorporated by reference herein or any further information supplied in connection with any Notes. The Dealers and the Trustee accept no liability in relation to this Information Memorandum or any documents incorporated by reference herein or their distribution or with regard to any other information supplied by or on behalf of the Bank.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Information Memorandum or any documents incorporated by reference herein and, if given or made, such information or representation must not be relied upon as having been authorised by the Bank, the Trustee or any of the Dealers.

Neither this Information Memorandum nor any documents incorporated by reference herein are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Bank, the Trustee or any of the Dealers that any recipient of this Information Memorandum or any document incorporated by reference herein should purchase any of the Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Bank. No part of this Information Memorandum nor of any documents incorporated by reference herein constitutes an offer or invitation by or on behalf of the Bank, the Trustee or the Dealers or any of them to any person to subscribe for or to purchase any of the Notes.

Neither the delivery of this Information Memorandum or any documents incorporated by reference herein or any Pricing Supplement nor the offering, sale or delivery of any Notes shall, in any circumstances, create any implication that there has been no change in the affairs of the Bank since the date hereof, or that the information contained in the Information Memorandum is correct at any time subsequent to the date hereof or that any other written information delivered in connection herewith or therewith is correct as of any time subsequent to the date indicated in such document. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Bank or its subsidiary undertakings during the life of the Programme. Investors should review, inter alia, the most recent financial statements of the Bank when evaluating the Notes or an investment therein.

The distribution of this Information Memorandum and any document incorporated by reference herein and the offer or sale of the Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Information Memorandum or any document incorporated by reference herein or any Notes come must inform themselves about, and observe, any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Information Memorandum or any document incorporated herein by reference, see "Subscription and Sale" below. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, and include Notes in bearer form that are subject to United States tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States to, or for the account or benefit of, U.S. persons (as defined in "Subscription and Sale" below).

In this Information Memorandum and in relation to any Notes, references to the "relevant Dealers" are to whichever of the Dealers enters into an agreement for the issue of such Notes as described in "Subscription and Sale" below and references to the "relevant Pricing Supplement" are to the Pricing Supplement relating to such Notes.

To New Hampshire residents: neither the fact that a Registration Statement or an application for a licence has been filed under chapter 421-B of the New Hampshire revised statutes with the state of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the state of New Hampshire constitutes a finding by the Secretary of State of New Hampshire that any document filed under RSA 421-B is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the Secretary of State has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security, or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer or client any representation inconsistent with the provisions of this paragraph.

For so long as any Note remains outstanding and is a "restricted security" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will, during any period in which it is neither subject to the reporting requirements of Sections 13 or 15(d) under the United States Securities Exchange Act of 1934 (the "Exchange Act") nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, furnish to any holder of, or beneficial owner of an interest in, such Note, or to any prospective purchaser thereof, upon request of such holder, such information as is required to be provided pursuant to Rule 144A(d)(4) under the Securities Act in order to permit compliance with Rule 144A in connection with the resale of such Note.

All references in this Information Memorandum to "£", "pounds", "Pounds Sterling" and "Sterling" are to the lawful currency of the United Kingdom, all references to "\$", "dollars", "US\$", "U.S.D" and "U.S. dollars" are to the lawful currency of the United States of America, and all references to "€", "euro" and "EUR", are to the lawful currency of the member states of the European Union that have adopted or adopt the single currency in accordance with the Treaty establishing the European Communities, as amended by the Treaty on European Union.

In connection with any Notes, the Dealer which is specified as the Stabilisation Agent in the relevant Pricing Supplement may over-allot or effect transactions which stabilise or maintain the market price of the Notes at a level which might not otherwise prevail. Such stabilising, if commenced, may be discontinued at any time. All such transactions will be carried out in accordance with applicable laws and regulations.

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### DOCUMENTS INCORPORATED BY REFERENCE

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

- (1) the most recent Annual Report and Accounts and Statement of Interim Results of the Bank and its subsidiary and associated undertakings published by the Bank; and
- (2) all amendments and supplements to this Information Memorandum prepared from time to time by the Bank,

save that (i) any statement contained herein or in any Annual Report and Accounts or Statement of Interim Results of the Bank and its subsidiary and associate undertakings shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any subsequently published Annual Report and Accounts or Statement of Interim Results expressly or impliedly modifies or supersedes such earlier statement provided that any modifying or superseding statement does not form part of the listing particulars as contained in this document and (ii) any documents incorporated by reference do not form part of the listing particulars as contained in this document, in each case given in compliance with the listing rules made under Section 142 of the Financial Services Act 1986.

## SUMMARY OF THE PROGRAMME

The following summary is qualified in its entirety by the remainder of this Information Memorandum:

Issuer:	HSBC Bank plc (formerly Midland Bank plc)
Arranger:	HSBC Bank plc
Dealer:	HSBC Bank plc and any other dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche (as defined below) of Notes.
Trustee:	The Law Debenture Trust Corporation p.l.c.
Principal Paying Agent:	HSBC Bank plc
Agent Bank:	HSBC Bank plc
Registrar:	HSBC Bank plc
London Listing Agent:	HSBC Bank plc
Size:	The Notes will be issued on a continuous basis without limit as to the maximum aggregate principal amount of Notes from time to time outstanding.
Currencies:	Notes may be denominated in any currency or currencies as may be set out in the relevant Pricing Supplement, subject to all applicable consents being obtained and compliance with all applicable legal and regulatory requirements. Payments in respect of Notes may, subject in each case 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.
Maturities:	No minimum or maximum maturity subject, in relation to specific currencies, to compliance with all applicable legal and regulatory requirements.
Offering and Sale:	<p>Subject to compliance with all applicable legal and regulatory requirements, Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.</p> <p>The Notes have not been and will not be registered under the Securities Act. Notes will be offered either outside the United States in reliance on Regulation S under the Securities Act ("Regulation S") or in the United States to certain qualified institutional buyers in reliance on Rule 144A under the Securities Act ("Rule 144A"), as more fully described in "Subscription and Sale". See also "Notice to Purchasers of 144A Notes and Transfer Restrictions".</p>
Issue Price:	Notes may be issued at par or at a premium or a discount to par and either on a fully or partly paid basis.
Forms of Notes:	Notes may, subject to all applicable legal and regulatory requirements, be issued in Tranches and Series comprising either Notes in bearer form or Notes in registered form. No single Tranche or Series of Notes offered in reliance on Rule 144A may comprise both Notes in bearer form and Notes in registered form. Unless otherwise specified, defined terms used in this paragraph and the paragraphs below entitled "Bearer Notes" and "Registered Notes" have the meanings given to them in "Forms of Notes; Summary of Provisions relating to the Notes while in Global Form".

**Bearer Notes:**

Notes in bearer form will be issued in accordance with the provisions of United States Treasury Regulation 1.163-5(c)(2)(i)(D) ("TEFRA D"), unless the relevant Pricing Supplement provides that such Notes will be issued in accordance with the provisions of United States Treasury Regulation 1.163-5(c)(2)(i)(C) ("TEFRA C").

In respect of each Tranche of Notes issued in bearer form, the Issuer will deliver a Temporary Global Note or a Permanent Global Note which will be deposited with a common depository for the relevant clearing systems.

- (i) *Temporary Global Notes issued in accordance with TEFRA C:* Interests in any Temporary Global Note issued in accordance with TEFRA C will be exchangeable for Definitive Bearer Notes, at any time and without any requirement for certification, in accordance with its terms and as specified in the relevant Pricing Supplement.
- (ii) *Temporary Global Notes issued in accordance with TEFRA D:* Interests in any Temporary Global Note issued in accordance with TEFRA D will be exchangeable for interests in a Permanent Global Note or Definitive Bearer Notes, on or after the date which is 40 days after the date on which such Temporary Global Note is issued and upon certification as to non-U.S. beneficial ownership thereof or otherwise as required by U.S. Treasury Regulations, in accordance with its terms and as specified in the relevant Pricing Supplement.
- (iii) *Exchange of Permanent Global Note for Definitive Bearer Notes:* Interests in any Permanent Global Note will be exchangeable for Definitive Bearer Notes, in the limited circumstances mentioned in its terms and as specified in the relevant Pricing Supplement.

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

**Registered Notes:**

In respect of each Tranche of Notes issued in registered form, the Issuer will deliver:

- (i) *Regulation S:* in the case of a Tranche of Registered Notes offered and sold solely outside the United States (as defined in Regulation S) pursuant to Regulation S, a Regulation S Global Registered Note. Interests in any Regulation S Global Registered Note will be exchangeable only for Regulation S Definitive Registered Notes and only in the limited circumstances specified in the Regulation S Global Registered Note and as specified in the relevant Pricing Supplement;
- (ii) *Rule 144A:* in the case of a Tranche of Registered Notes offered and sold solely in the United States (as defined in Regulation S) in reliance on Rule 144A, a Rule 144A Global Registered Note. Interests in any Rule 144A Global Registered Note will be exchangeable only for U.S. Definitive Registered Notes and only in the limited circumstances specified in the relevant Rule 144A Global

Registered Note and as specified in the relevant Pricing Supplement; and

(iii) *Regulation S and Rule 144A*: in the case of a Tranche of Registered Notes offered and sold both pursuant to Regulation S and in reliance on Rule 144A:

(a) an Unrestricted Global Registered Note; and

(b) a Restricted Global Registered Note.

Interests in any Unrestricted Global Registered Note will be:

(1) exchangeable for, or transferable to a person wanting to take delivery thereof in the form of, interests in a Restricted Global Registered Note; or

(2) exchangeable for Regulation S Definitive Registered Notes;

interests in any Restricted Global Registered Note will be:

(1) exchangeable for, or transferable to a person wanting to take delivery thereof in the form of, interests in an Unrestricted Global Registered Note or Regulation S Definitive Registered Notes; or

(2) exchangeable for U.S. Definitive Registered Notes;

in each case, in compliance with and subject to the provisions of the Agency Agreement (as defined herein), in accordance with their respective terms and as specified in the relevant Pricing Supplement.

Regulation S Definitive Registered Notes may be exchangeable for, or transferable to a person wanting to take delivery thereof in the form of, interests in a Restricted Global Registered Note; and U.S. Definitive Registered Notes may be transferable to a person wanting to take delivery thereof in the form of interests in an Unrestricted Global Registered Note, in each case, in compliance with and subject to the provisions of the Agency Agreement, in accordance with their respective terms and as specified in the relevant Pricing Supplement.

All Definitive Registered Notes will, if the principal thereof is repayable by instalments, have endorsed thereon a grid for recording the payment of principal.

For a more detailed description of the forms of Notes and of certain restrictions on the exchange and transfer of Notes, see "Forms of Notes; Summary of Provisions relating to the Notes while in Global Form" and "Notice to Purchasers of 144A Notes and Transfer Restrictions".

Status of Notes other than Subordinated Notes and Undated Subordinated Notes:

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

Status of Subordinated Notes:

The Notes of each Series of Subordinated Notes will constitute direct, unsecured obligations of the Bank and will rank *pari passu* without any preference amongst themselves. The rights of holders of Subordinated Notes will, in the event of the winding up of the Bank, be subordinated in right of payment

to the claims of depositors and all other creditors of the Bank other than claimants in respect of Subordinated Indebtedness (as defined in the Trust Deed) in the manner provided in the Trust Deed.

In certain circumstances, payments of principal and interest in respect of Subordinated Notes may be deferred.

Status of Undated  
Subordinated Notes:

The Notes of each Series of Undated Subordinated Notes will constitute direct, unsecured obligations of the Bank and will rank *pari passu* without any preference amongst themselves. The rights of holders of Undated Subordinated Notes will, in the event of the winding up of the Bank, be subordinated in right of payment to the claims of Prior Creditors (as defined in the Trust Deed) of the Bank in the manner provided in the Trust Deed. In the event of the winding up of the Bank, Undated Subordinated Notes will be treated as if at the close of business on the business day preceding the commencement of the winding up of the Bank the principal amount payable in respect of such Notes together with Arrears of Interest and accrued interest had been converted into preference shares of £1 each in the capital of the Bank.

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

In certain circumstances payments of interest in respect of Undated Subordinated Notes may be deferred.

Interest:

Notes may bear interest on a fixed rate basis ("Fixed Rate Notes"), a floating rate basis ("Floating Rate Notes"), a variable basis ("Variable Coupon Amount Notes") or may be non-interest bearing ("Zero Coupon Notes").

Fixed Rate Notes:

Interest on Fixed Rate Notes will be payable in arrear on such date or dates in each year as may be set out in the relevant Pricing Supplement.

The basis on which interest shall 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 the London Interbank Offered Rate ("LIBOR") 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.

Except as otherwise set out in the relevant Pricing Supplement, interest on Floating Rate Notes will be payable in arrear on the Interest Payment Dates specified in the relevant Pricing Supplement; Interest Periods will be of a duration of one, two, three, six or twelve months or such other duration as may be set out in the relevant Pricing Supplement.

The basis on which interest shall be calculated on Floating Rate Notes will be as set out in the relevant Pricing Supplement.

Floating Rate Notes may, if so set out 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 except in the case of late payment.
Dual Currency Notes:	Payments in respect of dual currency Notes ("Dual Currency Notes") will be made in such currencies, and based on such rates of exchange, as is 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.
Issuance in Series:	Notes will be issued in series (each, a "Series"). Each Series may comprise one or more tranches (each, a "Tranche") issued on different issue dates. The Notes of each Series will all be subject to identical terms whether as to currency, interest, maturity or otherwise, or terms which are identical except that the issue date and the amount of the first payment of interest and/or the denominations may be different. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.
Redemption:	Notes may be redeemable at par or at such other redemption amount (detailed in a formula or otherwise) as may be set out in the relevant Pricing Supplement or may have no stated maturity date.
Early Redemption:	If so set out in the relevant Pricing Supplement relating to any Series of Notes, such Notes may be redeemed prior to their stated maturity at the option of the Issuer and/or the Holders of such Notes subject to all applicable legal and regulatory requirements (including, in the case of Notes that are part of the regulatory capital of the Bank, the consent of the Financial Services Authority (or any successor authority in its function as supervisor of authorised institutions)). All Notes will be redeemable at the option of the Issuer prior to their stated maturity for taxation reasons. The amount payable on redemption may be fixed or variable, as set out in the relevant Pricing Supplement.
Denominations:	Notes will be issued in such denominations as are set out in the relevant Pricing Supplement subject to redenomination in accordance with Condition 9 and compliance with all applicable legal and regulatory requirements.
Redenomination:	If so specified in the relevant Pricing Supplement, the Issuer may, on giving at least 30 days' prior notice to the Noteholders, elect that any Notes denominated in a National Currency Unit (as defined in Condition 9) be redenominated into euro with effect from the Redenomination Date.



Payments in respect of Global Notes:	For so long as any Note is represented by a Global Note, payments of principal and interest in respect thereof will be made through Euroclear and/or Clearstream, Luxembourg and/or such other clearing system or depositary as is set out in the relevant Pricing Supplement.
Payments in respect of Registered Notes:	Registered Notes will be issued without Coupons or Talons. Payments of principal and interest will be made to the registered Holder (or the first named thereof in the case of joint Holders) of a Registered Note.
Taxation:	Unless otherwise set out in the relevant Pricing Supplement, payments of principal and interest in respect of Notes will be made without deduction for or on account of United Kingdom withholding taxes, except as may be required by law, in which case additional amounts will be paid subject as mentioned in the "Terms and Conditions of the Notes".
Listing:	Each Series of Notes may be admitted to the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange or exchanges and/or quotation system as may be agreed between the Issuer and the relevant Dealer and set out in the relevant Pricing Supplement ("Listed Notes") or may be unlisted ("Unlisted Notes").
Terms and Conditions:	A Pricing Supplement will be prepared in respect of each Tranche of Notes. A copy of such Pricing Supplement will, in the case of Notes admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange, be delivered to the UK Listing Authority and the London 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.
Clearing Systems:	Euroclear, Clearstream, Luxembourg, DTC and/or any other clearing system as may be set out in the relevant Pricing Supplement and/or approved by the Trustee.
Selling Restrictions:	There are restrictions on the sale of Notes and the distribution of offering material in certain jurisdictions including the United States and the United Kingdom — see "Subscription and Sale" below. Further restrictions, including restrictions on transfer, may be required in connection with any particular Tranche of Notes and will be set out in the documentation relating to such Tranche.
Governing Law:	The Trust Deed, the Notes, the Coupons (if any) and all related contractual documentation will be governed by, and construed in accordance with, English law.

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

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

### **Registered Notes**

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

### **Global Registered Notes**

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

- (a) a Regulation S Global Registered Note; or
  - (b) a Rule 144A Global Registered Note; or
  - (c) an Unrestricted Global Registered Note and a Restricted Global Registered Note
- (as each such term is defined below), as specified in the relevant Pricing Supplement.

#### *Regulation S Global Registered Notes*

In the case of a Tranche of Registered Notes sold solely outside the United States (as defined in Regulation S) in reliance on Regulation S, such Tranche of Registered Notes may be represented by a Global Registered Note without interest coupons (a "Regulation S Global Registered Note"), which will be deposited on or about the closing date (the "Closing Date") for the relevant Tranche with HSBC Bank plc as common depositary for Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ("Euroclear") and/or Clearstream Banking, société anonyme ("Clearstream, Luxembourg", previously Cedelbank) and registered in the name of HSBC Issuer Services Common Depositary Nominee (UK) Limited as nominee for such common depositary. Interests in any Regulation S Global Registered Note will be exchangeable (in circumstances described below under "Exchange and Transfer of Global Registered Notes for Definitive Registered Notes") for Definitive Registered Notes ("Regulation S Definitive Registered Notes") in the relevant form scheduled to the Trust Deed.

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

In the case of a Tranche of Registered Notes sold solely in the United States in reliance on Rule 144A, such Tranche of Registered Notes may be represented by a Global Registered Note without interest coupons (a "Rule 144A Global Registered Note"), which will be deposited on or about the Closing Date for the relevant Tranche with a custodian for DTC and registered in the name of Cede & Co. as nominee for DTC. Interests in any Rule 144A Global Registered Note will be exchangeable (in the circumstances described below under "Exchange and Transfer of Global Registered Notes for Definitive Registered Notes") for Definitive Registered Notes ("U.S. Definitive Registered Notes") in the relevant form scheduled to the Trust Deed. Rule 144A Global Registered Notes (and any U.S. Definitive Registered Notes issued in exchange therefor) will be subject to certain restrictions on transfer contained in a legend appearing on the face of such Note as set out under "Notice to Purchasers of 144A Notes and Transfer Restrictions".

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

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

The Unrestricted Global Registered Note will be deposited on or about the issue date for the relevant Tranche with, and registered in the name of MSS (Common Depositary) Nominees Limited as nominee for, HSBC Bank plc, as common depositary for Euroclear and Clearstream, Luxembourg. A beneficial interest in the Unrestricted Global Registered Note may at all times be held only through Euroclear and Clearstream, Luxembourg. The Restricted Global Registered Note will be deposited on or about the issue date for the relevant Tranche with HSBC Bank plc as custodian (the "Custodian") for, and registered in the name of Cede & Co. as nominee for, DTC. In the circumstances described below under "Exchange and Transfer of Global Registered Notes for Definitive Registered Notes", interests in any Unrestricted Global Registered Note will be exchangeable for Regulation S Definitive Registered Notes and interests in any Restricted Global Registered Note will be exchangeable for U.S. Definitive Registered Notes and Regulation S Definitive Registered Notes, in each case in the relevant form scheduled to the Trust Deed. Restricted Global Registered Notes (and any U.S. Definitive Registered Notes issued in exchange therefor) will be subject to certain restrictions on transfer contained in a legend appearing on the face of such Notes as set out under "Notice to Purchasers of 144A Notes and Transfer Restrictions".

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

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

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

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

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

**Owner of Global Registered Notes and Payments**

Subject to certain provisions of the Trust Deed relating to directions, sanctions and consents of Holders of Registered Notes and to meetings of Holders of Notes, so long as DTC or its nominee or Euroclear, Clearstream, Luxembourg or the nominee of their common depositary is the registered owner or holder of a Global Registered Note, DTC, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Registered Note for all purposes under the Agency Agreement, the Trust Deed and the Notes. Payments of principal, interest and additional amounts, if any, pursuant to Condition 7, on Global Registered Notes will be made to DTC,

Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, as the registered holder thereof. None of the Issuer, the Trustee, the Registrar, or any Paying Agent or any affiliate of any of the above or any person by whom any of the above is controlled for the purposes of the Securities Act will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in Global Registered Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

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

Beneficial interests in a Rule 144A Global Registered Note or a Restricted Global Registered Note will be exchangeable for U.S. Definitive Registered Notes: (i) if DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the relevant Restricted Global Registered Note or ceases to be a "clearing agency" registered under the Exchange Act, or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of such depositary; or (ii) if the Issuer, at its option, elects to terminate the book-entry system through DTC; or (iii) if an Enforcement Event occurs as set out in Condition 10; or (iv) if so specified in the relevant Pricing Supplement, if the holder of the relevant Rule 144A Global Registered Note or Restricted Global Registered Note requests that such interest be exchanged for U.S. Definitive Registered Notes; or (v) at the option of the Issuer, if the Issuer, any Paying Agent or the Registrar, by reason of any change in, or amendment to, the laws of the United Kingdom, is or will be required to make any deduction or withholding from any payment under the Notes which would not be required if such Notes were in definitive form.

Beneficial interests in a Regulation S Global Registered Note or an Unrestricted Global Registered Note will be exchangeable, in whole but not in part, for Regulation S Definitive Registered Notes: (i) if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or (ii) if an Enforcement Event occurs as set out in Condition 10; or (iii) if so specified in the relevant Pricing Supplement, if the holder of the relevant Regulation S Global Registered Note or Unrestricted Global Registered Note requests that such interest be exchanged for Regulation S Definitive Registered Notes; or (iv) at the option of the Issuer, if the Issuer, any Paying Agent or the Registrar, by reason of any change in, or amendment to, the laws of the United Kingdom, is or will be required to make any deduction or withholding from any payment under the Notes which would not be required if such Notes were in definitive form.

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

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

If an Unrestricted Global Registered Note relating to a Series or (if issued in Tranches) Tranche of Notes of which the Restricted Global Registered Note forms a part has, pursuant to its terms,

been exchanged in whole, but not in part, for Regulation S Definitive Registered Notes, beneficial interests in the Restricted Global Registered Note may be transferred to a person who wishes to take delivery thereof in the form of a Regulation S Definitive Registered Note. Such Regulation S Definitive Registered Notes shall be registered in such name(s) as DTC shall direct in writing.

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

The holder of a Registered Note may transfer such Registered Note in accordance with the provisions of Condition 1 of the Terms and Conditions of the Notes.

The holder of a Definitive Registered Note may transfer such Note by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of U.S. Definitive Registered Notes issued in exchange for beneficial interests in a Rule 144A Global Registered Note or a Restricted Global Registered Note bearing the legend referred to under "Notice to Purchasers of 144A Notes and Transfer Restrictions", or upon specific request for removal of the legend on a U.S. Definitive Registered Note, the Issuer will only deliver U.S. Definitive Registered Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer, that neither the legend nor the restriction on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

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

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

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

### **Bearer Notes**

Bearer Notes will be issued in accordance with TEFRA D, unless the relevant Pricing Supplement provides that such Notes will be issued in accordance with TEFRA C. Bearer Notes issued in accordance with TEFRA D will be represented upon issue by a temporary global note in bearer form without interest coupons (a "Temporary Global Note"). Bearer Notes issued in accordance with TEFRA C will be represented upon issue by a permanent global note in bearer form without interest coupons (a "Permanent Global Note") or by a Temporary Global Note. Each Temporary Global Note and Permanent Global Note will be deposited on or about the issue date for the relevant Tranche with a common depositary or depositaries for Euroclear and Clearstream, Luxembourg. Beneficial interests in a Temporary Global Note issued in accordance with TEFRA C will be exchangeable at any time for Bearer Notes in definitive form ("Definitive Bearer Notes"), in accordance with the terms of such Temporary Global Note and as specified in the relevant Pricing Supplement. Interests in a Temporary Global Note issued in accordance with TEFRA D will be exchangeable either for Definitive Bearer Notes or for interests in a Permanent Global Note, on or after the date which is 40 days after the date on which such Temporary Global Note is issued and upon certification as to non-U.S. beneficial ownership thereof or otherwise as required by U.S. Treasury Regulations, in accordance with the terms of such Temporary Global Note and as specified in the relevant Pricing Supplement.

Any Permanent Global Note will be exchangeable, in whole but not in part, for Definitive Bearer Notes, against presentation and (in the case of final exchange) surrender of such Permanent Global Note at the specified office from time to time of the Principal Paying Agent (i) if either of Euroclear or Clearstream, Luxembourg or any other clearing system by which the Notes have been accepted for clearing is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention to cease business permanently, (ii) if an Enforcement Event occurs as set out in Condition 10, (iii) if so specified in the relevant Pricing Supplement, upon the bearer's request or (iv) if the Issuer or any Paying Agent, by reason of any change in, or amendment to, the laws of the United Kingdom, is or will be required to make any deduction or withholding from any payment under the Notes which would not be required if such Notes were in definitive form.

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

All payments, if any, in respect of the Bearer Notes when represented by a Temporary Global Note or a Permanent Global Note will be made against presentation and surrender or, as the case may be, presentation of the relevant Temporary Global Note or Permanent Global Note at the specified office of any of the Paying Agents. A record of each payment so made in respect of Notes when represented by a Permanent Global Note will be endorsed on the relevant schedule to such Permanent Global Note by or on behalf of the Principal Paying Agent, which endorsement will be prima facie evidence that such payment has been made.

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

### **Notices**

(i) So long as any Bearer Notes are represented by a Temporary Global Note or a Permanent Global Note, notices to holders of Bearer Notes may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or any other clearing system (an "Alternative Clearing System") for communication by them to entitled accountholders in substitution for publication as required by the Conditions, and (ii) so long as any Regulation S Global Registered Note or Unrestricted Global Registered Note is held on behalf of Euroclear and Clearstream, Luxembourg or an Alternative Clearing System, notices to holders of Notes represented by a beneficial interest in such Global Registered Note may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg or, as the case may be, such Alternative Clearing System, and (iii) so long as any Rule 144A Global Registered Note or Restricted Global Registered Note is held on behalf of DTC or an Alternative Clearing System, notices to holders

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

### **Meetings**

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

### **Purchase and Cancellation**

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

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

No drawing of Bearer Notes or redemption pro rata of Registered Notes will be required under Condition 6(c) in the event that the Issuer exercises any option to redeem such Notes in part while all such Notes which are outstanding are represented by a Temporary Global Note, Permanent Global Note or, as the case may be, Global Registered Note. In such event, the standard procedures of Euroclear, Clearstream, Luxembourg, DTC or, as the case may be, the Alternative Clearing System shall operate to determine which interests in such Global Notes are to be subject to such option.

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

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

## **CLEARING AND SETTLEMENT**

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

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

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

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

### **DTC**

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

Holders of book-entry interests in the Notes holding through DTC will receive, to the extent received by the Principal Paying Agent, all distributions of principal and interest with respect to book-entry interests in the Notes from the Principal Paying Agent through DTC. Distributions in the United States will be subject to relevant U.S. tax laws and regulations.

The laws of some states of the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer interests in a Global Registered Note to such persons may be limited. Because DTC, Euroclear and Clearstream, Luxembourg can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Registered Note to pledge such interest to persons or entities which do not participate in the relevant clearing system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

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



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

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

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

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

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

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

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

Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

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

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

**Pro Forma Pricing Supplement**

**PRICING SUPPLEMENT**

Pricing Supplement dated [       ]

Series No.: [       ]

Tranche No.: [       ]

**HSBC Bank plc**  
**Debt Issuance Programme**  
**Issue of**  
**[Aggregate Principal Amount of Tranche]**  
**[Title of Notes]**

This document constitutes the Pricing Supplement relating to the issue of the Tranche of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Information Memorandum in relation to the above Programme [and the supplemental Information Memorandum dated [       ]]. This Pricing Supplement must be read in conjunction with such Information Memorandum [as so supplemented].

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

1. Issuer: HSBC Bank plc
2. (i) Series number: [       ]  
(ii) Tranche number: [       ]  
*(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*
3. Arranger(s): [HSBC Bank plc]
4. Currency or currencies:  
(i) of denomination: [       ]  
(ii) of payment [       ]
5. Aggregate Principal Amount:  
[(i)] Series: [       ]  
[(ii)] Tranche: [       ]
6. (i) Issue Price: [       ] per cent. of the Aggregate Principal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]  
(ii) Commission payable: [[       ] per cent./None]  
(iii) Selling concession: [[       ] per cent./None]  
(iv) Expenses – specify any expenses payable by Issuer: [       ]  
[(v) Net proceeds [[       ] (Required only for listed issues)]

7. Denomination(s): [ ]  
(Condition 1(b))
8. Issue Date: [ ]
9. Maturity Date: [specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year. In case of undated Notes specify undated.]  
(Condition 6(a))
10. Interest basis: [Fixed Rate Notes]  
(Conditions 3 to 5) [Floating Rate Notes]  
[Variable Coupon Amount Notes]  
[Zero Coupon Notes]  
[Other (specify)]  
[further particulars specified below]
11. Redemption basis: [Redemption at par]  
(Condition 6) [Index Linked]  
[Partly Paid]  
[Instalment]  
[Other (specify)]
12. Change of interest or redemption basis: [Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis]
13. Put/Call options: [Condition 6((c))((d))] will apply as specified below]
14. (i) Status of the Notes: [Not Subordinated Notes/Subordinated Notes/Undated Subordinated Notes]  
(Condition 2)  
(ii) Subordinated Notes: Deferral of Payments, Condition 2(d) [is/is not] applicable [Deferral will generally be required in the case of Tier 3 capital]
15. Listing: [London/Luxembourg/other (specify)/None]
16. Method of distribution: [Syndicated/Non-syndicated]

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

17. Fixed Rate Note provisions: [Applicable/Not applicable]  
(Condition 3) [if not applicable, delete the remaining sub-paragraphs of this paragraph]
- (i) Rate of Interest: [ ] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Commencement Date: [ ]
- (iii) Fixed Interest Payment Date(s): [ ] in each year
- (iv) Day count fraction: [ ]

18. Floating Rate Note provisions  
(Condition 4)
- [Applicable/Not applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph.)
- (i) Interest Commencement Date: [     ]
- (ii) Interest Payment Dates: [specify dates] [If Business Day Convention embedded in Condition 4(b) is not to apply, specify alternative convention]
- (iii) Benchmark: [specify LIBOR or other]
- (iv) Relevant Rate of Benchmark: [Offered rate/Bid rate/Mean rate/other specify]
- (v) Relevant screen page: [     ]
- (vi) Interest Determination Date: [     ]
- (vii) Margin: [+/-] [     ] per cent. per annum
- (viii) Fallback Rate: [specify method of calculating interest rate if applicable screen rate not available or fewer than two rates appear (where arithmetic mean is required, or where rate is not available for period of duration equal to Interest Period)]
- (ix) Day count fraction: [     ]
- (x) Relevant time: [     ]
- (xi) Minimum Interest Rate: [     ] per cent. per annum
- (xii) Maximum Interest Rate: [     ] per cent. per annum
- (xiii) Business Day:  
(Condition 4(b)) [specify relevant place(s) for the purpose of definition in Condition 4(b)]
19. Variable Coupon Amount Note provisions  
(Condition 5)
- [Applicable/Not applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Interest payment dates: [     ]
- (ii) Method of calculating interest: [     ]
20. Zero Coupon Note provisions  
(Condition 5)
- [Applicable/Not applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Amortisation Yield: [     ] per cent. per annum
- (ii) Rate of interest on overdue amounts: [     ]
- (iii) Redemption formula: [     ]
21. Dual Currency Note provisions
- [Applicable/Not applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Currencies: [     ]
- (ii) Exchange rate(s): [     ]

#### PROVISIONS RELATING TO REDEMPTION

22. Issuer's optional redemption (Call): [Yes/No]  
(Condition 6(c))
- (i) Redemption amount (Call): [specify – if not par, also specify details of any formula]

- (ii) Series redeemable in part: *[specify – otherwise redemption will only be permitted of entire Series]*
- (iii) Call option date(s)/Call option period: *[specify]*
- 23. Noteholder's optional redemption (Put): *[Yes/No]*  
(Condition 6(d))
  - (i) Redemption amount (Put): *[specify – if not par, also specify details of any formula]*
  - (ii) Put option date(s)/Put option period: *[specify]*
- 24. Final redemption amount: *[specify – if not par, also specify details of any formula]*  
(Condition 6(a))
- 25. Instalment Notes: *[specify]*  
(Condition 6(a))
  - (a) Instalment Amounts: *[      ]*
  - (b) Dates for payment of Instalments: *[      ]*
- 26. Early redemption amount: *Yes*
  - (i) Early redemption amount (upon redemption for taxation reasons) *[specify – if not par, also specify details of any formula]*  
(Condition 6(b)):
  - (ii) Early redemption amount upon enforcement: *[specify – if not par, also specify details of any formula]*  
(Condition 10)
  - (iii) Other redemption provisions *[specify]*  
(Condition 6(h))

#### **GENERAL PROVISIONS APPLICABLE TO THE NOTES**

- 27. Form of Notes: *[      ]*  
(Condition 1(a))
  - (a) Form of Notes: *[Bearer/Registered]*
  - (b) Bearer Notes exchangeable for Registered Notes: *[Yes/No] [Answer will be no where no registered Notes or where the issue is wholly or partly a 144A issue]*
- 28. If issued in bearer form:
  - (i) Initially represented by a Temporary Global Note or Permanent Global Note: *[specify] [Notes may only be represented initially by a Permanent Global Note if this Pricing Supplement specifies that TEFRA C Rules apply]*
  - (ii) Temporary Global Note exchangeable for Permanent Global Note and/or Definitive Notes and/or Registered Notes: *Yes [specify]*
  - (iii) Permanent Global Note exchangeable at the option of the bearer for Definitive Notes and/or Registered Notes: *[Yes – specify/No]*

- (iv) Coupons to be attached to Definitive Notes: [Yes/No/Not applicable]  
[N.B. This will need to be considered even if Permanent Global Notes are not exchangeable at the bearer's option into Definitive Notes because of exchangeability upon "melt down" of clearing systems – see provisions contained in Permanent Global Note]
- (v) Talons for future Coupons to be attached to Definitive Notes: [Yes/No/Not applicable]  
[N.B. The above comment also applies here]
- (vi) (a) Definitive Notes to be security printed: [Yes/No]  
[N.B. The above comment also applies here]
- (b) If the answer to (a) is yes, whether steel engraved plates will be used: [Yes/No/Not applicable]
- (vii) Definitive Notes to be in ISMA or successor's format: [Yes/No]  
[N.B. The above comment also applies here]
- (viii) Issuer or Noteholder to pay costs of security printing: [Issuer/Noteholder/Not applicable]
29. Exchange Date for exchange of Temporary Global Note: [specify]
30. Denomination(s): [specify]
31. Payments (Condition 8)
- (i) Method of payment: [specify if other than by cheque or transfer to a designated account]
- (ii) Relevant Financial Centre Day: [specify any additional places]
32. Partly Paid Notes: (Condition 1) [Yes/No]  
If yes, specify number, amounts and dates for, and method of, payment of instalments of subscription monies and any further additional provisions (including forfeiture dates in respect of late payments of partly paid instalments) [specify]
33. Redenomination: (Condition 9)
- (i) Redenomination: [Applicable/Not applicable]
- (ii) Exchange: [Applicable/Not applicable]

#### DISTRIBUTION

34. (i) If syndicated, names of Relevant Dealer/Lead Manager: [Not applicable/HSBC Bank plc/other – specify]
- (ii) If syndicated, names of other Dealers/Managers (if any): [Not applicable/specify]
- (iii) Stabilising Agent (if any): [Not applicable/specify]
35. If non-syndicated, name of Relevant Dealer: [Not applicable/specify]

36. Selling restrictions:  
 United States of America: [TEFRA C Rule/TEFRA D Rule]  
 [Not Rule 144A eligible/Rule 144A eligible – *N.B. significant additional provisions will be required in order to permit 144A eligibility*]  
 Other: [*specify any modifications of, or additions to, selling restrictions contained in Dealer Agreement*]
37. Stabilisation: [In connection with the issue of the Notes, [*name of Stabilisation Agent*] may over-allot or effect transactions which stabilise or maintain the market price of the Notes at a level which might not otherwise prevail. Such stabilising, if commenced, may be discontinued at any time]

#### OPERATIONAL INFORMATION

38. ISIN Code: [ ]
39. Common Code: [ ]
40. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [None/specify]
41. Settlement procedures: [Eurobond/Medium Term Note/other – *specify*]
42. Additional Paying Agent(s) (if any): [None/specify]
43. Common Depositary: [*specify*]
44. Agent Bank/Calculation Agent: [HSBC Bank plc]  
 — is Agent Bank to make calculations? [Yes/No]  
 — if not, identify calculation agent: [*NB Calculation agent appointment letter required*]
45. Notices: [*specify any other means of effecting communication*]  
 (Condition 14)
46. City in which specified office of Registrar to be maintained [*specify*]  
 (Condition 12)
47. Other relevant Terms and Conditions [ ]

#### LISTING APPLICATION

This Pricing Supplement comprises the details required to list the issue of Notes described herein pursuant to the listing of the Debt Issuance Programme of HSBC Bank plc.

#### CONFIRMED HSBC BANK PLC

By: .....  
 Authorised Signatory

Date: .....



## TERMS AND CONDITIONS OF THE NOTES

*The following (disregarding any sentences in italics) is the text of the terms and conditions applicable to the Notes, which, as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement(s), will be incorporated by reference into each Global Note and which will be endorsed on the Notes in definitive form (if any) issued in exchange for Global Notes representing each Tranche, details of the relevant Tranche being as set out in the relevant Pricing Supplement. The Pricing Supplement in relation to any Tranche may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with such terms and conditions, replace or modify the following terms and conditions for the purpose of such Tranche.*

This Note is one of a Series of Notes (the **"Notes"**) issued pursuant to the debt issuance programme (the **"Programme"**) established by HSBC Bank plc (the **"Bank"** or the **"Issuer"**) and is constituted by and issued subject to and with the benefit of an amended and restated Trust Deed (the **"Principal Trust Deed"**) dated 23 June 1994 as amended and supplemented by a Supplemental Trust Deed dated 23 June 2000 (the **"Supplemental Trust Deed"** and together with this Principal Trust Deed and as further amended and/or supplemented and/or restated from time to time, the **"Trust Deed"**) each made between amongst others the Bank and The Law Debenture Trust Corporation p.l.c. (the **"Trustee"** which expression shall wherever the context so admits include its successors) and has the benefit of an Agency Agreement (the **"Principal Agency Agreement"**) dated 23 June 1994 as supplemented by a Supplemental Agency Agreement dated 23 June 2000 (the **"Supplemental Agency Agreement"** and together with the Principal Agency Agreement and as further amended and/or supplemented and/or restated from time to time, the **"Agency Agreement"**) each made between, amongst others, the Bank, the Principal Paying Agent (the **"Principal Paying Agent"** which expression shall wherever the context so admits include its successors as such, and, together with any successor or additional paying agent appointed in respect of the Notes, the **"Paying Agents"**, which expression shall wherever the context so admits include any additional and/or successor paying agents), the Registrar (the **"Registrar"** which expression shall wherever the context so admits include any successor or additional person appointed as such in respect of the Notes), the Transfer Agent (the **"Transfer Agent"**, which expression shall wherever the context so admits include any successor or additional person appointed as such in respect of the Notes), the Agent Bank (the **"Agent Bank"** which expression shall wherever the context so admits include any successor or additional person appointed as such in respect of the Notes) each named therein and the Trustee. The initial Principal Paying Agent, the initial Registrar and the initial Agent Bank are named below. The Trustee shall exercise the duties, power, trusts, authorities and discretions vested in it by the Trust Deed separately in relation to each Series of Notes in accordance with the provisions of the Trust Deed. Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the principal office for the time being of the Trustee and at the specified office of each of the Principal Paying Agent and the other Paying Agents (if any), appointed from time to time pursuant to the terms of the Agency Agreement. The Holders (as defined below) for the time being of Notes (the **"Noteholders"**) and of any coupons (**"Coupons"**) or talons (**"Talons"**) (the **"Couponholders"**) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

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

the same currency, having the same maturity date, bearing interest, if any, on the same basis and issued on identical terms will constitute one Tranche of Notes.

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

### **(a) Form**

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

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

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

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

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

### **(d) Instalment Notes**

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

### **(e) Partly Paid Notes**

Notes may be issued on a partly paid basis ("**Partly Paid Notes**") if so specified in the relevant Pricing Supplement and any further or alternative terms applicable thereto shall be as set out in the relevant Pricing Supplement.

### **(f) Denomination**

Subject to Condition 9, Bearer Notes will be in the denomination(s) (each of which denominations must be integrally, divisible by each smaller denomination) set out in the relevant Pricing Supplement. Bearer Notes of one denomination will not be exchangeable after their initial delivery for Notes of any other denomination. Registered Notes will be in the denomination(s) and multiples set out in the relevant Pricing Supplement.

### **(g) Title**

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

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

*(h) Transfer of Registered Notes*

Subject as provided in the final sentence of this Condition 1(h), a Registered Note may, upon the terms and subject to the conditions set forth in the Agency Agreement, be transferred in whole or in part only (provided that each of such part transferred and the balance not transferred is, or is an integral multiple of, the minimum denomination specified in the relevant Pricing Supplement) upon the surrender of the Registered Note to be transferred, together with the form of transfer (including, without limitation, any certification as to compliance with restrictions on transfer included in such form of transfer) endorsed on it duly completed and executed, at the specified office of the Registrar or any of the Transfer Agents together with such evidence as the Registrar, or as the case may be, the relevant Transfer Agent may reasonably require to prove the title of the transferor and the authority of the persons who have executed the form of transfer. A new Registered Note will be issued to the transferee and, in the case of a transfer of part only of a Registered Note, a new Registered Note in respect of the balance not transferred will be issued to the transferor. No Holder may require the transfer of a Registered Note to be registered during the period of 15 calendar days ending on the due date for any payment (whether of principal, redemption amount, interest or otherwise) in respect of such Note.

*(i) Delivery*

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

*(j) No charge*

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

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

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

*(l) Rule 144A Legend*

Upon the transfer, exchange or replacement of Registered Notes bearing the private placement legend (the "**Rule 144A Legend**") for the purpose of Rule 144A under the United States Securities Act of 1933 (the "**Securities Act**") set forth in the form of Registered Note scheduled to the Trust Deed, the Registrar shall deliver only Registered Notes that also bear such legend unless there is delivered to the Issuer and to the Registrar such satisfactory evidence, which may include an opinion, reasonably satisfactory to the Issuer, of counsel experienced in giving opinions with respect to questions arising under the securities laws of the United States, that neither the Rule 144A Legend nor the restrictions on transfer set forth therein are required to ensure that transfers thereof comply with the provisions of Rule 144A, Rule 144 or Regulation S under the Securities Act or that such Registered Notes are not "restricted securities" within the meaning of Rule 144 under the Securities Act. The Issuer has covenanted and agreed in the Trust Deed that it will not acquire any beneficial interest, and will cause its affiliates not to

acquire any beneficial interest, in any Registered Note bearing the Rule 144A Legend unless it notifies the Registrar in writing of such acquisition. The Registrar and all Holders shall be entitled to rely without further investigation on any such notification (or lack thereof).

## **2. Status**

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

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

The Notes of each Series of Subordinated Notes constitute direct, unsecured obligations of the Bank ranking *pari passu* without any preference among themselves. The rights of Holders of Subordinated Notes will, in the event of the winding up of the Bank, be subordinated in right of payment to the claims of depositors and all other creditors of the Bank other than claimants in respect of Subordinated Indebtedness (as defined in the Trust Deed) in the manner provided in the Trust Deed.

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

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

Claims in respect of any Notes or Coupons may not be set off, or be the subject of a counterclaim, by the Holder against or in respect of any obligations of his to the Issuer, the Trustee or any other person.

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

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

*NB: If the Bank would not otherwise be Solvent (including liabilities to certain creditors who are not senior creditors) principal and interest on the Undated Subordinated Notes may be used to absorb further losses.*

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

Where during the twelve months preceding a date on which interest is due to be paid in respect of any Series of Undated Subordinated Notes no dividend has been declared or paid on any class of share capital of the Bank, such due date shall be referred to as an **"Optional Interest Payment Date"**.

The Bank may if it so elects, but shall not be obliged to, pay on any Optional Interest Payment Date the interest that is due to be paid on such date in respect of the relevant Undated Subordinated Notes and any failure to pay shall not constitute a default by the Bank for any purpose. Any interest not paid on an Optional Interest Payment Date shall (except to the extent such interest shall subsequently have been paid) constitute **"Arrears of Interest"**.

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

The Bank shall give notice in accordance with Condition 14:

- (i) not more than 14 days nor less than 7 days prior to any Optional Interest Payment Date on which it elects not to make any payment of interest, of such election; and
- (ii) of any date on which Arrears of Interest shall have become payable.

*(d) Subordinated Notes: Deferral of Payments*

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

*NB: In the case of Notes which constitute Tier 3 capital, the Financial Services Authority requires to be notified by the Bank if its total eligible capital falls below its target capital requirement and deferral of payment of principal and interest in respect of such Notes may be required in order to comply with capital adequacy requirements in such circumstances.*

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

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

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

In respect of Fixed Rate Notes, the basis on which interest is calculated is as set out in the relevant Pricing Supplement.

#### **4. Interest on Floating Rate Notes**

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

Notes bearing interest at a floating rate (each a **"Floating Rate Note"**) bear interest on the principal amount (or, in the case of Partly Paid Notes, the principal amount paid up in respect thereof) of each Note as at its date of issue (less, in the case of any Instalment Note, any principal amount on which interest shall have ceased to accrue in accordance with the following paragraph) from the Interest Commencement Date specified in the relevant Pricing Supplement.

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

In respect of Floating Rate Notes, the basis on which interest is calculated is as set out in the relevant Pricing Supplement.

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

Interest on each Floating Rate Note will be payable in arrear on such dates as are specified in the relevant Pricing Supplement for such purpose and on the due date for redemption of such Note (each, an **"Interest Payment Date"**) provided that, unless otherwise set out in the relevant Pricing Supplement, if any Interest Payment Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next Business Day unless it would thereby fall in the next calendar month, in which event the Interest Payment Date shall be the immediately preceding Business Day. The first payment of interest will be made on the first Interest Payment Date following the Interest Commencement Date.

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

*(c) Rate of Interest*

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

- (i) the Rate of Interest in respect of an Interest Period shall, subject as provided below, be the Relevant Rate of the Benchmark (where such Relevant Rate is a composite quotation or interest rate per annum or is customarily supplied by one entity) or the arithmetic mean rounded upwards, if necessary, to the nearest 0.00001 per cent. of the Relevant Rates of the Benchmark for the Interest Period which appear on the appropriate page of the Reuters Screen, Telerate (as defined below) or such other information vending service as may be set out in the relevant Pricing Supplement as at 11.00 a.m. (London time) or such other time as may be specified in the relevant Pricing Supplement on the Interest Determination Date (as defined below) plus or minus (as appropriate) the percentage rate per annum (if any) over or under the Relevant Rate or, as the case may be, arithmetic mean of the Relevant Rates of the Benchmark by which the Rate of Interest is to be determined as set out in the relevant Pricing Supplement (the "**Margin**"), all as determined by the Agent Bank;
- (ii) if the Reuters Screen, Telerate or such other information vending service as may be set out in the relevant Pricing Supplement does not contain an appropriate page in respect of the specified currency, or if fewer than two of the Relevant Rates appear at such time (other than where such Relevant Rate is a composite quotation or rate or is customarily supplied by one entity), or if the rates which appear as at such time do not apply to a period of a duration equal to the relevant Interest Period, the Rate of Interest for such Interest Period shall be calculated as set out in the relevant Pricing Supplement (the "**Fallback Rate**");
- (iii) In this Condition 4(c) and in Condition 4(d) below only:
  - (a) the "**Benchmark**" means LIBOR or such other benchmark as may be set out in the relevant Pricing Supplement;
  - (b) "**Relevant Rate**" means:
    - (A) an offered rate in the case of a Note the Benchmark for which relates to an offered rate; or
    - (B) a bid rate in the case of a Note the Benchmark for which relates to a bid rate; or
    - (C) the mean of an offered and bid rate in the case of a Note the Benchmark for which relates to the mean of an offered and bid rate,as set out in the relevant Pricing Supplement;
  - (c) the expression "**Interest Determination Date**" means the day determined by the Agent Bank to be customary for fixing the Benchmark rate applicable to deposits in the relevant currency for the relevant Interest Period; and
  - (d) the expression "**the appropriate page of the Reuters Screen, Telerate**" means such page, whatever its designation, on which the Benchmark rates for deposits in the relevant currency of prime banks are for the time being displayed on the Reuters Monitor Money Rates Services or the Associated Press — Dow Jones Telerate Service.

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

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

The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the principal amount (or, in the case of a Partly Paid Note, the principal amount paid up in respect thereof) of the relevant Note of each denomination, multiplying the product by the day count fraction set out in the relevant Pricing Supplement and rounding the resulting figure to the nearest applicable sub-unit of the currency in which such Note is denominated or, as the case may be, in which such interest is payable (one half of any such sub-unit being rounded upwards).

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

The Agent Bank will cause the Rate of Interest, the Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Principal Paying Agent, (in the case of Listed Notes) each listing authority, stock exchange and/or quotation system (if any) by which such Notes have for the time being been admitted to listing, trading and/or quotation and, for as long as such Notes are represented by Global Notes, Euroclear and/or Clearstream, Luxembourg and/or or such other clearing system or depositary as may be set out in the relevant Pricing Supplement as soon as possible after the determination thereof but in any event no later than the fourth business day thereafter. In respect of Floating Rate Notes which are Definitive Notes, the Agent Bank will give notice to the Noteholders of the Rate of Interest, the Interest Amount and the relevant Interest Payment Date in accordance with the provisions of Condition 14. The Interest Amount and the Interest Payment Date so notified in respect of any Notes may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which such Notes are for the time being listed.

*(f) Determination or Calculation by the Trustee*

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

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

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purpose of the provisions of this Condition 4 whether by the Agent Bank or the Trustee shall (in the absence of manifest error) be binding on the Issuer, the Trustee, the Paying Agents, (where appropriate) the Registrar and the Holders of Notes and of the Coupons appertaining thereto. No Holder of Notes or of the Coupons appertaining thereto shall be entitled to proceed against the Agent Bank, the Trustee, the Paying Agents, the Registrar or any of them in connection with the exercise or non-exercise by them of their powers, duties and discretions hereunder.

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

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

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

**6. Redemption and Purchase**

*(a) Final Redemption*

Unless previously redeemed or purchased and cancelled and subject as otherwise set out in the relevant Pricing Supplement, Notes will be redeemed at their principal amount or such other



redemption amount as may be set out in or determined in accordance with the relevant Pricing Supplement on the Maturity Date specified in the relevant Pricing Supplement (or, in the case of Instalment Notes, in such number of instalments and in such amounts ("**Instalment Amounts**") as may be specified in, or determined in accordance with the provisions of, the relevant Pricing Supplement). In the case of Notes specified in the relevant Pricing Supplement as being undated, such Notes shall have no Maturity Date and shall be redeemed only in accordance with this Condition 6 or Condition 10.

*(b) Redemption for Taxation Reasons*

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

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

the Issuer may, having given not less than 30 nor more than 45 days' notice (ending, in the case of Floating Rate Notes, on an Interest Payment Date) to the Noteholders in respect of such Series of Notes, redeem all, but not some only, of the Notes, at their principal amount or such other redemption amount as may be set out in the relevant Pricing Supplement together with interest accrued and unpaid, if any, to the date fixed for redemption provided that no such notice of redemption shall be given earlier than 90 days (or in the case of Floating Rate Notes or Variable Coupon Amount Notes a number of days which is equal to the aggregate of the number of days in the then current Interest Period plus 60 days provided that such aggregate number of days shall not be greater than 90 days) prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

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

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

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

Where so set out in the relevant Pricing Supplement, Notes shall be redeemable at the option of the Issuer. In such case, the Issuer may at any time (in the case of Fixed Rate Notes or Zero Coupon Notes), on any Interest Payment Date (in the case of Floating Rate Notes or Variable Coupon Amount Notes) or otherwise as set out in the relevant Pricing Supplement, on giving (in accordance with Condition 14) not less than 30 nor more than 60 days' notice (or such other period as set out in the relevant Pricing Supplement) to the Noteholders (such notice being irrevocable) specifying the date fixed for such redemption, on the date so fixed, redeem all of such Notes (or, if so specified in the relevant Pricing Supplement and subject as therein specified, some only of the Notes) at their principal amount or such other amount as set out in the relevant Pricing Supplement together with interest accrued thereon to the date fixed for redemption.

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

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

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

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

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

Where so set out in the relevant Pricing Supplement, Notes shall be redeemable at the option of the Noteholders. In such case, upon any Noteholder giving to the Issuer notice of redemption (such notice being irrevocable) the Issuer will, in accordance with the provisions set out in the relevant Pricing Supplement, redeem in whole (but not in part) the Note(s) specified in such notice at their principal amount or such other amount as may be set out in or determined in accordance with the relevant Pricing Supplement together with interest accrued thereon to the date fixed for redemption.

In order to give such notice, the Holder must, not less than 45 days before the date for redemption as set out in the relevant Pricing Supplement (or such other period as may be set out in the Pricing Supplement), deposit the relevant Note (together, in the case of an interest-bearing Definitive Note, with any unmatured Coupons appertaining thereto) with, in the case of a Bearer Note, any Paying Agent, or, in the case of a Registered Note, the Registrar or any Transfer Agent together with a duly completed redemption notice in the form which is available from the specified office of any of the Paying Agents or, as the case may be, the Registrar or any Transfer Agent. The Holder of a Note may not exercise such option in respect of any Note which is the subject of an exercise by the Issuer of its option to redeem such Note under Condition 6(b) or (c).

*(e) Purchases*

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

*(f) Cancellation*

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

*(g) Zero Coupon Notes*

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

*(h) Other Redemption Provisions*

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

**7. Taxation**

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

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

- (a) to, or to a third party on behalf of, a Holder of a Note or Coupon who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of such Note or Coupon; or
- (b) unless it is proved, in the case of Bearer Notes, to the satisfaction of the Principal Paying Agent or the Paying Agent to whom the same is presented, or, in the case of Registered Notes, to the satisfaction of the Registrar, that the Holder is unable to avoid such withholding or deduction by satisfying any statutory requirement or by making a declaration of non-residence or other similar claim for exemption to a Paying Agent or the relevant tax authorities (as applicable) or by notifying (and/or presenting evidence of such notification to the Paying Agent) any tax authorities of such payment of principal or interest or by presenting the relevant Note or Coupon at the specified office of another Paying Agent; or
- (c) more than 30 days after the Relevant Date (defined below) except, in the case of Bearer Notes, to the extent that the Holder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days; or
- (d) in the case of Registered Notes, unless the Holder, immediately upon becoming the Holder, (i) is eligible for the benefits of a tax treaty with the United Kingdom that provides for a complete exemption from withholding taxes on payments under the Notes, or (ii) is otherwise entitled to a complete exemption from withholding taxes on payments under the Notes; or
- (e) to, or to a third party on behalf of, a Holder who is not the sole beneficial owner of the Note or any Coupon, or a portion of either, or that is a fiduciary or partnership, but only to the extent that a beneficiary or settlor with respect to the fiduciary, a beneficial owner or member of the partnership would not have been entitled to the payment of an additional amount had the beneficiary, settlor, beneficial owner or member received directly its beneficial or distributive share of the payment.

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

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

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

## **8. Payments**

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

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

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

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

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

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

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

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

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

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

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

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

*(b) Registered Notes*

Payment of the amount due on final redemption (the "**Redemption Amount**") in respect of Registered Notes will be made against presentation and, save in the case of partial payment of the Redemption Amount, surrender of the relevant 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 both a Relevant Financial Centre Day and a Local Banking Day (each as defined below), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Conditions in which event interest shall continue to accrue as provided in Condition 3, 4 or 5, as appropriate.

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

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

*(c) General Provisions*

The following provisions apply to both Bearer Notes and Registered Notes. Payments of amounts due (whether principal, interest or otherwise) in respect of Notes will be made in the currency in which such amount is due either (a) by cheque, or (b) at the option of the payee, by transfer to an account denominated in the relevant currency specified by the payee.

Payments of principal, interest and other amounts (if any) in respect of Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment but without prejudice to the provisions of Condition 7.

For the purposes of these Conditions:

- (i) **"Relevant Financial Centre Day"** means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre or centres for the currency in which payment falls to be made (or, in the case of payments which fall to be made in euro, a Euro Business Day or, where such currency is a National Currency Unit (as defined in Condition 9) and the Notes have been redenominated into euro pursuant to Condition 9, the former principal financial centre or centres) and in any other place set out in the Pricing Supplement;
- (ii) **"Local Banking Day"** means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the city in which the Paying Agent to which the relevant Note or Coupon is presented for payment, or the Registrar is located; and
- (iii) **"ISDA Definitions"** means the 1991 ISDA Definitions the 1998 Supplement to the 1991 ISDA Definitions and, where the context so admits, the 1998 ISDA Euro Definitions (each as amended and supplemented as at the date of issue of the first Tranche of the Notes of the relevant Series) as published by the International Swaps and Derivatives Association, Inc. (formerly the International Swap Dealers Association, Inc.).

Without prejudice to the generality of the foregoing, the Bank reserves the right to require any person receiving payment of principal, interest and/or other sums with respect to any Note or Coupon to provide a Paying Agent with such certification or information as may be required to enable the Bank to comply with the requirements of the United States Federal Income Tax laws or such other laws as the Bank may be required to comply with.

## **9. Redenomination**

### **(a) General**

Where redenomination is specified in the relevant Pricing Supplement as being applicable, and in respect of Notes denominated in a National Currency Unit (as defined below) (the **"Relevant Currency"**) the Issuer may, without the consent of the Trustee or the Noteholders, on giving at least 30 days' prior notice to the Noteholders in accordance with Condition 14, designate a Redenomination Date in respect of such Notes.

With effect from the Redenomination Date:

- (i) each Note shall (unless already so provided by mandatory provisions of applicable law) be deemed to be redenominated into an amount of euro in the denomination of euro 0.01 with a principal amount for each Note equal to the principal amount of that Note in the Relevant Currency converted into euro at the rate for the conversion of the Relevant Currency into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to roundings in accordance with EC regulations); Provided, however, that, if the Issuer determines, with the prior approval of the Trustee, that the market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the Paying Agents of such deemed amendments;
- (ii) if Notes are in definitive form:
  - (A) all unmatured Coupons denominated in the Relevant Currency (whether or not attached to the Notes) will become void with effect from the date (the **"Euro Exchange Date"**) on which the Issuer gives notice (the **"Euro Exchange Notice"**)

to the Noteholders that replacement Notes and Coupons denominated in euro are available for exchange (provided that such Notes and Coupons are available) and no payments will be made in respect thereof;

- (B) the payment obligations contained in all Notes denominated in the Relevant Currency will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 9(a)(ii)) shall remain in full force and effect; and
  - (C) new Notes and Coupons denominated in euro will be issued in exchange for Notes and Coupons denominated in the Relevant Currency in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in the Euro Exchange Notice;
- (iii) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as the Relevant Currency ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro, as though references in the Notes to the Relevant Currency were to euro. Such payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with a bank in the principal financial centre of any member state of the European Communities; and
  - (iv) such other changes will be made to the Programme as the Issuer may decide, with the prior written approval of the Trustee, to conform such Notes to conventions then applicable to instruments denominated in euro. Any such other changes will not take effect until after they have been notified to the Noteholders in accordance with Condition 14.

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

*(b) Interest*

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

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

divided by 365 (or, if any of the days elapsed falls in a leap year, the sum of (a) the number of those days falling in a leap year divided by 366 and (b) the number of those days falling in a non-leap year divided by 365); Provided, however, that, if the issuer determines, with the prior agreement of the Trustee, that the market practice in respect of such internationally offered euro denominated securities is different from that specified above, the above shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the Paying Agents of such deemed amendment;

- (iv) in respect of Floating Rate Notes, the Interest Amount payable in respect of the Notes for each Interest Period will be calculated by applying the Rate of Interest for such Interest Period to the principal amount of such Note multiplying the product by the actual number of days in such Interest Period divided by 360 and rounding the resulting figure down to the nearest euro 0.01; and
- (v) in respect of Floating Rate Notes, the Rate of Interest for any subsequent Interest Period shall be determined by the Agent Bank on the basis of provisions which it determines, in its sole and absolute discretion, reflect the market practice in respect of such internationally offered euro denominated securities.

*(c) Definitions*

As used in these Conditions:

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

**"Euro Business Day"** means a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open;

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

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

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

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

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

**10. Enforcement**

(a) In the case of any Series of Notes other than Subordinated Notes and Undated Subordinated Notes, if default is made for a period of 14 days or more in the repayment of any principal due on the Notes of such Series or any of them or in the payment of any interest due in respect of the Notes of such Series or any of them, then the Trustee may at its discretion, and if so requested by the Holders of at least one-fifth in principal amount of such Notes then outstanding or if so directed by an Extraordinary Resolution of the Holders of such Notes (subject in each case to being indemnified to its satisfaction) shall, give written notice to the Issuer that the Notes of such Series are immediately due and repayable, whereupon the principal amount of such Notes or such other amount as set out in the relevant Pricing Supplement shall become immediately due and repayable together with interest accrued to (but excluding) the date of actual repayment;



Provided that it shall not be such a default to withhold or refuse any such payment (1) in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment or (2) in cases of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice given at any time during the said period of 14 days by independent legal advisers acceptable to the Trustee as to such validity or applicability.

(b) In the case of any Series of Subordinated Notes or Undated Subordinated Notes:

- (i) subject to Conditions 2(c) and 2(d), if default is made for a period of 7 days or more in the repayment of any principal due on the Notes of such Series or any of them or for a period of 14 days or more in the payment of any interest due in respect of the Notes of such Series or any of them, then the Trustee may, in order to enforce payment, at its discretion and without further notice, in the case of a Series of Subordinated Notes or Undated Subordinated Notes, institute proceedings for the winding up of the Bank in England,

Provided that it shall not be such a default to withhold or refuse any such payment (1) in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment or (2) in cases of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice given at any time during the said period of 7 or 14 days, as the case may be, by independent legal advisers acceptable to the Trustee as to such validity or applicability;

- (ii) the Trustee may at its discretion and without further notice institute such proceedings against the Bank as it may think fit and may, subject as hereinafter provided, institute proceedings for the winding up of the Bank in England to enforce any obligation, condition or provision binding on the Bank under the Trust Deed in relation to such Series of Subordinated Notes or Undated Subordinated Notes or under such Notes or the Coupons appertaining thereto (other than any obligation for the payment of any principal or interest in respect of such Notes or Coupons) provided that the Bank shall not by virtue of the institution of any such proceedings other than proceedings for the winding up of the Bank be obliged to pay any sum or sums (whether in respect of principal or interest or other sums in respect of the relevant Notes or the Coupons appertaining thereto or by way of damages in respect of any breach of any such obligation, condition or provision or otherwise howsoever). The Trustee may only institute proceedings for the winding up of the Bank to enforce the obligations above referred to in this paragraph if a default by the Bank thereunder is not remedied to the satisfaction of the Trustee within 60 days (or such longer period as the Trustee may permit) after notice of such default has been given to the Bank by the Trustee requiring such default to be remedied.

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

(c) In the case of any Series of Notes, in the event of an order being made or an effective resolution being passed for the winding up of the Bank in England (otherwise than in connection with a scheme of reconstruction or amalgamation the terms of which shall previously have been approved in writing by the Trustee or by an Extraordinary Resolution of the Holders of the relevant Series of Notes) the Trustee may declare the Notes of the relevant Series to be due and redeemable immediately (and such Notes shall thereby become so due and redeemable) at their principal amount together with accrued interest as provided in the Trust Deed and the relevant Pricing Supplement (or, in the case of Undated Subordinated Notes, at the amount calculated pursuant to Condition 10(cc) below) or at such other amount, or at such amount calculated in accordance with such other formula, as is set out in the relevant Pricing Supplement.

(cc) In the event of the winding up of the Bank in England (otherwise than in connection with a scheme of reconstruction or amalgamation the terms of which shall previously have been approved in writing by the Trustee or by an Extraordinary Resolution of the Holders of the

relevant Series of Notes), each Series of Undated Subordinated Notes then outstanding shall be treated as if at the close of business on the business day in London preceding the commencement of the winding up of the Bank the principal payable in respect of such Notes and accrued interest had been converted into Preference Shares credited as fully paid according to the following formula:

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

where

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

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

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

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

(d) The Trustee shall not in any event be bound to take any of the actions referred to in Condition 10(b)(i) or (ii) or Condition 10(c) above in respect of any Series of Notes unless (i) it shall have been so requested in writing by the Holders of at least one-fifth of the principal amount of the Notes of the relevant Series then outstanding or it shall have been so directed by an Extraordinary Resolution of the Holders of the Notes of the relevant Series and (ii) it shall have been indemnified to its satisfaction.

(e) No remedy against the Bank other than as specifically provided by this Condition 10 or the Trust Deed shall be available to the Trustee, the Noteholders or Couponholders in respect of any Series of Notes whether for the recovery of amounts owing in respect of such Notes or the Coupons appertaining thereto or under the Trust Deed or in respect of any breach by the Bank of any obligation, condition or provision under the Trust Deed or such Notes or Coupons or otherwise, and no Noteholder or Couponholder shall be entitled to proceed directly against the Bank unless the Trustee, having become bound to proceed, fails to do so within a reasonable period and such failure shall be continuing in which case any such Holder may, upon giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise), himself institute proceedings against the Bank for the relevant remedy to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so.

#### **11. Prescription**

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

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

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

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

The Issuer reserves the right at any time to vary or terminate the appointment of the Principal Paying Agent, any Paying Agent or Transfer Agent, the Agent Bank or the Registrar and to appoint additional or other Paying Agents and/or Transfer Agents or a substitute Agent Bank or a substitute Registrar, provided that it will, so long as any Notes are outstanding, maintain (i) an Agent Bank, (ii) a Paying Agent having a specified office in a city approved by the Trustee (such approval not to be unreasonably withheld or delayed) in Europe which, so long as any Notes are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, shall be the place required by such listing authority, stock exchange and/or quotation system, (iii) in the case of any Registered Notes, a Registrar with a specified office in England or such City as may be specified in the relevant Pricing Supplement and (iv) in the event that the Proposed EU Withholding Tax Directive is adopted, there will at all times be a Paying Agent with a specified office outside the European Union. Notice of all changes in the identities or specified offices of any Paying Agent, Agent Bank or Registrar will be given by the Issuer to Noteholders in accordance with Condition 14.

In this Condition "Proposed EU Withholding Tax Directive" means the proposal for a Council Directive presented by the European Commission to the Council of Ministers of the European Union in June 1998 relating to the taxation of interest payments within the European Community.

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

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

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

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

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

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

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

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

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

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

#### 14. Notices

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

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

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

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

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

(c) For so long as any Registered Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer has agreed under the

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

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

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

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

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

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

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

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

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

#### **16. Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Holders of Notes of any Series or Holders of the Coupons appertaining thereto (if any) to create and issue further

notes ranking equally in all respects (or in all respects save as specified in the relevant Pricing Supplement) with the Notes of such Series so that the same shall be consolidated and form a single series with such Notes for the time being outstanding.

#### **17. Governing Law**

The Trust Deed, the Notes and the Coupons (if any) are governed by, and shall be construed in accordance with, English law.

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

#### **18. Third Party Rights**

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

### **USE OF PROCEEDS**

The net proceeds of the issue of each Series of Notes issued by the Bank will be used in the conduct of the business of the Bank.

## HSBC BANK PLC AND ITS SUBSIDIARY UNDERTAKINGS

*The following information (except for the information under the heading "Recent Developments") has been extracted from the Bank's Annual Report and Accounts for the year ended 31 December 1999. Page references in this section are to pages of that Annual Report.*

### Introduction

HSBC Bank plc (formerly Midland Bank plc) is a U.K.-based financial services group providing a wide range of banking, treasury and financial services to personal, commercial and corporate customers in the United Kingdom and overseas, primarily in Europe.

The bank is a wholly owned subsidiary undertaking of HSBC Holdings plc ("HSBC Holdings") which, together with its subsidiary and associated undertakings, is referred to as the "HSBC Group". The HSBC Group is one of the largest banking and financial services organisations in the world, with over 5,000 offices in 80 countries and territories. Its total assets at 31 December 1999 were £352 billion. The bank is the HSBC Group's principal operating subsidiary undertaking in Europe.

In 1999, the group adopted the HSBC Group's Managing for Value strategy, which focuses on the delivery of wealth management services to personal customers and growing the bank's commercial business. It created a unified personal banking operation and integrated its business, commercial and corporate banking units.

On 27 November 1998, HSBC Holdings announced its intention to create a global brand for the HSBC Group, using HSBC and the hexagon symbol everywhere it operates. Midland Bank plc changed its legal name to HSBC Bank plc on 27 September 1999. Its subsidiary undertakings also changed their legal names during the course of the year to be consistent with the new branding.

As at 31 December 1999, the bank's principal subsidiary undertakings and their principal geographic areas of activity were:

HSBC Asset Finance (U.K.) Limited (formerly Forward Trust Group Limited)	United Kingdom
HSBC Rail (U.K.) Limited (formerly Forward Trust Rail Limited)	United Kingdom
HSBC Invoice Finance (U.K.) Limited (formerly Griffin Credit Services Limited)	United Kingdom
HSBC Trust Company (U.K.) Limited (formerly Midland Bank Trust Company Limited)	United Kingdom
HSBC Bank International Limited (formerly Midland Bank Offshore Limited)	Jersey
HSBC Life (U.K.) Limited (formerly Midland Life Limited)	United Kingdom
HSBC Bank Malta p.l.c. (formerly Mid-Med Bank p.l.c.)	Malta

Effective 1 January 2000, the group acquired 50.8 per cent. of the issued share capital of HSBC Republic Holdings (Luxembourg) S.A. (formerly Safra Republic Holdings S.A.) from HSBC Holdings plc for a consideration of £1,584 million. The fair value of the assets acquired was £521 million and the goodwill arising of £1,063 million is being amortised over 20 years. In addition, the bank issued three ordinary shares of nominal value £1 each to HSBC Holdings plc for a total consideration of £987 million.

HSBC Republic Holdings (Luxembourg) S.A., through its subsidiary undertakings, provides private banking and related services in Europe. These include current accounts, deposit taking and funds transfer; asset and trust management; mutual funds; currency, metals and securities transactions; lending, letters of credit, guarantees and other extensions of credit on a collateralised basis to existing depositors; and banknote trading.

The group divides its activities into the following business segments: U.K. Banking, Treasury and Capital Markets, and International Banking.

### **U.K. Banking**

The group provides a wide range of banking and financial services to personal, commercial and corporate customers. Services are available via a network of branch outlets, automated teller machines ("ATM"), PC, TV and telephone banking. The group focuses on the delivery of wealth management services to personal customers and on growing the bank's commercial business. The group is realigning its management structure in support of this strategy. Personal banking includes personal current and savings accounts, loans and mortgages, wealth management products, card services, private client services and First Direct. Commercial banking includes lending, current accounts and deposits, and specialist banking operations such as asset finance and leasing, trade services, global custody, equity finance, cross-border payments and cash management. Corporate banking customers are managed through a number of specialist industry groups and benefit from the provision of a broad range of banking and treasury services.

The bank has a network of approximately 1,700 branches, including 31 branches within Morrisons supermarkets. Routine customer telephone calls are handled by Customer Service Centres, which work in partnership with the bank's branches to provide an extended hours telephone banking service. *ServicePlus*, the bank's automated call service, offers 24-hour access.

The bank has a comprehensive self-service ATM network consisting of approximately 2,300 machines sited at the bank's branches and a further 570 at non-branch sites such as supermarkets and Underground stations. The bank became a member and shareholder in the LINK ATM network in 1999, giving its customers access to 27,000 cash machines in the U.K. Internationally, 450,000 machines are available through the CIRRUS network.

The bank continued to grow its sales of direct financial services by telephone, with a 25 per cent. increase in total volumes year on year. In addition, some 500 branches were equipped with Talk Direct telephones, enabling customers to purchase products from the direct financial services channel.

Internet banking, on-line share-dealing and other services will be launched in 2000. A single platform will serve the internet, TV and mobile phone services, facilitating integrated services to customers and fast implementation of additional services.

British Interactive Broadcasting ("BiB"), in which the group has a 20 per cent. shareholding, launched its digital interactive television services in October 1999 under the brand name Open . . . It provides consumers with access to home shopping, home banking, e-mail and a range of other services. Over 2.6 million households now have access to the Open . . . service and 70,000 have registered for TV banking with the bank. The TV banking service won the BT/Chartered Institute of Bankers' Financial Technology 1999 award for innovation in electronic delivery.

### ***Personal banking***

**Current accounts** — The key element in the customer relationship remains the provision of current accounts and the associated core services. As at 31 December 1999, the bank had over five million personal current accounts, with a growth in current account balances of 11 per cent year on year.

**Savings accounts** — The group offers a range of term and call savings products. Savings balances grew by 17 per cent. in 1999. During 1999, the bank launched its tax-free individual savings accounts ("ISA") products, which captured six per cent. of the market.

**Loans and mortgages** — The group provides a wide range of loan products for its personal customers. Unsecured lending showed strong growth of 16 per cent. The bank is the 11th largest mortgage lender in the U.K., with mortgage assets in excess of £13 billion. In 1999, the bank was awarded a prestigious *What Mortgage?* award as the best value national lender over two and 10 years. The bank became the first bank to withdraw from selling endowment mortgages, setting the industry trend. Boosted by its reputation as a 'fair mortgage' provider, sales of mortgages rose 25 per cent., with record cross-sales of insurance.



**First Direct** — The bank provides a full 24-hour banking service, 365 days a year through First Direct, the U.K.'s leading direct bank. First Direct gained 117,000 new cheque account customers over the year, growing balances by 20 per cent. Full PC banking facilities are also offered, which are used by over 155,000 customers. First Direct's satisfaction and recommendation ratings of 80 per cent., provided by MORI, a market research agency, are the highest of any U.K. bank, with the nearest competitor only achieving two-thirds of this level. On 1 March 2000, First Direct announced its intention to transform itself into an e-bank, firstdirect.com. Telephone banking will remain a core part of the proposition but customers will be able to bank through a variety of channels, including the internet, mobile phone, interactive TV and wireless application protocol ("WAP") technologies.

**Wealth management** — This includes life, pensions, investment and insurance products. The bank has significantly increased its focus on the provision of long-term savings and financial planning services. Income from life, pensions and investment products grew by 27 per cent. Sales of income protection and critical illness insurance were particularly buoyant with HSBC Life (U.K.) Limited achieving a market share of over 6 per cent. Sales of pensions to small and medium-sized companies increased by 46 per cent. in 1999. Funds under management across unit trust, life assurance and private clients increased by £2.0 billion to £11.1 billion.

**Private clients** — Private client services provides a tailored asset management and financial planning service to the group's high net worth customers.

**Cards** — The bank issues credit cards under both VISA and MasterCard payment schemes. The annual fee for standard credit cards and gold VISA cards was removed in February 2000. A platinum card was launched in November 1999, the first major credit card to be launched by the bank in six years. Benefits include optional annual travel insurance and a competitive interest rate. In 2000, the bank will continue to focus on retaining, broadening and deepening its high-value customer relationships, providing more tailored personal credit card solutions to customers to complement its wealth management strategy.

**Stockbroking** — The bank provides an execution-only share-dealing service to retail investors through the branch network and directly by telephone. It also supports the share-dealing requirements of external intermediaries. In 1999, 60 new share shops were opened in the network, bringing the total to 270.

#### *Commercial and corporate banking*

**Business current and savings accounts** — The bank offers a full range of business current and savings accounts with features and services appropriate to all customers. These range from start-up businesses, where the bank offers up to two years' free banking, to large multinationals with complex global requirements. During 1999, the bank recruited more than 72,000 new business current accounts.

The bank is constantly striving to improve its service to business customers. It has joined forces with IRPC Group Limited to provide the Business Support Helpline giving customers direct access to independent advice on a wide range of legal, tax and commercial issues. A business telephone banking service was launched in May 1999 and has proved to be highly popular with over 40,000 business customers already using the service. The bank has South Asian banking offices in 11 cities in the U.K. with large Asian populations to cater for the particular needs of these communities.

**Lending** — The bank offers a wide range of flexible loans and overdraft facilities to meet the borrowing needs of its commercial customers. It also provides customers access to specialised lending schemes such as the Government's Small Firms Loan Guarantee Scheme and Small Firms Training Loan Scheme. In partnership with Brunel University, the HSBC Chair of Innovation provides the bank with technical and informed appraisals on funding proposals received from technology-based firms.

**Payments and cash management** — The HSBC Group is a world leader in providing payments, cash management and money transmission services. It provides domestic and international payments solutions to customers throughout the world by offering a comprehensive range of traditional account and transaction services. The group now provides full payment and cash management facilities for corporate clients across 14 European countries, following the

opening in 1999 of new branches in Belgium, Ireland and the Netherlands. It also offers transactional services through all the other European Union countries. These services are quickly and simply delivered via the HSBC Group's electronic banking service, Hexagon. The bank continues to be a leader in the provision of institutional banking services in London, with a market share of over 50 per cent. of payments through the Clearing House Automated Payments system.

**Cards** — The bank provides business, corporate and purchasing cards, and is a leading processor in the U.K. for Switch, MasterCard and VISA transactions. An independent survey of the bank's card processing service in 1999 identified that the bank exceeded the expectations of its customers in all of the service areas investigated. The bank's Customer Service Centre in Leicester holds the ISO9001 standard of excellence.

**Trade services** — The group provides trade and international banking services, structuring trade finance requirements to meet customer needs.

**Corporate and institutional banking** — Corporate and institutional clients are managed through a number of specialist industry groups, in co-operation with all areas of the group and the HSBC Group, to provide a broad range of banking products and services. A key imperative in 1999 was the alignment of corporate and investment banking. The bank has focused on its strong franchise in the corporate market.

**Global custody** — Global Investor Services offers full worldwide, regional and U.K. sub-custodian services in over 60 markets. Industry surveys continue to show the bank as the number one U.K.-based provider of custody services. It also acts as trustee to unit trusts and engages in agency stocklending of both fixed income and equity instruments. The business holds, in custody, a substantial share of British Government gilt-edged stocks, and has the largest share of the gilt lending market (60 per cent.). The launch of Global Fund Services during 1999 provides the added-value services of investment administration and performance measurement. At 31 December 1999, assets held under custody were in excess of £686 billion (1998: £577 billion).

**Asset finance** — The group offers a range of asset finance products and related services to commercial and corporate customers. It has divisions specialising in vehicle and rail rolling stock finance. Asset finance is also available for plant and equipment, and a specialised finance division arranges large and complex leases. The group also offers invoice finance, credit management, credit protection and debt recovery services to business customers.

**Equity finance** — The group, through HSBC U.K. Enterprise Funds, works closely with small businesses, offering advice and support, and provides equity finance in addition to its lending services. Together with the European Investment Bank, the group has established the new QTP fund for technology-based small firms. Equity funding for larger growth companies is available from HSBC Ventures (U.K.) Limited.

### **Treasury and Capital Markets**

Treasury and Capital Markets has operations throughout Europe.

Its activities include a full range of foreign exchange, money market and capital markets operations. Interest rate, currency, bond and equity derivative products are also delivered to its customers. A computerised spot and forward foreign exchange order service is available from London. Additionally, a number of corporate clients have the facility to deal directly through the group's FX-Direct foreign exchange dealing system. The group is in the final developmental stages of an e-commerce platform for foreign exchange products. Nine U.K. regional treasury centres provide direct access to treasury services for customers on a local basis.

Treasury and Capital Markets has a significant share of the foreign exchange market in London and is prominent in the Asian, Middle Eastern and East European currency markets. It is also well established in the interest rate markets, and continues to retain its position as a leading new debt issuance house in the international capital markets.

The group is also prominent in the international government and euro bond market. It provides comprehensive coverage of the London International Financial Futures and Options Exchange

and has achieved a prominent position in terms of global market share. It is also represented on most of the leading overseas financial futures exchanges.

### **International Banking**

International banking provides a wide range of financial services across Europe and the Channel Islands, including wealth management services (personal and private banking, retail stockbroking and funds management), corporate and commercial banking services, trade finance, payments and cash management services, and treasury and capital markets activities.

At 31 December 1999, the group had offices based in 30 countries and territories, principally in Europe and Latin America, as listed below.

The bank had branches in Australia, Belgium, the Czech Republic, France, Greece, Guernsey, Ireland, the Isle of Man, Italy, Japan, Jersey, Malta, the Netherlands, Panama, Spain, Sweden and the United States.

The group had representative offices in Argentina, Bahrain, Brazil, Chile, the Hong Kong Special Administrative Region, Mexico, Russia, Singapore, Taiwan and Venezuela.

The group also operated through the following overseas subsidiary undertakings: in Armenia, HSBC Bank Armenia cjsc; in the Cayman Islands, HSBC Financial Services (Cayman) Limited; in Greece, HSBC Pantelakis Securities S.A. and HSBC (Hellas) AEDAK; in Jersey, Guernsey and the Isle of Man, HSBC Bank International Limited; in Ireland, HSBC Fund Administration (Ireland) Limited; in Malta, HSBC Bank Malta p.l.c.; and in Turkey, HSBC Bank A.S.

Business with emerging markets (principally in Latin America) is generally short-term trade and/or capital markets-related, and is managed centrally in London. The representative offices in the relevant countries are used to identify profitable business opportunities.

International banking also manages the bank's long-term less developed country ("LDC") debt exposure. A portfolio of equity investments is also managed, arising from debt:equity swaps. Long-term debt exposures and debt:equity investments in Latin America continue to be reduced.

### **Competition**

The effects of mergers and acquisitions among the established industry players, particularly in the retail sector and the de-mutualisation of life insurers and building societies, are still emerging, especially in the form of more aggressive competition and cost economies. Bank and building society networks have reduced significantly over the last decade, with some large banks continuing to reduce their network size.

As telecommunications and internet capabilities advance, it becomes easier to gain access to large numbers of customers without incurring the costs of a physical distribution infrastructure. This has enabled a number of new entrants to establish U.K. financial services businesses, in competition with the group. Several established U.K. banks have also decided to launch separately branded internet banks in addition to their existing services.

The group is well placed to take advantage of the changes that are taking place. It has a *relatively stable network and managers at local level with sufficient authority to provide a quick and efficient service*. This is supplemented by a range of PC, TV, internet and telephone banking services.

The U.K. Government commissioned an independent and wide ranging review of competition within the banking industry in the United Kingdom, the results of which were published at the end of March 2000. Following the review, the provision of banking services by clearing banks to small and medium-sized firms in the U.K. has been referred to the Competition Commission. This may contribute to a further increase in the already intense competition within the market segments in which the group operates.

Competition is also intense in the wholesale markets, where the group is competing with the largest international banking groups and investment houses. However, the HSBC Group provides considerable strengths, with access to research and advice, and treasury and capital markets capabilities worldwide.

#### **European Economic and Monetary Union**

During 1999, the euro was used extensively in the wholesale markets. The group provided a range of euro services to its customers and lead managed a number of euro bond issues.

Considerable progress has been made in identifying and understanding the issues that will have to be addressed should the U.K. join the euro zone. In 2000, the group will participate in further discussions, led by H.M. Treasury, on the likely pattern of demand for euro services through a transition period.

#### **Recent Developments**

##### *Crédit Commercial de France ("CCF")*

*The information contained in the following two paragraphs has been extracted from the HSBC Holdings Annual Report on Form 20-F for the year ended 31 December 1999 as filed with the Securities and Exchange Commission on 20 April 2000.*

On 1 April 2000, HSBC Holdings announced that it had filed an offer to acquire the entire share capital of Crédit Commercial de France ("CCF") at a price of EUR150 per CCF share in cash or, alternatively, for 13 HSBC Holdings shares per CCF share. Based on the issued share capital of CCF at 1 April 2000, the aggregate value of HSBC Holdings cash offer is approximately EUR11 billion (US\$10.5 billion).

CCF is a major French banking group, with businesses in personal, corporate and investment banking. It has 650 branches in France serving over 1 million customers in the middle and upper income bracket, and an important corporate and institutional business. CCF has funds under management of EUR57 billion and is a leading foreign bank in Brazil. Under French GAAP, CCF had consolidated total assets of EUR69 billion and shareholders' funds of EUR3.1 billion at 31 December 1999. CCF's profit before tax for the year ended 31 December 1999 was EUR710 million and its attributable profit was EUR449 million.

If the offer is successful it is intended that CCF will become a subsidiary undertaking of HSBC Bank plc. HSBC Holdings has given an undertaking that it will provide sufficient capital to HSBC Bank plc to leave its capital adequacy ratios substantially unchanged as a result of the acquisition.

##### *European Court Ruling on Pension Rights*

The European Court has ruled that part time workers can claim pension rights backdated to 1976 but there are widely differing interpretations of the potential cost to U.K. companies. The case will now be reconsidered by the House of Lords to clarify whether the back-dated claims can exceed the current Statute of Limitations (six years). Until the House of Lords makes a judgement it is not possible to determine the precise impact on the Bank, but it is expected that the Bank's pension fund will be adequate to meet the anticipated worst case costs without further recourse to the Bank.

## DIRECTORS OF HSBC BANK PLC

At the date of this document, the Directors of the Bank, their functions and their principal outside activities (if any) of significance to the Bank, are as follows:

<b>Name</b>	<b>Function within the Bank</b>	<b>Principal Outside Activity</b>
Sir John Bond	Chairman	Group Chairman HSBC Holdings plc
K R Whitson	Deputy Chairman	Group Chief Executive HSBC Holdings plc
W R P Dalton	Chief Executive	
D W Baker	Chief Operating Officer	
R Emerson*	Director	Director of Taxation and Treasury Glaxo Wellcome plc
S K Green	Director	Chairman of HSBC Investment Bank Holdings plc
A J Hales*	Director	
R M J Orgill	Director	Global Head of Corporate and Institutional Banking for the HSBC Group
A C Reed (Mrs)*	Director	Finance Director, UK Retail, Marks & Spencer plc
H A Rose*	Director	

Notes

\* Independent Non-Executive Director

The business address for all the Directors of the Bank is 27/32 Poultry, London EC2P 2BX.

## CONSOLIDATED CAPITALISATION AND INDEBTEDNESS OF HSBC BANK PLC

The following table shows the unaudited capitalisation of HSBC Bank plc as at 31 March 2000:

	Authorised £m	Authorised US\$m	Issued and fully paid £m
<b>Ordinary Share Capital of HSBC Bank plc</b>			
Ordinary shares (of nominal value £1 each)	1,000	-	797
			Proceeds of Issue £m
<b>Preference Share Capital of HSBC Bank plc</b>			
Sterling preference shares (of nominal value £1 each)	150	-	-
U.S. Dollar preference shares (of nominal value US\$0.01 each)	-	2	530
			Proceeds of Issue £m
<b>Preference Share Capital of subsidiary undertaking</b>			
U.S. Dollar preference shares (of nominal value US\$2.50 each)	-	500	77
Deutschmark preference shares (of nominal value US\$2.50 each)	-	-	45
			122
			Amount outstanding £m
<b>Consolidated Loan Capital</b>			
<b>Undated subordinated loan capital of HSBC Bank plc</b>			
Undated Floating Rate Primary Capital Notes (US\$750 million)			469
Undated Floating Rate Primary Capital Notes (US\$500 million)			313
Undated Floating Rate Primary Capital Notes (Series 3) (US\$300 million)			188
9 1/4% Step-up Undated Subordinated Notes			150
8.625% Step-up Undated Subordinated Notes			150
			1,270
<b>Dated subordinated loan capital of HSBC Bank plc</b>			
Subordinated Floating Rate Notes 2001			250
8 5/8% Subordinated Notes 2004 (US\$400 million)			249
9% Subordinated Notes 2005			200
7.625% Subordinated Notes 2006 (US\$500 million)			313
14% Subordinated Unsecured Loan Stock 2002/2007			100
Subordinated Step-Up Coupon Callable Floating Rate Notes 2007 (US\$50 million)			31
Subordinated Step-Up Coupon Floating Rate Notes 2007			150
Subordinated Step-Up Coupon Floating Rate Notes 2009 (US\$375 million)			233
6.95% Subordinated Notes 2011 (US\$300 million)			188
6 1/2% Subordinated Notes 2023			197
7.65% Subordinated Notes 2025 (US\$300 million)			187
			2,098
<b>Dated subordinated loan capital of subsidiary undertakings</b>			
Guaranteed Floating Rate Unsecured Loan Stock 2001			1
7.25% Subordinated Unsecured Loan Stock 2005 (MTL 20 million)			29
7.125% Subordinated Debentures 2997 (US\$250 million)			138
			168
<b>Total Consolidated Loan Capital</b>			3,536

**Note:**

- (1) The ordinary share capital and the one preferred ordinary share of HSBC Bank plc in issue are beneficially owned by HSBC Holdings plc.
- (2) On 17 May 2000 and 22 June 2000 HSBC Republic Holdings (Luxembourg) S.A., a subsidiary undertaking, repurchased US\$249.9 million of the 7.125% Subordinated Debentures 2997.
- (3) None of the above Consolidated Loan Capital is secured or guaranteed. No account has been taken of liabilities or guarantees between undertakings within the group, comprising the Bank and its subsidiary and associated undertakings.

As at 31 March 2000, HSBC Bank plc had other indebtedness of £115,581 million (including deposits by banks of £11,993 million, customer accounts of £82,407 million, debt securities in issue of £3,290 million and other liabilities of £17,891 million) and contingent liabilities of £9,443 million, (comprising acceptances and endorsements of £927 million and guarantees and assets pledged as collateral security of £8,516 million). In addition, as at 31 March 2000, HSBC Bank plc had pledged assets of £4,727 million as security for liabilities of £1,629 million.

## UNITED KINGDOM TAXATION

Below is a summary of the United Kingdom withholding tax treatment in relation to payments of principal and interest in respect of the Notes. The comments do not relate to dealers in securities or persons who are not the absolute beneficial owners of the Notes and Coupons. The summary does not deal with other UK tax aspects of acquiring, holding or disposing of Notes. Prospective Noteholders should be aware that the particular terms of issue of any Series of Notes as specified in the relevant Pricing Supplement may affect the tax treatment of that and other Series of Notes. The following is a general guide and should be treated with appropriate caution. Persons who are unsure of their tax positions are strongly advised to consult their own professional advisors.

Under current law and Inland Revenue practice in the United Kingdom:

- A. 1. Listed Notes in bearer form which are interest-bearing will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange (in the case of Notes to be traded on the London Stock Exchange, this condition will be satisfied if the securities are admitted to listing on the Official List of the UK Listing Authority and to trading on the London Stock Exchange). Accordingly, while such Notes remain in global form and are held in a "recognised clearing system" designated as such for the purposes of section 841A of the Income and Corporation Taxes Act 1988 (Euroclear and Clearstream, Luxembourg are each so designated), payments of interest on such Notes may be made without withholding or deduction for or on account of UK income tax provided that:
- (a) payment is made through a paying agent outside the United Kingdom; or
  - (b) payment is made through a paying agent who is in the United Kingdom and:
    - (i) payment is made directly to the recognised clearing system; or
    - (ii) payment is made to, or at the direction of a depository for the recognised clearing system and the paying agent obtains a valid declaration PA3 from such depository; or
    - (iii) the paying agent has obtained a notice from the Inland Revenue authorising the paying agent to pay the interest with no tax deducted.
2. If Definitive Bearer Notes as defined in the Trust Deed are issued in the circumstances set out in the section headed "Forms of Notes; Summary of Provisions of Notes while in Global Form" and continue to be listed on a recognised stock exchange, then payments of interest on such Notes may be made without such withholding or deduction where:
- (a) payment is made through a paying agent outside the United Kingdom, or
  - (b) payment is made through a paying agent who is in the United Kingdom and:
    - (i) a person who is not resident in the United Kingdom is beneficially entitled to the interest and is the beneficial owner of the Note on which the interest is paid and either:
      - (1) the paying agent obtains a valid declaration PA1 from the said person on the occasion of each payment; or
      - (2) the paying agent obtains on the occasion of each payment a valid declaration PA2 from another person who holds the Notes for the non-resident person and who is entitled to arrange for the interest to be paid with no U.K. tax deducted; or
      - (3) the paying agent has obtained a notice from the Inland Revenue authorising the paying agent to pay the interest with no tax deducted; or
    - (ii) such Notes are held in a "recognised clearing system", and one of the conditions set out in A.1(b)(i), (ii) and (iii) above is satisfied.

3. In addition to the exemptions set out in A.1 and A.2 above, interest may be paid on the Notes without withholding or deduction for or on account of U.K. tax so long as the Issuer is an institution authorised under the Banking Act 1987 and so long as such payments are made by the Issuer in the ordinary course of its business. In accordance with the published practice of the United Kingdom Inland Revenue, such payments will be accepted as being made by the Issuer in the ordinary course of its business unless either:
    - (i) the borrowing in question conforms to any of the definitions of tier 1, 2 or 3 capital adopted by the Financial Services Authority whether or not it actually counts towards tier 1, 2 or 3 capital for regulatory purposes; or
    - (ii) the characteristics of the transaction giving rise to the interest are primarily attributable to an intention to avoid U.K. tax.
  4. In all cases falling outside the exemptions described in A.1, A.2 and A.3 above, interest on the Notes may be paid under deduction of U.K. income tax at the lower rate (currently 20 per cent.) subject to such relief as may be available under the provisions of any applicable double taxation treaty. However, this withholding will not apply if the relevant interest is paid on Notes with a maturity of less than one year from the date of issue and which are not issued under arrangements the effect of which is to render such Notes part of a borrowing with a total term of one year or more.
- B. 1. A person in the United Kingdom, the "collecting agent", who in the course of a trade or profession:
- (i) collects, secures payment of or receives, or arranges to collect or secure payment of, interest on behalf of a holder of Definitive Notes or an interest in a Global Note (which are in each case quoted Eurobonds); or
  - (ii) acts as custodian of such Notes and receives interest on such Notes or directs that interest on such Notes be paid to another person or consents to such payment (except, in any such case, solely by means of clearing a cheque or arranging for the clearing of a cheque), will be required to withhold U.K. income tax at the lower rate (currently 20 per cent.) subject to certain exceptions, including the following:
    - (a) the relevant Notes are held in a recognised clearing system and either:
      - (i) the collecting agent pays or accounts for the interest directly or indirectly to the recognised clearing system, and where such payment or account is made to, or at the direction of, a depositary for the recognised clearing system, the collecting agent holds a valid declaration CA3 from the depositary; or
      - (ii) the collecting agent is acting as depositary for the recognised clearing system in respect of the Notes;
    - (b) the person beneficially entitled to the interest beneficially owns the relevant Notes and is not resident in the United Kingdom, and the collecting agent either:
      - (1) holds a valid declaration CA1 from the said person; or
      - (2) holds a valid declaration CA2 from a person (other than the beneficial owner of the Notes) to whom the interest is payable or who is entitled to arrange for the interest to be collected without deduction of U.K. tax and who is not a collecting agent in the United Kingdom;
    - (c) the interest is payable to trustees of certain trusts (called "qualifying discretionary and accumulation trusts") where essentially neither the trustees nor the beneficiaries are resident in the United Kingdom and the collecting agent has obtained a valid declaration CA1 from the trustees;
    - (d) the person owning the relevant Notes and beneficially entitled to the interest is eligible for certain reliefs, for example a U.K. charity, approved U.K. pension fund, or sovereign power or its government, or foreign diplomat, foreign consular employee or member of foreign armed forces and the collecting agent has obtained a valid declaration CA1 or CA2 from the appropriate person;
    - (e) the interest is payable by the collecting agent to another U.K. collecting agent who has agreed with the first-mentioned collecting agent to take over responsibility for



operating these provisions and has given a notice in the prescribed form to the first-mentioned collecting agent;

- (f) the person beneficially entitled to the interest and the relevant Notes is a company *within the same 51 per cent. group (as that term is defined in Section 838(1)(a) of the Income and Corporation Taxes Act 1988)* as the collecting agent; or
- (g) the collecting agent has obtained a notice from the Inland Revenue directing the collecting agent to pay the interest with no tax deducted.

In certain circumstances, a bank in the United Kingdom which sells coupons or a dealer in coupons in the United Kingdom may also be subject to the collecting agency rules described above.

In all cases declarations made on or before the fourteenth day of a month will be effective from the first day of the previous month. Declarations received after the fourteenth day of a month are effective from the first day of the month in which they are received.

- C. Notes may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on such Notes will not be subject to any U.K. withholding tax pursuant to the provisions mentioned in A. above. Where Notes are issued with a redemption premium, as opposed to being issued at a discount, then any such premium, either wholly or partially, may constitute a payment of interest subject to U.K. withholding tax as outlined in A. above.
- D. In June 1998, the European Commission presented to the Council of Ministers of the European Union a proposal to oblige Member States to adopt either a "withholding tax system" or an "information reporting system" in relation to interest, discounts and premiums. It is unclear whether this proposal will be adopted, and if it is adopted, whether it will be adopted in its initial form. The "withholding tax system" would require a paying agent established in a Member State to withhold tax at a minimum rate of 20 per cent. from any interest, discount or premium paid to an individual resident in another Member State unless such an individual presents a certificate obtained from the tax authorities of the Member State in which the individual is resident confirming that those authorities are aware of the payment due to that individual. The "information reporting system" would require a Member State to supply, to other Member States, details of any payment of interest, discount or premium made by paying agents within its jurisdiction to an individual resident in another Member State. For these purposes, the term "paying agent" is widely defined and includes an agent who collects interest, discounts or premiums on behalf of an individual beneficially entitled thereto. If this proposal is adopted, it will not apply to payments of interest, discounts and premiums made before 1 January 2001 at the earliest.

Noteholders who are individuals should note that, if this proposal is adopted in its current form, the provisions relating to additional amounts referred to in Condition 7 (Taxation) above would not apply in respect of any withholding tax imposed as a result thereof.

The Finance Bill published on 7 April 2000 contains legislation to repeal with effect from 1 April 2001 Chapter VIIA of Part IV of the Income and Corporation Taxes Act 1988, which currently imposes an obligation on persons in the United Kingdom who pay or collect interest to account for withholding tax in certain circumstances as further described in paragraph B above. On the date such repeal becomes effective the withholding obligations summarised in that paragraph will cease to apply.

The Finance Bill also provides that, with effect from 1 April 2001 the rules relating to quoted Eurobonds (the version of which applicable until then is summarised in (A) above) will be altered. In relation to payments of interest made on or after that date, the Finance Bill defines a "quoted Eurobond" as a security which (i) is issued by a company, (ii) is listed on a recognised stock exchange (in the case of securities to be traded on the London Stock Exchange, which is a recognised stock exchange, this condition will be satisfied if the securities are admitted to listing on the Official List of the UK Listing Authority and to trading on the London Stock Exchange), and (iii) carries a right to interest. Under provisions in the Finance Bill there will be no obligation upon any person by or through whom a payment of interest is made to deduct United Kingdom tax at the lower rate (currently 20%) from such a payment made on or after 1 April 2001 in respect of

Notes which qualify as "quoted Eurobonds" within the new definition set out above (whether the Notes were issued before, on or after that date). It is expected that from 1 April 2001 if Notes fulfil the conditions in (i), (ii) and (iii) above, interest on such Notes will be payable free of UK withholding tax.

It should be noted that the provisions of the Finance Bill are draft legislation and are subject to alteration until the Finance Bill is passed.

## UNITED STATES TAXATION

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

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

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

### U.S. Holders of Notes

#### Payments of Interest

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

#### Original Issue Discount

##### *General*

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

For United States federal income tax purposes, OID is the excess of the stated redemption price at maturity of a Note over its issue price, if such excess equals or exceeds a *de minimis* amount (generally defined as  $\frac{1}{8}$  of 1-per cent. of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity). The issue price of each Note in an issue of Notes is the first price at which a substantial amount of such issue of Notes has been sold (ignoring sales to bond houses, broker-dealers, or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers). The stated redemption price

at maturity of a Note generally is the sum of all payments provided by the Note other than qualified stated interest payments. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate.

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

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

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

#### **Short-Term Notes**

Generally, an individual or other cash basis U.S. Holder of Notes having a fixed maturity date not more than 1 year from the date of issue ("Short-Term Notes") is not required to accrue OID for United States federal income tax purposes unless it elects to do so. An election by a cash basis U.S. Holder applies to all short-term obligations acquired on or after the beginning of the first taxable year to which the election applies, and for all subsequent taxable years unless the consent is secured from the IRS to revoke the election. Accrual basis U.S. Holders and certain other U.S. Holders, including banks, regulated investment companies, dealers in securities, common trust funds, U.S. Holders who hold Short-Term Notes as part of certain identified hedging transactions, certain pass-through entities and cash basis U.S. Holders who so elect, are required to accrue OID on Short-Term Notes on either a straight-line basis or, at the election

of the U.S. Holder, under the constant yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realised on the sale or retirement of the Short-Term Notes will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant yield method) through the date of sale or retirement. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realised.

### **Variable Rate Debt Instruments**

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

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

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

Generally, if a Floating Rate Note provides for stated interest at a fixed rate for an initial period of less than one year followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period, and the value of the variable rate on the Floating Rate Notes' issue date is intended to approximate the fixed rate, then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be. A fixed rate and a variable rate will be conclusively presumed to meet the previous

requirements if the value of the variable rate on the issue date of the Floating Rate Notes does not differ from the value of the fixed rate by more than 25 basis points.

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

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

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

#### **Amortisable Bond Premium**

Generally, a U.S. Holder that purchases a Note for an amount that is in excess of the sum of all amounts payable on the Note after its acquisition date (other than payments of qualified stated interest) will be considered to have purchased the Note with "amortisable bond premium" equal to such excess. A U.S. Holder of such a Note will not be subject to the original discount rules and may elect to amortise such premium using a constant yield method over the remaining term of the Note and may offset qualified stated interest otherwise required to be included in respect of the Note with respect to an accrual period by the bond premium allocable to the accrual period. If the bond premium allocable to the accrual period exceeds the qualified stated interest allocable to the accrual period, the excess is treated as a bond premium deduction for the accrual period. However, the amount treated as a bond premium deduction is limited to the amount by which the U.S. Holder's total interest inclusions on the Note in prior accrual periods exceed the total amount treated by the U.S. Holder as a bond premium deduction on the Note in prior accrual periods. If the bond premium allocable to an accrual period exceeds the sum of the qualified stated interest allocable to the accrual period and the amount treated as a bond premium deduction for the accrual period as described above, the excess is carried forward to the next accrual period and is treated as bond premium allocable to that period. Special rules apply to determination the amortisation of bond premium on Notes that are classified as "variable rate debt instruments", Notes that provide for certain alternative payment schedules, and Notes that provide for certain contingencies. Any election to amortise

bond premium with respect to any Note (or other general debt obligations) applies to all taxable debt obligations held by the Holder at the beginning of the first taxable year to which the election applies and to all debt obligations thereafter acquired in all subsequent tax years. The election may not be revoked without the consent of the IRS.

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

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

### **Foreign Currency Notes**

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

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

#### **Cash Method**

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

#### **Accrual Method**

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

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

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

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

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

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

### *OID*

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

### *Amortisable Bond Premium*

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

### *Exchange of Foreign Currencies*

A U.S. Holder will have a tax basis in any Foreign Currency received as interest or on the sale, exchange or retirement of a Note equal to the U.S. dollar value of such Foreign Currency, determined at the time the interest is received or at the time of the sale, exchange or retirement.



Any gain or loss realised by a U.S. Holder on a sale or other disposition of Foreign Currency (including its exchange for U.S. dollars or other use) will be ordinary income or loss.

### **Foreign Tax Credit**

The total gross amount of interest, OID, plus any Additional Amounts with respect thereto, will constitute interest income subject to United States federal income tax. This amount will be considered income from sources outside the United States, and, with certain exceptions, will be grouped together with other items of "passive" income for purposes of computing the foreign tax credit allowable to a U.S. Holder. If the interest or OID is subject to a withholding tax imposed by a foreign country at a rate of 5 per cent. or more, the interest or OID may be considered "high withholding tax interest" for purposes of computing the foreign tax credit. If a U.S. Holder is predominantly engaged in the active conduct of a banking, insurance, financing or similar business, the interest or OID may be considered "financial services income" for purposes of computing the foreign tax credit.

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

Potential purchasers of Notes should carefully consider the applicable Pricing Supplement for information regarding the United States federal income tax consequences of payments by the Company of other taxes and of Additional Amounts.

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

Subject to the discussion of certain Non-U.S. Holders and the discussion of backup withholding below, (a) payment of principal, premium, redemption amount and interest by the Company or any paying agent to a Non-U.S. Holder will not be subject to United States federal income or withholding tax, (b) gain realised by a Non-U.S. Holder on the sale or redemption of the Notes is not subject to United States federal income tax or withholding tax and (c) the Notes are not subject to United States federal estate tax if held by an individual who was a Non-U.S. Holder at the time of his death. Special rules may apply in the case of Non-U.S. Holders (i) that are engaged in a U.S. trade or business, (ii) that are former citizens or long-term residents of the United States, "controlled foreign corporations," "foreign personal holding companies," "passive foreign investment companies," corporations which accumulate earnings to avoid U.S. federal income tax, and certain foreign charitable organisations, each within the meaning of the Code, or (iii) certain non-resident alien individuals who are present in the United States for 183 days or more during a taxable year. Such persons are urged to consult their U.S. tax advisors before purchasing Notes.

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

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

In the event that a beneficial owner of a Note fails to establish its exemption from such information reporting requirements or is subject to the reporting requirements described above and fails to supply its correct taxpayer identification number in the manner required by applicable law, or underreports its tax liability, as the case may be, the DTC participant or

indirect participant holding such interest on behalf of such beneficial owner or paying agent making payments in respect of a Note may be required to "backup" withhold a tax equal to 31 per cent. of each payment of interest and principal with respect to Notes. This backup withholding tax is not an additional tax and may be credited against the beneficial owner's United States federal income tax liability if the required information is furnished to the IRS. Compliance with the certification procedures contained in IRS Forms W-8BEN, W-8ECI or W-8EXP as appropriate will establish an exemption from information reporting and backup withholding for those non-U.S. Holders who are not exempt recipients.

The Treasury Department issued final regulations relating to withholding, information reporting and backup withholding that unify current certification procedures and forms and clarify reliance standards (the "Regulations"). The Regulations generally will be effective with respect to payments made after 31 December 2000. Prospective purchasers of the Notes should consult their own tax advisors concerning the effect of the Regulations on their purchase, ownership and disposition of the Notes.

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

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

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

- (a) such 144A Offeree acknowledges that this Information Memorandum is personal to such 144A Offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes other than pursuant to Rule 144A or in offshore transactions in accordance with Regulation S. Distribution of this Information Memorandum, or disclosure of any of its contents, to any person other than such 144A Offeree and those persons, if any, retained to advise such 144A Offeree with respect thereto and other persons meeting the requirements of Rule 144A or Regulation S is unauthorized, and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited; and
- (b) such 144A Offeree agrees to make no photocopies of this Information Memorandum or any documents referred to herein.

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

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

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF THE ISSUER THAT THIS NOTE MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR A PERSON PURCHASING FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), OR (4) TO THE ISSUER OR ITS AFFILIATES."

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

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

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

## SUBSCRIPTION AND SALE

HSBC Bank plc (the "Dealer") has in a dealer agreement dated 25 June 1999 (the "Dealer Agreement") as supplemented by a Supplemental Dealer Agreement dated 23 June 2000 agreed with the Issuer a basis upon which it may from time to time agree either as principal or agent of the Bank to subscribe for or purchase, to underwrite or, as the case may be, to procure subscribers or purchasers for Notes. When entering into any such agreement to subscribe for or purchase, to underwrite, or as the case may be, to procure subscribers for or purchasers for any particular Series of Notes, the Issuer and the relevant Dealer(s) will agree details relating to the form of such Notes and the Conditions relating to such Notes. The Dealer Agreement contains provisions for the Issuer to appoint other dealers (together with the Dealer, the "Dealers") from time to time either generally in respect of the Programme or in relation to a particular Tranche of Notes.

### General

Save for having obtained the approval of the Information Memorandum by the UK Listing Authority and save for having procured the delivery of a copy of the Information Memorandum for registration to the Registrar of Companies in England and Wales, no action has been or will be taken in any country or jurisdiction by the Bank or the Dealers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Information Memorandum or any Pricing Supplement comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

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

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in 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 Information Memorandum.

### United States of America

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

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

Notes during the Distribution Compliance Period (other than resales pursuant to 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 to substantially the following effect:

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

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

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

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

Prior to the sale of any Notes in registered form bearing a restrictive legend thereof, the selling Dealer shall have provided each offeree that is a U.S. person (as defined in Regulation S) with a copy of the Information Memorandum in the form the Issuer and Dealers shall have agreed most recently shall be used for offers and sales in the United States (the initial such form being the original Information Memorandum dated 23 June 2000).

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

Notwithstanding the foregoing, each Dealer may, in accordance with the provisions of the Dealer Agreement, arrange for the offer and sale of Notes in the United States pursuant to Rule 144A. Each purchaser of such Notes is hereby notified that the offer and sale of such Notes may be made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A. See "Notice to Purchasers of Rule 144A Notes and Transfer Restrictions".

In addition, until 40 days after the commencement of the offering of any Tranche of Notes, an offer or sale of Notes of such Tranche within the United States by any dealer (whether or not

participating in the offering of such Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

This Information Memorandum has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States to non-U.S. persons and for the resale of the Notes in the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than the number of Notes which may be offered pursuant to Rule 144A. This Information Memorandum does not constitute an offer to any person in the United States or to any U.S. person other than any qualified institutional buyer within the meaning of Rule 144A to whom an offer has been made directly by one of the Dealers or an affiliate of one of the Dealers. Distribution of this Information Memorandum by any non-U.S. person outside the United States or by any qualified institutional buyer in the United States to any U.S. person or to any other person within the United States other than any qualified institutional buyer and those persons, if any, retained to advise such non-U.S. person or qualified institutional buyer with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States other than any qualified institutional buyer and those persons, if any, retained to advise such non-U.S. person or qualified institutional buyer, is prohibited.

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

#### **United Kingdom**

In relation to each Tranche of Notes, each Dealer subscribing for or purchasing such Notes has represented to and agreed with, or will represent to and agree with, the Issuer that:-

- (a) in relation to Notes of any Tranche which have a maturity of one year or more and which are to be admitted to the Official List of the UK Listing Authority, it has not offered or sold and will not offer or sell Notes of any Tranche to persons in the United Kingdom prior to the admission of the Notes of such Tranche to listing in accordance with Part IV of the Financial Services Act 1986 (the "Act") except 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 otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Act;
- (b) in relation to Notes of any Tranche which have a maturity of one year or more and which are not to be admitted to the Official List of the UK Listing Authority, it has not offered or sold and, prior to the expiry of the period of six months from the Issue Date of the Notes of such Tranche, will not offer or sell any Notes of such Tranche to persons in the United Kingdom except 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 otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;
- (c) it has complied and will comply with all applicable provisions of the Act with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom; and
- (d) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with any issue of Notes, other than, in relation to any Notes to be admitted to the Official List of the UK Listing Authority, any document which consists of or any part of listing particulars, supplementary listing particulars or any other document required or permitted to be published by listing rules under Part IV of the Act, to a person who is of a kind described in article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended by the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1997) or is a person to whom such document may otherwise lawfully be issued or passed on.

## GENERAL INFORMATION

1. The admission of the Notes issued under the Programme to listing on the Official List of the U.K. Listing Authority and to trading on the London Stock Exchange is expected to take effect on or about 23 June 2000. The listing of each Series of Listed Notes on the London Stock Exchange will be expressed as a percentage of their principal amount (excluding accrued interest). Any Tranche of Notes intended to be admitted to listing on the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange will be so admitted to listing and trading upon submission to the U.K. Listing Authority and the London Stock Exchange of the relevant Pricing Supplement and any other information required by the London Stock Exchange, subject to the issue of the relevant Notes. Prior to official listing and acceptance of Notes to trading, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day after the date of the transaction.

However, Notes may be issued pursuant to the Programme which will not be admitted to listing, trading and/or quotation by the U.K. Listing Authority or the London Stock Exchange or any other listing authority, stock exchange and/or quotation system or which will be listed on such stock exchange as the Issuer and the relevant Dealer(s) may agree.

2. Save as disclosed herein, since 31 December 1999, there has been no significant change in the financial or trading position nor any material adverse change in the financial position or prospects of the Bank and its subsidiary undertakings (taken as a whole).

3. Neither the Bank nor any of the Bank's subsidiary undertakings is or has been engaged in any legal or arbitration proceedings (nor so far as the Bank is aware are legal or arbitration proceedings pending or threatened against the Bank or any of its subsidiary undertakings) which may have or have had during the previous 12 months a significant effect on the financial position of the Bank and its subsidiary undertakings (taken as a whole).

4. KPMG Audit Plc Chartered Accountants has audited without qualification the Financial Statements contained in the Annual Report and Accounts of HSBC Bank plc for the financial years ended 31 December 1997, 1998 and 1999.

5. KPMG Audit Plc has given and not withdrawn its written consent to the issue of this document with the inclusion herein of its name in the form and context in which it is included and has authorised the contents of that part of the listing particulars for the purposes of Section 152(1)(e) of the Financial Services Act 1986.

6. The establishment and continuation of the Programme was authorised by resolutions of a Committee of the Board of Directors of the Bank passed on 25 May 1994, 29 June 1995, 28 June 1996, 25 June 1997, 24 June 1998, 23 June 1999 and 23 June 2000.

7. Where any Subordinated Notes or Undated Subordinated Notes form part of the regulatory capital of the Bank, no repayment of such Notes will be made without the prior consent of the Financial Services Authority (or any successor authority in its function as the supervisor of authorised institutions).

8. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. Each Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Notes for clearance. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Series will be set out in the relevant Pricing Supplement. 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.

9. Settlement arrangements will be agreed between the Issuer, the relevant Dealer and the Principal Paying Agent or, as the case may be, the Registrar in relation to each Tranche of Notes.

10. Only in the case of Unlisted Notes, Definitive Notes may not in all circumstances be printed from engraved steel plates. If they are not to be so printed, a statement to that effect will be made in the relevant Pricing Supplement.



11. In relation to the Bank, any transfer of, or payment in respect of, a Note or Coupon involving the government of any country which is at the relevant time the subject of United Nations sanctions, any person or body resident in, incorporated in or constituted under the laws of any such country or exercising public functions in any such country or any person or body controlled by any of the foregoing or by any person acting on behalf of the foregoing may be subject to restrictions pursuant to such sanctions.

12. For so long as Notes are capable of being issued under the Programme, the following documents may be inspected during normal business hours at the registered office of the Issuer:

- (a) the constitutional documents of the Issuer;
- (b) the Dealer Agreement;
- (c) the Agency Agreement;
- (d) the Trust Deed (including the form of Notes, Coupons, Talons and Receipts);
- (e) the audited consolidated financial statements of the Issuer for the years ended 31 December 1998 and 31 December 1999, together with all other audited consolidated annual financial statements of the Issuer subsequent to 31 December 1999;
- (f) the Information Memorandum and any document incorporated by reference therein prepared in relation to the Programme;
- (g) any Pricing Supplement, save that a Pricing Supplement relating to an Unlisted Note will only be available for inspection by a holder of such Note and such holder must provide evidence satisfactory to the Issuer as to the identity of such holder;
- (h) in the case of any issue of Listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document); and
- (i) the consent letter of KPMG Audit Plc.

**HEAD AND REGISTERED OFFICE OF THE ISSUER**

**HSBC Bank plc**  
27/30 Poultry  
London EC2P 2BX

**TRUSTEE**

**The Law Debenture Trust Corporation p.l.c.**  
Princes House  
95 Gresham Street  
London EC2V 7LY

**PRINCIPAL PAYING AGENT AND REGISTRAR**

**HSBC Bank plc**  
Mariner House  
Pepys Street  
London EC3N 4DA

**PAYING AGENT AND TRANSFER AGENT**

**UBS AG**  
45 Bahnhofstrasse  
PO Box CH-8098  
Zurich, Switzerland

**AGENT BANK**

**HSBC Bank plc**  
Mariner House  
Pepys Street  
London EC3N 4DA

**LISTING AGENT**

**HSBC Bank plc**  
Thames Exchange  
10 Queen Street Place  
London EC4R 1BQ

**DEALER**

**HSBC Bank plc**  
Thames Exchange  
10 Queen Street Place  
London EC4R 1BQ

**LEGAL ADVISERS TO THE ISSUER**

*as to English law*  
**Clifford Chance**  
**Limited Liability Partnership**  
200 Aldersgate Street  
London EC1A 4JJ

**LEGAL ADVISERS TO THE TRUSTEE**

*as to English law*  
**Allen & Overy**  
One New Change  
London EC4M 9QQ

**AUDITORS TO THE ISSUER**

**KPMG Audit Plc**  
1-2 Dorset Rise  
London EC4Y 8AE

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**HSBC Bank plc**  
27/30 Poultry  
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