



**HSBC France**  
**€20,000,000,000**  
**Euro Medium Term Note Programme**

Under the Euro Medium Term Note Programme described in this Base Prospectus (the "**Programme**"), HSBC France (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Euro Medium Term Notes (the "**Notes**"). The aggregate nominal amount of Notes outstanding will not at any time exceed €20,000,000,000 (or its equivalent in other currencies) at the date of issue.

This Base Prospectus has been submitted for approval to the *Commission de Surveillance du Secteur Financier* in Luxembourg (the "**CSSF**") in its capacity as competent authority in Luxembourg under the *Loi relative aux prospectus pour valeurs mobilières* dated 10 July 2005 implementing the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (the "**Prospectus Directive**") in Luxembourg.

Application has been made to the Luxembourg Stock Exchange for Notes issued under this Base Prospectus to be listed and admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange regulated market is a regulated market for the purposes of the Investment Services Directive 2004/39/CE (each such market being a "**Regulated Market**") on financial instruments markets. Notes issued under the Programme may also be listed and admitted to trading on any other Regulated Market in such Member State of the European Economic Area ("**EEA**") and/or offered to the public in any Member State of the EEA, in each case in accordance with the Prospectus Directive, or may be listed on an alternative stock exchange or market, or may be unlisted.

The relevant Final Terms (a form of which is contained herein) in respect of the issue of any Notes will specify whether or not such Notes will be listed and admitted to trading and/or offered to the public and, if so, the relevant Regulated Market(s) where the Notes will be listed and admitted to trading and/or the Member State(s) in the EEA where the Notes will be offered to the public.

This Base Prospectus replaces and supersedes the Base Prospectus dated 28 November 2005 prepared in connection with the Programme. It shall be updated annually as from the date hereof.

Notes may be issued either in dematerialised form ("**Dematerialised Notes**") or in materialised form ("**Materialised Notes**") as more fully described herein.

Dematerialised Notes will at all times be in book entry form in compliance with Article L.211-4 of the French *Code monétaire et financier*. No physical documents of title will be issued in respect of the Dematerialised Notes.

Dematerialised Notes may, at the option of the Issuer, be (i) in bearer form (*au porteur*) inscribed as from the issue date in the books of Euroclear France (acting as central depository) which shall credit the accounts of the Account Holders (as defined in "Terms and Conditions of the Notes - Form, Denomination, Title and Redenomination") including Euroclear Bank S.A./N.V ("**Euroclear**") and the depository bank for Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"), or (ii) in registered form (*au nominatif*) and, in such latter case, at the option of the relevant Noteholder (as defined in "Terms and Conditions of the Notes - Form, Denomination, Title and Redenomination"), in either fully registered form (*au nominatif pur*), in which case they will be inscribed in an account maintained by the Issuer or by a registration agent (appointed in the relevant Final Terms (as defined in "Terms and Conditions of the Notes")) for the Issuer, or in administered registered form (*au nominatif administré*) in which case they will be inscribed in the accounts of the Account Holders designated by the relevant Noteholder.

Materialised Notes will be in bearer materialised form only and may only be issued outside France. A temporary global certificate in bearer form without interest coupons attached (a "**Temporary Global Certificate**") will initially be issued in relation to Materialised Notes. Such Temporary Global Certificate will subsequently be exchanged for definitive Materialised Notes with, where applicable, coupons for interest or talons attached (the "**Definitive Materialised Notes**"), on or after a date expected to be on or about the 40<sup>th</sup> day after the issue date of the Notes (subject to postponement as described in "Temporary Global Certificate in respect of Materialised Notes") upon certification as to non-US beneficial ownership as more fully described herein. Temporary Global Certificates will (a) in the case of a Tranche intended to be cleared through Euroclear and/or Clearstream, Luxembourg, be deposited on the issue date with a common depository for Euroclear and Clearstream, Luxembourg, or (b) in the case of a Tranche intended to be cleared through a clearing system other than or in addition to Euroclear and/or Clearstream, Luxembourg or delivered outside a clearing system, be deposited as agreed between the Issuer and the Relevant Dealer (as defined below).

Notes issued under the Programme may, or may not, be rated. The rating (if any) will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change, or withdrawal at any time by the assigning rating agency.

See "**Risk Factors**" below for certain information relevant to an investment in the Notes to be issued under the Programme.

Arranger  
**HSBC**

Dealers

**HSBC France**

**HSBC**

The Issuer confirms that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import and the Issuer accepts responsibility accordingly. This Base Prospectus constitutes a base prospectus for the purposes of article 5.4 of the Prospectus Directive in respect of, and for the purposes of giving information, with regard to the Issuer and its consolidated subsidiaries taken as a whole (the "Group") which is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

This Base Prospectus (together with all supplements thereto from time to time) is to be read in conjunction with any document and/or information which is or may be incorporated herein by reference in accordance with Article 15 of the *Loi relative aux prospectus pour valeurs mobilières* dated 10 July 2005 implementing the Prospectus Directive in Luxembourg and Article 28 of the European Commission Regulation N°809/2004 dated 29 April 2004 (see "Documents incorporated by Reference" below).

No person is authorised to give any information or to make any representation other than those contained in this Base Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger or any of the Dealers (as defined in "Summary of the Base Prospectus"). Neither the delivery of this Base Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Group since the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that there has been no adverse change in the financial position of the Issuer or the Group since the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Issuer, the Dealers and the Arranger to inform themselves about and to observe any such restriction.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States and the Notes may include Materialised Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered or sold or, in the case of Materialised Notes in bearer form, delivered within the United States or to, or for the account or benefit of, United States persons as defined in Regulation S under the Securities Act ("Regulation S") or, in the case of certain Materialised Notes in bearer form, the U.S. Internal Revenue Code of 1986 and regulations thereunder. The Notes are being offered and sold outside the United States of America to non-U.S. Persons in reliance on Regulation S.

For a description of these and certain further restrictions on offers, sales and transfers of Notes and on distribution of this Base Prospectus, see "Subscription and Sale".

This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Arranger or the Dealers to subscribe for, or purchase, any Notes.

The Arranger and the Dealers have not separately verified the information contained in this Base Prospectus. Neither the Arranger nor any of the Dealers (except HSBC France in its capacity as Issuer, and then only to the extent set out under "Responsibility for Base Prospectus") makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Base Prospectus. Neither this Base Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arranger or the Dealers that any recipient of this Base Prospectus or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. Neither the Arranger nor any of the Dealers undertakes to review the financial condition of the Issuer during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.

**In connection with the issue of any Tranche, the Dealer or Dealers (if any) named as the stabilising manager(s) (the "Stabilising Manager(s)") (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes (provided that, in the case of any Tranche to be listed and admitted to trading on a Regulated Market, the aggregate principal amount of Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the relevant Tranche) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the Final Terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche.**

**In this Base Prospectus, unless otherwise specified or the context otherwise requires, references to "€", "Euro", "euro" and "EUR" are to the lawful currency of the member states of the European Union that have adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union and as amended by the Treaty of Amsterdam, references to "£", "pounds sterling" and "Sterling" are to the lawful currency of the United Kingdom, references to "\$", "USD" and "US dollars" are to the lawful currency of the United States of America, references to "¥", "JPY" and "Yen" are to the lawful currency of Japan and references to "CHF" and "Swiss Francs" are to the lawful currency of the Switzerland.**

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**RESPONSIBILITY STATEMENT**

*To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to effect the import of such information. The Issuer accepts responsibility accordingly.*

## SUMMARY OF THE BASE PROSPECTUS

*This summary must be read as an introduction to this Base Prospectus and any decision by any investor to invest in the Notes should be based on a consideration of the Base Prospectus as a whole, including any document incorporated by reference and any supplement from time to time. No civil action may be brought in liability against the Issuer solely on the basis of this Summary, including its translation, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus. Where a claim relating to the information contained in this Base Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated.*

*Words and expressions defined in "Terms and Conditions of the Notes" below shall have the same meanings in this summary.*

*The Notes will be issued on such terms as shall be agreed between the Issuer and the Relevant Dealer(s) and, subject to completion in accordance with the provisions of the relevant Final Terms, will be subject to the Terms and Conditions set out on pages 56 to 119.*

**Issuer:** HSBC France.

### PRESENTATION OF HSBC FRANCE

HSBC France is incorporated under French law and was founded in 1894 under the name Banque Suisse et Française (BSF). In 1917, BSF, Maison Aynard et Fils and Caisse de Crédit de Nice merged to create CCF. In 1982, CCF's share capital came under full state control and returned to the public in 1987 through a public offering. CCF joined the HSBC Group in July 2000.

CCF adopted the HSBC brand name on 1 November 2005.

Headquartered in London, the HSBC Group is one of the largest banking and financial services organisations in the world. The Group's international network comprises over 9,500 offices in 76 countries and territories in five geographical regions: Europe, the Asia-Pacific region, the Americas, the Middle East and Africa.

During the year ended 31 December 1992, HSBC Bank plc (formerly Midland Bank plc) became a wholly-owned subsidiary undertaking of HSBC Holdings plc ('**HSBC Holdings**'), whose Head Office is at 8 Canada Square, London, E14 5HQ

With listings on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by around 200,000 shareholders in some 100 countries and territories. The shares are traded on the New York Stock Exchange in the form of American Depository Receipts.

In addition, HSBC Holdings is a reporting issuer for the purposes of certain US securities regulations and in accordance therewith is required to publish certain financial information with the offices of the Securities and Exchange Commission.

## BUSINESS LINES

HSBC France's activity is focussed on (i) Personal Financial Services, (ii) Commercial Banking, (iii) Corporate, Investment Banking and Markets (CIBM), (iv) Asset management and (v) Private Banking.

**Personal Financial Services:** the 8 November rebranding was accompanied by a large-scale media campaign and marketing efforts, which resulted in significant increases in commercial activity. This led to an acceleration in business growth in the second half, despite the lower interest rates.

**Commercial Banking:** the "B for Business" campaign highlighted the HSBC Group's services for companies. In 2005, the Top Commercial Banking initiative paid off, with the help of a dedicated sales force and appropriate client follow-up efforts. This resulted in substantial revenue growth in this customer group.

**Corporate, Investment Banking and Markets (CIBM):** business volumes continued to grow strongly in 2005, despite the adverse interest-rate environment. The capital markets business had very ambitious targets for 2005, and it succeeded in achieving these in terms of both operating profit before provisions and coverage of large French corporates.

**Asset management:** earnings rose strongly. International expansion continued, particularly in Italy and Asia. A major reorganisation is currently implemented, with the pooling of sales forces and support functions and the outsourcing of employee savings account-keeping to a platform shared by four companies.

**Private Banking:** the restructuring of the private banking business was completed, and the new management team set clear objectives. 2005 was a year of consolidation. Client base expansion and sales approaches were refined, based on the reorganisation of financial manager and private banker teams. As in previous years, the strong investment performance of HSBC Private Bank France and its Louvre Gestion subsidiary were acknowledged, particularly over the long term.

## STRUCTURE AND ORGANISATION

The members of the Board of Directors of the Issuer as at the date of this document are listed below:

### Board of Directors

Charles-Henri Filippi	Chairman and CEO, HSBC France, and Group Managing Director, HSBC Holdings plc.
Patrick Careil	Deputy CEO, HSBC France.
Gilles Denoyel	Deputy CEO, HSBC France.

### Directors

Martin Bouygues	Chairman and CEO, Bouygues.
Evelyn Césari	Head of the Personal Financial Services customer group, Real Estate Department, HSBC France.
Paul Dubrulle	Founding Co-Chairman, Accor.

Maurice Etori	Internal Controller in the HSBC Retail banking network – HSBC France.
Michael Geoghegan	Group Chief Executive, HSBC Holdings plc.
Stephen Green	Group Chairman, HSBC Holdings plc.
Philippe Houzé	Chairman of the Management Board, Galeries Lafayette.
Jean-Claude Jolain	Chairman and CEO, Sagi.
Igor Landau	Company Director.
Jean-Charles Naouri	Chairman and CEO, Casino Guichard-Perrachon.
Philippe Pontet	Vice-Chairman, Corporate Finance Europe, HSBC France.
Philippe Purdy	Receptionist – HSBC Mandelieu branch.
Marcel Roulet	Company Director.
Joyce Semelin	International Business Officer – HSBC Premier International – HSBC France.
Peter Shawyer	Member of the HSBC France Audit Committee.

The business address of each member of the Board of Directors is 103, Avenue des Champs-Élysées, 75008 Paris, France.

#### RECENT DEVELOPMENTS

On 1 January 2006, there was a reorganisation of the commercial teams in asset management in continental Europe, which is now organised around three entities: HSBC Investments (France) with the sales force, and the core management activities; HSBC Halbis Partners, specialising in high added value fundamental active management; and Sinopia Asset Management, a quantitative management specialist.

In addition, on 2 February 2006, HSBC Epargne Entreprise, together with three other French financial institutions, announced the creation of a common platform for employee share accounts in France, which has become the leader in this market in France.

Finally, HSBC France sold its issuer agency services activity to CACEIS, with the exception of its stock option plan and free share allocation management activities.

**Arranger:**

HSBC Bank plc.

**Dealers:**

HSBC Bank plc.  
HSBC France.

The Issuer may from time to time terminate the appointment of any Dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Base



Prospectus to "**Permanent Dealers**" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "**Dealers**" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.

At the date of this Base Prospectus, only credit institutions and investment firms incorporated in a Member State of the European Union ("**EU**") and which are authorised by the relevant authority of such member home state to lead-manage bond issues in such Member State may act (a) as Dealers with respect to non-syndicated issues of Notes denominated in Euro and (b) as lead manager of issues of Notes denominated in Euro issued on a syndicated basis.

<b>Description:</b>	Euro Medium Term Note Programme.
<b>Programme Limit:</b>	Up to €20,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
<b>Fiscal Agent and Principal Paying Agent:</b>	HSBC Bank plc.
<b>Paris Paying Agent:</b>	HSBC France.
<b>Luxembourg Paying Agent :</b>	Kredietbank S.A. Luxembourgeoise.
<b>Method of Issue:</b>	The Notes may be offered to the public or not and/or listed or not, and in each case may be issued on a syndicated or non-syndicated basis.  The specific terms of each Tranche (including, without limitation, the aggregate nominal amount, issue price, redemption price thereof, and interest, if any, payable thereunder) will be determined by the Issuer and the relevant Dealer(s) at the time of the issue and will be set out in the relevant Final Terms.
<b>Maturities:</b>	Subject to compliance with all relevant laws, regulations and directives, the Notes will have a minimum maturity of one month from the date of original issue as specified in the relevant Final Terms except (i) in the case of Subordinated Notes whose proceeds constitute Upper Tier 2 Capital which will have no maturity, (ii) in the case of Subordinated Notes whose proceeds constitute Lower Tier 2 Capital which minimum maturity will be of five years and one day, (iii) in the case of Subordinated Notes whose proceeds constitute Tier 3 Capital which minimum maturity will be of two years and one day, or (iv) in any case such other minimum maturity as may be required by the applicable legal and/or regulatory requirements.
<b>Currencies:</b>	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in Euro, US dollars, Japanese yen, Swiss Francs, Sterling and in any other currency agreed between the Issuer and the relevant Dealer(s).
<b>Denomination:</b>	Notes shall be issued in the Specified Denomination(s) set out in the relevant Final Terms, save that all Notes which are to be admitted to trading on a Regulated Market or offered to the public in a Member State of the EEA in circumstances which require the publication of a prospectus under the Prospectus Directive shall have a minimum denomination of €1,000 (or its equivalent in any other currency) or such higher amount as may be allowed or required from time to time in relation to the relevant Specified Currency. Dematerialised Notes shall be issued in one denomination only.

**Status of the Unsubordinated Notes:**

Unsubordinated Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank *pari passu* without any preference among themselves and (subject to such exceptions as are from time to time mandatory under French law) *pari passu* with all other present or future unsecured and unsubordinated obligations of the Issuer.

**Status of the Subordinated Notes:**

The Issuer may issue Subordinated Notes which constitute Dated Subordinated Notes and Undated Subordinated Notes.

Subordinated Notes, including Dated Subordinated Notes and Undated Subordinated Notes, will constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and will rank *pari passu* without any preference among themselves and *pari passu* with all other present or future unsecured and subordinated obligations of the Issuer with the exceptions of the *prêts participatifs* granted to the Issuer and *titres participatifs* issued by the Issuer.

The Final Terms may state that Subordinated Notes will be eligible as Upper Tier 2, Lower Tier 2 or Tier 3 Capital.

**Events of Default:**

The terms of the Notes will contain events of default in respect of Unsubordinated Notes as set out in Condition 11(a) and limited events of default only in respect of Subordinated Notes as set out in Condition 11(b).

**Redemption Amount:**

Subject to any laws and regulations applicable from time to time, the relevant Final Terms will specify the basis for calculating the redemption amounts payable.

**Optional Redemption:**

The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders, and if so the terms applicable to such redemption.

**Redemption by Instalments:**

The Final Terms issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.

**Early Redemption:**

Except as provided in "Optional Redemption" above, Notes will be redeemable at the option of the Issuer prior to their stated maturity only for tax reasons and, in respect of Subordinated Notes, subject to the approval of the SGCB and the FSA.

**Taxation:**

Except as otherwise specified in the relevant Final Terms, payments in respect of the Notes will be made without withholding or deduction for, or on account of, taxes imposed by or on behalf of the Republic of France as provided by Article 131 quater of the French Code général des impôts to the extent that the Notes are issued (or deemed to be issued) outside France.

The Notes constituting *obligations* under French law will be issued (or deemed to be issued) outside France (i) if such Notes are denominated in Euro, (ii) in the case of syndicated issues of Notes denominated in currencies other than Euro, if, *inter alia*, the Issuer and the relevant Dealers agree not to offer the Notes to the public in France in connection with their initial distribution and such Notes are offered in France only through an international syndicate to qualified investors (*investisseurs qualifiés*) as described in Article L.411-2 of the French *Code monétaire et financier* or (iii) in the case of non-syndicated issues of Notes denominated in currencies other than Euro, if each of the subscribers of the Notes is domiciled or resident for tax purposes outside the

Republic of France, in each case as more fully set out in the Circular of the *Direction Générale des Impôts* dated 30 September 1998.

However, if so provided in the relevant Final Terms, Notes constituting *obligations* under French law and denominated in currencies other than Euro may be issued on a non-syndicated basis and placed with subscribers not all of whom are resident outside the Republic of France. In such cases, the Notes will not benefit from the exemption from deduction at source provided by Article 131 *quater* of the French *Code général des impôts* and payments under such Notes made to a non-French resident will be exempt from withholding or deduction at source only if the beneficiary of the payment provides certification that he is not resident in France, all in accordance with the provisions of Article 125 A III of the French *Code général des impôts*, as more fully described in "Terms and Conditions of the Notes - Taxation".

The tax regime applicable to Notes which do not constitute *obligations* under French law will be set out in the relevant Final Terms.

**Interest Periods and Interest Rates:**

The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.

**Fixed Rate Notes:**

Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.

**Floating Rate Notes:**

Floating Rate Notes will bear interest determined separately for each Series as follows:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by the 2001 FBF Master Agreement relating to transactions on forward financial instruments (formerly AFB Master Agreement for Foreign Exchange and Derivatives Transactions), as supplemented by the then applicable Interest and Currency Technical Annex (*Echange de Conditions d'Intérêt ou de Devises - Additif Technique*) published by the AFB or the FBF, or
- (ii) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc., or
- (iii) on the basis of a reference rate appearing on an agreed screen page of a commercial quotation service (including, without limitation, EURIBOR, EONIA, LIBOR, CMS or TEC), or
- (iv) on such other basis or benchmark as may be specified in the applicable Final Terms,

in each case plus or minus any applicable margin, if any, and calculated and payable as indicated in the applicable Final Terms. Floating Rate Notes may also have a maximum rate of interest, a minimum rate of interest or both.

**Zero Coupon Notes:**

Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.

**Dual Currency Notes:**

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies,

and based on such rates of exchange, as may be specified in the relevant Final Terms.

<b>Index Linked Notes:</b>	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as may be specified in the relevant Final Terms. " <b>Index Linked Redemption Notes</b> ", which may not be Subordinated Notes constituting <i>fonds propres complémentaires</i> or <i>fonds propres surcomplémentaires</i> , are Notes in respect of which amounts of principal shall be calculated by reference to an index and/or formula, and " <b>Index Linked Interest Notes</b> " (together with Index Linked Redemption Notes, " <b>Index Linked Notes</b> ") are Notes in respect of which amounts of interest shall be calculated by reference to an index and/or formula.
<b>Other Notes:</b>	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, partly paid Notes and any other type of Notes that the Issuer and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Final Terms.
<b>Redenomination:</b>	Notes issued in the currency of any Member State of the EU which participates in the third stage (or any further stage) of European Monetary Union may be redenominated into Euro, all as more fully provided in Condition 1 (d).
<b>Consolidation:</b>	Notes of one Series may be consolidated with Notes of another Series as more fully provided in Condition 15 (b).
<b>Form of Notes:</b>	Notes may be issued in either dematerialised form (" <b>Dematerialised Notes</b> ") or in materialised form (" <b>Materialised Notes</b> ").  Dematerialised Notes may, at the option of the Issuer, be issued in bearer form ( <i>au porteur</i> ) or in registered form ( <i>au nominatif</i> ) and, in such latter case, at the option of the relevant holder, in either fully registered form ( <i>au nominatif pur</i> ) or administered registered form ( <i>au nominatif administré</i> ). No physical documents of title will be issued in respect of Dematerialised Notes See "Terms and Conditions of the Notes - Form, Denomination, Title and Redomination".  Materialised Notes will be in bearer form only. A Temporary Global Certificate will initially be issued in respect of each Tranche of Materialised Notes. Materialised Notes may only be issued outside France.
<b>Governing Law:</b>	French law.
<b>Clearing Systems:</b>	Euroclear France as central depository in relation to Dematerialised Notes and, in relation to Materialised Notes, Clearstream, Luxembourg and Euroclear or any other clearing system that may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer.
<b>Initial Delivery of Dematerialised Notes:</b>	One Paris business day before the issue date of each Tranche of Dematerialised Notes, the <i>Lettre comptable</i> relating to such Tranche shall be deposited with Euroclear France as central depository.
<b>Initial Delivery of Materialised Notes:</b>	On or before the issue date for each Tranche of Materialised Notes, the Temporary Global Certificate issued in respect of such Tranche shall be deposited with a common depository for Euroclear and Clearstream, Luxembourg or with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in

advance by the Issuer, the Fiscal Agent and the relevant Dealer(s).

**Issue Price:** Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.

**Listing and admission to trading:** The Luxembourg Stock Exchange's Regulated Market and/or any other Regulated Markets in the EEA in accordance with the Prospectus Directive as specified in the relevant Final Terms. As specified in the relevant Final Terms, a Series of Notes may be unlisted.

**Offer to the public:** The Notes may be offered to the public in any Member State of the EEA only if so specified in the relevant Final Terms and in accordance with any applicable laws and regulations.

**Rating:** Notes issued pursuant to the Programme may be rated or unrated. The rating (if any) will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change, or withdrawal at any time by the assigning rating agency.

**Selling Restrictions:** There are restrictions on the offer and sale of Notes and the distribution of offering material in various jurisdictions. See "Subscription and Sale". In connection with the offering and sale of a particular Tranche, additional selling restrictions may be imposed which will be set out in the relevant Final Terms.

The Issuer is Category 2 for the purposes of Regulation S under the United States Securities Act of 1933, as amended.

Materialised Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the "**D Rules**") unless (i) the relevant Final Terms states that such Materialised Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the "**C Rules**") or (ii) such Materialised Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

Dematerialised Notes do not require compliance with the TEFRA Rules.

**Risk factors:** **Risk factors relating to the Issuer and its activities**

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

Changes in general economic conditions in the markets in which the Issuer operates, include changes in foreign exchange rates, volatility in interest rates, volatility in equity markets, lack of liquidity in wholesale funding markets in periods of economic or political crisis, illiquidity and downward price pressure in France and eurozone real estate markets, particularly consumer-owned real estate markets, recessions and employment fluctuations and consumer perception as to the continuing availability of credit, and price competition in the market segments served by the Issuer.

The three main structural risks in relation to interest rate, exchange rate and liquidity exposure (excluding trading exposure) are structural foreign exchange exposure, structural liquidity exposure, and structural interest rate exposure.

Changes in governmental policy and regulation are described in the Risk Factors.

Factors specific to the Issuer include the success of the Issuer in adequately identifying the risks it faces, such as the incidence of loan losses or delinquency, and managing those risks. Effective risk management depends on, among other things, the Issuer's ability through stress testing and other techniques to prepare for events that cannot be captured by the statistical models it uses.

#### **Risk factors relating to the Notes**

There are certain additional factors which are material for the purpose of assessing the risks related to the Notes issued under the Programme including the following:

- (i) Investment risks. The Notes may not be a suitable investment for all investors. Prospective investors should understand the risks of investing in any type of Note before they make their investment decision.
- (ii) Risks related to the structure of a particular issue of Notes.
- (iii) Risks related to the Notes generally.
- (iv) Risks related to the market generally including liquidity risk, exchange rate risk, interest rate risk and credit risk.

Please see "Risk Factors" below for further details.

#### **Available information:**

So long as Notes are capable of being issued under the Programme, copies of documents relating to the Issuer (notably *statuts* and financial statements), this Base Prospectus together with all supplements thereto from time to time and the Final Terms related to Notes listed on a Regulated Market of the EEA or offered to the public in a Member State of the EEA, in each case in accordance with the Prospectus Directive, and the Agency Agreement will, when published, be available during usual business hours on any weekday (Saturdays and public holidays excepted), at the registered office of the Issuer and at the specified office of the Paying Agent(s).

The Base Prospectus together with all supplements thereto from time to time and the Final Terms related to Notes listed on a Regulated Market of the EEA or offered to the public in a Member State of the EEA, in each case in accordance with the Prospectus Directive will be available on the website of the Issuer ([www.hsbc.fr](http://www.hsbc.fr)) and on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

## **RESUME EN FRANÇAIS**

*Ce résumé doit être lu comme une introduction au Prospectus de Base, et toute décision d'investir dans les Titres doit être fondée sur un examen exhaustif du Prospectus et des documents qui y sont incorporés par référence. Aucune action en responsabilité ne peut être intentée contre l'Emetteur sur le fondement du seul résumé ou de sa traduction, à moins que le contenu du résumé ou de sa traduction ne soit jugé trompeur, inexact ou contradictoire par rapport aux autres parties du Prospectus de Base. Lorsqu'une action concernant l'information contenue dans le présent Prospectus de Base est intentée devant un tribunal d'un Etat Membre de l'Espace Economique Européen, le plaignant peut, selon la législation nationale de l'Etat Membre concerné, avoir à supporter les frais de traduction du Prospectus de Base avant le début de la procédure judiciaire.*

*Les termes et expressions définis dans la section « Terms and Conditions » ci-après auront la même signification dans le présent résumé.*

*Les Titres seront émis conformément aux modalités qui seront convenues entre l'Emetteur et les Agents Placeurs concernés, et ils devront obéir aux « Terms and Conditions » prévus aux pages 56 à 119, tels que complétés par les dispositions des « Final Terms » (conditions définitives) concernés.*

**Émetteur :**

*HSBC France.*

### **PRÉSENTATION DE L'ÉMETTEUR**

*HSBC France est une société de droit français fondée en 1894 sous le nom de Banque Suisse et Française. En 1917, BSF, Maison Aynard et fils, et Caisse de Crédit de Nice fusionnèrent pour créer CCF. En 1982 CCF fut nationalisé puis privatisé en 1987. CCF a intégré le Groupe HSBC en juillet 2000.*

*CCF a adopté la marque HSBC le 1<sup>er</sup> novembre 2005.*

*Basé à Londres où est installé son siège, le Groupe HSBC est une des plus grandes institutions bancaires et financières du monde. Le réseau mondial du Groupe comprend 9.500 bureaux dans 76 pays répartis dans cinq régions géographiques : en Europe, en Asie-Pacifique, en Amérique du Nord et du Sud, au Moyen-Orient et en Afrique.*

*Au cours de l'exercice clos le 31 décembre 1992, HSBC Bank plc (anciennement Midland Bank plc) est devenue une filiale à 100% de HSBC Holdings plc ("HSBC Holdings"), dont le siège social est situé au 8 Canada Square, Londres, E14 5HQ, Royaume-Uni.*

*Cotés à Londres, Hong Kong, New-York, Paris et les Bermudes, les actions de la société HSBC Holdings Plc sont détenues par environ 200.000 porteurs dans près de 100 pays. Les actions sont négociées sur la Bourse de New York sous la forme d'American Depository Receipts.*

*Par ailleurs, HSBC Holdings est un émetteur enregistré conformément à la réglementation américaine sur les valeurs mobilières et est tenu, selon cette réglementation, de publier certaines informations financières auprès de la Securities and Exchange Commission.*

### **SECTEURS D'ACTIVITÉ**

*L'activité de HSBC France est orientée vers (i) la Banque de particuliers, (ii) la Banque d'entreprises, (iii) la Banque de Grande clientèle et de Marchés (CIBM), (iv) la Gestion d'actifs et (v) la Banque privée.*

*La **Banque de particuliers** : le changement de marque intervenu le 8 novembre a été précédé et accompagné d'importantes campagnes publicitaires*

et de développements marketing qui se sont traduits par des augmentations significatives de l'activité commerciale. Les résultats ont été marqués par une accélération de l'activité au 2<sup>o</sup> semestre malgré la baisse des taux.

La **Banque d'entreprises** : la campagne «B comme Business» a permis de mettre en évidence les possibilités offertes par le Groupe HSBC aux entreprises.

L'année 2005 a vu la réussite de l'initiative auprès des grandes entreprises articulée autour d'une animation de la force commerciale dédiée et d'un suivi clientèle adapté, réussite qui s'est matérialisée par une croissance substantielle des revenus de ce segment de clientèle.

La **Banque de Grande clientèle et de Marchés (CIBM)** : le volume d'activité a continué à progresser fortement en 2005, malgré un environnement hostile des taux.

L'activité de marchés de capitaux avait des objectifs très ambitieux pour 2005, qu'elle a atteints tant en terme de RBE que de couverture des grandes entreprises françaises.

L'activité **Gestion d'actifs** a réalisé une très belle année 2005. Les résultats ont fortement progressé. Le développement international s'est poursuivi, notamment en Italie et en Asie. Une importante réorganisation est en cours, avec le regroupement des forces commerciales et des fonctions support et, en matière d'épargne salariale, l'externalisation de la tenue de compte sur une plateforme commune à quatre acteurs.

#### La Banque privée :

La restructuration de la Banque privée s'est achevée avec la définition d'objectifs clairs par une nouvelle équipe dirigeante. 2005 a été une année de consolidation permettant de repositionner la conquête et la dynamique commerciales en s'appuyant sur la réorganisation des équipes de gestionnaires financiers et de banquiers privés.

Comme les années précédentes, la qualité de gestion de HSBC Private Bank France et sa filiale Louvre Gestion a été reconnue pour les performances réalisées, notamment sur longue période.

#### STRUCTURE ET ORGANISATION

Les membres du Conseil d'Administration de l'Emetteur à la date de ce document sont listés ci-dessous :

##### Conseil d'Administration

Charles-Henri Filippi      *Président-Directeur Général, HSBC France.  
Group Managing Director, HSBC Holdings plc.*

Patrick Careil              *Directeur Général Délégué, HSBC France.*

Gilles Denoyel              *Directeur Général Délégué, HSBC France.*

##### Administrateurs

Martin Bouygues            *Président-Directeur Général, Bouygues.*

Evelyn Césari                *Directeur du marché des Particuliers, Direction  
des Affaires Immobilières, HSBC France.*



<i>Paul Dubrulle</i>	<i>Co-Président Fondateur, Accor.</i>
<i>Maurice Etori</i>	<i>Contrôleur interne dans le réseau HSBC – HSBC France.</i>
<i>Michael Geoghegan</i>	<i>Group Chief Executive, HSBC Holdings plc.</i>
<i>Stephen Green</i>	<i>Group Chairman, HSBC Holdings plc.</i>
<i>Philippe Houzé</i>	<i>Président du Directoire, Galeries Lafayette.</i>
<i>Jean-Claude Jolain</i>	<i>Président-Directeur Général, Sagi.</i>
<i>Igor Landau</i>	<i>Administrateur de sociétés.</i>
<i>Jean-Charles Naouri Guichard-Perrachon.</i>	<i>Président-Directeur Général, Casino</i>
<i>Philippe Pontet</i>	<i>Vice Chairman Corporate Finance Europe, HSBC France.</i>
<i>Philippe Purdy</i>	<i>Chargé d'accueil Agence HSBC de Mandelieu.</i>
<i>Marcel Roulet</i>	<i>Administrateur de sociétés.</i>
<i>Joyce Semelin</i>	<i>International Business Officer – HSBC Premier International – HSBC France.</i>
<i>Peter Shawyer</i>	<i>Membre du Comité d'Audit de HSBC France.</i>

*L'adresse professionnelle de chacun des membres du Conseil d'Administration est au 103, Avenue des Champs-Élysées, 75008 Paris, France.*

#### **DÉVELOPPEMENTS RÉCENTS**

*Le 1<sup>er</sup> janvier 2006 a été mise en place une réorganisation des équipes commerciales de la gestion d'actifs en Europe continentale qui s'organisera autour de trois entités: HSBC Investments (France) regroupant les forces de vente, et les activités de gestion "core"; HSBC Halbis Partners, spécialiste de la gestion fondamentale active à forte valeur ajoutée; SINOPIA Asset Management spécialiste de la gestion quantitative.*

*Par ailleurs, le 2 février 2006, HSBC Epargne Entreprise annonçait avec trois autres établissements financiers français la création d'une plate-forme commune de tenue de comptes d'épargne salariale en France qui devient le premier acteur sur ce marché en France.*

*Enfin, HSBC France a cédé son activité de services aux émetteurs à CACEIS à l'exception des activités de gestion des plans de stock-options et d'attribution gratuite d'actions.*

**Arrangeur:** HSBC Bank plc.

**Agent placeur:** HSBC Bank plc.  
HSBC France.

*L'Emetteur pourra à tout moment révoquer tout Agent Placeur dans le cadre du Programme ou désigner des Agents Placeurs supplémentaires soit pour une ou plusieurs Tranches, soit pour l'ensemble du Programme. Toute référence faite dans le présent Document de Base aux "Agents Placeurs Permanents" renvoie aux personnes nommées ci-dessus en qualité d'Agents Placeurs ainsi*

qu'à toute autre personne qui aurait été désignée comme Agent Placeur pour l'ensemble du Programme (et qui n'auraient pas été révoquées) et toute référence faite aux "**Agents Placeurs**" désigne tout Agent Placeur Permanent et toute autre personne désignée comme Agent Placeur pour une ou plusieurs Tranches.

A la date du présent Document de Base, seuls les établissements de crédit et les entreprises d'investissement constitués dans un Etat Membre de l'Union Européenne (l'"UE") qui sont autorisés par l'autorité compétente de cet Etat Membre à diriger des émissions de titres dans cet Etat Membre peuvent intervenir (a) en qualité d'Agent Placeur pour des émissions non-syndiquées de Titres libellés en euros et (b) en qualité de chef de file pour des émissions syndiquées de Titres libellés en euros.

<b>Description:</b>	Programme d'émission de titres (Euro Medium Term Note).
<b>Montant Maximum du Programme:</b>	Le montant total nominal des Titres en circulation ne pourra, à aucun moment, excéder la somme de 20.000.000.000 euros (ou la contre-valeur de ce montant dans toute autre devise, calculée à la date d'émission).
<b>Agent Financier et Agent Payeur Principal :</b>	HSBC Bank plc.
<b>Agent Payeur à Paris :</b>	HSBC France.
<b>Agent Payeur à Luxembourg :</b>	Kredietbank S.A. Luxembourgeoise
<b>Méthode d'émission :</b>	<p>Les Titres, qui seront offerts ou non au public, inscrits ou non à la côte officielle, seront émis dans le cadre d'émissions syndiquées ou non-syndiquées.</p> <p>Les modalités spécifiques de chaque Tranche (y compris, notamment, le montant global, le prix d'émission, le prix de remboursement le cas échéant, et leurs intérêts s'il y a lieu), seront déterminées par l'Emetteur et le(s) Agent(s) Placeur(s) concernés et figureront dans les Conditions Définitives concernées.</p>
<b>Echéances :</b>	<p>Sous réserve de toutes les lois, règlements et directives applicables, les Titres auront une échéance d'un mois minimum à compter de la date d'émission initiale tel qu'indiqué dans les Conditions Définitives concernées sauf (i) dans le cas de Titres Subordonnés dont les produits constituent des Fonds Propres Upper Tier 2 qui n'auront pas de date d'échéance, (ii) dans le cas de Titres Subordonnés dont les produits constituent des Fonds Propres Lower Tier 2 qui auront une échéance minimale de 5 ans et un jour, (iii) dans le cas de Titres Subordonnés dont les produits constituent des Fonds Propres Tier 3 ou (iv) dans tous les cas où une telle date d'échéance minimale serait requise par les conditions légales ou réglementaires applicables.</p>
<b>Devises :</b>	<p>Sous réserve du respect de toutes les lois, règlements et directives applicables, les Titres pourront être émis en euros, en dollars américains, en yens japonais, en francs suisses, en livres sterling et en toute autre devise convenue entre l'Emetteur et les Agents Placeurs concernés.</p>
<b>Valeur Nominale :</b>	<p>Les Titres auront les Valeurs Nominales prévues dans les Conditions Définitives concernées. Toutefois la valeur nominale minimale des Titres faisant l'objet d'une admission aux négociations sur un Marché Réglementé et/ou offerts au public dans un Etat Membre de l'Espace Economique</p>

Européen ("EEE") dans des circonstances qui requièrent la publication d'un prospectus conformément à la Directive Prospectus sera égale à 1.000 € (ou sa contre-valeur dans toute autre devise) ou à tout autre montant plus élevé tel que permis ou requis à tout moment par les lois et règlements applicables à la Devise Concernée. Les Titres Dématérialisés seront émis avec une seule valeur nominale.

**Rang de créance des titres non subordonnés :**

Les Titres non subordonnés constitueront des engagements directs, inconditionnels et non subordonnés et non assortis de sûretés de l'Emetteur, et viendront au même rang entre eux sans préférence, et (sous réserve des exceptions impératives du droit français) au même rang que tous les autres engagements chirographaires, présents ou futurs, de l'Emetteur.

**Rang de créance des titres subordonnés :**

L'Emetteur pourra émettre des Titres Subordonnés qui prendront la forme de Titres Subordonnés remboursables ou de Titres Subordonnés à durée indéterminée.

Les Titres Subordonnés, remboursables ou à durée indéterminée, constitueront des engagements directs, inconditionnels, subordonnés et non assortis de sûretés de l'Emetteur, et viendront au même rang entre eux sans préférence, et au même rang que tous les autres engagements subordonnés et non assortis de sûretés, présents ou futurs, de l'Emetteur à l'exception des prêts participatifs accordés par l'Emetteur et des titres participatifs émis par l'Emetteur.

Les Conditions Définitives pourront prévoir que les produits des Titres Subordonnés constitueront des Fonds Propres Upper tier 2, Lower Tier 2 ou Tier 3.

**Cas d'Exigibilité Anticipée :**

Les modalités des Titres contiendront des cas d'exigibilité anticipée tels que décrits à l'Article 11(a) et uniquement des cas limités d'exigibilité anticipée pour les Titres Subordonnés, tels que prévus par l'Article 11(b).

**Montant de Remboursement :**

Sous réserve du respect de toutes les lois et règlements applicables, les Conditions Définitives concernées indiqueront la base de calcul des montants de remboursements dus.

**Remboursement Optionnel:**

Les Conditions Définitives concernées pourront prévoir le remboursement anticipé des Titres au gré de l'Emetteur (en totalité ou en partie) et/ou des porteurs et, dans ce cas, les termes applicables à tel remboursement anticipé optionnel.

**Remboursements par Versement Echelonné :**

Les Conditions Définitives concernées pourront prévoir une émission de Titres remboursables en deux ou plusieurs fois et, dans ce cas, indiqueront les dates de remboursement et les montants à rembourser.

**Remboursement Anticipé :**

Sauf dans les cas indiqués au paragraphe "Remboursement Optionnel" approprié, le remboursement anticipé du Titres au gré de l'Emetteur sera possible pour des raisons fiscales uniquement, après agrément de la SGCB et du FSA.

**Fiscalité :**

Les paiements afférents aux Titres qui constituent des obligations au sens du droit français seront effectués libres de toute retenue ou prélèvement à la source au titre d'un quelconque impôt requis par ou effectué au nom de la République Française, tel que prévu à l'article 131 quater du Code général des impôts, à la condition que les Titres soient émis (ou réputés émis) hors de France.

Les Titres qui constituent des obligations au sens du droit français seront émis (ou réputés émis) hors de France (i) si ces Titres sont libellés en euros, (ii)

*dans le cas d'émissions syndiquées de Titres libellés dans une devise autre que l'euro, si, notamment, l'Emetteur et les Agents Placeurs concernés conviennent de ne pas offrir les Titres au public en France lors de leur placement initial et si ces Titres sont offerts en France par l'intermédiaire d'un syndicat international uniquement à des investisseurs qualifiés tels que décrits à l'article L.411-2 du Code monétaire et financier, ou (iii) dans le cas d'émissions non-syndiquées de Titres libellés dans une devise autre que l'euro, si chacun des souscripteurs des Titres a son domicile ou sa résidence fiscale hors de France, dans chaque cas tel que plus amplement décrit dans l'Instruction de la Direction Générale des Impôts du 30 septembre 1998.*

*Cependant, si cela est précisé dans les Conditions Définitives concernées, les Titres qui constituent des obligations au sens du droit français et qui sont libellés en devises autres que l'euro peuvent être émis sur une base non-syndiquée et placés auprès de souscripteurs qui ne sont pas tous des non-résidents français. Dans de tels cas, les Titres ne bénéficieront pas de l'exonération du prélèvement à la source prévue à l'article 131 quater du Code général des impôts et les paiements effectués relativement à ces Titres à des non-résidents français ne seront exonérés de la retenue ou du prélèvement à la source qu'à la condition que le bénéficiaire du paiement fournisse la preuve qu'il n'est pas résident français, conformément aux dispositions de l'article 125 A III du Code général des impôts, tel que plus amplement décrit au paragraphe "Modalités des Titres - Fiscalité".*

*Le régime fiscal applicable aux Titres qui ne constituent pas des obligations au sens du droit français sera décrit dans les Conditions Définitives concernées.*

**Périodes d'Intérêts et Taux d'Intérêts :**

*Pour chaque Souche, la durée des périodes d'intérêts des Titres, le taux d'intérêt applicable ainsi que sa méthode de calcul pourront varier ou rester identiques, selon le cas. Les Titres pourront comporter un taux d'intérêt maximum, un taux d'intérêt minimum ou les deux à la fois. Les Titres pourront porter intérêt à différents taux au cours de la même période d'intérêts grâce à l'utilisation de périodes d'intérêts courus. Toutes ces informations figureront dans les Conditions Définitives concernées.*

**Titres à Taux Fixe :**

*Les intérêts fixes seront payables à terme échu à la date ou aux dates pour chaque année indiquées dans les Conditions Définitives concernées.*

**Titres à Taux Variable :**

*Les Titres à Taux Variable porteront intérêt au taux déterminé pour chaque Souche de la façon suivante :*

- (i) sur la même base que le taux variable applicable à une opération d'échange de taux d'intérêt notionnel dans la Devise Prévvue concernée, conformément à la Convention Cadre FBF de 2001 relatives aux opérations sur instruments financiers à terme (ancienne Convention Cadre AFB relatives aux opérations de marché à terme) complétée par l'Additif Technique relatif à l'Echange de Conditions d'Intérêt et de Devises, publiée par l'AFB ou le FBF, ou*
- (ii) sur la même base que le taux variable applicable à une opération d'échange de taux d'intérêt notionnel dans la Devise Prévvue concernée, conformément à une convention incluant les Définitions ISDA 2000 telles que publiées par l'International Swap and Derivatives Association, Inc, ou*
- (iii) sur la base d'un taux de référence apparaissant sur une page écran convenue d'un service de cotation commercial (incluant mais non limité à l'EURIBOR, l'EONIA, le LIBOR, le CMS ou le TEC), ou*

(iv) sur tout autre base ou référentiel tel que spécifié par les Conditions Définitives concernées,

dans chaque cas augmenté ou diminué de la marge éventuellement applicable, et calculé et payable tel qu'indiqué dans Les Conditions Définitives concernées. Les Titres à Taux Variable pourront aussi avoir un taux d'intérêt maximum, un taux d'intérêt minimum, ou les deux.

**Titres à Coupon Zéro :**

Les Titres à Coupon Zéro pourront être émis au pair ou en dessous du pair et ne porteront pas intérêt.

**Titres Libellés en Deux Devises :**

Les paiements relatifs aux Titres Libellés en Deux Devises (que ce soit en principal ou intérêts, à échéance ou autrement) seront effectués selon les taux de conversion et dans les devises prévus dans les Conditions Définitives concernées.

**Titres Référencés sur un Indice :**

Les paiements en principal de Titres à Remboursement Référencé sur un Indice ou les paiements d'intérêts relatifs aux Titres à Coupon Référencé sur un Indice seront calculés par référence à l'indice et/ou à la formule décrits dans les Conditions Définitives concernées. Les "**Titres à Remboursement Référencé sur un Indice**", qui ne peuvent constituer des Titres Subordonnés entrant dans la composition des fonds propres complémentaires ou surcomplémentaires, sont des titres dont le remboursement de principal sera calculé par référence à un indice et/ou une formule et les "**Titres à Coupon Référencé sur un Indice**" (avec les Titres à Remboursement Référencé sur un Indice, les "**Titres Référencés sur un Indice**") sont des titres dont les intérêts seront calculés par référence à un indice et/ou une formule.

**Autres Titres :**

Les modalités des Titres à taux d'intérêt élevé, à faible taux d'intérêt, à taux d'intérêt croissant ou décroissant, les Titres libellés en deux devises, les Titres libellés en deux devises optionnelles, les Titres partiellement libérés ou tout autre type de Titres que l'Emetteur et tout(s) Agent(s) Placeur(s) conviendrai(en)t d'émettre dans le cadre du présent Programme seront détaillées dans les Conditions Définitives concernées.

**Redénomination:**

Les Titres libellés dans une devise de l'un quelconque des Etats Membres de l'UE participant à la troisième phase (ou toute phase ultérieure) de l'Union économique et monétaire pourront être relibellés en euros, tel que décrit plus amplement au paragraphe 1(d) des "Termes et Conditions".

**Consolidation :**

Les Titres d'une Série pourront être consolidés avec des Titres d'une autre Série selon les modalités décrites plus amplement au paragraphe 15 (b) des "Termes et Conditions".

**Forme des Titres :**

Les Titres peuvent être émis soit sous forme de titres dématérialisés ("Titres Dématérialisés"), soit sous forme de titres matérialisés ("Titres Matérialisés").

Les Titres Dématérialisés pourront, au gré de l'Emetteur, être émis au porteur ou au nominatif et, dans ce dernier cas, au gré du titulaire concerné, soit au nominatif pur soit au nominatif administré. Aucun document ne sera émis en représentation des Titres Dématérialisés. Se reporter aux "Modalités des Titres - Forme, valeur nominale, propriété et redénomination".

Les Titres Matérialisés seront uniquement émis au porteur. Un Certificat Global Temporaire relatif à chaque Tranche de Titres Matérialisés sera initialement émis. Les Titres Matérialisés pourront être émis hors de France uniquement.

<b>Droit Applicable :</b>	Droit français.
<b>Systèmes de compensation :</b>	Euroclear France en qualité de dépositaire central pour les Titres Dématérialisés et, pour les Titres Matérialisés, Clearstream Banking, société anonyme ("Clearstream, Luxembourg") et Euroclear Bank S.A./N.V., en sa qualité d'opérateur du Système Euroclear ("Euroclear") ou tout autre système de compensation que l'Emetteur, l'Agent Financier et l'Agent Placeur concerné conviendraient de désigner.
<b>Création des Titres Dématérialisés :</b>	La Lettre Comptable relative à chaque Tranche de Titres Dématérialisés devra être déposée auprès d'Euroclear France en sa qualité de dépositaire central un jour ouvrable à Paris avant la date d'émission de cette Tranche.
<b>Création des Titres Matérialisés :</b>	Au plus tard à la date d'émission de chaque Tranche de Titres Matérialisés, le Certificat Global Temporaire relatif à cette Tranche devra être déposé auprès d'un dépositaire commun à Euroclear et Clearstream, Luxembourg, ou auprès de tout autre système de compensation, ou encore pourra être remis en dehors de tout système de compensation sous réserve qu'un tel procédé ait fait l'objet d'un accord préalable entre l'Emetteur, l'Agent Financier et l'(les) Agent(s) Placeur(s) concerné(s).
<b>Prix d'émission :</b>	Les Titres pourront être émis au pair, en dessous du pair ou assortis d'une prime d'émission. Des Titres Partiellement Libérés pourront également être émis, auquel cas le Prix d'émission sera payable en deux ou plusieurs versements.
<b>Cotation:</b>	Sur le Marché Réglementé de la Bourse de Luxembourg et/ou sur toute autre marché réglementé de l'EEE au sens de la Directive Prospectus tel qu'indiqué dans les Conditions Définitives concernées. Les Conditions Définitives concernées pourront prévoir qu'une Souche de Titres ne fera l'objet d'aucune cotation.
<b>Offre au public:</b>	Les Titres pourront être offerts au public dans tout Etat membre de l'Espace Economique Européen, seulement lorsque cela sera indiqué dans les Conditions Définitives concernées et conformément aux lois et règlements applicables.
<b>Notation :</b>	Les Titres émis dans le cadre de ce Programme pourront faire l'objet d'une notation. La notation, s'il y en a une, sera précisée dans les Conditions Définitives concernées. Une notation ne représente pas une recommandation d'acheter, de vendre ou de détenir les valeurs mobilières concernées et peut, à tout moment, être suspendue, modifiée ou retirée par l'agence de notation concernée.
<b>Restrictions de vente :</b>	<p>Il existe des restrictions concernant l'offre et la vente des Titres ainsi que la diffusion des documents d'offre dans différents pays. Se reporter à la section "Souscription et Vente". Dans le cadre de l'offre et la vente d'une Tranche donnée, des restrictions de vente supplémentaires peuvent être imposées et seront alors indiquées dans les Conditions Définitives concernées.</p> <p>L'Emetteur relève de la Catégorie 2 pour les besoins de la Réglementation S de la Loi Américaine sur les Valeurs Mobilières de 1933 (Regulation S under the United States Securities Act of 1933), telle que modifiée (la "Loi Américaine sur les Valeurs Mobilières").</p> <p>Les Titres Matérialisés seront émis en conformité avec la Réglementation fiscale américaine (U.S. Treas. Reg.) §1.163-5(c)(2)(i)(D) (les "Règles D") sauf dans le cas où (i) les Conditions Définitives concernées stipulent que ces</p>

Titres Matérialisés seront émis en conformité avec la Réglementation fiscale américaine (U.S. Treas. Reg.) §1.163-5(c)(2)(i)(C) (les "**Règles C**"), et dans le cas où (ii) ces Titres Matérialisés ne sont pas émis en conformité avec les Règles C ou les Règles D mais dans des conditions telles qu'ils ne constituent pas des obligations dont l'enregistrement est requis par la loi américaine de 1982 sur l'équité d'imposition et la responsabilité fiscale (United States Tax Equity and Fiscal Responsibility Act of 1982) ("**TEFRA**"), auquel cas les Conditions Définitives concernées préciseront que les règles TEFRA ne s'appliquent pas à l'opération.

Les règles TEFRA n'ont pas à être respectées en matière de Titres Dématérialisés.

#### **Facteurs de risque :**

##### *Facteurs de risque liés à l'Emetteur et à ses activités*

Un certain nombre de facteurs pourrait modifier parfois substantiellement les résultats réels par rapport à ceux anticipés. Les facteurs suivants ne doivent pas être regardés comme un état complet et exhaustif de tous les risques potentiels et de toutes les incertitudes auxquels pourraient faire face les activités de l'Emetteur.

Changement des conditions économiques générales dans les marchés dans lesquels l'Emetteur opère tels que les changements dans les taux de change, la volatilité des taux d'intérêt, la volatilité dans les marchés actions, un manque de liquidité sur le marché monétaire en période de crise politique ou économique, une absence de liquidité et une pression à la baisse des prix sur les marchés immobiliers français et de la zone euro, particulièrement sur le marché immobilier des particuliers, des récessions et des fluctuations du taux de chômage et tendance consumériste à recourir au crédit, et concurrence sur les prix dans les segments de marché où l'Emetteur intervient.

Les trois principaux risques structurels à savoir les risques de taux d'intérêt, de taux de change et de liquidité (à l'exclusion des cas de trading), sont l'exposition de l'Emetteur aux risques de change internationaux, l'exposition de la liquidité de l'Emetteur et l'exposition de l'Emetteur sur les taux d'intérêt.

Les changements dans la réglementation et la politique du gouvernement sont décrits dans les Facteurs de Risques.

Facteurs spécifiques à l'Emetteur : la capacité de l'Emetteur à identifier précisément les risques auxquels il doit faire face, tels que l'incidence de pertes ou de délits au titre de prêts et de gérer ces risques. La gestion effective des risques dépend entre autres de la capacité de l'Emetteur grâce à des tests de simulation et à d'autres techniques à se préparer à des événements qui ne peuvent pas être appréhendés par des modèles statistiques qu'il utilise.

##### *Facteurs de risque liés aux Titres*

Certains facteurs sont significatifs pour évaluer les risques liés aux Titres émis dans le cadre du Programme, notamment:

- les risques liés à l'investissement : les investisseurs potentiels doivent être conscients des risques liés à l'investissement dans tout Titre avant de prendre leur décision d'investissement ;
- les risques liés à la structure de certaines émissions de Titres ;
- les risques généraux liés aux Titres ;
- les risques généraux relatifs aux marchés (risque de taux, risque de liquidité, risques de change).

*Pour une description détaillée des facteurs de risques, se reporter à la section "Facteurs de Risques" ci-après.*

***Documents accessibles au public :***

*Tant que des Titres pourront être émis dans le cadre du Programme, des copies des documents relatifs à l'Emetteur (notamment les statuts et les états financiers), du présent Prospectus de Base, de tout supplément au Prospectus de Base, des Conditions Définitives des Titres admis à la négociation sur un Marché Réglementé de l'EEE ou offerts au public dans un Etat Membre de l'EEE conformément à la Directive Prospectus, et du Contrat de Service Financier seront, une fois publiés, disponibles aux heures habituelles d'ouverture des bureaux, un quelconque jour de la semaine (à l'exception des samedis et des jours fériés) au siège social de l'Emetteur et dans les bureaux désignés de l'(des) Agent(s) Payeur(s).*

*Le Prospectus de Base, tout supplément au Prospectus de Base et les Conditions Définitives des Titres admis à la négociation sur un Marché Réglementé de l'EEE ou offerts au public dans un Etat Membre de l'EEE seront également disponibles sur le site de l'Emetteur ([www.hsbc.fr](http://www.hsbc.fr)) et de la Bourse du Luxembourg ([www.bourse.lu](http://www.bourse.lu)).*



## RISK FACTORS

### 1. RISK FACTORS RELATING TO THE ISSUER AND ITS ACTIVITY RISK MANAGEMENT

All the HSBC France group's activities involve analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The most important types of risk arising from financial instruments are credit risk (which includes country and cross-border risk), liquidity risk and market risk. Market risk includes foreign exchange, interest rate and equity price risk.

The management of all risks which are significant to the HSBC France group is discussed below.

#### CREDIT RISK MANAGEMENT

##### *Initiatives undertaken and risks identified*

Credit risk management within the HSBC France group is the responsibility of the Credit and Operational Risk Division ("CORD"). CORD reports directly to Senior Management and is completely independent from the operational units that present applications for credit facilities.

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. It arises principally from lending, trade finance, treasury and leasing activities. The HSBC Group has standards, policies and procedures dedicated to controlling and monitoring all such risks.

CORD ensures that loan approval forms part of the risk selection and measurement process, that the counterparty complies with set limits and that counterparty default is identified and dealt with appropriately. CORD monitors the concentration of risks at the counterparty, group and sector levels.

A Basel II-compliance rating system has been set up to evaluate credit risks and assess counterparties.

##### *Evaluation of counterparty risk*

HSBC France applies the worldwide scoring system developed by HSBC Holdings plc. HSBC Holdings plc is responsible for the formulation of high-level credit policies. HSBC's risk rating framework consists of a minimum of seven grades, taking into account the risk of default and the availability of security or other credit risk mitigation. The first three grades are applied to differing levels of satisfactory risk. Accounts in grade 4 and 5 require different degrees of special attention and grades 6 and 7 indicate non-performing status.

A risk rating framework for banks and other customers, based on default probability and loss estimates and comprising up to 22 categories, is progressively being implemented throughout the HSBC Group. This new approach will increasingly allow a more granular analysis of risk and trends. Rating methodology is based upon a wide range of financial analytics together with market data-based tools which are core inputs to the assessment of counterparty risk. Although automated risk rating processes are increasingly in use, for the larger facilities ultimate responsibility for setting risk grades rests with the final approving executive in each case. Risk grades are reviewed frequently and amendments, where necessary, are implemented promptly.

CORD has established a project management team in charge of credit systems development. This team is involved in implementing the new Basel capital accord, in association with the Information Systems Division. The "Basel II project", which is broken down into a number of sub-projects, is headed by an Operational Monitoring Committee, comprising members of Senior Management, supported by a number of Project Committees. It has the tools and systems required for effective project progress monitoring.

##### *Procedures for monitoring and measuring various types of risk*

The Chairman has delegated his lending authorities to the head of CORD.

These authorities are USD 50 million for new deals and USD 100 million for renewals. All applications above those limits approved by CORD are sent to HSBC Holdings plc for confirmation.

CORD is responsible for credit approvals, risk supervision and credit systems development.

The credit approval process is based on a system of designated limits. Limits are notified in writing and apply to

specific named counterparties. They now depend on the counterparty's Basel II rating. HSBC France's business units (HSBC branches, subsidiaries etc.) have lending authority limits, beyond which they must submit dossiers to CORD for approval.

CORD is also responsible for risk supervision and control over designated limits.

As regards counterparty risk management, HSBC France is currently implementing tools allowing it to:

- gain an overview of risks on a single counterparty or group of counterparties (monitoring concentration of major risks);
- analyse sector concentration;
- ensure the quality of commitments by portfolio and determine deteriorating risks.

Key credit risk management data are presented to ALCO Credit, a special committee that meets twice a month. Its role is to set the HSBC Group's credit policy, and it is informed of the most important lending decisions during the most recent period, along with the main existing commitments and changes in their risk profile.

Indeed, the HSBC Group's credit risk limits to counterparties in the financial and government sectors are managed centrally to optimise the use of credit availability and to avoid excessive risk concentration. Cross-border risk is controlled through the imposition of country limits, which are determined by taking into account economic and political factors, and local business knowledge, with sub-limits by maturity and type of business. Transactions with counterparties in higher risk countries are considered on a case-by-case basis.

Within the overall framework of the HSBC Group policy, the bank has an established risk management process encompassing credit approvals, the control of exposures (including those to borrowers in financial difficulty), credit policy direction to business units and the monitoring and reporting of exposures both on an individual and a portfolio basis. Local management is responsible for the quality of its credit portfolios and follows a credit process involving delegated approval authorities and credit procedures, the objective of which is to build and maintain risk assets of high quality. Regular reviews are undertaken to assess and evaluate levels of risk concentration, including those to individual industry sectors and products.

Special attention is paid to the management of problem loans. Where deemed appropriate, specialist units are established to provide intensive management and control to maximise recoveries of doubtful debts.

### Maximum exposure to credit risk

#### Maximum exposure to credit risk excluding collateral held or other credit enhancements (in millions of euros)

	Maximum exposure
Items in course of collection from other banks	2,110
Trading assets	37,920
– treasury & other similar bills	27,031
– debt securities	4,914
– loans and advances	5,975
Derivatives	18,030
Loans and advances to banks	16,557
Loans and advances to customers	37,226
Financial investments	3,223
– treasury and other similar bills	2,957
– debt securities	266
Other assets	
– endorsements and acceptances	19
– other	2,778
Off-balance sheet	
– financial guarantees and other credit related contingent liabilities	7,637
– loan commitments and other credit related commitments	14,762
<b>Total</b>	<b>140,262</b>

### Guarantees received and other credit risk enhancements

#### *Loans and advances*

The Group entities are required to implement guidelines on the acceptability of specific classes of guarantees received or credit risk mitigation, and determine valuation parameters. Such parameters are expected to be conservative, reviewed regularly and be supported by empirical evidence. Security structures and legal covenants

are subject to regular review to ensure that they continue to fulfil their intended purpose and remain in line with local market practice. While guarantees received are an important mitigant to credit risk, it is the Group's policy to establish that loans are within the customer's capacity to repay rather than to over-rely on security. In certain cases, depending on the customer's standing and the type of product, facilities may be unsecured. The principal guarantees received types are as follows:

- mortgages over residential properties in the personal sector;
- charges over business assets being financed in the commercial and industrial sector;
- charges over the properties being financed in the commercial real-estate sector;
- charges over financial instruments such as debt securities and equities in support of trading facilities in the financial sector.

#### *Other securities*

Other securities held as guarantee for financial assets other than loans and advances is determined by the structure of the instrument. Debt securities, treasury and other eligible bills are generally unsecured with the exception of asset-backed securities and similar instruments, which are secured by pools of financial assets.

### **Credit quality**

#### **Loans and advances**

	At 31 December 2005 (in millions of euros)	
	Loans and advances to customers	Loans and advances to banks
Gross loans and advances:		
– not impaired	36,824	16,556
– impaired	1,323	3
	<b>38,147</b>	<b>16,559</b>

Distribution of not impaired loans and advances by facility grade, at 31 December 2005

	At 31 December 2005 (in millions of euros)	
	Loans and advances to customers	Loans and advances to banks
Grade 1 – low risk	213	6,227
Grade 2 – satisfactory risk	567	5,304
Grade 3 – fair risk	35,432	4,936
Grade 4 – watch list	97	89
Grade 5 – sub-standard but not impaired	515	–
	<b>36,824</b>	<b>16,556</b>

Grades 1 and 2 represent facilities demonstrating financial condition, risk factors and capacity to repay that are good to excellent, residential mortgages with low to moderate loan to values ratios, and other retail accounts which are not impaired and are maintained within product guidelines.

Grade 3 represents satisfactory risk and includes facilities that require closer monitoring, mortgages with higher loan to value ratios than grades 1 and 2.

Grade 4 and 5 represent corporate facilities that require various degrees of special attention and all retail exposures that are progressively between 30 and 90 days past due.

Grade 6 and 7 indicate impaired status including all retail accounts that are progressively more than 90 days past due or 180 days for property.

## Other securities

### *Debt securities and treasury bills*

The following table presents an analysis of debt securities and treasury bills by rating agency designation at 31 December 2005, based on Standard and Poor's ("S&P") ratings or their equivalent:

	At 31 December 2005 (in millions of euros)		
	Treasury bills	Debt securities	Total
AAA	21,159	3,135	24,294
AA – to AA +	8,262	1,394	9,656
A – to A +	485	70	555
Unrated	82	581	663
<b>Total</b>	<b>29,988</b>	<b>5,180</b>	<b>35,168</b>
Of which issued by:			
— governments	29,988	–	29,988
— corporates	–	3,090	3,090
— other	–	2,090	2,090
<b>Total</b>	<b>29,988</b>	<b>5,180</b>	<b>35,168</b>
Of which classified as:			
— available-for-sale securities	2,957	266	3,223
— held for trading	27,031	4,914	31,945
<b>Total</b>	<b>29,988</b>	<b>5,180</b>	<b>35,168</b>

If major rating agencies have different ratings for the same debt securities, the securities are reported against the lower rating.

### Netting of assets and liabilities

An amount of EUR 11 billion of financial assets which is subject to a legally enforceable right of set-off against a financial liability is not presented on the balance sheet net as there is no intention for settlement to take place on a net basis or simultaneously.

(in millions of euros)	Book value	At 31 December 2005	
		Amount for which HSBC has a legally enforceable right to offset <sup>1</sup>	Net total credit risk
Derivatives	18,030	(11,047)	6,983

<sup>1</sup> Against financial liabilities with the same counterparties.

### Impairment assessment

It is HSBC France's policy that each entity makes allowance for impaired loans promptly and on a consistent basis in accordance with established Group guidelines.

HSBC France's rating process for credit facilities extended by members of the Group is designed to highlight exposures requiring greater management attention based on a higher probability of default and potential loss. Management particularly focuses on facilities to those borrowers and portfolio segments classified below satisfactory grades. Amendments to risk grades, where necessary, are required to be undertaken promptly. Management also regularly evaluates the adequacy of the established allowances for impaired loans by conducting a detailed review of the loan portfolio, comparing performance and delinquency statistics with historical trends and assessing the impact of current economic conditions.

Group policy requires a review of the level of impairment allowances that are above materiality thresholds at least half-yearly, and more regularly where individual circumstances require. This will normally include a

review of guarantees received (including re-confirmation of its enforceability) and an assessment of actual and anticipated cash flows. For significant commercial and corporate debts, specialised loan “work-out” teams with experience in insolvency and specific market sectors are used. This expertise enables likely losses on significant individual exposures to be assessed more accurately. Reversals on individually calculated impairment allowances are recognised whenever the Group has reasonable objective evidence that the established estimate of loss has been reduced.

Portfolio allowances are generally reassessed monthly and charges for new allowances, or releases of existing allowances, are calculated for each separately identified portfolio.

In relevant cases, impairment allowances will include an element in respect of exposures to countries assessed by management to be vulnerable. This assessment includes analysis of both economic and political factors existing at the time. Economic factors include the level of external indebtedness, the debt service burden and access to external sources of funds to meet the debtor country’s financing requirements. Political factors taken into account include the stability of the country and its government, threats to security and the quality and independence of the legal system.

#### *Non-performing loans*

Loans are designated as non-performing as soon as there is objective evidence that an impairment loss has been incurred. Objective evidence of impairment includes observable data such as when contractual payments of principal or interest are 90 days overdue or for property, 180 days overdue.

#### *Charge-offs*

Loans (and the related impairment allowances) are charged off, either partially or in full, when there is no realistic prospect of recovery of these amounts and when the proceeds from the realisation of security have been received.

### **Impaired loans**

#### **Impaired loans by industry sector**

	For the year ending 31 December 2005 (in millions of euros)	
	Gross loans and advances to customers	Gross loans by industry sector as a % of total Gross loans
Personal	295	22
Corporate	979	74
Financial	49	4
Total impaired loans and advances to customers	1,323	100

### **Impairment allowances**

When losses are expected, HSBC France reduces the carrying amount of loans and advances through the use of an allowance account. When losses on available-for-sale financial assets are expected, the carrying amount of the asset is reduced directly.

#### **Movement in allowance accounts for total loans and advances**

(in millions of euros)	Year ended 31 December 2005		
	Individually assessed	Collectively assessed	Total
At 1 January (including IFRS 32 and 39 adjustments)	(995)	(114)	(1,109)
Utilised provisions reversed	100	–	100
Release of allowances no longer required	246	37	283

New (allowances)	(232)	(19)	(251)
Exchange, changes in scope of consolidation and other movements	47	7	54
At 31 December	(834)	(89)	(923)

### Impairment allowances against loans and advances to customers

(in %)	2005	2004
Total impairment allowances to gross lending <sup>1</sup>		
Individually assessed impairment allowances	2.47	–
Collectively assessed impairment allowances	0.26	–
Specific provision	–	3.53
Total	2.73	3.53

1 Net of reverse repo transactions and settlement accounts.

### Net loan impairment charge/ (release) and other credit risk provision

	Year ended 31 December 2005	Year ended 31 December 2004
	(in millions of euros)	
	Total	Total
Individually assessed impairment allowances	232	330
New allowances	(246)	(294)
(Release) of allowances no longer required	–	(12)
Recoveries of amounts previously written off	(14)	24
Collectively assessed impairment allowances		
New allowances	19	–
(Release) of allowances no longer required	(37)	–
Recoveries of amounts previously written off	–	–
	(18)	–
Total charge/(release) for impairment losses	(32)	24
– bank	(3)	(6)
– customer	(29)	30
Other credit risk provisions	(43)	(51)
Cost of risk	(75)	(27)
Customer charge for impairment losses as a percentage of closing gross loans and advances	0.07%	0.09%
Total balances outstanding		
Non-performing loans	1,326	1,415
Impairment allowances	923	964
Gross loans and advances	54,706	50,477
Total allowances cover as a percentage of non-performing loans and advances	69.6%	68.1%

In 2004, provisions were only on non-performing loans. As a result, a direct comparison cannot be made between 2004 and 2005 provisions.

## LIQUIDITY AND FUNDING MANAGEMENT

HSBC France maintains a diversified and stable funding base of core retail and corporate customer deposits as well as portfolios of highly liquid assets. The objective of HSBC France's liquidity and funding management is to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due.

The liquidity and funding management process includes:

- monitoring balance sheet liquidity ratios against internal and regulatory requirements;
- maintaining a diverse range of funding sources;
- managing the concentration and profile of debt maturities;
- maintaining debt financing plans;
- monitoring deposit or concentration in order to avoid undue reliance on large individual depositors and ensure a satisfactory overall funding mix; and
- maintaining liquidity and funding contingency plans. These plans identify early indicators of stress conditions and describe actions to be taken in the event of difficulties arising from systemic or other crises while minimising adverse long-term implications for the business.

Core retail deposits (current accounts and savings deposits payable on demand or at short notice) form a significant part of the Group's overall funding. Considerable importance is attached to this core deposit base which, over the years, has been stable and predictable. HSBC France follows the HSBC Group's policy and prefers to grow its balance sheet through increasing core retail deposits where possible.

Global Markets is an important player in the money markets and debt capital markets. HSBC France routinely accepts deposits, often of a short-term nature, from banks and other institutions. In addition, the funding of capital markets activities, by repo arrangements for example, will often result in funding directly in the wholesale market.

Most of the bank's asset base is Euro-based with the remainder mostly denominated in GBP and US dollars. The non-euro asset base is partially funded through currency-denominated, deposits taken from the Eurocurrency interbank market, from central banks, corporate customers and other financial institutions.

The sources of such deposits, by type of institution and country, are monitored in order to avoid an undesirable dependence on any particular institution or category of depositor.

HSBC France complies with the regulatory liquidity ratio requirements of the Banque de France, overseen and monitored by the Commission Bancaire. Banks are required to submit quarterly returns which are used to compute a monthly liquidity ratio for the last three months. Banks simultaneously submit a future forecast of liquidity positions called "observation ratios". The ratios are derived by dividing liquid assets (which are subject to discount factors) by liabilities (which include a proportion of customer accounts, 5 per cent of off-balance-sheet commitments and all borrowings and subordinated loan stock maturing within one month). Banks are required to maintain, at all times, a ratio in excess of 100 per cent. For the year 2005, the HSBC France average liquidity ratio was 112.43 per cent.

HSBC France follows the HSBC Group's policy that on an all-currency basis all professional deposits with residual maturities up to 30 days, plus 5 per cent of deposit liabilities should be backed by liquid assets. This means that, in a crisis, the Group would be able to meet its obligations as they fall due for at least 30 days without recourse to the wholesale markets. This requirement is additional to the regulatory requirement.

## MARKET RISK MANAGEMENT

The objective of the Group's market risk management is to manage and control market risk exposures in order to optimise return on risk while maintaining a market profile consistent with its status as a premier provider of financial products and services.

Market risk is the risk that movements in market risk factors, including foreign exchange rates, interest rates,

credit spreads and equity and commodity prices will reduce the group's income or the value of its portfolios.

HSBC France separates exposures to market risk into either trading or non-trading positions. Trading exposures include those positions arising from market-making and proprietary position-taking. Non-trading exposures arise from the management of the commercial banking assets and liabilities.

Both exposures are reviewed on a systematic basis by the Committee "ALCO Balance Sheet and Market" which ensure that adequate controls exist and set related policies.

The aim is to ensure that all market risks are consolidated within operations which have the necessary skills, tools, management and governance to professionally manage such risks.

### ***Risk Management procedures***

The process for allocating market limits and the market risk management system as a whole involve a number of people from the HSBC Group and HSBC France, as well as special committees, the roles of which are set out below.

#### **Traded Markets Development & Risk (TMR) – HSBC Group**

The HSBC Group's management plays an active role in defining and monitoring HSBC France's market risks through its Traded Markets Development & Risk (TMR) department. This department's brief is to allocate risk limits to the HSBC Group's various entities through the Global Mandate, and to check usage of these limits. The head of the TMR department reports to the HSBC Group's Head of Finance.

#### **Product Control**

Within HSBC France's support functions for its large corporate segment, Product Control teams managed by the Head of Market Risk and Product Control calculate, control and analyse market risk indicators and results on a day-to-day basis. Their tasks also include daily position valuations, reserve allocation and daily results recording.

Product Control forms the backbone of the independent system for regular control of the bank's market risks. As part of the new market risk organisation, the Product Control unit has assumed responsibility for monitoring market limits, which was previously the task of the Market Risks and Modelling Division.

A special team within Product Control has the task of consolidating the HSBC France group's risks and of producing and disseminating reporting documents concerning HSBC France's market risks.

#### **Derivative Models Review Group (DMRG)**

Models developed by the front-office research team are crucial in managing, valuing and assessing the risks of some derivative products. These models are validated by an independent, specialist unit, the Derivative Models Review Group (DMRG), which previously formed part of the Market Risks and Modelling Division. Since March 2005, the unit has been part of the Corporate Banking Chief Financial Officer's teams and reports to the Head of Market Risk & Product Control. The Paris DMRG team reports functionally to the Group DMRG, which itself forms part of the TMR department.

#### **Parameters Committee**

This committee is managed by the Head of Market Risk & Product Control, and is made up of members of the DMRG, Product Control and front-office representatives. It meets in the first two weeks of every month, and discusses the parameters of the models used by the front office. Changes in the main market indicators are also examined during these monthly meetings.

#### **Securities Committee**

This committee also meets every month, and consists of front-office operational staff and members of Product Control. Its task is to examine major securities positions and to book illiquidity provisions as necessary.

#### **Balance Sheet and Markets ALCO**

The Balance Sheet and Markets ALCO meets every month, and is chaired by the Deputy CEO. Its role is to examine key issues relating to market risks, structural balance sheet risks (i.e. interest-rate risk, exchange-rate risk and liquidity risk), the securities portfolio and solvency ratios. The committee was formed in early 2005 via the combination of two existing committees, i.e. the ALM Committee and the Market Risks Committee. Its task



is to supervise market and balance sheet risks in a systematic manner, to ensure that appropriate controls exist and to approve the main rules included in the supervision system. The Balance Sheet and Markets ALCO consists of Senior Management, the heads of the business segments directly concerned, the Senior Corporate Vice President in charge of Capital Markets, the Head of Management Accounting and Chief Accountant, the Head of Market Risk and Product Control, the Corporate and Institutional Banking segment's Chief Operating Officer and the Head of Asset and Liability Management, who is the committee's secretary.

The Balance Sheet and Markets ALCO examines every month ALCO risk indicators prepared by Product Control, and analyses any significant events that took place during the previous month. Any entity that generates market risks must request the renewal or extension of its limits every year.

### **Periodic control**

Periodic control of market risks, as described above, is carried out by Group Finance Audit (GFA), which is the HSBC Group's unit in charge of the periodic control of world-wide capital markets activities.

### **HSBC France's Audit Committee and Board of Directors**

HSBC France's Audit Committee and Board of Directors fully comply with the tasks laid out by legislation and regulations. Every HSBC France Audit Committee meeting involves the submission of market limits for approval. In addition, the main information relating to market risks and market risk management is presented to this committee, enabling it to gain an overview of the entire risk management system. Similarly, every HSBC France Board meeting involves a presentation of the main market risk information.

### ***Value at Risk***

One of the principal tools used by the Group to monitor and limit market risk exposure is VaR. HSBC France's Internal model is used to calculate a Value-at-Risk (VaR). VaR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence (for the Group, 99 per cent). HSBC France calculates VaR daily. The VaR model used by HSBC France, as for the Group, is based on historical simulation. The historical simulation model derives plausible future scenarios from historical market rates time series, taking account of inter-relationships between different markets and rates, for example between interest rates and foreign exchange rates. Potential movements in market prices are calculated with reference to market data from the last two years. Internal model of HSBC France has been validated by the French regulator "Commission Bancaire" in 1999 for capital requirements calculations. HSBC France calculates a VaR based on an assumed holding period of 10 days. On a Group perspective, 1-day period VaR is obtained by dividing ten-day VaR by square root of ten. According to Group standards, the VaR exposure reported on pages 48 and 49 is expressed in VaR one-day.

Although a useful guide to risk, VaR should always be viewed in the context of its limitations. For example:

- the use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature;
- the use of a one-day holding period assumes that all positions can be liquidated or hedged in one day. This may not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully;
- the use of a 99 per cent-confidence level, by definition, does not take into account losses that might occur beyond this level of confidence; and
- VaR is calculated on the basis of exposures outstanding at the close of business and therefore does not necessarily reflect intra-day exposures.

HSBC France recognises these limitations by supplementing its VaR limits by sensitivity limit structures. Additionally, stress testing scenarios are applied, both on individual portfolios and on HSBC France's consolidated positions. Stress scenarios are defined by a group of specialists in Paris (market heads, controllers) in accordance with Group rules and practices.

The one-day VaR, both trading and non-trading, for Global Markets was as follows:

	Total (millions of euros)
At 31 December 2005	9.5
At 31 December 2004	10.6

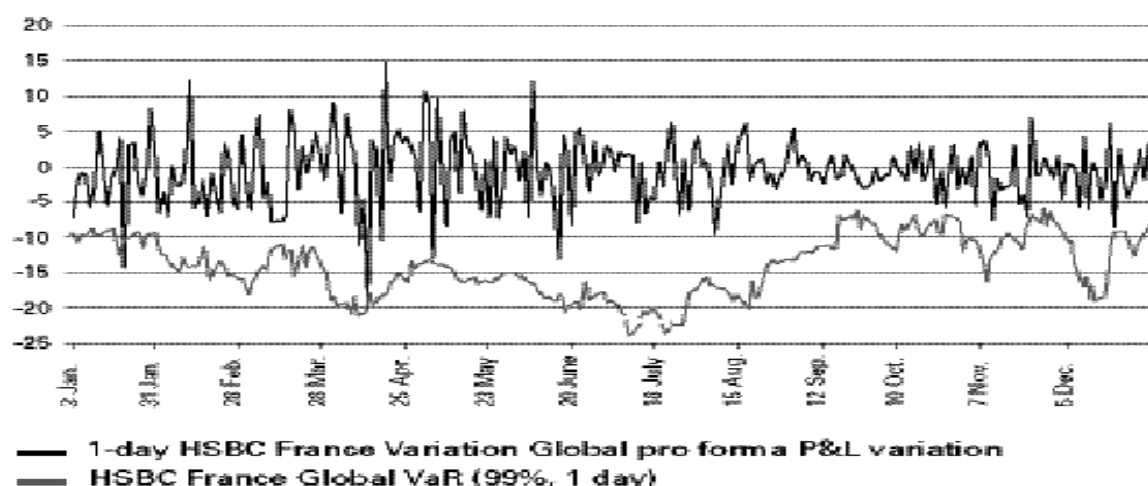
	Average	Minimum	Maximum
	(in millions of euros)		
2005	13.7	5.6	22.9
2004	9.9	6.0	14.7

### **Back testing**

The model is back-tested by taking 99 per cent, one-day VaR figures and comparing them with daily “pro forma” results determined from changes in market prices assuming constant positions. Back-testing is carried out on a D+2 basis by business area and for all of the HSBC Group’s market positions.

It allows the model to be validated, ensuring that the actual result, in absolute terms, is lower than the calculated one day-VaR in 99 per cent of cases.

Proforma Back testing January-December 2005  
(in millions of euros)



### **Fair value and price verification control**

Where certain financial instruments are carried on the Group’s balance sheet at fair values, it is the Group policy that the valuation and the related price verification processes are subject to independent testing across the Group. Financial instruments which are accounted for on a fair value basis include assets held in the trading portfolio, financial instruments designated at fair value, obligations related to securities sold short, all derivative financial instruments and available-for-sale securities.

The determination of fair values is therefore a significant element in the reporting of the Group’s Global Markets activities.

All significant valuation policies, and any changes thereto, must be approved by senior finance management. The Group’s governance of financial reporting requires that Financial Control departments across the Group are independent of the risk-taking businesses, with the Finance functions having ultimate responsibility for the determination of fair values included in the financial statements, and for ensuring that the Group’s policies and relevant accounting standards are adhered to. Senior management are required to assess the resourcing and expertise of Finance functions within the Group on a regular basis to ensure that the Group’s financial control

and price verification processes are properly staffed to support the required control infrastructure.

### **Trading**

Market risk in trading portfolios is monitored and controlled at both portfolio and position levels using a complementary set of techniques, such as VaR and present value of a basis point, together with stress and sensitivity testing and concentration limits. These techniques quantify the impact on capital of defined market movements.

Other controls include restricting individual operations to trading within a list of permissible instruments authorised by Traded Markets Development and Risk, and enforcing rigorous new product approval procedures. In particular, trading in the more complex derivative products is concentrated with appropriate levels of product expertise and robust control systems.

HSBC France's policy on hedging is to manage economic risk in the most appropriate way without regard as to whether hedge accounting is available, within limits regarding the potential volatility of reported earnings. Trading VaR is further analysed below by risk type, by positions taken with trading intent and by positions taken without trading intent (not significant for HSBC France) :

#### **Total trading VaR by risk type**

(in millions of euros)	Foreign exchange	Interest rate trading	Equity	Total
At 31 December 2005	0.2	7.6	0.5	7.3
At 31 December 2004	0.4	8.7	2.0	n.a.
Average				
2005	0.3	11.1	1.2	12.0
2004	0.3	8.4	1.8	n.a.
Minimum				
2005	0.1	3.6	0.3	4.5
2004	0.1	4.8	0.7	n.a.
Maximum				
2005	0.5	21.6	3.7	22.4
2004	0.5	14.6	3.7	n.a.

#### **Positions taken without trading intent – VaR by risk type**

(in millions of euros)	Foreign exchange	Interest rate trading	Equity	Total
At 31 December 2005	0.2	7.4	0.5	7.1
At 31 December 2004	0.4	8.7	2.0	n.a.
Average				
2005	0.3	10.7	1.2	11.6
2004	0.3	8.4	1.8	n.a.
Minimum				
2005	0.1	3.5	0.3	4.4
2004	0.1	4.8	0.7	n.a.
Maximum				
2005	0.5	20.5	3.7	21.3
2004	0.5	14.6	3.7	n.a.

**Positions taken without trading intent – VaR by risk type**

(in millions of euros)	Foreign exchange	Interest rate trading	Equity	Total
At 31 December 2005	–	0.2	–	0.2
At 31 December 2004	–	–	–	–
Average				
2005	–	0.4	–	0.4
2004	–	–	–	–
Minimum				
2005	–	0.1	–	0.1
2004	–	–	–	–
Maximum				
2005	–	1.1	–	1.1
2004	–	–	–	–

***Non-trading***

The main objective of market risk management of non-trading portfolios is to optimise net interest income.

Market risk in non-trading portfolios arises principally from mismatches between the future yield on assets and their funding cost as a result of interest rate changes. Analysis of this risk is complicated by having to make assumptions on optionality in certain product areas, for example, mortgage prepayments, and from behavioural assumptions regarding the economic duration of liabilities which are contractually repayable on demand, for example, current accounts. In order to manage this risk optimally, market risk in non-trading activities is measured and managed centrally by the ALM team which defined the rules to transfer this risk to Global Markets. When the behavioural characteristics of a product differ from its contractual characteristics, the behavioural characteristics are assessed to determine the true underlying interest rate risk. ALCO regularly monitor all such behavioural assumptions and interest rate risk positions, to ensure they comply with interest rate risk limits established by the HSBC Group Management Board. The transfer of the net interest exposure to dedicated trading books managed by Global Markets is achieved by a series of internal deals (cash or swap) between the business units and these trading books.

Once market risk has been consolidated in Global Markets books, the net exposure is typically managed through the use of interest rate swaps to reverse the risk to the market within agreed limits.

A principal management tool for this non-trading risk is the control of the sensitivity of projected net interest income under varying interest rate scenarios.

Market risk also arises in HSBC's insurance businesses within their portfolios of investments and policyholder liabilities. The principal market risks are interest-rate risk and equity risk, which primarily arise when guaranteed investment return policies have been issued. The insurance businesses have a dedicated ALM team which oversees management of this risk under the auspices of local and Group ALCOs.

***Structural foreign exchange exposures***

Structural foreign exchange exposures represent net investments in subsidiaries, branches or associated undertakings, the functional currencies of which are currencies other than the euro.

The investment in foreign subsidiaries is limited in amounts and totally funded in the same currency. As a result, the structural exchange exposure is coming from the P&L of these subsidiaries which stays in reserves.

***Capital Adequacy reporting***

Internal model allows the daily calculation of Value at Risk for all positions. It has been approved by the Commission Bancaire for regulatory capital adequacy calculations. At 31 December 2005, it covered 98 per cent of market risks within HSBC France. Risks not covered by the internal model are measured using the

standardised approach devised by the Bank of International Settlements and transposed into French law by CRBF regulation 95-02.

Capital requirements with respect to market risks break down as follows (millions of euros):

	31 December 2005		31 December 2004	
	BIS	CAD	BIS	CAD
Internal Model:	117.2	117.2	141.8	141.8
Foreign exchange risk	3.0	3.0	4.0	4.0
General interest-rate risk	124.7	124.7	121.5	121.5
General equities risk	11.2	11.2	34.5	34.5
Netting effect	(21.7)	(21.7)	(18.2)	(18.2)
Standard methods:	60.8	60.7	45.5	45.4
Foreign exchange risk	0.05	0.05	0.07	0.06
General interest-rate risk	0.12	0.08	0.59	0.62
Specific interest-rate risk	60.6	60.6	44.3	44.3
General equities risk	0.0	0.0	0.3	0.3
Specific equities risk	0.0	0.0	0.3	0.1
<b>Total</b>	<b>178.0</b>	<b>177.9</b>	<b>187.4</b>	<b>187.2</b>

## RISK COVER AND REGULATORY RATIOS

### *Large exposures*

The HSBC France group complies with the French Banking Commission's rules, which require the following:

- exposure to a group of clients deemed to have the same beneficial owner is limited to 20 per cent of net capital if the beneficial owner is investment grade and 15 per cent if non-investment grade;
- the aggregate of individual exposures exceeding 10 per cent of net capital is limited to 8 times net capital. Ten groups had individual exposures exceeding 10 per cent of net capital at the end of 2005.

### *Loan loss provisions*

At 31 December 2005, loan loss provisions represented 69.6 per cent of the HSBC France group's total doubtful and non-performing exposure.

### *Liquidity ratio*

The group's regulatory ratios reflect its good liquidity risk cover. The regulatory liquidity ratio, which measures the potential one-month liquidity gap, averaged 112.43 per cent in 2005.

### *International solvency ratio (BIS ratio)*

The group's international solvency ratio (BIS ratio) was 10.05 per cent at 31 December 2005, compared with a minimum requirement of 8 per cent. The group's Tier 1 capital ratio was 9.49 per cent compared with a minimum requirement of 4 per cent.

Under the BIS definition, total HSBC France group capital amounted to EUR 4.19 billion at 31 December 2005, of which EUR 3.96 billion was Tier 1 capital.

The corresponding risk-weighted assets totalled EUR 41.7 billion, broken down as follows:

(in billions of euros)

Credit risks, not including trading book	37.7
Trading book credit risks	2.5
Market risks	1.5

## OPERATIONAL RISK MANAGEMENT

Operational risk is the risk that financial loss arises from fraud, non-authorised activities, errors, oversights, inefficiency, failures in systems or external events.

It includes the risk linked to the security of information systems, legal and regulatory risks and environmental risks.

### *Identification and management of operational risks*

An operational risk management system was established in 2003 as an extension of the loss-reporting system set up for all HSBC France group business units in 2002. In addition to a small central operational risk management team, each business unit has its own Operational Risk Business Co-ordinators (“ORBC”) who, within their entities, co-ordinate work to identify operational risks liable to affect their business. In conjunction with the business head concerned, they analyse and quantify the risk of loss in terms of frequency, severity and exposure (with exposure taking account of the effectiveness of existing procedures), using the grading system recommended by the HSBC Group.

During 2004, action plans were drawn up for all risks identified by the system as significant, after review and validation by an Operational Risk Management Committee. The ORBCs are responsible for monitoring these action plans and more generally for measuring trends in their business unit’s exposure to risk.

In January 2005, the HSBC Group rounded out existing procedures by drawing up a summary of all methods for identifying, reporting, managing, control ling and preventing risks. These rules include the following:

- responsibility for operational risk management falls primarily to managers, through transaction processing;
- information systems are used to identify and report operational risks and to generate appropriate regular reporting documents;
- operational risks are identified on the basis of statements covering all activities. Risk identification work is regularly updated in order to identify significant developments;
- operational losses are noted and reported to management, the Operational Risk Management Committee and the Audit Committee.

As part of these procedures, for the HSBC France group as a whole, an Operational Risk Management Committee regularly reviews risks by business segment and operating losses.

HSBC France carries out an annual review of risks for all business segments, together with a quarterly review of trends in exposure and the impact of measures taken to mitigate risks identified as significant. A summary of its work is submitted to the Audit Committee.

An IT application developed by the HSBC Group is currently undergoing testing at HSBC France, and is due to be deployed in the first half of 2006 to manage the process of identifying and updating risks and loss-reporting within an automated database.

### *Legal risks and litigation*

The Legal and Tax Division (“DAJF”) assists HSBC France’s operating units in preventing legal risks, and is responsible for litigation.

– Prevention of legal risks:

The DAJF manages the Legal and Tax Risks Committee, which may be consulted on situations likely to generate specific substantive legal and tax risks, and the Structured Transactions Committee, which reviews the legal, accounting, tax and financial risks connected with complex structured transactions. The DAJF is also involved in due diligence procedures concerning market operations, structured transactions and any new acquisition (or disposal) of an entity by HSBC France group.

The DAJF is responsible for managing risks directly or indirectly connected with all contentious matters. It is also involved in handling large exposures at risk or doubtful debts, and monitors all other risks which may have legal or tax implications.

– Litigation:

Since 2001, the HSBC France group has been involved in legal actions taking place in the United States, relating to banking operations and fiduciary loans. As jurisdiction has not yet been definitively allocated to the courts involved, it is not possible at this stage to estimate the outcome of these legal proceedings. In any case, the allegations made are fiercely contested.

There are no other litigation or arbitration proceedings likely to have or have recently had a material impact on HSBC France's financial position, its activities and results, or consequently on the HSBC France group.

### ***Business Recovery Plan***

Business recovery plans (“**BRP**”) have been devised for all sensitive activities of the HSBC platform and financial subsidiaries located in the Group's sites in the Ile-de-France region. It does not cover network activities and those of regional banking subsidiaries that have implemented their own BRP, except for HSBC UBP and HSBC Picardie, which are included in HSBC France BRP.

HSBC France (parent company and subsidiaries at central sites) only takes into consideration the loss of one building at a time (except for the Head Office complex on the Champs Elysées area). In the case of such a loss, a back up site is located in Lognes for all essential operations.

The loss of the Lognes site is covered by the IT Back up Plan.

Capital market activities, asset management, processing of bank transactions and non-production IT support – which is covered by the IT Back up Plan – are given priority in the case of a crisis.

Tests to ensure business continuity following a crisis were performed successfully in the fourth quarter of 2005 for all CIBM activities – capital markets, asset management, transactions and IT support – and are planned for other activities in the first half of 2006.

A consultation took place in the fourth quarter of 2005, both with the FBF (Fédération Bancaire Française) and internally, to define a specific plan covering other major risks that may affect business continuity, such as floods and pandemics.

This should lead to specific business continuity/ resumption plans being drawn up during 2006.

In terms of organisation, a security department was set up on 1 January 2006, with the brief of managing crises and co-ordinating group business continuity plans.

### ***Dependency***

HSBC France is not dependent on any patents or licences or industrial, commercial or financial supply contracts.

### ***Environmental risks***

The Corporate Social Responsibility policy is described on pages 38 to 41 of HSBC France's annual report for 2005.

## COMPLIANCE AND MONEY LAUNDERING

Within HSBC France, the system for controlling the risk of non-compliance with laws, regulations and professional and ethical standards has been managed since September 2001 by HSBC France group Compliance (DGCD). The group Compliance Department, composed of specialists in money-laundering prevention, investment services control and financial compliance, organises and develops its action to implement a consolidated approach to compliance for all HSBC France group's activities.

Four Business Compliance Officers are supervised by the Head of Compliance and are each responsible for one of the group's core businesses: Retail & Commercial Banking, Corporate, Investment Banking & Markets, Asset Management and Private Banking. Group Compliance is supported by Local Compliance Officers ("LCOs") within each entity. In accordance with the decree of 31 March 2005 and CRBF regulation 97-02, all compliance staff report to Group Compliance as of the start of 2006, in order to ensure the full independence of the compliance function with respect to operational activities.

In association with the Training team of the Human Resources department and other departments of the Group such as Legal and Tax Affairs, the Group Compliance organises training and information seminars for the LCOs on current regulations and developments, together with workshops on specific regulatory issues. It also contributes to the many training sessions organised by the LCOs for staff dealing with customers or staff in support services dealing with money laundering prevention or compliance with Autorité des Marchés Financiers (AMF) regulations, concerning in particular the duties of best advice.

### *Prevention of money laundering and terrorism financing*

French and European regulations on money laundering and terrorism financing have been tightened up considerably over the past few years. In particular in April 2002, the French Banking Regulations Committee (CRBF) issued Regulation no. 2002-01. European legislation on terrorism financing requires banks to take specific measures to prevent the flow of funds to or from suspected terrorists, and to report all suspicious accounts and transactions to the relevant authorities. Since 2004, financial institutions have also been required to report sums and transactions that might have been involved in fraud affecting the financial interests of the European Communities, corruption, or financing terrorism. In June 2005, the third European directive against money laundering and terrorist financing was adopted, including the 40 recommendations of the FATF (Financial Action Task Force) on money laundering, which were revised in June 2003. The directive has not yet been transposed into French law.

The HSBC France group pursued its action in three key areas during 2005 – procedures, information systems and staff training – to ensure that it complies fully with the new provisions and to further strengthen its money laundering prevention systems.

#### **Procedures**

The HSBC France group has a dedicated intranet site, accessible to all employees, featuring all general procedures to combat money laundering and terrorist financing in an organised and hierarchical way. In 2005, special intranet sites were set up for the Private Banking and Corporate, Investment Banking and Markets business lines. These procedures incorporate legal obligations as well as HSBC Group rules, which are sometimes more restrictive than legal requirements. They are updated regularly to take account of regulatory developments and any risks revealed by the money laundering risk mapping process. The site also contains concrete examples and general information obtained from the websites of organisations such as the Financial Action Task Force (FATF), Transparency International, a non-governmental anti-corruption organisation, and the Wolfsberg Group, of which HSBC has been a member for several years.

HSBC France introduced a formal money laundering risk mapping process for each business unit of the group as part of the work being carried out for the Basel II operational risks project. Risk mapping involves analysing and classifying risks specific to each business activity by operation, transaction and customer type, together with a critical analysis of the control system in place for those risks. The results are used by business unit heads to draw up continuous progress plans for their anti money laundering systems. It also gives Group Internal Audit a means of identifying areas at risk. It will therefore become for the business and executive management an essential tool for measuring money laundering risk and drawing up targeted action plans.

Money Laundering Prevention Committees have been established in each activity of the HSBC France group.



The Committees are responsible for examining all matters relating to the prevention of money laundering in their business unit.

### **IT resources**

The HSBC network has a supervision system that enables relationship managers to monitor and carry out centralised reporting for sensitive client accounts. The system focuses on controls of cheques issued and submitted, in accordance with CRBF regulation 2002-01, and cash transactions. It is gradually being implemented across the HSBC France group's banking subsidiaries. In 2005, it was deployed at HSBC Picardie, CCSO and HSBC Hervet. The system for control over payments made has been upgraded to improve detection of suspicious transactions.

As part of HSBC France's drive to combat terrorism financing, Group Compliance has supervised a project to implement an automated filtering and blocking system for international payments in all HSBC France units. Developments were also carried out in 2005 to allow daily checks of client databases with respect to terrorist lists drawn up by the European Union and the US Treasury's Office of Foreign Assets Control (OFAC).

### **Staff training**

An ambitious two-year training plan has been implemented for the retail banking, CIBM and private banking businesses, covering all employees concerned. It is based on training packages developed in conjunction with Tracfin and the French Banking Commission.

### *Other compliance issues*

#### **Staff ethics**

In 2005, in order to comply fully with requirements arising from the new European directive on market abuse, staff that have sensitive information on the HSBC Group were informed of their insider status and of the specific rules that apply to them. These include restrictions on trading HSBC securities for their own account.

In addition, procedures relating to the prevention of insider trading and the circulation of confidential or sensitive information, and arrangements regarding gifts, invitations and benefits received or given were updated and disseminated among the staff concerned.

#### **Compliance training**

The Compliance function continued to train staff in the areas of professional secrecy, staff ethics and rules of conduct. New themes will be added to these training sessions in 2006.

As regards the directive on market abuse, a number of training sessions were organised in 2005 for Corporate, Investment Banking and Markets staff. In 2006, these training sessions will continue, and will be extended to all staff working in the branch network and Private Banking business line.

## **INSURANCE AND RISK COVERAGE**

HSBC France and its subsidiaries are covered by the main world insurance programmes taken out by HSBC Holdings plc in London regarding the coverage of the major risks (fraud, professional liability, directors' and officers' liability).

As regards the specific insurance requirements of its operations and to comply with French regulations, HSBC France arranges local insurance programmes centrally, via its Insurance Department, on behalf of the HSBC France group.

In particular, insurance is used to cover civil liability relating to regulated activities, operational civil liability, banking risks and the automobile fleet.

Damage to real-estate and other property, including IT hardware, and the associated operating losses are insured by a policy taken out in France. This local policy is linked to the global programme taken out by HSBC Holdings plc. Replacement value guarantees vary between sites.

Sums insured, retentions and excesses are:

- in line with market conditions, industry practice and legislation;

- based on the value of the assets and the potential impact on the balance sheets of HSBC France and HSBC Holdings plc.

The total amount of insurance premiums paid for 2005 represented 0.27 per cent of net operating income.

Broker, insurance and expert partners are selected in accordance with a strict selection and solvency supervision policy, established and controlled by HSBC Insurance Holdings plc.

There were no major claims in 2005 concerning the HSBC France group.

Risk insurability and the consistency of insurance programmes were analysed regularly in 2005 in conjunction with operational risk monitoring staff and the Risk Committee in charge of supervising efforts to prevent and reduce

## **2. RISK FACTORS RELATING TO THE NOTES**

The following paragraphs describe the principal risk factors that the Issuer believes are material to the Notes to be offered and/or listed and admitted to trading in order to assess the market risk associated with these Notes. Prospective investors should consult their own financial and legal advisers about risks associated with investments in a particular Series of Notes and the suitability of investing in the Notes in light of their particular circumstances. The risk factors may be supplemented in the Final Terms of the relevant Notes for a particular issue of Notes.

### **2.1 The Notes may not be a suitable investment for all investors**

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the relevant Notes and the information contained in this Base Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact the relevant Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

### **2.2 Risks related to the structure of a particular issue of Notes**

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

*Notes subject to optional redemption by the Issuer*

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

The redeemed face amount of the Notes may be lower than the purchase price for the Notes paid by the Noteholders. As a consequence, part of the capital invested by the Noteholder may be lost, so that the Noteholder in such case would not receive the total amount of the capital invested.

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

*Index Linked Notes and Dual Currency Notes*

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**"). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified;
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield; and
- (viii) if a Relevant Factor is subject to a barrier or target or its operation is limited to a specified range, its effect on the value of the Notes maybe accordingly limited, possibly preventing an increase in such value which would otherwise apply.

*Fluctuations in the value of the Underlying*

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

### *No Ownership Rights*

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

### *Certain Considerations Regarding Hedging*

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

### *Potential Conflicts of Interest*

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

### *Disruption Event*

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

### *Value of Baskets*

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

### *The volatility of the Reference Assets or Relevant Factors*

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

### *Partly-paid Notes*

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing some or all of his investment.

*Variable Rate Notes with a multiplier or other leverage factor*

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

*Inverse Floating Rate Notes*

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

*Fixed/Floating Rate Notes*

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

*Notes issued at a substantial discount or premium*

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

*The Issuer's obligations under Subordinated Notes are subordinated*

The Issuer's obligations under Subordinated Notes will be unsecured and subordinated and will rank junior in priority to the claims of unsubordinated creditors. Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in Subordinated Notes will lose all or some of his investment in the event of voluntary liquidation or judicial liquidation (*liquidation judiciaire*) of the Issuer.

**2.3 Risks related to Notes generally**

Set out below is a brief description of certain risks relating to the Notes generally:

*Modification of the Conditions*

The Noteholders will, in respect of all Tranches in any Series, be grouped automatically for the defence of their common interests in a *masse*, as defined in Condition 10, and a General Meeting can be held. The Terms and Conditions permit in certain cases defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant General Meeting and Noteholders who voted in a manner contrary to the majority. The General Meeting may deliberate on any proposal relating to the modification of the Conditions including any proposal, whether for arbitration or settlement, relating to rights in controversy or which were the subject of judicial decisions, as more fully described in Condition 10.

*Change of law*

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

## 2.4 Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

### *The secondary market generally*

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have an adverse effect on the market value of Notes.

### *Exchange rate risks and exchange controls*

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

### *Interest rate risks*

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

### *Credit ratings may not reflect all risks*

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

### *Legal investment considerations may restrict certain investments*

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

## DOCUMENTS INCORPORATED BY REFERENCE

This Base Prospectus shall be read and construed in conjunction with the following documents which have been previously published and approved by the CSSF or filed with it and which are incorporated in, and shall be deemed to form part of, this Base Prospectus:

- HSBC France's 2005 *Document de Référence* (Annual report) in the French language\*, and
- CCF (now HSBC France)'s 2004 *Document de Référence* (Annual Report) in the French language\*,

save that any statement contained in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

All documents incorporated by reference in this Base Prospectus may be obtained, without charge on request, at the principal office of HSBC France and the Paying Agent set out at the end of this Base Prospectus during normal business hours so long as any of the Notes are outstanding and will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

The information incorporated by reference in this Base Prospectus shall be read in connection with the cross reference list below. Any information not listed in the cross reference list but included in the documents incorporated by reference is given for information purposes only.

## CROSS REFERENCE LIST

INFORMATION INCORPORATED BY REFERENCE	REFERENCE
<b>Annex XI of the EC Regulation 809/2004</b>	
<b>STATUTORY AUDITORS</b>	2005 <i>Document de Référence</i> page 177.
<b>INFORMATION ABOUT THE ISSUER</b>	
<b><u>History and development of the Issuer</u></b>	2005 <i>Document de Référence</i> page 161.
<b>BUSINESS OVERVIEW</b>	
<b><u>Principal activities:</u></b>	2005 <i>Document de Référence</i> pages 2-7.
<b><u>Principal markets:</u></b>	2005 <i>Document de Référence</i> pages 2-7.
<b>ORGANISATIONAL STRUCTURE</b>	2005 <i>Document de Référence</i> second page, pages 2 to 7, pages 134-149.
<b>TREND INFORMATION</b>	2005 <i>Document de Référence</i> pages 175-176.
<b>ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES</b>	2005 <i>Document de Référence</i> pages 8-15.
<b>MAJOR SHAREHOLDERS</b>	2005 <i>Document de Référence</i> pages 23 and 164.

\* The English translations of these documents are available on the website of the Issuer.

<b>FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES</b>	
<b><u>Issuer's audited consolidated annual financial statements for the year ended 31 December 2005</u></b>	
- Balance sheet	2005 <i>Document de Référence</i> page 61.
- Income statement	2005 <i>Document de Référence</i> page 60.
- Cash flow statement	2005 <i>Document de Référence</i> page 63.
- Notes	2005 <i>Document de Référence</i> pages 64-126.
- Auditors' report relating to the above	2005 <i>Document de Référence</i> pages 154.
<b><u>Issuer's audited consolidated annual financial statements for the year ended 31 December 2004</u></b>	
- Balance sheet	2004 <i>Document de Référence</i> pages 50-51.
- Income statement	2004 <i>Document de Référence</i> page 52.
- Cash flow statement*	2005 <i>Document de Référence</i> page 63.
- Notes	2004 <i>Document de Référence</i> page 53-91.
- Auditors' report relating to the above	2004 <i>Document de Référence</i> pages 121-124.
<b>MATERIAL CONTRACTS</b>	2005 <i>Document de Référence</i> pages 156-157.

- IFRS except IAS 32, 39.



## SUPPLEMENT TO THE BASE PROSPECTUS

If at any time the Issuer shall be required to prepare a supplement to the Base Prospectus pursuant to the provisions of Article 13 of the *Loi relative aux prospectus pour valeurs mobilières* in Luxembourg implementing Article 16 of the Prospectus Directive 2003/71/EC, following the occurrence of a new factor, a material mistake or inaccuracy or omission relating to the information included in this Base Prospectus (including the “Terms and Conditions” of the Notes) which is capable of affecting the assessment of any notes whose inclusion would reasonably be required by investors and their professional advisers, the Issuer will prepare and make available an appropriate supplement to this Base Prospectus or a restated Base Prospectus, which in respect of any subsequent issue of Notes to be listed and admitted to trading on the Luxembourg Stock Exchange or on a Regulated Market of a Member State of the EEA or to be offered to the public in Luxembourg or in any Member State of the EEA, shall constitute a supplement to the Base Prospectus for the purpose of the relevant provisions of the *Loi relative aux prospectus pour valeurs mobilières* dated 10 July 2005.

## GENERAL DESCRIPTION OF THE PROGRAMME

*Words and expressions defined in "Terms and Conditions of the Notes" below shall have the same meanings in this general description.*

**Issuer:** HSBC France.

**Arranger:** HSBC Bank plc.

**Dealers:** HSBC Bank plc.  
HSBC France.

The Issuer may from time to time terminate the appointment of any Dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Base Prospectus to "**Permanent Dealers**" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "**Dealers**" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.

At the date of this Base Prospectus, only credit institutions and investment firms incorporated in a Member State of the European Union ("**EU**") and which are authorised by the relevant authority of such member home state to lead-manage bond issues in such Member State may act (a) as Dealers with respect to non-syndicated issues of Notes denominated in Euro and (b) as lead manager of issues of Notes denominated in Euro issued on a syndicated basis.

**Description:** Euro Medium Term Note Programme.

**Programme Limit:** Up to €20,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.

**Fiscal Agent and Principal Paying Agent:** HSBC Bank plc.

**Paris Paying Agent:** HSBC France.

**Method of Issue:** The Notes may be offered to the public or not and/or listed or not, and in each case may be issued on a syndicated or non-syndicated basis.

The specific terms of each Tranche (including, without limitation, the aggregate nominal amount, issue price, redemption price thereof, and interest, if any, payable thereunder) will be determined by the Issuer and the relevant Dealer(s) at the time of the issue and will be set out in the relevant Final Terms.

**Maturities:** Subject to compliance with all relevant laws, regulations and directives, the Notes will have a minimum maturity of one month from the date of original issue as specified in the relevant Final Terms except (i) in the case of Subordinated Notes whose proceeds constitute Upper Tier 2 Capital which will have no maturity, (ii) in the case of Subordinated Notes whose proceeds constitute Lower Tier 2 Capital which minimum maturity will be of five years and one day, (iii) in the case of Subordinated Notes whose proceeds constitute Tier 3 Capital which minimum maturity will be of two years and one day, or (iv) in any case such other minimum maturity as may be required by the applicable legal and/or regulatory requirements.

<b>Currencies:</b>	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in Euro, US dollars, Japanese yen, Swiss Francs, Sterling and in any other currency agreed between the Issuer and the relevant Dealer(s).
<b>Denomination:</b>	Notes shall be issued in the Specified Denomination(s) set out in the relevant Final Terms, save that all Notes which are to be admitted to trading on a Regulated Market or offered to the public in a Member State of the EEA in circumstances which require the publication of a prospectus under the Prospectus Directive shall have a minimum denomination of €1,000 (or its equivalent in any other currency) or such higher amount as may be allowed or required from time to time in relation to the relevant Specified Currency. Dematerialised Notes shall be issued in one denomination only.
<b>Status of the Unsubordinated Notes:</b>	Unsubordinated Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank <i>pari passu</i> without any preference among themselves and (subject to such exceptions as are from time to time mandatory under French law) <i>pari passu</i> with all other present or future unsecured and unsubordinated obligations of the Issuer.
<b>Status of the Subordinated Notes:</b>	<p>The Issuer may issue Subordinated Notes which constitute Dated Subordinated Notes and Undated Subordinated Notes.</p> <p>Subordinated Notes, including Dated Subordinated Notes and Undated Subordinated Notes, will constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and will rank <i>pari passu</i> without any preference among themselves and <i>pari passu</i> with all other present or future unsecured and subordinated obligations of the Issuer with the exceptions of the <i>prêts participatifs</i> granted to the Issuer and <i>titres participatifs</i> issued by the Issuer.</p> <p>The Final Terms may state that Subordinated Notes will be eligible as Upper Tier 2, Lower Tier 2 or Tier 3 Capital.</p>
<b>Events of Default:</b>	The terms of the Notes will contain events of default in respect of Unsubordinated Notes as set out in Condition 11(a) and limited events of default only in respect of Subordinated Notes as set out in Condition 11(b).
<b>Redemption Amount:</b>	Subject to any laws and regulations applicable from time to time, the relevant Final Terms will specify the basis for calculating the redemption amounts payable.
<b>Optional Redemption:</b>	The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders, and if so the terms applicable to such redemption.
<b>Redemption by Instalments:</b>	The Final Terms issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.
<b>Early Redemption:</b>	Except as provided in "Optional Redemption" above, Notes will be redeemable at the option of the Issuer prior to their stated maturity only for tax reasons and, in respect of Subordinated Notes, subject to the approval of the SGCB and the FSA.
<b>Taxation:</b>	Except as otherwise specified in the relevant Final Terms, payments in respect of the Notes will be made without withholding or deduction for, or on account

of, taxes imposed by or on behalf of the Republic of France as provided by Article 131 quater of the French Code général des impôts to the extent that the Notes are issued (or deemed to be issued) outside France.

The Notes constituting *obligations* under French law will be issued (or deemed to be issued) outside France (i) if such Notes are denominated in Euro, (ii) in the case of syndicated issues of Notes denominated in currencies other than Euro, if, *inter alia*, the Issuer and the relevant Dealers agree not to offer the Notes to the public in France in connection with their initial distribution and such Notes are offered in France only through an international syndicate to qualified investors (*investisseurs qualifiés*) as described in Article L.411-2 of the French *Code monétaire et financier* or (iii) in the case of non-syndicated issues of Notes denominated in currencies other than Euro, if each of the subscribers of the Notes is domiciled or resident for tax purposes outside the Republic of France, in each case as more fully set out in the Circular of the *Direction Générale des Impôts* dated 30 September 1998.

However, if so provided in the relevant Final Terms, Notes constituting *obligations* under French law and denominated in currencies other than Euro may be issued on a non-syndicated basis and placed with subscribers not all of whom are resident outside the Republic of France. In such cases, the Notes will not benefit from the exemption from deduction at source provided by Article 131 *quater* of the French *Code général des impôts* and payments under such Notes made to a non-French resident will be exempt from withholding or deduction at source only if the beneficiary of the payment provides certification that he is not resident in France, all in accordance with the provisions of Article 125 A III of the French *Code général des impôts*, as more fully described in "Terms and Conditions of the Notes - Taxation".

The tax regime applicable to Notes which do not constitute *obligations* under French law will be set out in the relevant Final Terms.

**Interest Periods and Interest Rates:**

The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.

**Fixed Rate Notes:**

Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.

**Floating Rate Notes:**

Floating Rate Notes will bear interest determined separately for each Series as follows:

- (v) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by the 2001 FBF Master Agreement relating to transactions on forward financial instruments (formerly AFB Master Agreement for Foreign Exchange and Derivatives Transactions), as supplemented by the then applicable Interest and Currency Technical Annex (*Echange de Conditions d'Intérêt ou de Devises - Additif Technique*) published by the AFB or the FBF, or
- (vi) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc., or
- (vii) on the basis of a reference rate appearing on an agreed screen page of a commercial quotation service (including, without limitation, EURIBOR,

EONIA, LIBOR, CMS or TEC), or

(viii) on such other basis or benchmark as may be specified in the applicable Final Terms,

in each case plus or minus any applicable margin, if any, and calculated and payable as indicated in the applicable Final Terms. Floating Rate Notes may also have a maximum rate of interest, a minimum rate of interest or both.

- Zero Coupon Notes:** Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.
- Dual Currency Notes:** Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as may be specified in the relevant Final Terms.
- Index Linked Notes:** Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as may be specified in the relevant Final Terms. "**Index Linked Redemption Notes**", which may not be Subordinated Notes constituting *fonds propres complémentaires* or *fonds propres surcomplémentaires*, are Notes in respect of which amounts of principal shall be calculated by reference to an index and/or formula, and "**Index Linked Interest Notes**" (together with Index Linked Redemption Notes, "**Index Linked Notes**") are Notes in respect of which amounts of interest shall be calculated by reference to an index and/or formula.
- Other Notes:** Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, partly paid Notes and any other type of Notes that the Issuer and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Final Terms.
- Redenomination:** Notes issued in the currency of any Member State of the EU which participates in the third stage (or any further stage) of European Monetary Union may be redenominated into Euro, all as more fully provided in Condition 1 (d).
- Consolidation:** Notes of one Series may be consolidated with Notes of another Series as more fully provided in Condition 15 (b).
- Form of Notes:** Notes may be issued in either dematerialised form ("**Dematerialised Notes**") or in materialised form ("**Materialised Notes**").
- Dematerialised Notes may, at the option of the Issuer, be issued in bearer form (*au porteur*) or in registered form (*au nominatif*) and, in such latter case, at the option of the relevant holder, in either fully registered form (*au nominatif pur*) or administered registered form (*au nominatif administré*). No physical documents of title will be issued in respect of Dematerialised Notes See "Terms and Conditions of the Notes - Form, Denomination, Title and Redomination".
- Materialised Notes will be in bearer form only. A Temporary Global Certificate will initially be issued in respect of each Tranche of Materialised Notes. Materialised Notes may only be issued outside France.
- Governing Law:** French law.

<b>Clearing Systems:</b>	Euroclear France as central depository in relation to Dematerialised Notes and, in relation to Materialised Notes, Clearstream, Luxembourg and Euroclear or any other clearing system that may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer.
<b>Initial Delivery of Dematerialised Notes:</b>	One Paris business day before the issue date of each Tranche of Dematerialised Notes, the <i>Lettre comptable</i> relating to such Tranche shall be deposited with Euroclear France as central depository.
<b>Initial Delivery of Materialised Notes:</b>	On or before the issue date for each Tranche of Materialised Notes, the Temporary Global Certificate issued in respect of such Tranche shall be deposited with a common depository for Euroclear and Clearstream, Luxembourg or with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealer(s).
<b>Issue Price:</b>	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
<b>Listing and admission to trading:</b>	The Luxembourg Stock Exchange's Regulated Market and/or any other Regulated Markets in the EEA in accordance with the Prospectus Directive as specified in the relevant Final Terms. As specified in the relevant Final Terms, a Series of Notes may be unlisted.
<b>Offer to the public:</b>	The Notes may be offered to the public in any Member State of the EEA only if so specified in the relevant Final Terms and in accordance with any applicable laws and regulations.
<b>Rating:</b>	Notes issued pursuant to the Programme may be rated or unrated. The rating (if any) will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change, or withdrawal at any time by the assigning rating agency.
<b>Selling Restrictions:</b>	<p>There are restrictions on the offer and sale of Notes and the distribution of offering material in various jurisdictions. See "Subscription and Sale". In connection with the offering and sale of a particular Tranche, additional selling restrictions may be imposed which will be set out in the relevant Final Terms.</p> <p>The Issuer is Category 2 for the purposes of Regulation S under the United States Securities Act of 1933, as amended.</p> <p>Materialised Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the "<b>D Rules</b>") unless (i) the relevant Final Terms states that such Materialised Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the "<b>C Rules</b>") or (ii) such Materialised Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("<b>TEFRA</b>"), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.</p> <p>Dematerialised Notes do not require compliance with the TEFRA Rules.</p>
<b>Available information:</b>	So long as Notes are capable of being issued under the Programme, copies of documents relating to the Issuer (notably <i>statuts</i> and financial statements), this Base Prospectus together with all supplements thereto from time to time and the Final Terms related to Notes listed on a Regulated Market of the EEA or

offered to the public in a Member State of the EEA, in each case in accordance with the Prospectus Directive, and the Agency Agreement will, when published, be available during usual business hours on any weekday (Saturdays and public holidays excepted), at the registered office of the Issuer and at the specified office of the Paying Agent(s).

The Base Prospectus together with all supplements thereto from time to time and the Final Terms related to Notes listed on a Regulated Market of the EEA or offered to the public in a Member State of the EEA, in each case in accordance with the Prospectus Directive will be available on the website of the Issuer ([www.hsbc.fr](http://www.hsbc.fr)) and on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions that, subject to completion in accordance with the provisions of the relevant Final Terms, shall be applicable to the Notes. In the case of Dematerialised Notes, the text of the terms and conditions will not be endorsed on physical documents of title but will be constituted by the following text as completed by the relevant Final Terms. In the case of Materialised Notes, either (i) the full text of these terms and conditions together with the relevant provisions of the Final Terms (and subject to simplification by the deletion of non-applicable provisions) or (ii) these terms and conditions as so completed shall be endorsed on Definitive Materialised Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Final Terms. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.*

The Notes are issued by HSBC France (the "**Issuer**") in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical save as to the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (including, without limitation, the aggregate nominal amount, issue price, redemption price thereof, and interest, if any, payable thereunder and supplemented, where necessary, with supplemental terms and conditions which, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be determined by the Issuer and the relevant Dealer(s) at the time of the issue and will be set out in the Final Terms to this Base Prospectus (the "**Final Terms**"). The Notes are issued with the benefit of an amended and restated agency agreement (as amended or supplemented from time to time, the "**Agency Agreement**") dated 15 September 2006 between the Issuer, HSBC Bank plc as fiscal agent and principal paying agent and the other agents named therein. The fiscal agent, the paying agent(s) and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Fiscal Agent**", the "**Paying Agents**" (which expression shall include the Fiscal Agent) and the "**Calculation Agent(s)**". In addition, the Principal Paying Agent may (with the prior written consent of the Issuer) delegate certain of its functions and duties in relation to Physical Delivery Notes (as defined below) to a settlement agent (the "**Settlement Agent**"). The holders of the interest coupons (the "**Coupons**") relating to interest bearing Materialised Notes and, where applicable in the case of such Notes, talons (the "**Talons**") for further Coupons and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") relating to Materialised Notes of which the principal is redeemable in instalments are respectively referred to below as the "**Couponholders**" and the "**Receiptholders**".

For the purposes of these Terms and Conditions, "**Regulated Market**" means any regulated market situated in a member state of the European Economic Area ("**EEA**") as defined in the Investment Services Directive 93/22/CE.

References below to "**Conditions**" are, unless the context requires otherwise, to the numbered paragraphs below.

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

#### (a) *Form*

Notes may be issued either in dematerialised form ("**Dematerialised Notes**") or in materialised form ("**Materialised Notes**"), as specified in the relevant Final Terms.

- (i) Title to Dematerialised Notes will be evidenced in accordance with Article L.211-4 of the French *Code monétaire et financier* by book entries (*inscriptions en compte*). No physical document of title (including *certificats représentatifs* pursuant to Article R.211-7 of the French *Code monétaire et financier*) will be issued in respect of the Dematerialised Notes.



Dematerialised Notes are issued, at the option of the Issuer, in either bearer form (*au porteur*), which will be inscribed in the books of Euroclear France (acting as central depository) which shall credit the accounts of the Account Holders, or in registered form (*au nominatif*) and, in such latter case, at the option of the relevant holder in either administered registered form (*au nominatif administré*) inscribed in the books of an Account Holder designated by the relevant holder of Notes or in fully registered form (*au nominatif pur*) inscribed in an account maintained by the Issuer or a registration agent (designated in the relevant Final Terms) acting on behalf of the Issuer (the "**Registration Agent**").

For the purpose of these Conditions, "**Account Holder**" means any authorised financial intermediary institution entitled to hold accounts, directly or indirectly, with Euroclear France, and includes Euroclear Bank S.A./N.V. ("**Euroclear**") and the depository bank for Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**").

- (ii) Materialised Notes are issued in bearer form only. Materialised Notes in definitive form ("**Definitive Materialised Notes**") are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

*In accordance with Article L.211-4 of the French Code monétaire et financier, securities (such as the Notes) in materialised form and governed by French law must be issued outside the French territory.*

The Notes may be "**Fixed Rate Notes**", "**Floating Rate Notes**", "**Zero Coupon Notes**", "**Index Linked Notes**" (including both "**Index Linked Interest Notes**", in respect of which amounts of interest shall be calculated by reference to an index and/or formula, and "**Index Linked Redemption Notes**" in respect of which amounts of principal due under the Notes shall be calculated by reference to an index and/or formula), "**Dual Currency Notes**", "**Partly Paid Notes**" or a combination of any of the foregoing, depending on the Interest Basis and the redemption method specified in the relevant Final Terms.

(b) *Denomination*

Notes shall be issued in the specified denomination(s) as set out in the relevant Final Terms (the "**Specified Denomination(s)**"), save that all Notes which are to be listed and admitted to trading on a Regulated Market within the EEA or offered to the public in a Member State of the EEA in circumstances which require the publication of a prospectus under the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (the "Prospectus Directive") shall have a minimum denomination of €1,000 (or its equivalent in any other currency) or such higher amount as may be allowed or required from time to time by the relevant monetary authority or any laws or regulations applicable to the relevant Specified Currency.

Dematerialised Notes shall be issued in one Specified Denomination only.

(c) *Title*

Title to *Dematerialised* Notes in bearer form (*au porteur*) and in administered registered form (*au nominatif administré*) shall pass upon, and transfer of such Notes may only be effected through, registration of the transfer in the accounts of the Account Holders. Title to Dematerialised Notes in fully

registered form (*au nominatif pur*) shall pass upon, and transfer of such Notes may only be effected through, registration of the transfer in the accounts maintained by the Issuer or by the Registration Agent.

Title to Definitive Materialised Notes, including, where appropriate, Receipt(s), Coupons and/or a Talon attached, shall pass by delivery.

Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Note (as defined below), Coupon, Receipt or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, or an interest in it, any writing on it or its theft or loss and no person shall be liable for so treating the holder.

In these Conditions,

**"Noteholder"** or, as the case may be, "holder of any Note" means (a) in the case of Dematerialised Notes, the person whose name appears in the account of the relevant Account Holder, the Issuer or the Registration Agent (as the case may be) as being entitled to such Notes and (b) in the case of Definitive Materialised Notes, the bearer of any Definitive Materialised Note and the Coupons, Receipts or Talons relating to it.

**"outstanding"** means, in relation to Notes of any Series, all the Notes issued other than (a) those that have been redeemed in accordance with these Conditions, (b) those in respect of which the date for redemption has occurred and the redemption moneys (including all interest accrued on such Notes to the date for such redemption, Arrears of Interest, as the case may be, and any interest payable after such date) have been duly paid as provided in Condition 7, (c) those which have become void or in respect of which claims have become prescribed, (d) those which have been purchased and cancelled as provided in the Conditions, (e) in the case of Definitive Materialised Notes (i) those mutilated or defaced Definitive Materialised Notes that have been surrendered in exchange for replacement Definitive Materialised Notes, (ii) (for the purpose only of determining how many such Definitive Materialised Notes are outstanding and without prejudice to their status for any other purpose) those Definitive Materialised Notes alleged to have been lost, stolen or destroyed and in respect of which replacement Definitive Materialised Notes have been issued and (iii) any Temporary Global Certificate to the extent that it shall have been exchanged for one or more Definitive Materialised Notes, pursuant to its provisions.

Capitalised terms have the meanings given to them in the relevant Final Terms, the absence of any such meaning indicating that such term is not applicable to the Notes.

(d) *Redenomination*

The Issuer may (if so specified in the relevant Final Terms), on any date, without the consent of the holder of any Note, Coupon, Receipt or Talon, by giving at least 30 days' notice in accordance with Condition 16 and on or after the date on which the European Member State in whose national currency the Notes are denominated has become a participating Member State in the single currency of the European Economic and Monetary Union (as provided in the Treaty establishing the European Community (the "EC"), as amended from time to time (the "Treaty") or events have occurred which have substantially the same effects (in either case, "EMU"), redenominate all, but not some only, of the Notes of any Series into Euro and adjust the aggregate principal amount and the Specified Denomination(s) set out in the relevant Final Terms accordingly, as more fully described below. The date on which such redenomination becomes effective shall be referred to in these Conditions as the "Redenomination Date".

Unless otherwise specified in the relevant Final Terms, the redenomination of the Notes pursuant to Condition 1(d)(i) shall be made by converting the principal amount of each Note from the relevant national currency into Euro using the fixed relevant national currency Euro conversion rate established by the Council of the European Union pursuant to Article 123(4) of the Treaty and rounding the resulting figure to the nearest Euro 0.01 (with Euro 0.005 being rounded upwards). If the Issuer so elects, the figure resulting from conversion of the principal amount of each Note using the fixed relevant national currency Euro conversion rate shall be rounded down to the nearest Euro. The Euro denominations of the Notes so determined shall be notified to holders of Notes in accordance with Condition 16. Any balance remaining from the redenomination with a denomination higher than Euro 0.01 shall be paid by way of cash adjustment rounded to the nearest Euro 0.01 (with Euro 0.005 being rounded upwards). Such cash adjustment will be payable in Euros on the Redenomination Date in the manner notified to holders of Notes by the Issuer.

Upon redenomination of the Notes, any reference hereon to the relevant national currency shall be construed as a reference to Euro.

Unless otherwise specified in the relevant Final Terms, the Issuer may, with the prior approval of the Fiscal Agent, in connection with any redenomination pursuant to this Condition or any consolidation pursuant to Condition 15, without the consent of the holder of any Note, Receipt, Coupon or Talon, make any changes or additions to these Conditions or Condition 15 (including, without limitation, any change to any applicable business day definition, business day convention, principal financial centre of the country of the Specified Currency, interest accrual basis or benchmark), taking into account market practice in respect of redenominated euromarket debt obligations and which it believes are not prejudicial to the interests of such holders. Any such changes or additions shall, in the absence of manifest error, be binding on the holders of Notes, Receipts, Coupons and Talons and shall be notified to holders of Notes in accordance with Condition 16 as soon as practicable thereafter.

Neither the Issuer nor any Paying Agent shall be liable to the holder of any Note, Receipt, Coupon or Talon or other person for any commissions, costs, losses or expenses in relation to or resulting from the credit or transfer of Euros or any currency conversion or rounding effected in connection therewith.

## 2. **Conversions and Exchanges of Notes**

### (a) *Dematerialised Notes*

Dematerialised Notes issued in bearer form (*au porteur*) may not be converted for Dematerialised Notes in registered form, whether in fully registered form (*au nominatif pur*) or in administered registered form, (*au nominatif administré*).

Dematerialised Notes issued in registered form (*au nominatif*) may not be converted for Dematerialised Notes in bearer form (*au porteur*).

Dematerialised Notes issued in fully registered form (*au nominatif pur*) may, at the option of the holder of such Notes, be converted into Notes in administered registered form (*au nominatif administré*), and vice versa. The exercise of any such option by such holder shall be made in accordance with Article R.211-4 of the French *Code monétaire et financier*. Any such conversion shall be effected at the cost of such holder.

(b) *Materialised Notes*

Materialised Notes of one Specified Denomination may not be exchanged for Materialised Notes of another Specified Denomination.

3. **Status**

The obligations of the Issuer under the Notes may be either unsubordinated ("**Unsubordinated Notes**") or subordinated ("**Subordinated Notes**"), as specified in the relevant Final Terms.

(a) *Status of Unsubordinated Notes*

The Unsubordinated Notes, and, where applicable, any relative Coupons and Receipts are direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank and will rank *pari passu* without any preference among themselves and (subject to such exceptions as are from time to time mandatory under French law) *pari passu* with all other present or future unsecured and unsubordinated obligations of the Issuer.

(b) *Status of Subordinated Notes*

Payments of principal and interest in respect of Subordinated Notes (which term shall include both Subordinated Notes with a specified maturity date ("**Dated Subordinated Notes**") and Subordinated Notes without a specified maturity date ("**Undated Subordinated Notes**") are direct, unconditional, unsecured and subordinated obligations of the Issuer and rank and will rank *pari passu* without any preference among themselves and *pari passu* with all other present or future unsecured, unconditional, and subordinated obligations of the Issuer with the exceptions of the *prêts participatifs* granted to the Issuer and *titres participatifs* issued by the Issuer. Subject to applicable law, in the event of judicial liquidation (*liquidation judiciaire*) of the Issuer or the liquidation of the Issuer for any other reason, the rights of payment of the holders of Subordinated Notes shall be subordinated to the payment in full of the unsubordinated creditors of the Issuer but, subject to such payment in full, the holders of Subordinated Notes shall be paid in priority to any *prêts participatifs* granted to the Issuer and to any *titres participatifs* issued by the Issuer. In the event of an incomplete payment of unsubordinated creditors, the obligations of the Issuer in connection with the Subordinated Notes will be terminated. Subject to applicable law, no holder of any Subordinated Note, Receipt or Coupon may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer arising under or in connection with such Note, Receipt or Coupon (as the case may be), and any such holder shall be deemed to have waived all such rights of set-off, compensation or retention. The holders of Subordinated Notes shall take all steps necessary for the enforcement of their rights in any collective proceedings or voluntary liquidation.

The relevant Final Terms will specify, in the case of issuance of Subordinated Notes, whether the proceeds of the issue of such Subordinated Notes will count as (i) *fonds propres complémentaires* within the meaning of Article 4(c) of the *Comité de la Réglementation Bancaire et Financière* ("**CRBF**") Regulation no. 90-02 of 23 February 1990 as amended ("**Upper Tier 2 Capital**"); (ii) *fonds propres complémentaires* within the meaning of Article 4(d) of the CRBF Regulation no. 90-02 of 23 February 1990 as amended ("**Lower Tier 2 Capital**"); or (iii) *fonds propres surcomplémentaires* within the meaning of Article 3.3 of the CRBF Regulation no. 95-02 of 21 July 1995 as amended ("**Tier 3 Capital**"), if such Regulation is applicable.

The proceeds of the issue of Undated Subordinated Notes may be used, as it will be set out in the relevant Final Terms, for off-setting losses of the Issuer and, thereafter, to allow it to continue its activities in accordance with French banking regulations. The proceeds of such issues will be classed amongst the funds of the Issuer in accordance with article 4(c) of Regulation no. 90-02 of the CRBF. This provision does not in any way affect any French law applicable to accounting principles relating to allocation of losses nor the duties of the shareholders and does not in any way affect the rights of the Noteholders to receive payment of principal and interest under the Notes in accordance with the terms and conditions of the relevant Notes.

The relevant Final Terms may also provide for additions to the Conditions applicable to the Subordinated Notes in order to comply with the Definition of Capital Chapter of the FSA's Interim Prudential Source Book for Banks (as amended from time to time) (the "**FSA Policy**").

For the purposes of these Conditions, "**FSA**" means the UK Financial Services Authority or any successor authority responsible for the supervision of institutions authorised under the Financial Services Act and Markets Act 2000 as amended from time to time.

#### 4. **Interest and other Calculations**

##### (a) *Definitions*

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Benchmark**" means the Reference Rate as set out in the relevant Final Terms.

"**Business Day**" means:

- (i) in the case of Euro, a day on which the Trans European Automated Real Time Gross Settlement Express Transfer or any successor thereto (the "**TARGET System**") is operating (a "**TARGET Business Day**"), and/or
- (ii) in the case of a Specified Currency other than Euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for that currency, and/or
- (iii) in the case of a Specified Currency and/or one or more business centre(s) specified in the relevant Final Terms (the "**Business Centre(s)**"), a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres so specified.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period, the "**Calculation Period**"):

- (i) if "**Actual/365**", "**Actual/365-FBF**" or "**Actual/Actual-ISDA**" is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365).

- (ii) if "**Actual/Actual-ICMA**" is specified in the relevant Final Terms:
- (A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
- (B) if the Calculation Period is longer than one Determination Period, the sum of:
- (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
- (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,
- in each case, where "**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date and "**Determination Date**" means the date specified in the relevant Final Terms or, if none is so specified, the Interest Payment Date.
- (iii) if "**Actual/Actual-FBF**" is specified in the relevant Final Terms, the fraction whose numerator is the actual number of days elapsed during such period and whose denominator is 365 (or 366 if 29 February falls within the Calculation Period). If the Calculation Period is of a duration of more than one year, the basis shall be calculated as follows:
- the number of complete years shall be counted back from the last day of the Calculation Period;
  - this number shall be increased by the fraction for the relevant period calculated as set out in the first paragraph of this definition.
- (iv) if "**Actual/365 (Fixed)**" is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365.
- (v) if "**Actual/360**" is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 360.
- (vi) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Calculation Period is the 31<sup>st</sup> day of a month but the first day of the Calculation Period is a day other than the 30<sup>th</sup> or 31<sup>st</sup> day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)).

- (vii) if "**30/360-FBF**" or "**Actual 30A/360 (American Bond Basis)**" is specified in the relevant Final Terms, in respect of each Calculation Period, the fraction whose denominator is 360 and whose numerator is the number of days calculated as for 30<sup>E</sup>/360-FBF, subject to the following exception:

where the last day of the Calculation Period is the 31<sup>st</sup> and the first day is neither the 30<sup>th</sup> nor the 31<sup>st</sup>, the last month of the Calculation Period shall be deemed to be a month of 31 days.

The fraction is:

If  $dd2 = 31$  and  $dd1 \neq (30,31)$

then :

$$\frac{1}{360} \times [(yy2 - yy1) \times 360 + (mm2 - mm1) \times 30 + (dd2 - dd1)]$$

or

$$\frac{1}{360} \times [(yy2 - yy1) \times 360 + (mm2 - mm1) \times 30 + \text{Min}(dd2, 30) - \text{Min}(dd1, 30)]$$

Where:

D1 (dd1, mm1, yy1) is the date of the beginning of the period

D2 (dd2, mm2, yy2) is the date of the end of the period

- (viii) if "**30<sup>E</sup>/360**" or "**Eurobond Basis**" is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of a Calculation Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month) and
- (ix) if "**30<sup>E</sup>/360-FBF**" is specified in the relevant Final Terms, in respect of each Calculation Period, the fraction whose denominator is 360 and whose numerator is the number of days elapsed during such period, calculated on the basis of a year comprising 12 months of 30 days, subject to the following exception:

if the last day of the Calculation Period is the last day of the month of February, the number of days elapsed during such month shall be the actual number of days.

Using the same abbreviations as for 30/360-FBF, the fraction is:

$$\frac{1}{360} \times [(yy2 - yy1) \times 360 + (mm2 - mm1) \times 30 + \text{Min}(dd2, 30) - \text{Min}(dd1, 30)]$$

"**Effective Date**" means, with respect to any Floating Rate to be determined on an Interest Determination Date, the date specified as such in the relevant Final Terms or, if none is so specified, the first day of the Interest Accrual Period to which such Interest Determination Date relates.

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty.

"**FBF Definitions**" means the definitions set out in the 2001 FBF Master Agreement relating to transactions on forward financial instruments (formerly 1994 AFB Master Agreement for Foreign Exchange and Derivatives Transactions) as supplemented by the then applicable Interest and Currency Technical Annex (*Echange de conditions d'Intérêt ou de Devises - Additif Technique*) published by the Association française des banques ("**AFB**") or the Fédération Bancaire Française ("**FBF**"), as the case may be (together the "**FBF Master Agreement**"), unless otherwise specified in the relevant Final Terms.

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means the amount of interest payable, and in the case of Fixed Rate Notes, means the Fixed Coupon Amount or Broken Amount, as the case may be.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified in the relevant Final Terms.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the relevant Final Terms or, if none is so specified, (i) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is Euro or (ii) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (iii) the day falling two Business Days in the city specified in the Final Terms for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor Euro.

"**Interest Payment Date**" means the date(s) specified in the relevant Final Terms.

"**Interest Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified in the relevant Final Terms.

"**ISDA Definitions**" means the 2000 ISDA Definitions (as amended and supplemented as at the date of issue of the first Tranche of the Notes of the relevant Series), as published by the International Swaps and Derivatives Association, Inc. (formerly the International Swap Dealers Association, Inc.).

"**Page**" means such page, section, caption, column or other part of a particular information service (including, but not limited to, Reuters Markets 3000 ("**Reuters**") and Moneyline ("**Moneyline**")) as may be specified for the purpose of providing a Relevant Rate, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to that Relevant Rate.



**"Rate of Interest"** means the rate of interest payable from time to time in respect of the Notes and that is either specified or calculated in accordance with the provisions in the relevant Final Terms.

**"Reference Banks"** means the institutions specified as such in the relevant Final Terms or, if none, four major banks selected by the Calculation Agent in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the Benchmark (which, if EURIBOR or EONIA is the relevant Benchmark, shall be the Euro-zone, and if LIBOR is the relevant Benchmark, shall be London).

**"Relevant Financial Centre"** means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the financial centre as may be specified as such in the relevant Final Terms or, if none is so specified, the financial centre with which the relevant Benchmark is most closely connected (which, in the case of EURIBOR or EONIA, shall be the Euro-zone, and in the case of LIBOR, shall be London) or, if none is so connected, Paris.

**"Relevant Date"** means, in respect of any Note, Receipt or Coupon, the date on which payment in respect of it first became due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (in the case of Materialised Notes if earlier) the date seven days after that on which notice is duly given to the holders of such Materialised Notes that, upon further presentation of the Materialised Note, Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation.

**"Relevant Rate"** means the Benchmark for a Representative Amount of the Specified Currency for a period (if applicable or appropriate to the Benchmark) equal to the Specified Duration commencing on the Effective Date.

**"Relevant Time"** means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified in the relevant Final Terms or, if no time is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Specified Currency in the interbank market in the Relevant Financial Centre and for this purpose **"local time"** means, with respect to Europe and the Euro-zone as a Relevant Financial Centre, 11:00 a.m. (Brussels time).

**"Representative Amount"** means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the amount specified as such in the relevant Final Terms or, if none is specified, an amount that is representative for a single transaction in the relevant market at the time.

**"Specified Currency"** means the currency specified as such in the relevant Final Terms or, if none is specified, the currency in which the Notes are denominated.

**"Specified Duration"** means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the duration specified in the relevant Final Terms or, if none is specified, a period of time equal to the relative Interest Accrual Period, ignoring any adjustment pursuant to Condition 6(b).

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

Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrears on each Interest Payment Date except as otherwise provided in the relevant Final Terms.

If a fixed amount of interest ("**Fixed Coupon Amount**") or a broken amount of interest ("**Broken Amount**") is specified in the relevant Final Terms, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified in the relevant Final Terms.

## 6. **Interest on Floating Rate Notes, Index-Linked Interest Notes, Equity Linked Notes, Cash Equity Notes, Physical Delivery Notes and ADR Notes**

### (a) *Interest Payment Date*

Each Floating Rate Note, Equity Linked Note, Cash Equity Note and Index Linked Interest Note which bears interest shall do so on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrears on each Interest Payment Date. Such Interest Payment Date(s) is/are either shown in the relevant Final Terms as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown in the relevant Final Terms, Interest Payment Date shall mean each date which falls the number of months or other period shown in the relevant Final Terms as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

### (b) *Business Day Convention*

If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day. Notwithstanding the foregoing, where the applicable Final Terms specify that the relevant Business Day Convention is to be applied on an "unadjusted" basis, the Interest Amount payable on any date shall not be affected by the application of that Business Day Convention.

### (c) *Rate of Interest for Floating Rate Notes*

The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified in the relevant Final Terms and the provisions below relating to either ISDA

Determination, FBF Determination or Screen Rate Determination shall apply, depending upon which is specified in the relevant Final Terms.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate plus or minus (as indicated in the relevant Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (A) the Floating Rate Option is as specified in the relevant Final Terms;
- (B) the Designated Maturity is a period specified in the relevant Final Terms; and
- (C) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the relevant Final Terms.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(ii) FBF Determination for Floating Rate Notes

Where FBF Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Agent as a rate equal to the relevant FBF Rate plus or minus (as indicated in the relevant Final Terms) the Margin (if any). For the purposes of this sub-paragraph (B), "**FBF Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Agent under a swap transaction (*Echange*) made pursuant to an FBF master agreement (*convention cadre FBF*) and the Interest and Currency Technical Schedule (*Echange de conditions d'Intérêt ou de Devises – Additif Technique*) and under which:

- (A) the Floating Rate is as specified in the relevant Final Terms and
- (B) the Floating Rate Determination Date is as specified in the relevant Final Terms

For the purposes of this sub-paragraph (B), "**Floating Rate**", "**Agent**" and "**Floating Rate Determination Date**" are translations of the French terms "*Taux Variable*", "*Agent*" and "*Date de Détermination du Taux Variable*", respectively, which have the meanings given to those terms in the FBF Definitions.

(iii) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent at or about the Relevant Time on the Interest Determination Date in respect of such Interest Accrual Period in accordance with the following:

- (A) if the primary source for Floating Rate is a Page, the Rate of Interest shall be:
- (1) the Relevant Rate (where such Relevant Rate on such Page is a composite quotation or is customarily supplied by one entity) or
  - (2) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Page,

in each case appearing on such Page at the Relevant Time on the Interest Determination Date, as disclosed in the relevant Final Terms;

- (B) if the primary source for the Floating Rate is Reference Banks or if sub-paragraph (a)(i) applies and no Relevant Rate appears on the Page at the Relevant Time on the Interest Determination Date or if sub-paragraph (a)(ii) applies and fewer than two Relevant Rates appear on the Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Rate of Interest shall be the arithmetic mean of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre at the Relevant Time on the Interest Determination Date, as determined by the Calculation Agent; and
- (C) if paragraph (b) above applies and the Calculation Agent determines that fewer than two Reference Banks are so quoting Relevant Rates, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) that the Calculation Agent determines to be the rates (being the nearest equivalent to the Benchmark) in respect of a Representative Amount of the Specified Currency that at least two out of five leading banks selected by the Calculation Agent in the principal financial centre of the country of the Specified Currency or, if the Specified Currency is Euro, in the Euro-zone as selected by the Calculation Agent (the "**Principal Financial Centre**") are quoting at or about the Relevant Time on the date on which such banks would customarily quote such rates for a period commencing on the Effective Date for a period equivalent to the Specified Duration (I) to leading banks carrying on business in Europe, or (if the Calculation Agent determines that fewer than two of such banks are so quoting to leading banks in Europe) (II) to leading banks carrying on business in the Principal Financial Centre; except that, if fewer than two of such banks are so quoting to leading banks in the Principal Financial Centre, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date (after readjustment for any difference between any Margin, Rate Multiplier or Maximum or Minimum Rate of Interest applicable to the preceding Interest Accrual Period and to the relevant Interest Accrual Period).

(d) *Rate of Interest for Index-Linked Interest Notes*

The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified in the relevant Final Terms and interest will accrue by reference to an Index or Formula as specified in the relevant Final Terms.

(e) *Zero Coupon Notes*

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date pursuant to an Issuer's Option or, if so specified in the relevant Final Terms, pursuant to

Condition 8(e) or otherwise and is not paid when due, the amount due and payable prior to the Maturity Date shall, unless otherwise provided in the relevant Final Terms, be the Early Redemption Amount. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 8(e)(i)).

(f) *Dual Currency Notes, Physical Delivery Notes and American Depositary Receipt Linked Notes*

In the case of (i) Dual Currency Notes (if the rate or amount of interest fails to be determined by reference to a Rate of Exchange or a method of calculating a Rate of Exchange); or (ii) Physical Delivery Notes and American Depositary Receipt Linked Notes, the rate or amount of interest payable shall be determined in the manner specified in the relevant Final Terms.

(g) *Partly Paid Notes*

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the relevant Final Terms.

(h) *Accrual of Interest*

Interest shall cease to accrue on each Note on the due date for redemption unless (i) in the case of Dematerialised Notes, payment on such due date; or (ii) in the case of Materialised Notes, payment upon due presentation; and/or (iii) in the case of Physical Delivery Notes delivery of the Physical Delivery Amount, is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 6 to the Relevant Date.

(i) *Deferral of interest*

Payment of interest on Undated Subordinated Notes may be postponed in accordance with applicable French banking laws and regulations and, in particular, Article 4 of Regulation no. 90-02 dated 23 February 1990 of the CRBF, as amended from time to time.

Interest shall be payable on each Compulsory Interest Payment Date (as defined below) in respect of the interest accrued in the Interest Period ending on the day immediately preceding such date. On any Optional Interest Payment Date (as defined below) there may be paid (if the Issuer so elects) the interest accrued in the Interest Period ending on the day immediately preceding such date but the Issuer shall not have any obligation to make such payment. Notice of any Optional Interest Payment Date shall be given to the Noteholders in accordance with Condition 16 and to the Regulated Market(s) of the EEA or to any alternative stock exchange(s) on which the Notes are listed, as the case may be. Such notice shall be given at least seven days prior to the relevant Optional Interest Payment Date(s). Any interest not paid on an Optional Interest Payment Date shall, so long as the same remains unpaid, constitute "**Arrears of Interest**" which term shall include interest on such unpaid interest as referred to below. Arrears of Interest may, at the option of the Issuer, be paid in whole or in part at any time upon the expiration of not less than seven days' notice to such effect given to the Noteholders in accordance with Condition 16 but all Arrears of Interest on all Undated Subordinated Notes outstanding shall become due in full on whichever is the earliest of:

- (i) the Interest Payment Date immediately following the first *Assemblée Générale Ordinaire* of the shareholders of the Issuer at which a resolution was passed to pay a dividend on any class of share capital of the Issuer; or
- (ii) (a) a judgment rendered by any competent court declaring the judicial liquidation (*liquidation judiciaire*) of the Issuer or (b) the liquidation of the Issuer for any other reason.

If notice is given by the Issuer of its intention to pay the whole or part of Arrears of Interest, the Issuer shall be obliged to do so upon the expiration of such notice. When Arrears of Interest are paid in part only, each such payment shall be applied in or towards satisfaction of the full amount of the Arrears of Interest accrued in respect of the earliest Interest Period in respect of which Arrears of Interest have accrued and have not been paid in full. Arrears of Interest shall (to the extent permitted by law) bear interest accruing (but only, in accordance with Article 1154 of the French *Code civil*, after such interest has accrued for a period of one year) and compounding on the basis of the exact number of days which have elapsed at the prevailing rate of interest on the Undated Subordinated Notes in respect of each relevant Interest Period. For these purposes the following expressions have the following meanings:

**"Compulsory Interest Payment Date"** means any Interest Payment Date, unless at the *Assemblée Générale Ordinaire* of the shareholders of the Issuer immediately preceding such date which was required to approve the annual accounts of the Issuer for the fiscal year then ended, no resolution was passed to pay a dividend on any class of share capital of the Issuer in respect of such previous fiscal year; and

**"Optional Interest Payment Date"** means any Interest Payment Date other than a Compulsory Interest Payment Date, including in particular, without limitation, any Interest Payment Date if at the *Assemblée Générale Ordinaire* of the shareholders of the Issuer immediately preceding such date which was required to approve the annual accounts of the Issuer for the fiscal year then ended, no resolution was passed to pay a dividend on any class of share capital of the Issuer in respect of such previous fiscal year.

- (j) *Margin, Rate Multipliers, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding:*

If any Margin or Rate Multiplier is specified in the relevant Final Terms (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with (c) above by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin or multiplying by such Rate Multiplier, subject always to the next paragraph.

If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified in the relevant Final Terms, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (w) if FBF Determination is specified in the relevant Final Terms, all percentages resulting from such calculations shall be rounded, if necessary, to the nearest ten-thousandth of a percentage point (with halves being rounded up), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest fifth decimal (with halves being rounded up), (y) all figures shall be rounded to seven figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen,

which shall be rounded down to the nearest yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the country of such currency.

(k) *Calculations*

The amount of interest payable in respect of any Note for any period shall be calculated by multiplying the product of the Rate of Interest and the outstanding nominal amount of such Note by the Day Count Fraction, unless an Interest Amount (or a formula for its calculation) is specified in respect of such period, in which case the amount of interest payable in respect of such Note for such period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period shall be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

(l) *Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts*

As soon as practicable after the relevant time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, it shall determine such rate and calculate the Interest Amounts in respect of each Specified Denomination of the Notes for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the holders of Notes, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a Regulated Market of the EEA or on an alternative stock exchange and the rules applicable to that Regulated Market or such alternative stock exchange so require, such Regulated Market or such alternative stock exchange as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such Regulated Market or such alternative stock exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 6(b), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(m) *Calculation Agent and Reference Banks*

The Issuer shall procure that there shall at all times be four Reference Banks (or such other number as may be required) with offices in the Relevant Financial Centre and one or more Calculation Agents if provision is made for them in the relevant Final Terms and for so long as any Note is outstanding (as defined in Condition 1(c) above). If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Issuer shall appoint another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to

establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal Paris office, as appropriate, or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid. So long as the Notes are listed and admitted to trading on any Regulated Market(s) or any alternative stock exchange(s) and the applicable rules of, or applicable to, that Regulated Market or that stock exchange so require, notice of any change of Calculation Agent shall be given in accordance with Condition 16.

## **7. Redemption, Purchase and Options**

### *(a) Final Redemption*

Unless previously redeemed, purchased and cancelled as provided below or its maturity is extended pursuant to any Issuer's option in accordance with Condition 7(c) or any Noteholder's option in accordance with Condition 7(d), each Note shall be finally redeemed on the Maturity Date specified in the relevant Final Terms at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) or, in the case of a Note falling within Condition 7(b) below, its final Instalment Amount. Subordinated Notes the proceeds of which constitute Upper Tier 2 Capital shall be Undated Subordinated Notes. The Maturity Date, in relation to Dated Subordinated Notes the proceeds of which constitute Lower Tier 2 Capital and for the purposes of the FSA Policy, will not be less than five years and one day from the Issue Date and where the proceeds constitute Tier 3 Capital, will not be less than two years from the Issue Date. Notwithstanding the above, in the case of Physical Delivery Notes where the applicable Final Terms specify that such Notes will be redeemed by payment and/or delivery of a Physical Delivery Amount, then each Note shall be finally redeemed by the payment and the delivery of the Physical Delivery Amount specified in, or determined in accordance with Condition 11(b) and/or as specified in, the applicable Final Terms.

### *(b) Redemption by Instalments*

Unless previously redeemed, purchased and cancelled as provided in this Condition 7 or the relevant Instalment Date (being one of the dates so specified in the relevant Final Terms) is extended pursuant to any Issuer's or Noteholder's option in accordance with Condition 7(c) or (d), each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified in the relevant Final Terms. The first Instalment Date, in relation to Dated Subordinated Notes the proceeds of which constitute Lower Tier 2 Capital and for the purposes of the FSA Policy, will not be less than five years and one day from the Issue Date and where the proceeds constitute Tier 3 Capital, will not be less than two years from the Issue Date. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused (i) in the case of Dematerialised Notes, on the due date for such payment or (ii) in the case of Materialised Notes, on presentation of the related Receipt, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.



(c) *Redemption at the Option of the Issuer, Exercise of Issuer's Options and Partial Redemption*

If a Call Option is specified in the relevant Final Terms, the Issuer may, subject to the prior approval of the *Secrétariat Général de la Commission Bancaire* (“SGCB”) and the FSA in the case of Subordinated Notes the proceeds of which constitute Upper Tier 2 Capital, Lower Tier 2 Capital or Tier 3 Capital and subject to compliance by the Issuer of all the relevant laws, regulations and directives and on giving not less than 15 nor more than 30 days’ irrevocable notice in accordance with Condition 16 to the holders of Notes (or such other notice period as may be specified in the relevant Final Terms) redeem all or, if so provided, some, of the Notes on any Optional Redemption Date, which shall not be less than five years and one day from the Issue Date in relation to Undated Subordinated Notes the proceeds of which constitute Upper Tier 2 Capital and Dated Subordinated Notes the proceeds of which constitute Lower Tier 2 Capital and not less than two years from the Issue Date in relation to Dated Subordinated Notes the proceeds of which constitute Tier 3 Capital. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption (including, where applicable, any Arrears of Interest), if any. Any such redemption must relate to Notes of a nominal amount at least equal to the minimum nominal amount to be redeemed as specified in the relevant Final Terms and no greater than the maximum nominal amount to be redeemed as specified in the relevant Final Terms.

If any other Issuer’s Option (as may be described in the relevant Final Terms) is specified in the relevant Final Terms (as approved by the SGCB and the FSA, in the case of Subordinated Notes the proceeds of which constitute Upper Tier 2 Capital, Lower Tier 2 Capital or Tier 3 Capital), the Issuer may, subject to compliance by the Issuer of all the relevant laws, regulations and directives and on giving not less than 15 nor more than 30 days’ irrevocable notice in accordance with Condition 16 to the holders of Notes (or such other notice period as may be specified in the relevant Final Terms) exercise any Issuer’s Option in relation to, all or, if so provided, some, of the Notes on any Option Exercise Date. Any such exercise must relate to Notes of a nominal amount at least equal to the minimum nominal amount in respect of which such option has been exercised as specified in the relevant Final Terms and no greater than the maximum nominal amount in respect of which such option has been exercised as specified in the relevant Final Terms.

All Notes in respect of which any such notice is given shall be redeemed, or the Issuer’s option shall be exercised, on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption or a partial exercise of an Issuer’s Option in respect of Materialised Notes, the notice to holders of such Materialised Notes shall also contain the numbers of the Definitive Materialised Notes to be redeemed or in respect of which such Option has been exercised, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and Regulated Market or alternative stock exchange requirements.

In the case of a partial redemption of, or a partial exercise of an Issuer’s Option in respect of, Dematerialised Notes, the redemption may be effected, at the option of the Issuer, either (i) by reducing the nominal amount of all such Dematerialised Notes in a Series in proportion to the aggregate nominal amount redeemed or (ii) by redeeming in full, or applying the option to, some only of such Dematerialised Notes and, in such latter case, the choice between those Dematerialised Notes that will be fully redeemed or in respect of which such Option has been exercised and those Dematerialised Notes of any Series that will not be redeemed or in respect of which such Option has not been exercised shall be made in accordance with Article R.213-16 of the French *Code monétaire et financier* and the provisions

of the relevant Final Terms, subject to compliance with any other applicable laws and Regulated Market or alternative stock exchange requirements.

So long as the Notes are listed on the Luxembourg Stock Exchange's Regulated Market and the rules applicable to that Regulated Market so require, the Issuer shall, once in each year in which there has been a partial redemption of the Notes, cause to be published in a leading newspaper of general circulation in Luxembourg a notice specifying the aggregate nominal amount of Notes outstanding and, in the case of Materialised Notes, a list of any Materialised Notes drawn for redemption but not surrendered.

(d) *Redemption at the Option of Noteholders and Exercise of Noteholders' Options*

If a Put Option is specified in the relevant Final Terms and provided that the relevant Note is not a Subordinated Note the proceeds of which constitute Upper Tier 2 Capital, Lower Tier 2 Capital and Tier 3 Capital, the Issuer shall, at the option of the Noteholder, upon the Noteholder giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified in the relevant Final Terms) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption including, where applicable, any Arrears of Interest.

If any other Noteholder's Option (as may be described in the relevant Final Terms) is specified in the relevant Final Terms and provided that the relevant Note is not a Subordinated Note the proceeds of which constitute Upper Tier 2 Capital, Lower Tier 2 Capital or Tier 3 Capital, the Issuer shall, at the option of the Noteholder, upon the Noteholder giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified in the relevant Final Terms) exercise any Noteholder's Option in relation to such Note on the Option Exercise Date at its Optional Redemption Amount together with interest accrued to the date fixed for redemption including, where applicable, any Arrears of Interest.

To exercise such option or any other Noteholders' option that may be set out in the relevant Final Terms the Noteholder must deposit with a Paying Agent at its specified office a duly completed option exercise notice (the "**Exercise Notice**") in the form obtained during normal business hours from any Paying Agent or the Registration Agent, as the case may be, within the notice period. In the case of Materialised Notes, the Exercise Notice shall have attached to it the relevant Notes (together with all unexpired Receipts and Coupons and unexchanged Talons). In the case of Dematerialised Notes, the Noteholder shall transfer, or cause to be transferred, the Dematerialised Notes to be redeemed to the account of the Paying Agent with a specified office in Paris, as specified in the Exercise Notice. No option so exercised and, where applicable, no Note so deposited or transferred, may be withdrawn without the prior consent of the Issuer.

(e) *Early Redemption*

(i) *Zero Coupon Notes*

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 7(f) or upon it becoming due and payable as provided in Condition 11 shall be the Amortised Nominal Amount (calculated as provided below) of such Note unless otherwise specified in the relevant Final Terms.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Nominal Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the

Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown in the relevant Final Terms, shall be such rate as would produce an Amortised Nominal Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date (the "**Amortisation Yield**")) compounded annually (the "**Amortised Nominal Amount**").

- (C) If the Amortised Nominal Amount payable in respect of any such Note upon its redemption pursuant to Condition 7(f) or upon it becoming due and payable as provided in Condition 11 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Nominal Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable was the Relevant Date. The calculation of the Amortised Nominal Amount in accordance with this sub-paragraph shall continue to be made (as well after as before judgement) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 4(d).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction as provided in the relevant Final Terms.

- (ii) Physical Delivery Notes

In the case of Physical Delivery Notes, in accordance with Condition 8(b) and as determined in the manner specified in the applicable Final Terms.

- (iii) Other Notes

The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 7(f) or upon it becoming due and payable as provided in this Condition 11 shall be the Final Redemption Amount together with interest accrued to the date fixed for redemption (including, where applicable, any Arrears of Interest) unless otherwise specified in the relevant Final Terms.

- (f) *Redemption for Taxation Reasons:*

If, by reason of any change in French law, or any change in the official application or interpretation of such law, becoming effective after the Issue Date, the Issuer would on the occasion of the next payment of principal or interest due in respect of the Notes, not be able to make such payment without having to pay additional amounts as specified under Condition 9(b) below, the Issuer may, at its option, on any Interest Payment Date or, if so specified in the relevant Final Terms, at any time, subject to having given not more than 45 nor less than 30 days' notice to the Noteholders (which notice shall be irrevocable), in accordance with Condition 16, and, in the case of Subordinated Notes the proceeds of which constitute Upper Tier 2 Capital, Lower Tier 2 Capital or Tier 3 Capital, subject to the prior approval of the SGCB and the FSA, redeem all, but not some only, of the Notes at their Early Redemption Amount together with, unless otherwise specified in the Final Terms, any interest accrued to the date set for redemption (including, where applicable, any Arrears of Interest) provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable date on which the Issuer could make payment of principal and interest without withholding for French taxes.

If the Issuer would, on the next payment of principal or interest in respect of the Notes, be prevented by French law from making payment to the Noteholders or, if applicable, Couponholders of the full amounts then due and payable, notwithstanding the undertaking to pay additional amounts contained in Condition 9(b) below, then the Issuer shall forthwith give notice of such fact to the Fiscal Agent and the Issuer shall upon giving not less than seven days' prior notice to the Noteholders in accordance with Condition 16, and, in the case of Subordinated Notes the proceeds of which constitute Upper Tier 2 Capital, Lower Tier 2 Capital or Tier 3 Capital, subject to the prior approval of the SGCB and the FSA, redeem all, but not some only, of the Notes then outstanding at their Early Redemption Amount together with, unless otherwise specified in the Final Terms, any interest accrued to the date set for redemption (including, where applicable, any Arrears of Interest) on (A) the latest practicable Interest Payment Date on which the Issuer could make payment of the full amount then due and payable in respect of the Notes, provided that if such notice would expire after such Interest Payment Date the date for redemption pursuant to such notice of Noteholders shall be the later of (i) the latest practicable date on which the Issuer could make payment of the full amount then due and payable in respect of the Notes and (ii) 14 days after giving notice to the Fiscal Agent as aforesaid or (B) if so specified in the relevant Final Terms, at any time, provided that the due date for redemption of which notice hereunder shall be given shall be the latest practicable date at which the Issuer could make payment of the full amount payable in respect of the Notes, or, if applicable, Receipts or Coupons or, if that date is passed, as soon as practicable thereafter.

(g) *Partly Paid Notes*

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 7 and the provisions specified in the relevant Final Terms.

(h) *Purchases*

In compliance with applicable law and regulation, the Issuer shall have the right at all times to purchase Notes (provided that, in the case of Materialised Notes, all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise (including by tender offer) at any price. In the case of a Series of Subordinated Notes the proceeds of which constitute Upper Tier 2 Capital, Lower Tier 2 Capital or Tier 3 Capital, any such purchase will be subject to the prior approval of the FSA, and of the SGCB if it relates (individually or when aggregated with any previous purchase) to approximately ten per cent. or more of the principal amount of the Notes or if it is made by tender offer or exchange offer.

(i) *Cancellation*

All Notes purchased by or on behalf of the Issuer must be cancelled, in the case of Dematerialised Notes, by transfer to an account in accordance with the rules and procedures of Euroclear France and, in the case of Materialised Notes, by surrendering the relevant Temporary Global Certificate or the Definitive Materialised Notes in question, together with all unmatured Receipts and Coupons and all unexchanged Talons, if applicable, to the Fiscal Agent and, in each case, if so transferred or surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with, in the case of Dematerialised Notes, all rights relating to payment of interest and other amounts relating to such Dematerialised Notes and, in the case of Definitive Materialised Notes, all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so cancelled or, where applicable, transferred or surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

## 8. Payments and Talons

For the purposes of this Condition 8, references to payment or repayment (as the case may be) of principal and/or interest and other similar expressions will, where the context so admits, be deemed also to refer to delivery of any Physical Delivery Amount(s).

### (a) *Dematerialised Notes*

Payments of principal and interest in respect of Dematerialised Notes shall (i) in the case of Dematerialised Notes in bearer dematerialised form or administered registered form, be made by transfer to the account denominated in the relevant currency of the relevant Account Holders for the benefit of the holders of Notes and, (ii) in the case of Dematerialised Notes in fully registered form, to an account denominated in the relevant currency with a Bank (as defined below) designated by the relevant holder of Notes. All payments validly made to such Account Holders or Bank will be an effective discharge of the Issuer in respect of such payments.

### (b) *Definitive Materialised Notes*

#### (i) Method of payment

- (A) Subject as provided below, payments in a Specified Currency will be made by credit or transfer to an account denominated in the relevant Specified Currency, or to which the Specified Currency may be credited or transferred (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is euro, shall be any country in the Euro-zone, and, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively).
- (B) In the case of Physical Delivery Notes which are settled by way of delivery, on the due date for redemption, the Issuer shall deliver, or procure the delivery of, the documents evidencing the number of, and/or constituting the Physical Delivery Amount to or to the order of the Noteholder in accordance with the instructions of the Noteholder contained in the Transfer Notice (as defined below). The Physical Delivery Amount shall be evidenced in the manner described in the applicable Final Terms.
- (C) In the case of Physical Delivery Notes, the applicable Final Terms may also contain provisions for variation of settlement pursuant to an option to such effect or where the Issuer or the holder of a Physical Delivery Note (as the case may be) is not able to deliver, or take delivery of, (as the case may be) the Underlying Assets or where a Settlement Disruption Event (as described in the applicable Final Terms) has occurred, all as provided in the applicable Final Terms.

#### (ii) Presentation and surrender of Definitive Materialised Notes, Receipts and Coupons

Payments of principal in respect of Definitive Materialised Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of partial payment of any sum due, annotation) of such Notes, and payments of interest in respect of Definitive Materialised Notes will (subject as provided

below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, annotation) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments of principal (if any) in respect of Definitive Materialised Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, annotation) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, annotation) of the relevant Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Definitive Materialised Note to which it appertains. Receipts presented without the Definitive Materialised Note to which they appertain do not constitute valid obligations of the Issuer.

Upon the date upon which any Definitive Materialised Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment will be made in respect thereof.

Fixed Rate Notes in definitive form (other than Dual Currency Notes, Index-Linked Interest Notes or Physical Delivery Notes) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 12) or, if later, 5 years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index-Linked Interest Note or Physical Delivery Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

If the due date for redemption of any Definitive Materialised Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against presentation and surrender (if appropriate) of the relevant Definitive Materialised Note.

(c) *Payments in the United States*

Notwithstanding the foregoing, if any Materialised Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) *Payments subject to Fiscal Laws*

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment but without prejudice to the provisions of Condition 9. No commission or expenses shall be charged to the holders of Notes or Couponholders in respect of such payments.

(e) *Appointment of Agents*

The Fiscal Agent, the Paying Agent, the Calculation Agent and the Registration Agent initially appointed by the Issuer and their respective specified offices are listed at the end of the Base Prospectus relating to the Programme of the Notes of the Issuer. The Fiscal Agent, the Paying Agents and the Registration Agent act solely as agents of the Issuer and the Calculation Agent(s) act(s) as independent experts(s) and, in each case such, do not assume any obligation or relationship of agency for any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent, Registration Agent or Calculation Agent and to appoint other Fiscal Agent, Paying Agent(s), Registration Agent(s) or Calculation Agent(s) or additional Paying Agent(s), Registration Agent(s) or Calculation Agent(s), provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) one or more Calculation Agent(s) where the Conditions so require, (iii) Paying Agents having specified offices in at least two major European cities (including Luxembourg so long as the Notes are listed and admitted to trading on the Luxembourg Stock Exchange's Regulated Market and, so long as the Notes are listed and admitted to trading on any other Regulated Market, such other city where the Notes are to be listed and admitted to trading) (iv) in the case of Materialised Notes, a Paying Agent having its specified office in a Member State of the EU that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other EU Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to, such Directive (which may be any of the Paying Agents referred to in (iii) above), (v) in the case of Dematerialised Notes in fully registered form, a Registration Agent and (vi) such other agents as may be required by the rules of any other stock exchange on which the Notes may be listed.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Materialised Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the holders of Notes in accordance with Condition 16.

(f) *Talons*

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Materialised Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 12).

(g) *Business Days for Payment*

If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the Noteholder, Receiptholder or Couponholder shall not be entitled to payment until the next following business day unless otherwise specified in the relevant Final Terms, nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) (A) (i) in the case of Dematerialised Notes, on which Euroclear France is open for business or (ii) in the case of Materialised Notes, on which banks and foreign exchange markets are open for business in the relevant place of presentation, (B) on which banks and foreign exchange markets are open for business in such jurisdictions as shall be specified as "**Financial Centres**" in the relevant Final Terms and (C) (i) in the case of a payment in a currency other than Euro, where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or (ii) in the case of a payment in Euro, which is a TARGET Business Day.

The applicable Final Terms will contain provisions relating to the procedure for the delivery of any Physical Delivery Amount in respect of Physical Delivery Notes (including, without limitation, liability for the costs of transfer of Underlying Assets). The Underlying Assets will be delivered at the risk of the relevant Noteholder in such manner as may be specified in the Transfer Notice and no additional payment or delivery will be due to a Noteholder where any Underlying Assets are delivered after their due date in circumstances beyond the control of either the relevant Issuer or the Settlement Agent.

(h) *Bank*

For the purpose of this Condition 8, "**Bank**" means a bank in the principal financial centre of the relevant currency or, in the case of Euro, in a city in which banks have access to the TARGET System.

9. **Taxation**(a) *Tax Exemption for Notes issued or deemed to be issued outside France*

Unless it is specified in the relevant Final Terms that Condition 9(c) shall apply to the Notes, interest and other revenues with respect to Notes constituting *obligations* under French law which, as may be specified in the relevant Final Terms, are being issued or deemed to be issued outside the Republic of France, benefit from the exemption provided for in Article 131 *quater* of the French *Code général des impôts* from deduction of tax at source. Accordingly such payments do not give the right to any tax credit from any French source. The tax regime applicable to Notes which do not constitute *obligations* will be set out in the relevant Final Terms.

*As to the meaning of the expression "issued or deemed to be issued outside the Republic of France" see "Summary of the Base Prospectus – Taxation" above.*



(b) *Additional Amounts*

If French law should require that payments of principal or interest in respect of any Note, Receipt or Coupon be subject to deduction or withholding in respect of any present or future taxes or duties whatsoever, the Issuer will, to the fullest extent then permitted by law, pay such additional amounts as shall result in receipt by the Noteholders or, if applicable, the Receiptholders and the Couponholders, as the case may be, of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon, as the case may be:

## (i) Other connection

to, or to a third party on behalf of, a Noteholder, Receiptholder or Couponholder who is liable to such taxes or duties by reason of his having some connection with the Republic of France other than the mere holding of the Note, Receipt or Coupon; or

## (ii) More than 30 days after the Relevant Date

in the case of Definitive Materialised Notes, more than 30 days after the Relevant Date except to the extent that the Noteholder, Receiptholder or Couponholder would have been entitled to such additional amounts on presenting it for payment on the thirtieth such day; or

## (iii) Payment to individuals

where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

## (iv) Payment by another Paying Agent

in the case of Definitive Materialised Notes presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the EU.

References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Nominal Amounts and all other amounts in the nature of principal payable pursuant to Condition 7 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts, any Arrears of Interest as the case may be, and all other amounts payable pursuant to Condition 4 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition.

(c) *Article 125 A III*

If it is provided in the relevant Final Terms that this Condition 9(c) applies to the Notes, payments in respect of the Notes, Receipts or Coupons made to non-French residents will be made without

withholding or deduction for, or on account of, taxes imposed by or on behalf of the Republic of France, or any taxing authority thereof, provided that holder of the Notes, Receipts or Coupons supplies proof of non-residency (in the form made available by the Issuer or any Paying Agent or such other form as may be required by the French tax authorities from time to time) to the Issuer or any Paying Agent in accordance with the provisions of Article 125 A III of the French *Code général des impôts* and the Issuer or any Paying Agent shall not be responsible for any deduction or withholding in respect of any payment made under any Note, Receipt, Coupon resulting from the failure of such Noteholder to submit such proof.

## 10. Valuation, Adjustments and Extraordinary Events affecting Securities

### (a) Definitions

#### (A) *Definitions specific to Equity Linked Notes and Cash Equity Notes*

##### *(aa) General definitions specific to Equity Linked Notes and Cash Equity Notes*

"**Averaging Dates**" means each date specified as such in the applicable Final Terms or, if any of such Averaging Dates is not a relevant Scheduled Trading Day, the next following relevant Valid Date, subject to the provisions of "Averaging Date Disruption" below.

"**Averaging Date Disruption**" means that, if any Averaging Date is a Disrupted Day, then the provisions relating to "Consequences of Disrupted Days" below will apply for purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a date that already is or is deemed to be an Averaging Date for the Notes.

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

"**Barrier Period**" means, unless otherwise specified in the applicable Final Terms, the period from and including the Strike Date to and including the Valuation Time on the Valuation Date.

"**Barrier Price**" means the price of such Security specified as such or otherwise determined in the relevant Final Terms, subject to adjustment from time to time in accordance with the provisions set forth in Condition 10(g) and to "Consequences of Disrupted Days" below.

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

"**Cash Settlement**" means in relation to a Series of Notes, that the relevant Noteholder is entitled to receive from the Issuer on the Cash Settlement Payment Date an amount calculated in accordance with the relevant Final Terms in the Specified Currency.

"**Cash Settlement Payment Date**" means in relation to a Series of Notes, the date specified as such or otherwise determined as provided in the relevant Final Terms. In the case of a Note which relates to a Basket of Securities, if as a result of a Market Disruption Event there is more than one Valuation Date with respect to the Securities comprised in such basket, then the relevant Cash Settlement Payment Date shall be determined by reference to the Valuation Date which is the last to occur.

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

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

**"Consequences of Disrupted Days"** means if any Valuation Date is a Disrupted Day, then in the case of a Note which:

- (i) relates to a single Security, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine its good faith estimate of the value for the relevant Security as of the Valuation Time on that eighth Scheduled Trading Day; or
- (ii) relates to a Basket of Securities, the Valuation Date for each Security not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Security affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to that Security, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to that Security. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the relevant Security, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine its good faith estimate of the value for that Security as of the Valuation Time on that eighth Scheduled Trading Day.

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

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

**"Delivery Date"** means as the case may be, (a) the Maturity Date or, (b) in the event of a Settlement Disruption Event, the Settlement Date.

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

**"Disrupted Day"** means any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred.

**"Early Closure"** means the closure on any Exchange Business Day of the relevant Exchange or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

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

**"Exchange"** means in respect of a Security the relevant exchange or quotation system specified as such for such Security in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Security has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Security on such temporary substitute exchange or quotation system as on the original Exchange).

**"Exchange Business Day"** means any Scheduled Trading Day on which the relevant Exchange and, if any, the relevant Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or, if any, Related Exchange closing prior to its Scheduled Closing Time.

**"Exchange Disruption"** means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (i) to effect transactions in, or obtain market values for, the Securities on the Exchange, or (ii) to effect transactions in, or obtain market values for, futures or options contracts relating to the Security on any relevant Related Exchange.

**"Exchange Rate"** means, in respect of a relevant date and time, the currency exchange rate of one currency against another currency, as specified in the Final Terms, quoted by the relevant exchange rate provider on such date, as displayed on the Reuters Page specified in the Final Terms and as determined by the Calculation Agent. If such Exchange Rate cannot be or ceases to be determined, then the Calculation Agent shall select another Reuters page or determine in good faith such exchange rate by reference to such sources as it may select in its absolute discretion.

**"Extraordinary Dividend"** means an amount per Security specified or otherwise determined as provided in the relevant Final Terms. If no Extraordinary Dividend is specified in or otherwise determined as provided in the relevant Final Terms, the characterization of a dividend or portion thereof as an Extraordinary Dividend shall be determined by the Calculation Agent.

**"Final Price"** means either (i) in respect of the Valuation Date and a Security, the price of such Security as determined by the Calculation Agent as of the Valuation Time on the relevant Exchange on such Valuation Date; or (ii) in respect of the Averaging Dates and a Security, the arithmetic average as determined by the Calculation Agent (rounded to the nearest unit of the relevant currency in which the Security is valued (with halves being rounded up)) of the Reference Prices on each Averaging Date.

**"Initial Price"** means the price per Security specified as such or otherwise determined in the applicable Final Terms or, if no such price is specified or otherwise determined in the applicable Final Terms, the price of such Security as determined by the Calculation Agent as of the Valuation Time on the relevant Exchange on the Strike Date.

**"Market Disruption Event"** means the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that (a) for the purposes of the occurrence of a Knock-in Event or a Knock-out Event begins and/or ends at the time on which the price of the relevant Security triggers respectively the Knock-in Price or the Knock-out Price or (b) in all other circumstances, ends at the relevant Valuation Time, or (iii) an Early Closure.

**"Merger Date"** means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent.

**"Merger Event"** means in respect of any relevant Securities, any (i) reclassification or change of such Securities that results in a transfer of or an irrevocable commitment to transfer all of such Securities outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of the Underlying Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Underlying Company is the continuing entity and which does not result in a reclassification or change of all of such Securities outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100% of the outstanding Securities of the Underlying Company that results in a transfer of or an irrevocable commitment to transfer all such Securities (other than such Securities owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Underlying Company or its subsidiaries with or into another entity in which the Underlying Company is the continuing entity and which does not result in a reclassification or change of all such Securities outstanding but results in the outstanding Securities (other than Securities owned or controlled by such other entity) immediately prior to such event collectively representing less than 50% of the outstanding Securities immediately following such event (a "Reverse Merger"), in each case if the Merger Date is on or before, in the case of an Equity Linked Note which is to be redeemed by delivery of a Securities Transfer Amount, the Maturity Date or, in any other case, the final Valuation Date.

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

**"Notice of Election of Settlement"** means that where Notice of Election of Settlement is set out as applicable in the relevant Final Terms, the Notice of any such election of Physical Settlement will be given by or on behalf of the Issuer (a) to the Noteholders in accordance with Condition 16(a) no later than the first day following the Valuation Date on which Euroclear and Clearstream, Luxembourg are open for business and (b) to the Principal Paying Agent, Euroclear and/or Clearstream, Luxembourg no later than the Payment Business Day following the Valuation Date.

**"Notional Sale Date"** has the meaning set out in the definition of Physical Settlement Date below.

**"Physical Delivery Notes"** means Notes in respect of which an amount of principal and/or interest is due and/or (by reference to an underlying equity, bond, other security or such other asset as may be specified in the applicable Final Terms (the "**Underlying Assets**")) a Physical Delivery Amount (being the number of Underlying Assets plus/minus any amount due to/from the Noteholder in respect of each Note) is deliverable ("**Physical Settlement Date**") and/or must be settled, in each case by reference to one or more Underlying Assets as the Issuer may decide and as indicated in the applicable Final Terms.

**"Physical Settlement Date"** means where the Notes are to be redeemed by Physical Settlement, the date which is the later of (a) the Maturity Date and (b) the date that falls one Settlement Cycle after the Exchange Business Day following the Valuation Date (the **"Notional Sale Date"**) (or if such day is not a Clearance System Business Day, the next following Clearance System Business Day).

**"Potential Adjustment Event"** means:

- (i) a subdivision, consolidation or reclassification of relevant Securities (unless resulting in a Merger Event), or a free distribution or dividend of any such Securities to existing holders by way of bonus, capitalization or similar issue;
- (ii) a distribution, issue or dividend to existing holders of the relevant Securities of (A) such Securities, or (B) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Underlying Company equally or proportionately with such payments to holders of such Securities, or (C) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Underlying Company as a result of a spin-off or other similar transaction, or (D) any other type of securities, rights or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent;
- (iii) an Extraordinary Dividend;
- (iv) a call by the Underlying Company in respect of relevant Securities that are not fully paid;
- (v) a repurchase by the Underlying Company or any of its subsidiaries of relevant Securities whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
- (vi) in respect of the Underlying Company, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of the Underlying Company pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, debt instruments or stock rights at a price below their market value, as determined by the Calculation Agent, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or
- (vii) any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Securities.

**"Reference Price"** means in respect of any Averaging Date and a Security, the price of such Security as determined by the Calculation Agent as of the Valuation Time on the Exchange on such Averaging Date.

**"Related Exchange"** means in respect of a Security the exchange or quotation system specified as such for such Security in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Security has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Security on such temporary substitute exchange or quotation system as on the original Related Exchange), provided, however, that where "All Exchanges" is specified as the Related Exchange in the relevant Final Terms,

"Related Exchange" shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Security.

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

"**Residual Amount**" means in relation to a Noteholder and a Note, the fraction of a Security rounded down pursuant to Condition 10(c)(i)(B), as determined by the Calculation Agent.

"**Residual Cash Amount**" means in respect of a Residual Amount, the product of such Residual Amount and the relevant Final Price.

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

"**Scheduled Trading Day**" means any day on which the relevant Exchange and the relevant Related Exchange are scheduled to be open for trading for their respective regular trading sessions.

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

"**Securities**" means the equity securities, debt securities, the ADR Securities or other securities or property, as adjusted pursuant to Condition 10, to which the relevant Note relates, as specified in the relevant Final Terms, and "**Security**" and "**Basket**" shall be construed accordingly.

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

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

"**Settlement Date**" means in relation to Securities to be delivered in respect of an Equity Linked Note (a) in the case of Equity Linked Notes which relate to equity securities and unless otherwise specified in the relevant Final Terms, the first day on which settlement of a sale of such equity securities executed on the Maturity Date customarily would take place through the relevant Clearance System or (b) in any other case, and unless otherwise specified in the relevant Final Terms, the date specified as such in the relevant Final Terms, subject to adjustment in accordance with the Following Business Day Convention unless another Business Day Convention is specified in the relevant Final Terms. In each case, if a Settlement Disruption Event prevents delivery of such Securities on that day, then the Settlement Date shall be determined in accordance with Condition 10(c).

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

"**Strike Date**" means the date specified as such in the relevant Final Terms or, if such date is not a relevant Scheduled Trading Day, the next following relevant Scheduled Trading Day, subject to the provisions of "Consequences of Disrupted Days" above as if such Strike Date were a Valuation Date.

"**Strike Date Disruption**" means that if any Strike Date is a Disrupted Day then the provisions relating to "Consequences of Disrupted Days" will apply for the purposes of determining the relevant level, price or amount on that Strike Date as if such Strike Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Strike Date would fall on a date that already is or is deemed to be a Strike Date for the Notes.

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

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

"**Trading Disruption**" means any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (i) relating to the Security on the Exchange or, (ii) in futures or options contracts relating to the Security on any relevant Related Exchange.

"**Transfer Expenses**" means with respect to any Notes, all stamp, transfer, registration and similar duties and all expenses, scrip fees, levies and registration charges payable on or in respect of or arising on, or in connection with, the purchase or transfer, delivery or other disposition by the transferor to or to the order of the relevant Noteholders of any Securities.

"**Transfer Notice**" means a notice sent by each Noteholder on or before the date five calendar days before the Maturity Date (or such earlier date as the Issuer shall determine is necessary for the Issuer, the Paying Agents, Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system to perform their respective obligations hereunder and notify to the Paying Agents and the Noteholders) to Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system, as the case may be, in accordance with its then applicable operating procedures, and copied to the Principal Paying Agent, an irrevocable notice (a "**Transfer Notice**") in the form from time to time approved by the Issuer, which must:

- (i) specify the name and address of the Noteholder;
- (ii) specify the number of Notes in respect of which he is the Noteholder;
- (iii) specify the number of the Noteholder's account at Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system, as the case may be, to be debited with such Notes;
- (iv) irrevocably instruct and authorise Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system, as the case may be, (A) to debit the Noteholder's account with such Notes on the Settlement Date, if the Issuer elects (or has elected) Physical Settlement or



otherwise on the Maturity Date and (B) that no further transfers of the Notes specified in the Transfer Notice may be made;

- (v) contain a representation and warranty from the Noteholder to the effect that the Notes to which the Transfer Notice relates are free from all liens, charges, encumbrances and other third party rights;
- (vi) specify the number and account name of the account at the Clearance System to be credited with the Securities if the Issuer elects (or has elected) Physical Settlement;
- (vii) contain an irrevocable undertaking to pay the Transfer Expenses (if any) and an irrevocable instruction to Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system, as the case may be, to debit on or after the Settlement Date the cash or other account of the Noteholder with Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system, as the case may be, specified in the Transfer Notice with such Transfer Expenses;
- (viii) include a certificate of non-U.S. beneficial ownership in the form required by the Issuer; and
- (ix) authorise the production of the Transfer Notice in any applicable administrative or legal proceedings.

A Transfer Notice, once delivered to Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system, shall be irrevocable and may not be withdrawn without the consent in writing of the Issuer. A Noteholder may not transfer any Note which is the subject of a Transfer Notice following delivery of such Transfer Notice to Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system. A Transfer Notice shall only be valid to the extent that Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system have not received conflicting prior instructions in respect of the Notes which are the subject of the Transfer Notice.

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

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

**"Underlying Company"** means the issuer of the Security as specified in the applicable Final Terms, subject to adjustment from time to time in accordance with the provisions as set out in this Condition 10(a)(A)(aa).

**"Valid Date"** means a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date does not or is not deemed to occur.

**"Valuation Date"** means each date specified as such or otherwise determined as provided in the related Final Terms (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day), in each case, subject to the provisions of Consequences of Disrupted Days below.

**"Valuation Time"** means the time on the relevant Valuation Date or Averaging Date, as the case may be, specified as such in the relevant Final Terms or, if no such time is specified, the Scheduled Closing

Time on the relevant Exchange on the relevant Valuation Date or Averaging Date, as the case may be, in relation to each Security to be valued. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.

"**Worst Performing Security**" means, unless otherwise specified in the applicable Final Terms, in respect of a Basket of Securities and a specified date "t" (the Valuation Date or any other date specified as such in the relevant Final Terms), the Security which gives rise to the lowest percentage as determined by the Calculation Agent in accordance with the following formula:

$$\text{Min}_{k=1\text{to}X} \left( \frac{S_t^k}{S_{\text{Initial}}^k} \right)$$

Where:

"k" means each Security in the Basket, 1 to X.

"X" means the number of Security<sub>k</sub> comprised in the Basket.

"S<sub>t</sub><sup>k</sup>" means, in respect of a Security<sub>k</sub>, the price of such Security as determined by the Calculation Agent as of the Valuation Time on the relevant Exchange on the relevant date "t".

"S<sub>Initial</sub><sup>k</sup>" means, in respect of a Security<sub>k</sub>, the Initial Price of Security<sub>k</sub>.

*(bb) General definitions specific to Equity Linked Notes and Cash Equity Notes which are ADR Linked Notes*

"**ADR Linked Notes**" means a Series of Notes in respect of which an amount, which shall be calculated by reference to the value of American Depository Receipt(s) and/or a formula, is payable (as indicated in the relevant Final Terms).

"**American Depository Receipt(s)**" or "**ADR Securities**" means such Security (specified as such in the related Final Terms) issued by the relevant Depository relating to the relevant Share(s) (as defined below) and to which the relevant Notes relate.

"**Deposit Agreement**" means, in relation to each ADR Security, the agreement(s) or other instrument(s) constituting the relevant ADR Security, as from time to time amended or supplemented with its (their) terms.

"**Depository**" means, in respect of a relevant ADR Security, the issuer of such ADR Security as appointed in the Deposit Agreement, or any successor to it from time to time in such capacity.

"**Equity Element**" means, in respect of each Note, the number of Share(s) set out in the relevant Final Terms.

"**Share(s)**" means, in respect of a relevant ADR Security, the equity securities issued by the Underlying Company and to which the ADR Securities relate.

"**Underlying Company**" means, for the purpose of this paragraph 10(a)(A)(bb) and in respect of a relevant Share, the issuer of such Share to which the relevant ADR Security relate(s), as defined in paragraph 34(ii) above and in Annex 2 below.

(B) *Definitions specific to Single Exchange Index Linked Notes*

**"Averaging Dates"** means each date specified as such in the applicable Final Terms or, if any of such Averaging Dates is not a relevant Scheduled Trading Day, the next following relevant Valid Date, subject to the provisions of "Averaging Date Disruption" below.

**"Averaging Date Disruption"** means that, if any Averaging Date is a Disrupted Day, then the provisions relating to "Consequences of Disrupted Days" below will apply for purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a date that already is or is deemed to be an Averaging Date for the Notes.

**"Barrier Period"** means, unless otherwise specified in the applicable Final Terms, the period from and including the Strike Date to and including the Valuation Time on the Valuation Date.

**"Barrier Level"** means the level of the Index specified as such or otherwise determined in the relevant Final Terms, subject to adjustment from time to time in accordance with the provisions set forth in Condition 10(g) and to "Consequences of Disrupted Days" below.

**"Cash Settlement"** means, in relation to a Series of Notes, that the relevant Noteholder is entitled to receive from the Issuer on the Cash Settlement Payment Date an amount calculated in accordance with the relevant Final Terms in the Specified Currency.

**"Cash Settlement Payment Date"** means in relation to a Series of Notes, the date specified as such or otherwise determined as provided in the relevant Final Terms.

**"Consequences of Disrupted Days"** means if any Valuation Date is a Disrupted Day, then in the case of a Note which:

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

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

**"Disrupted Day"** means any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred.

**"Early Closure"** means the closure on any Exchange Business Day of the relevant Exchange (or in the case of an Index Transaction or Index Linked Note, any relevant Exchange(s) relating to securities that comprise 20 percent or more of the level of the relevant Index) or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

**"Exchange"** means in respect of an Index the relevant exchange or quotation system specified for such Index in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the shares underlying such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the shares underlying such Index on such temporary substitute exchange or quotation system as on the original Exchange).

**"Exchange Business Day"** means any Scheduled Trading Day on which the relevant Exchange and, if any, the relevant Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or, if any, Related Exchange closing prior to its Scheduled Closing Time.

**"Exchange Disruption"** means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (i) to effect transactions in, or obtain market values for, securities that comprise 20 percent or more of the level of the relevant Index, or (ii) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Index on any relevant Related Exchange.

**"Final Index Level"** means either (i) in respect of the Valuation Date and an Index, the level of the Index as determined by the Calculation Agent as of the Valuation Time on the relevant Exchange on such Valuation Date; or (ii) in respect of the Averaging Dates and an Index, the arithmetic average as determined by the Calculation Agent (rounded to the nearest unit of the relevant currency in which the Index is valued (with halves being rounded up)) of the Reference Levels on each Averaging Date.

**"Index"** means the index, as adjusted pursuant to Condition 10, to which the relevant Note relates, as specified in the relevant Final Terms, and **"Indices"** and **"Basket"** shall be construed accordingly.

**"Index Linked Note"** means a Series of Notes in respect of which an amount which shall be calculated by reference to an index or a basket of indices and/or a formula is payable (as indicated in the relevant Final Terms).

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

**"Initial Index Level"** means the level of the Index specified as such or otherwise determined in the relevant Final Terms or, if no such level is specified or otherwise determined in the relevant Final Terms, the level of the Index as determined by the Calculation Agent as of the Valuation Time on the relevant Exchange on the Strike Date, subject to adjustment from time to time in accordance with the provisions set forth in Condition 10(f) below.

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

**"Reference Level"** means, in respect of any Averaging Date and an Index, the level of such Index as determined by the Calculation Agent as of the Valuation Time on the Exchange on such Averaging Date.

**"Related Exchange"** means in respect of an Index the exchange or quotation system specified as such in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to the Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Security on such temporary substitute exchange or quotation system as on the original Related Exchange), provided, however, that where "All Exchanges" is specified as the Related Exchange in the relevant Final Terms, "Related Exchange" shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Index.

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

**"Scheduled Trading Day"** means any day on which the relevant Exchange and the relevant Related Exchange are scheduled to be open for trading for their respective regular trading sessions.

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

"**Settlement Cycle**" means in respect of an Index, the period of Clearance System Business Days following a trade in the shares underlying such Index on the Exchange in which settlement will customarily occur according to the rules of such Exchange.

"**Single Exchange Index Linked Note**" has the meaning ascribed thereto in the relevant Final Terms.

"**Strike Date**" means the date specified as such in the relevant Final Terms or, if such date is not a relevant Scheduled Trading Day, the next following relevant Scheduled Trading Day, subject to the provisions of "Consequences of Disrupted Days" above as if such Strike Date were a Valuation Date.

"**Strike Date Disruption**" means that if any Strike Date is a Disrupted Day then the provisions relating to "Consequences of Disrupted Days" will apply for the purposes of determining the relevant level, price or amount on that Strike Date as if such Strike Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Strike Date would fall on a date that already is or is deemed to be a Strike Date for the Notes.

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

"**Trading Disruption**" means any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (i) on any relevant Exchange(s) relating to securities that comprise 20 percent or more of the level of the relevant Index or, (ii) in futures or options contracts relating to the relevant Index on any relevant Related Exchange.

"**Valid Date**" means a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date does not or is not deemed to occur.

"**Valuation Date**" means the date specified as such or otherwise determined as provided in the related Final Terms (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day), in each case, subject to the provisions of "Consequences of Disrupted Days" above.

"**Valuation Time**" means the time on the relevant Valuation Date or Averaging Date, as the case may be, specified as such in the relevant Final Terms or, if no such time is specified, the Scheduled Closing Time on the relevant Exchange on the relevant Valuation Date or Averaging Date, as the case may be, in relation to the Index to be valued. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.

"**Worst Performing Index**" means, unless otherwise specified in the applicable Final Terms, in respect of a Basket of Indices and a specified date "t" (the Valuation Date or any other date specified as such in the relevant Final Terms), the Index which gives rise to the lowest percentage as determined by the Calculation Agent in accordance with the following formula:

$$\text{Min}_{k=1 \text{ to } X} \left( \frac{S_t^k}{S_{\text{Initial}}^k} \right)$$

Where:

"k" means each Index in the Basket, 1 to X.

"X" means the number of Index<sub>k</sub> comprised in the Basket.

"S<sub>t</sub><sup>k</sup>" means, in respect of a Index<sub>k</sub>, the price of such Index as determined by the Calculation Agent as of the Valuation Time on the relevant Exchange on the relevant date "t".

"S<sub>Initial</sub><sup>k</sup>" means, in respect of a Index<sub>k</sub>, the Initial Price of Index<sub>k</sub>.

(C) *Definitions specific to Multi Exchange Index-Linked Interest Notes*

"**Averaging Dates**" means each date specified as such in the applicable Final Terms or, if any of such Averaging Dates is not a relevant Scheduled Trading Day, the next following relevant Valid Date, subject to the provisions of "Averaging Date Disruption" below.

"**Averaging Date Disruption**" If any Averaging Date is a Disrupted Day, then the provisions relating to "Consequences of Disrupted Days" below will apply for purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a date that already is or is deemed to be an Averaging Date for the Notes.

"**Barrier Period**" means, unless otherwise specified in the applicable Final Terms, the period from and including the Strike Date to and including the Valuation Time on the Valuation Date.

"**Barrier Level**" means the level of the Index specified as such or otherwise determined in the relevant Final Terms, subject to adjustment from time to time in accordance with the provisions set forth in Condition 10(g) and to "Consequences of Disrupted Days" below.

"**Cash Settlement**" means, in relation to a Series of Notes, that the relevant Noteholder is entitled to receive from the Issuer on the Cash Settlement Payment Date an amount calculated in accordance with the relevant Final Terms in the Specified Currency.

"**Cash Settlement Payment Date**" means, in relation to a Series of Notes, the date specified as such or otherwise determined as provided in the relevant Final Terms.

"**Consequences of Disrupted Days**" means if any Valuation Date is a Disrupted Day, then in the case of a Note which:

- (i) relates to a single Index, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the level of the Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth Scheduled Trading Day of each security comprised in the Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the Valuation Time on that eighth Scheduled Trading Day); or

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

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

**"Early Closure"** means the closure on any Exchange Business Day of the relevant Exchange (or in the case of an Index Transaction or Index Linked Note, any relevant Exchange(s) relating to securities that comprise 20 percent or more of the level of the relevant Index) or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

**"Exchange"** means, in respect of each component security of the Index (each a **"Component Security"**), the principal stock exchange on which such Component Security is principally traded, as determined by the Calculation Agent which is on the Issue Date specified as such or otherwise determined in the relevant Final Terms.

**"Exchange Business Day"** means any Scheduled Trading Day on which (i) the Index Sponsor publishes the level of the Index and, if any (ii) the Related Exchange is open for trading during its regular trading session, notwithstanding any Exchange or, if any, the Related Exchange closing prior to its Scheduled Closing Time.

**"Exchange Disruption"** means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for (i) any Component Security on the Exchange in respect of such Component Security, or (ii) futures or options contracts relating to the relevant Index on the relevant Related Exchange.

**"Final Index Level"** means either (i) in respect of the Valuation Date and an Index, the level of the Index as determined by the Calculation Agent as of the Valuation Time on the relevant Exchange on such Valuation Date; or (ii) in respect of the Averaging Dates and an Index, the arithmetic average as determined by the Calculation Agent (rounded to the nearest unit of the relevant currency in which the Index is valued (with halves being rounded up)) of the Reference Levels on each Averaging Date.



**"Index"** means the index, as adjusted pursuant to Condition 10, to which the relevant Note relates, as specified in the relevant Final Terms, and "Indices" and "Basket" shall be construed accordingly.

**"Index Linked Note"** means a Series of Notes in respect of which an amount which shall be calculated by reference to an index or basket of indices and/or a formula is payable (as indicated in the relevant Final Terms).

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

**"Initial Index Level"** means the level of the Index specified as such or otherwise determined in the relevant Final Terms or, if no such level is specified or otherwise determined in the relevant Final Terms, the level of the Index as published by the Sponsor as of the Valuation Time on the Strike Date as determined by the Calculation Agent as of the Valuation Time on the relevant Exchange on the Strike Date, subject to adjustment from time to time in accordance with the provisions set forth in Condition 10(f) below.

**"Market Disruption Event"** means either:

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

- (1) a Trading Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that (a) for the purposes of the occurrence of a Knock-in Event or a Knock-out Event begins and/or ends at the time on which the level of the relevant Index triggers respectively the Knock-in Level or the Knock-out Level or (b) in all other circumstances, ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded; and/or
- (2) an Exchange Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that (a) for the purposes of the occurrence of a Knock-in Event or a Knock-out Event begins and/or ends at the time on which the level of the relevant Index triggers respectively the Knock-in Level or the Knock-out Level or (b) in all other circumstances, ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded; and/or
- (3) an Early Closure in respect of such Component Security; and

(B) the aggregate of all Component Securities in respect of which a Trading Disruption and/or, an Exchange Disruption and/or an Early Closure occurs or exists comprises 20 per cent or more of the level of the Index; or

(ii) the occurrence or existence, in respect of futures or options contracts relating to the Index, of: (a) a Trading Disruption; (b) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that (a) for the purposes of the occurrence of a Knock-in Event or a Knock-out Event begins and/or ends at the time on which the level of the relevant Index triggers respectively the Knock-in Level or the Knock-out Level or (b) in all other circumstances,

ends at the relevant Valuation Time in respect of the Related Exchange; or (c) an Early Closure, in each case in respect of such futures or options contracts.

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

**"Reference Level"** means, in respect of any Averaging Date and an Index, the level of such Index as published by the Sponsor as of the Valuation Time on such Averaging Date as determined by the Calculation Agent.

**"Related Exchange"** means in respect of an Index the exchange or quotation system specified as such in the relevant Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to the relevant Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Security on such temporary substitute exchange or quotation system as on the original Related Exchange), provided, however, that where "All Exchanges" is specified as the Related Exchange in the relevant Final Terms, "Related Exchange" shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Index.

**"Scheduled Closing Time"** means, in respect of each Component Security, the scheduled weekday closing time of the Exchange, without regard to after hours or any other trading outside of the regular trading session hours.

**"Scheduled Trading Day"** means any day on which (i) the Index Sponsor is scheduled to publish the level of the Index and (ii) the Related Exchange is scheduled to be open for trading for its regular trading session.

**"Settlement Cycle"** means, in respect of an Index, the largest period of Clearance System Business Days following a trade in the shares underlying such Index on any relevant Exchange in which settlement will customarily occur according to the rules of such Exchange.

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

**"Multiple Exchange Index Linked Note"** has the meaning ascribed thereto in the relevant Final Terms.

**"Strike Date"** means the date specified as such in the relevant Final Terms or, if such date is not a relevant Scheduled Trading Day, the next following relevant Scheduled Trading Day, subject to the provisions of "Consequences of Disrupted Days" above as if such Strike Date were a Valuation Date.

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

**"Trading Disruption"** means any suspension of or limitation imposed on trading by the relevant Exchange or, if any, the Related Exchange or otherwise and whether by reason of movements in price

exceeding limits permitted by the relevant Exchange or, if any, the Related Exchange or otherwise (i) relating to any Component Security on the Exchange in respect of such Component Security or, (ii) in futures or options contracts relating to the relevant Index on the relevant Related Exchange.

"**Valid Date**" means a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date does not or is not deemed to occur.

"**Valuation Date**" means the date specified as such or otherwise determined as provided in the related Final Terms (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day), in each case, subject to the provisions of "Consequences of Disrupted Days" above.

"**Valuation Time**" means (i) for the purposes of determining whether a Market Disruption Event has occurred: (a) in respect of any Component Security, the Scheduled Closing Time on the Exchange in respect of such Component Security, and (b) in respect of any options contracts or future contracts on the Index, the close of trading on the Related Exchange; and (ii) in all other circumstances, the time at which the official closing level of the Index is calculated and published by the Index Sponsor.

"**Worst Performing Index**" means, unless otherwise specified in the applicable Final Terms, in respect of a Basket of Indices and a specified date "t" (the Valuation Date or any other date specified as such in the relevant Final Terms), the Index which gives rise to the lowest percentage as determined by the Calculation Agent in accordance with the following formula:

$$\text{Min}_{k=1 \text{ to } X} \left( \frac{S_t^k}{S_{\text{Initial}}^k} \right)$$

Where:

"k" means each Index in the Basket, 1 to X.

"X" means the number of Index<sub>k</sub> comprised in the Basket.

"S<sub>t</sub><sup>k</sup>" means, in respect of a Index<sub>k</sub>, the price of such Index as determined by the Calculation Agent as of the Valuation Time on the relevant Exchange on the relevant date "t".

"S<sub>Initial</sub><sup>k</sup>" means, in respect of a Index<sub>k</sub>, the Initial Price of Index<sub>k</sub>.

(D) *Common Definitions in relation to Knock-in and Knock-out Events*

If "**Knock-in Event**" is specified as applicable in the Final Terms in relation to any Cash Equity Note, Equity-Linked Note or Index Linked Note, then each payment and/or delivery in respect of which a Knock-in Event applies, as specified in the relevant Final Terms, shall be conditional upon the occurrence of such Knock-in Event.

"**Knock-in Determination Day**" means each Scheduled Trading Day during the Knock-in Determination Period, unless such day is a Disrupted Day due to the occurrence of an event giving rise to a Disrupted Day prior to the Knock-in Valuation Time on such day. If such day is a Disrupted Day due to the occurrence of such an event, then the Knock-in Determination Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the original date that, but for the occurrence of a Disrupted Day, would have been the Knock-in Determination Day is a Disrupted Day. In that case, that eighth Scheduled Trading Day shall be deemed to be the Knock-in Determination Day, notwithstanding the fact that such day is a Disrupted Day, and the Calculation Agent shall determine the price of the

Security or, as the case may be, the level of the Index in the same manner that it would determine a price of a Security or, as the case may be, a level of an Index on a deemed Valuation Date that is also a Disrupted Day in accordance with the provisions of "Consequences of Disrupted Days" set forth in Condition 10(a)(A), (B) or (C), as the case may be. In the event that the related Confirmation does not specify any Knock-in Determination Days, each Scheduled Trading Day from and including the Trade Date to and including the final Valuation Date, the Expiration Date or, if there is no such Valuation Date or Expiration Date, the date that is one Settlement Cycle prior to the final Settlement Date in relation to the Transaction (adjusted, if applicable, as provided in Sections 3.1(f) and 6.6) shall be deemed to be Knock-in Determination Days in relation to the Transaction.

**"Knock-in Determination Period"** means the period which commences on, and includes, the Knock-in Period Beginning Date and ends on, and includes, the Knock-in Period Ending Date.

**"Knock-in Event"** means (i) the event or occurrence specified as such in the relevant Final Terms; and (ii) (unless otherwise specified in the applicable Final Terms) that the price of the Security or, as the case may be, the level of the Index, determined by the Calculation Agent as of the Knock-in Valuation Time on any Knock-in Determination Day is, as specified in the applicable Final Terms, (i) "greater than", (ii) "greater than or equal to", (iii) "less than" or (iv) "less than or equal to" the Knock-in Price or, as the case may be, the Knock-in Level.

**"Knock-in Level"** means the level of the Index specified as such or otherwise determined in the applicable Final Terms.

**"Knock-in Period Beginning Date"** means the date specified as such in the applicable Final Terms or, if such date is not a Scheduled Trading Day, the next following relevant Scheduled Trading Day, subject to the provisions of "Knock-in Determination Day" above.

**"Knock-in Period Ending Date"** means the date specified as such in the applicable Final Terms or, if such date is not a Scheduled Trading Day, the next following relevant Scheduled Trading Day, subject to the provisions of "Knock-in Determination Day" above.

**"Knock-in Price"** means the price per Security specified as such or otherwise determined in the applicable Final Terms.

**"Knock-in Valuation Time"** means the time or period of time on any Knock-in Determination Day specified as such in the applicable Final Terms or in the event that the applicable Final Terms do not specify a Knock-in Valuation Time, the Knock-in Valuation Time shall be the Valuation Time.

If **"Knock-out Event"** is specified as applicable in the Final Terms in relation to any Cash Equity Note, Equity-Linked Note or Index Linked Note, then each payment and/or delivery in respect of which a Knock-in Event applies, as specified in the relevant Final Terms, shall be conditional upon the occurrence of such Knock-out Event.

**"Knock-out Determination Day"** means each Scheduled Trading Day during the Knock-out Determination Period, unless such day is a Disrupted Day due to the occurrence of an event giving rise to a Disrupted Day prior to the Knock-out Valuation Time on such day. If such day is a Disrupted Day due to the occurrence of such an event, then the Knock-out Determination Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the original date that, but for the occurrence of a Disrupted Day, would have been the Knock-out Determination Day is a Disrupted Day. In that case, that eighth Scheduled Trading Day shall be deemed to be the Knock-out Determination Day, notwithstanding the

fact that such day is a Disrupted Day, and the Calculation Agent shall determine the price of the Security or, as the case may be, the level of the Index in the same manner that it would determine a price of a Security or, as the case may be, a level of an Index on a deemed Valuation Date that is a Disrupted Day in accordance with the provisions of "Consequences of Disrupted Days" set forth in Condition 10(a)(A), (B) or (C), as the case may be.

**"Knock-out Determination Period"** means the period which commences on, and includes, the Knock-out Period Beginning Date and ends on, and includes, the Knock-out Period Ending Date.

**"Knock-out Event"** means that (i) the event or occurrence specified as such in the relevant Final Terms; and (ii) (unless otherwise specified in the applicable Final Terms) that the price of the Security or, as the case may be, the level of the Index, determined by the Calculation Agent as of the Knock-out Valuation Time on any Knock-out Determination Day is, as specified in the applicable Final Terms, (i) "greater than", (ii) "greater than or equal to", (iii) "less than" or (iv) "less than or equal to" the Knock-out Price or, as the case may be, Knock-out Level.

**"Knock-out Level"** means the level of the Index specified as such or otherwise determined in the applicable Final Terms.

**"Knock-out Period Beginning Date"** means the date specified as such in the applicable Final Terms or, if such date is not a Scheduled Trading Day, the next following relevant Scheduled Trading Day, subject to the provisions of "Knock-out Determination Day" above.

**"Knock-out Period Ending Date"** means the date specified as such in the applicable Final Terms or, if such date is not a Scheduled Trading Day, the next following relevant Scheduled Trading Day, subject to the provisions of "Knock-out Determination Day" above.

**"Knock-out Price"** means the price per Security specified as such or otherwise determined in the applicable Final Terms.

**"Knock-out Valuation Time"** means the time or period of time on any Knock-out Determination Day specified as such in the applicable Final Terms or in the event that the applicable Final Terms do not specify a Knock-out Valuation Time, the Knock-out Valuation Time shall be the Valuation Time.

(E) *General Definitions related to Automatic Early Redemption*

(a) *Definitions*

**"Automatic Early Redemption Amount"** means (a) an amount in the relevant currency specified in the applicable Final Terms or if such amount is not specified, (b) the product of (i) the nominal amount and (ii) the relevant Automatic Early Redemption Rate relating to that Automatic Early Redemption Date.

**"Automatic Early Redemption Date(s)"** means each of the date(s) specified as such in the applicable Final Terms, subject in each case to adjustment in accordance with the Business Day Convention specified in the applicable Final Terms.

**"Automatic Early Redemption Event"** means (unless otherwise specified in the applicable Final Terms) that the Security Price or, as the case may be, the Index Level is, as specified in the applicable Final Terms, (i) "greater than", (ii) "greater than or equal to", (iii) "less than" or (iv) "less than or equal

to” the Automatic Early Redemption Price, or as the case may be, the Automatic Early Redemption Level.

**"Automatic Early Redemption Level"** means the level of the Index specified as such or otherwise determined in the applicable Final Terms.

**"Automatic Early Redemption Price"** means the price per Security specified as such or otherwise determined in the applicable Final Terms.

**"Automatic Early Redemption Rate"** means, in respect of any Automatic Early Redemption Date, the rate specified as such in the applicable Final Terms.

**"Automatic Early Redemption Valuation Date(s)"** means each of the date(s) specified as such in the applicable Final Terms or, if any of such Automatic Early Redemption Date(s) is not a Scheduled Trading Day, the next following Scheduled Trading Day, subject to the provisions of "Consequences of Disrupted Days" set forth above in Condition 10(a)(A), (B) or (C), as the case may be, as if such Automatic Early Redemption Valuation Date were a Valuation Date.

**"Index Level"** means, in respect of any Automatic Early Redemption Valuation Date, the level of the Index as determined by the Calculation Agent as of the Valuation Time on such Automatic Early Redemption Valuation Date.

**"Scheduled Automatic Early Redemption Valuation Date(s)"** means the original date that, but for the occurrence of an event causing a Disrupted Day, would have been an Automatic Early Redemption Valuation Date.

**"Security Price"** means, in respect of any Automatic Early Redemption Valuation Date, the price per Security as determined by the Calculation Agent as of the Valuation Time on the relevant Exchange on such Automatic Early Redemption Valuation Date.

(b) *Physical Delivery*

Notwithstanding Condition 8(b) above, in relation to Physically Settled Notes and/or where the Issuer has elected Physical Settlement, and subject to the other provisions of the relevant Final Terms:

- (i) (A) The Issuer shall discharge its obligation to redeem the relevant proportion of the Notes by delivering, or procuring the delivery of, the Securities Transfer Amount on the Settlement Date to the Clearance System for credit to the account with the Clearance System specified in the Transfer Notice of the relevant Noteholder.
- (B) The number of Securities to be delivered to or for the account of each Noteholder shall be a number of Securities equal to the number of Notes in respect of which such Noteholder is the holder as specified in the relevant Transfer Notice multiplied by the Securities Transfer Amount; provided, however, that if a Noteholder would become entitled to a number of Securities which is not equal to a board lot of the Securities at such time, as determined by the Calculation Agent, or an integral multiple thereof, then the Noteholder's entitlement to delivery of Securities shall be rounded down to the nearest whole Security.

- (C) In relation to each Noteholder, the Calculation Agent shall calculate the Residual Amount and the Residual Cash Amount. The Residual Cash Amount shall be paid by the Issuer to the relevant Noteholder on the Settlement Date.
- (D) Each Noteholder shall be required as a condition of its entitlement to delivery of Securities in respect of any Notes to pay all Transfer Expenses in respect of such Notes.
- (E) After delivery to or for the account of a Noteholder of the relevant Securities Transfer Amount and for such period of time as the transferor or its agent or nominee shall continue to be registered in any clearing system as the owner of the Securities comprised in such Securities Transfer Amount (the "**Intervening Period**"), none of such transferor or any agent or nominee for the Issuer or such transferor shall (i) be under any obligation to deliver to such Noteholder or any other person any letter, certificate, notice, circular, dividend or any other document or payment whatsoever received by the Issuer or such transferor, agent or nominee in its capacity as holder of such Securities, (ii) be under any obligation to exercise any rights (including voting rights) attaching to such Securities during the Intervening Period, or (iii) be under any liability to such Noteholder or any other person in respect of any loss or damage which the Noteholder or any other person may sustain or suffer as a result, whether directly or indirectly, of the Issuer or such transferor, agent or nominee being registered in such clearing system during such Intervening Period as legal owner of such Securities.
- (F) All dividends on Securities to be delivered will be payable to the party that would receive such dividends according to market practice for a sale of the Securities executed on the Notional Sale Date to be delivered in the same manner as such Securities. Any such dividends will be paid to or for credit to the account specified by the Noteholder in the relevant Transfer Notice. No right to dividends on the Securities will accrue to Noteholders prior to the Notional Sale Date.
- (ii) the Calculation Agent shall determine, in its sole and absolute discretion, whether or not at any time a Settlement Disruption Event has occurred and where it determines such an event has occurred and so has prevented delivery of Securities on the original day that but for such Settlement Disruption Event would have been the Settlement Date, then the Settlement Date will be the first succeeding day on which delivery of such Securities can take place through the relevant Clearance System unless a Settlement Disruption Event prevents settlement on each of the eighth relevant Clearance System Business Days immediately following the original date (or during such other period specified in the relevant Final Terms) that, but for the Settlement Disruption Event, would have been the Settlement Date. In that case, if the Securities are debt securities, the Issuer shall use reasonable efforts to deliver such Securities promptly thereafter in a commercially reasonable manner (as determined by the Calculation Agent in its sole and absolute discretion) outside the Clearance System and in all other cases (a) if such Securities can be delivered in any other commercially reasonable manner (as determined by the Calculation Agent in its sole and absolute discretion), then the Settlement Date will be the first day on which settlement of a sale of Securities executed on that eighth relevant Clearance System Business Day, or during such other period specified in the relevant Final Terms, customarily would take place using such other commercially reasonable manner (as determined by the

Calculation Agent in its sole and absolute discretion) of delivery (which other manner of delivery will be deemed the relevant Clearance System for the purposes of delivery of the relevant Securities), and (b) if such Securities cannot be delivered in any other commercially reasonable manner (as determined by the Calculation Agent in its sole and absolute discretion), then the Settlement Date will be postponed until delivery can be effected through the relevant Clearance System or in any other commercially reasonable manner.

For the avoidance of doubt, where a Settlement Disruption Event affects some but not all of the Securities comprised in a basket, the Settlement Date for Securities not affected by the Settlement Disruption Event will be the first day on which settlement of a sale of such Securities executed on the Maturity Date customarily would take place through the relevant Clearance System.

- (iii) In the case of Notes to which this Condition 10(a)(E)(c) is applicable, if the Calculation Agent determines, in its sole and absolute discretion, that a Delivery Disruption Event has occurred, it shall notify the Issuer who shall promptly notify the relevant Noteholder(s) and the Issuer may then:
- (A) determine, in its sole and absolute discretion, that the obligation to deliver the relevant Securities Transfer Amount will be terminated and the Issuer will pay such amount as in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion) is fair in the circumstances by way of compensation for the non-delivery of the Securities Transfer Amount, in which event the entitlements of the respective Noteholder(s) to receive the relevant Securities Transfer Amount shall cease and the Issuer's obligations under the Notes shall be satisfied in full upon payment of such amount; or
  - (B) deliver on the Settlement Date such amount of the Securities Transfer Amount (if any) as it can deliver on that date and pay such amount as in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion) is fair in the circumstances by way of compensation for the non-delivery of the remainder of the Securities Transfer Amount, in which event the entitlements of the respective Noteholder(s) to receive the relevant Securities Transfer Amount shall cease and the Issuer's obligations under the Notes shall be satisfied in full upon payment of such amount.

Where this Condition 10(a)(E)(c) falls to be applied, insofar as the Calculation Agent determines in its sole and absolute discretion to be practical, the same shall be applied as between the Noteholders on a *pro rata* basis, but subject to such rounding down (whether of the amount of a payment or of a number of Securities to be delivered) and also to such other adjustments as the Calculation Agent, in its sole and absolute discretion, determines to be appropriate to give practical effect to such provisions.



(c) *Consequences of the occurrence of an Automatic Early Redemption Event*

If Automatic Early Redemption Event is specified as applicable in the Final Terms, then unless previously redeemed or purchased and cancelled, if on any Automatic Early Redemption Valuation Date the Automatic Early Redemption Event occurs, then the Notes will be automatically redeemed in whole, but not in part, on the Automatic Early Redemption Date immediately following such Automatic Early Redemption Valuation Date and the Redemption Amount payable by the Issuer on such date upon redemption of each Note shall be an amount in the relevant currency equal to the relevant Automatic Early Redemption Amount.

(d) *Adjustments to Index and Basket of Indices*

This Condition 10(a)(E)(e) is applicable only in relation to Notes specified in the relevant Final Terms as being Index Linked Notes.

- (i) If, the relevant Index is (i) not calculated and announced by the Index Sponsor but is calculated and announced by a successor sponsor acceptable to the Issuer, or (ii) replaced by a successor Index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of that Index, then in each case that index (the "**Successor Index**") will be deemed to be the Index.
- (ii) If (i) on or prior to any Valuation Date the Index Sponsor announces that it will make a material change in the formula for or the method of calculating that Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent stock and capitalization and other routine events) (an "**Index Modification**") or permanently cancels the Index and no Successor Index exists (an "**Index Cancellation**") or (ii) on any Valuation Date, the Index Sponsor fails to calculate and announce a relevant Index (an "**Index Disruption**" and together with an Index Modification and an Index Cancellation, each an "**Index Adjustment Event**"), then the Calculation Agent shall determine if such Index Adjustment Event has a material effect and, if so, shall calculate the relevant amount using, in lieu of a published level for that Index, the level for that Index as at that Valuation Date as determined by the Calculation Agent in accordance with the formula for and method of calculating that Index last in effect prior to the change, failure or cancellation, but using only those securities that comprised that Index immediately prior to that Index Adjustment Event;
- (iii) In the event that any price or level published on the Exchange or by the Index Sponsor and which is utilised for any calculation or determination made under any Note is subsequently corrected and the correction is published by the Exchange or by the Index Sponsor within one Settlement Cycle after the original publication The Calculation Agent will make such adjustment as it in its sole and absolute discretion determines to be appropriate, if any, to the settlement or payment terms of the Notes to account for such correction Provided that if any amount has been paid in an amount which exceeds the amount that would have been payable if the correction had been taken into account, no further amount in an amount at least equal to the excess is payable in respect of the Notes and the Calculation Agent determines that it is not practicable to make such an adjustment to account fully for such correction, the Issuer shall be entitled to reimbursement of the relevant excess payment (or, as the case may be, the proportion thereof not accounted for by an adjustment made by the Calculation Agent) by the relevant Noteholder, together with interest on that amount for the period from and including the day on which payment was originally made to the day of payment of reimbursement by the

Noteholder (all as calculated by the Calculation Agent in its sole and absolute discretion). Any such reimbursement shall be effected in such manner as the Issuer shall determine.

(e) *Consequence of Disrupted Days for Valuation Dates and Averaging Dates*

If a Valuation Date or Averaging Date is a Disrupted Day, then the relevant Valuation Date shall be decided in accordance with the definition of Consequences of Disrupted Day and the Averaging Date in accordance with the definition of Averaging Date Disruption.

(f) *Barrier Provisions*

If "**Knock-in Event**" is specified as applicable in the Final Terms in relation to any Cash Equity Note, Equity-Linked Note or Index Linked Note, then each payment and/or delivery in respect of which a Knock-in Event applies, as specified in the relevant Final Terms, shall be conditional upon the occurrence of such Knock-in Event

If "**Knock-out Event**" is specified as applicable in the Final Terms in relation to any Cash Equity Note, Equity-Linked Note or Index Linked Note, then each payment and/or delivery in respect of which a Knock-out Event applies, as specified in the relevant Final Terms, shall be conditional upon the occurrence of such Knock-out Event.

(g) *Adjustments and Extraordinary Events affecting Securities*

This Condition 10(a)(E)(h) is applicable only in relation to Equity Linked Notes and Cash Equity Notes. Correction of Security Prices and Index Levels.

In the event that any price or level published on the Exchange or by the Index Sponsor and which is utilised for any calculation or determination made under a Notes is subsequently corrected and the correction is published by the Exchange or the Index Sponsor within one Settlement Cycle after the original publication, the Issuer may notify the Noteholders of that correction and the Calculation Agent will determine the amount that is payable or deliverable as a result of that correction, and, to the extent necessary, will adjust the terms of such Notes to account for such correction.

(i) *Adjustments*

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

## (ii) Merger Event and Tender Offer

Following the occurrence of any Merger Event or Tender Offer, the Calculation Agent will, in its sole and absolute discretion, determine whether or not the relevant Notes shall continue and, if so, determine, in its sole and absolute discretion, any adjustments to be made. If the Calculation Agent determines that the relevant Notes shall continue, it may make such adjustment as it, in its sole and absolute discretion, determines to be appropriate, if any, to the formula for the Final Redemption Amount set out in the relevant Final Terms, the number of Securities to which each Note relates, the number of Securities comprised in a basket, the amount, the number of or type of shares, other securities or other property which may be delivered pursuant to such Notes and, in any case, any other variable relevant to the settlement or payment or other terms of the relevant Notes and/or any other adjustment which change or adjustment shall be effective as soon as practical after the date upon which all holders of the Securities (other than, in the case of a takeover, Securities owned or controlled by the offeror) become bound to transfer the Securities held by them. If the Calculation Agent determines in its sole and absolute discretion that the relevant Notes shall be terminated, then the Notes shall be terminated as of the date selected by the Calculation Agent in its sole and absolute discretion and the entitlements of the relevant Noteholders to receive the relevant Securities Transfer Amount or Final Redemption Amount, as the case may be, shall cease and the Issuer's obligations under the relevant Notes shall be satisfied in full upon payment of the Merger Event Settlement Amount (as defined below).

(h) *Nationalisation, Insolvency and Delisting*

If:

- (i) all the Securities or all or substantially all the assets of the Underlying Company are nationalized, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof ("**Nationalisation**") or;
- (ii) by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting an Underlying Company, (A) all the Securities of that Underlying Company are required to be transferred to a trustee, liquidator or other similar official or (B) holders of the Securities of that Underlying Company become legally prohibited from transferring them ("**Insolvency**"); or
- (iii) the Exchange announces that pursuant to the rules of such Exchange, the Securities cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in any member state of the European Union) ("**Delisting**"),

then the Issuer may determine, in its sole and absolute discretion, that the relevant Notes shall be terminated as of the date determined by the Calculation Agent in its sole and absolute discretion and it shall pay such amount as, in the opinion of the Calculation Agent (such opinion to be made in its sole and absolute discretion), is fair in the circumstances by way of compensation for the termination of the Notes, in which event the entitlements of the relevant Noteholders to receive the relevant Securities Transfer Amount or Final Redemption Amount, as the case may be, shall cease and the Issuer's obligations under the Notes shall be satisfied in full upon payment of such amount.

(i) *Additional Disruption Events.*

(a) Each of the following terms shall have the meaning set forth below:

- (i) **"Additional Disruption Event"** means any of the events set forth in paragraphs (ii) and (iii) below;
- (ii) **"Change in Law"** means that, on or after the Issue Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Calculation Agent determines in good faith that (X) it has become illegal to hold, acquire or dispose of the Securities, or (Y) it will incur a materially increased cost in performing its obligations under the Notes (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position);
- (iii) **"Insolvency Filing"** means that the issuer of the Securities institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organization or the jurisdiction of its head or home office, or it consents to a proceeding seeking a judgment of Insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by the issuer of the Securities shall not be deemed an Insolvency Filing;

(b) For the purpose of determining the consequence of an Additional Disruption Event:

- (i) If "Change in Law" or "Insolvency Filing" is specified in the Final Terms, then upon the occurrence of such an event the Issuer may elect to redeem the Notes upon at least two Scheduled Trading Days' notice to the Noteholders specifying the date of such termination (or such lesser notice as may be required to comply with the Change in Law), in which event the Calculation Agent will determine the Redemption Amount.

(j) *Conversion*

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

the effective date(s) of such adjustment. If the Calculation Agent determines, in its sole and absolute discretion, that the Notes shall be terminated, then the Notes shall be terminated as of the date selected by the Calculation Agent in its sole and absolute discretion and the entitlements of the respective exercising Noteholders to receive the relevant Securities Transfer Amount or Final Redemption Amount, as the case may be, shall cease and the Issuer's obligations under the Notes shall be satisfied in full upon payment of the Conversion Settlement Amount.

(k) *Corrections to Published Prices affecting debt securities*

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

(l) *Effects of European Economic and Monetary Union*

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

Following the occurrence of an EMU Event, without prejudice to the generality of the foregoing, the Issuer shall be entitled to make such conversions between amounts denominated in the national currency units (the "**National Currency Units**") of the Participating Member States and the euro, and the euro and the National Currency Units, in each case, in accordance with the conversion rates and rounding rules in Regulation (EC) No. 1103/97 as it, in its sole and absolute discretion, determines to be appropriate. Neither the Issuer nor the Calculation Agent will be liable to any Noteholder or other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection therewith.

In this paragraph,

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

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

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

(m) *Other Adjustments*

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

(m) *Additional Provisions related to American Depositary Receipt Linked Notes*

- (i) For the purposes of these additional provisions, the following definitions will apply:

The definition of Potential Adjustment Event shall include, in relation to the ADR Securities:

- (A) the occurrence of any Potential Adjustment Event in relation to the Underlying ADR Securities or any other shares or securities represented by the ADR Securities; and
  - (B) the making of any amendment or supplement to the terms of the Depositary Agreement.
- (ii) The definition of Merger Event shall include, in relation to Securities, the occurrence of any Merger Event in relation to the Underlying ADR Securities.
  - (iii) The definitions of "**Nationalisation**" and "**Insolvency**" shall be construed in relation to the ADR Securities as if references to the ADR Securities were references to Underlying ADR Securities;
  - (iv) If the Deposit Agreement is terminated, then on or after the date of such termination, references to ADR Securities herein shall be replaced by references to the Underlying ADR Securities and the Calculation Agent will adjust any relevant terms and will determine the effective date of such replacement and adjustments.

- (v) the definition of Market Disruption Event shall include, in relation to the ADR Securities, the occurrence of a Market Disruption Event in relation to the Underlying ADR Securities;
- (vi) each American Depository Receipt Linked Note, which for the avoidance of doubt, may also be an Equity Linked Note, a Cash Equity Note and/or a Physical Delivery Note, will be linked to an Equity Element.

## 11. Events of Default

The Representative (as defined in Condition 13) acting on behalf of the *Masse* (as defined in Condition 13), upon request of any Noteholder, or in the event the Noteholders of any Series have not been grouped in a *Masse*, any Noteholder, may, upon written notice to the Fiscal Agent (with copy to the Issuer) given before all defaults shall have been cured, cause the principal amount of all Notes held by such Noteholder to become due and payable, together with any accrued interest (including Arrears of Interest if any) thereon, as of the date on which such notice for payment is received by the Fiscal Agent if:

- (a) *In the case of Unsubordinated Notes*
  - (i) the Issuer is in default in the payment of principal of, or interest on, any Note (including the payment of any additional amounts mentioned in Condition 9) when due and payable and such default shall continue for more than thirty (30) days thereafter; or
  - (ii) the Issuer is in default in the performance of any of its other obligations under the Notes and such default has not been cured within forty-five (45) days after the receipt by the Fiscal Agent of the written notice of such default by the Representative or a Noteholder; or
  - (iii) the Issuer sells, transfers or otherwise disposes of, directly or indirectly, the whole or a substantial part of its assets, or the Issuer enters into voluntary liquidation, except in the case of a disposal, liquidation, merger or other reorganisation in which all of or substantially all of the Issuer's assets are transferred to a legal entity which assumes all of the Issuer's liabilities including the Notes and whose main purpose, or one of whose main purpose, is the continuation of, and which effectively continues, the Issuer's activities; or
  - (iv) the Issuer applies for or is subject to the appointment of an ad hoc representative (*mandataire ad hoc*) or has applied to enter into a conciliation procedure (*procédure de conciliation*) or into a safeguard procedure (*procédure de sauvegarde*) or a judgement is rendered for its judicial liquidation (*liquidation judiciaire*) or for a transfer of the whole of the business (*cession totale de l'entreprise*) or makes any conveyance for the benefit of, or enters into any agreement with, its creditors.
- (b) In the case of Subordinated Notes and in accordance with Condition 3(b), (i) if any judgment shall be issued for the judicial liquidation (*liquidation judiciaire*) of the Issuer or (ii) if the Issuer is liquidated for any other reason.

## 12. Prescription

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or 5 years (in the case of interest) from the appropriate Relevant Date in respect of them.

### 13. Representation of Noteholders

Except as otherwise provided by the relevant Final Terms, holders of Notes will, in respect of all Tranches in any Series, be grouped automatically for the defence of their common interests in a *masse* (in each case, the "**Masse**").

The Masse will be governed by the provisions of the French *Code de commerce* (the "**Code**") with the exception of Articles L.228-48, L.228-59, L.228-65 I (1°), (3°) and (4°) and L.228-71 and by the decree no. 67-236 of 23 March 1967, with the exception of Articles 218, 222 and 224 subject to the following provisions:

(a) *Legal Personality*

The Masse will be a separate legal entity and will act in part through a representative (the "**Representative**") and in part through a general meeting of the holders of Notes (the "**General Meeting**").

The Masse alone, to the exclusion of all individual holders of Notes, shall exercise the common rights, actions and benefits which now or in the future may accrue respectively with respect to the Notes.

(b) *Representative*

The office of Representative may be conferred on a person of any nationality. However, the following persons may not be chosen as Representatives:

- (i) the Issuer, the members of its *Conseil d'Administration*, its general managers (*directeurs généraux*), its statutory auditors, its employees and their ascendants, descendants and spouses; or
- (ii) companies guaranteeing all or part of the obligations of the Issuer, their respective managers (*gérants*), general managers (*directeurs généraux*), members of their board of directors, executive board or supervisory board, their statutory auditors, employees and their ascendants, descendants and spouses; or
- (iii) companies holding 10 per cent. or more of the share capital of the Issuer or companies having 10 per cent. or more of their share capital held by the Issuer; or
- (iv) persons to whom the practice of banker is forbidden or who have been deprived of the right of directing, administering or managing an enterprise in whatever capacity.

The names and addresses of the initial Representative and its alternate will be set out in the Final Terms. The Representative appointed in respect of the first Tranche of any Series of Notes will be the Representative of the single Masse of all Tranches in such Series.

The Representative will be entitled to such remuneration in connection with its function or duties, if any, as set out in the relevant Final Terms.

In the event of death, retirement or revocation of appointment of the Representative, such Representative will be replaced by the alternate Representative. In the event of the death, retirement or revocation of appointment of the alternate Representative, an alternate will be elected by the General Meeting.



All interested parties will at all times have the right to obtain the names and addresses of the initial Representative and the alternate Representative at the head office of the Issuer and the specified offices of any of the Paying Agents.

(c) *Powers of Representative*

The Representative shall (in the absence of any decision to the contrary of the General Meeting) have the power to take all acts of management necessary in order to defend the common interests of the holders of Notes.

All legal proceedings against the Noteholders or initiated by them, must be brought by or against the Representative.

The Representative may not be involved in the management of the affairs of the Issuer.

(d) *General Meeting*

A General Meeting may be held at any time, on convocation either by the Issuer or by the Representative. One or more Noteholders, holding together at least one-thirtieth of the principal amount of the Notes outstanding, may address to the Issuer and the Representative a demand for convocation of the General Meeting. If such General Meeting has not been convened within two months after such demand, the Noteholders may commission one of their members to petition a competent court in Paris to appoint an agent (*mandataire*) who will call the General Meeting.

Notice of the date, hour, place and agenda of any General Meeting will be published as provided under Condition 16.

Each Noteholder has the right to participate in a General Meeting in person or by proxy, correspondence or, if the *statuts* of the Issuer so specify, videoconference or any other means of telecommunications allowing the identification of the participating Noteholders<sup>1</sup>. Each Note carries the right to one vote or, in the case of Notes issued with more than one Specified Denomination, one vote in respect of each multiple of the lowest Specified Denomination comprised in the principal amount of the Specified Denomination of such Note.

(e) *Powers of the General Meetings*

The General Meeting is empowered to deliberate on the dismissal and replacement of the Representative and the alternate Representative and also may act with respect to any other matter that relates to the common rights, actions and benefits which now or in the future may accrue with respect to the Notes, including authorising the Representative to act at law as plaintiff or defendant.

The General Meeting may further deliberate on any proposal relating to the modification of the Conditions including any proposal, whether for arbitration or settlement, relating to rights in controversy or which were the subject of judicial decisions, it being specified, however, that the General Meeting may not increase amounts payable by Noteholders, nor establish any unequal treatment between the Noteholders, nor amend the status of Subordinated Notes the proceeds of which constitute (i) Upper Tier 2 Capital; (ii) Lower Tier 2 Capital; and (iii) Tier 3 Capital.

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<sup>1</sup> At the date of this Base Prospectus, the *statuts* of the Issuer do not contemplate the right for a Noteholder to participate in a General Meeting by videoconference or any other means of telecommunication allowing the identification of the participating Noteholders.

General Meetings may deliberate validly on first convocation only if Noteholders present or represented hold at least a fifth of the principal amount of the Notes then outstanding. On second convocation, no quorum shall be required. Decisions at meetings shall be taken by a two-third majority of votes cast by Noteholders attending such General Meetings or represented thereat.

Decisions of General Meetings must be published in accordance with the provisions set forth in Condition 16.

(f) *Information to Noteholders*

Each Noteholder or Representative thereof will have the right, during the 15-day period preceding the holding of each General Meeting, to consult or make a copy of the text of the resolutions which will be proposed and of the reports which will be presented at the General Meeting, all of which will be available for inspection by the relevant Noteholders at the registered office of the Issuer, at the specified offices of any of the Paying Agents and at any other place specified in the notice of the General Meeting.

(g) *Expenses*

The Issuer will pay all expenses relating to the operation of the Masse, including expenses relating to the calling and holding of General Meetings and, more generally, all administrative expenses resolved upon by the General Meeting, it being expressly stipulated that no expenses may be imputed against interest payable under the Notes.

(h) *Single Masse*

The holders of Notes of the same Tranche or Series, and the holders of Notes of any other Tranche or Series which have been assimilated with the Notes of such first mentioned Tranche or Series in accordance with Condition 15, shall, for the defence of their respective common interests, be grouped in a single Masse. The Representative appointed in respect of the first Tranche or Series of Notes will be the Representative of the single Masse of all Tranches in such Series.

In respect of any Tranche of Notes issued or deemed to be issued outside France, this Condition 13 may, if so specified in the relevant Final Terms, be waived, amended or supplemented, and in respect of any Tranche issued inside France, this Condition 13 shall be waived in its entirety and replaced by the full provisions of the Code.

#### 14. **Replacement of Definitive Materialised Notes, Receipts, Coupons and Talons**

If, in the case of any Materialised Notes, a Definitive Materialised Note, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and Regulated Market or alternative stock exchange regulations, at the specified office of the Fiscal Agent or such other Paying Agent as may from time to time be designated by the Issuer for this purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Definitive Materialised Note, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Definitive Materialised Notes, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Materialised Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

## 15. Further Issues and Consolidation

### (a) Further Issues

Unless otherwise provided in the relevant Final Terms, the Issuer may from time to time without the consent of the Noteholders, Receiptholders or Couponholders create and issue further Notes to be assimilated (*assimilées*) with the Notes provided such Notes and the further Notes carry rights identical in all respects ( or identical in all respects save as to the first payment of interest) and that the terms of such Notes provide for such assimilation, and references in these Conditions to "Notes" shall be construed accordingly.

### (b) Consolidation

Unless otherwise provided in the relevant Final Terms, the Issuer, with the prior approval of the Fiscal Agent (which shall not be unreasonably withheld), may from time to time on any Interest Payment Date occurring on or after the Redenomination Date on giving not less than 30 days' prior notice to the Noteholders in accordance with Condition 16, without the consent of the Noteholders, Receiptholders or Couponholders, consolidate the Notes of one Series denominated in Euro with the Notes of one or more other Series issued by it, whether or not originally issued in one of the European national currencies or in Euro, provided such other Notes have been redenominated in Euro (if not originally denominated in Euro) and which otherwise have, in respect of all periods subsequent to such consolidation, the same terms and conditions as the Notes.

## 16. Notices

- (a) Notices to the holders of Dematerialised Notes in registered form (*au nominatif*) shall be valid if either, (i) mailed to them at their respective addresses, in which case they will be deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the mailing, or, (ii) published in a leading daily newspaper of general circulation in Europe (which is expected to be the *Financial Times*), or, (iii) delivered to Euroclear France, Euroclear, Clearstream, Luxembourg and any other clearing system through which the Notes are for the time being cleared; provided that, (x) so long as such Notes are listed and admitted to trading on any Regulated Market(s) or any alternative stock exchange(s) and the applicable rules of that Regulated Market or alternative stock exchange so require, notices shall also be published in a leading daily newspaper with general circulation in the city/ies where the Regulated Market(s) or alternative stock exchange(s) on which such Notes are listed and admitted to trading is/are located, which in the case of the Luxembourg Stock Exchange's Regulated Market, is expected to be the *d'Wort* and (y) so long as the Notes are listed and admitted to trading on the Luxembourg Stock Exchange's Regulated Market, notices may also be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).
- (b) Notices to the holders of Materialised Notes and Dematerialised Notes in bearer form (*au porteur*) shall be valid if either (i) published in a daily leading newspaper of general circulation in Europe (which is expected to be the *Financial Times*), or (ii) delivered to Euroclear France, Euroclear, Clearstream, Luxembourg and any other clearing system through which the Notes are for the time being cleared provided that, (x) so long as such Notes are listed and admitted to trading on any Regulated Market(s) or any alternative stock exchange(s) and the applicable rules of that Regulated Market or alternative stock exchange so require, notices shall also be published in a leading daily newspaper with general circulation in the city/ies where the Regulated Market(s) or alternative stock exchange(s) on which such Notes are listed and admitted to trading is/are located, which in the case of the Luxembourg Stock Exchange's

Regulated Market, is expected to be the *d'Wort* and (y) so long as the Notes are listed and admitted to trading on the Luxembourg Stock Exchange's Regulated Market, notices may also be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

- (c) Any notice given by publication shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Materialised Notes in accordance with this Condition.

## 17. **Governing Law and Jurisdiction**

### (a) *Governing Law*

The Notes, Receipts, Coupons and Talons are governed by, and shall be construed in accordance with, French law.

### (b) *Jurisdiction*

Any claim against the Issuer in connection with any Notes, Receipts, Coupons or Talons may be brought before any competent court in Paris.

### **USE OF PROCEEDS**

The net proceeds of the issue of Unsubordinated Notes will be used for the Issuer's general corporate purposes unless otherwise specified in the relevant Final Terms. The net proceeds of the issue of Subordinated Notes will be used by the Issuer in accordance with the provisions of the relevant Final Terms.

## **TEMPORARY GLOBAL CERTIFICATES IN RESPECT OF MATERIALISED NOTES**

### **Temporary Global Certificates**

A Temporary Global Certificate without interest coupons (a "**Temporary Global Certificate**") will initially be issued in connection with each Tranche of Materialised Notes, which will be delivered on or prior to the issue date of the Tranche with a common depository (the "**Common Depository**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and for Clearstream banking, société anonyme ("**Clearstream, Luxembourg**"). Upon the delivery of such Temporary Global Certificate with a Common Depository, Euroclear, Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

The Common Depository may also credit with a nominal amount of Notes the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, a nominal amount of Notes that is initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg, or other clearing systems.

### **Exchange**

Each Temporary Global Certificate issued in respect of Materialised Notes will be exchangeable, free of charge to the holder, on or after its Exchange Date (as defined below):

- (i) if the relevant Final Terms indicates that such Temporary Global Certificate is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "Summary of the Base Prospectus -Selling Restrictions"), in whole, but not in part, for Definitive Materialised Notes and
- (ii) otherwise, in whole but not in part, upon certification as to non-U.S. beneficial ownership meeting the requirements of U.S Treasury regulation section 1.163-5(C)(2)(i)(D)(3) for Definitive Materialised Notes.

### **Delivery of Definitive Materialised Notes**

On or after its Exchange Date, the holder of a Temporary Global Certificate may surrender such Temporary Global Certificate to, or to the order of, the Fiscal Agent. In exchange for any Temporary Global Certificate, the Issuer will deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Materialised Notes. In this Base Prospectus, "**Definitive Materialised Notes**" means, in relation to any Temporary Global Certificate, the Definitive Materialised Notes for which such Temporary Global Certificate may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Temporary Global Certificate and a Talon). Definitive Materialised Notes will be security printed in accordance with any applicable legal and stock exchange requirement.

### **Exchange Date**

"**Exchange Date**" means, in relation to a Temporary Global Certificate in respect of any Materialised Notes, the day falling after the expiry of 40 days after its issue date, provided that in the event any further Materialised Notes which are to be assimilated with such first mentioned Materialised Notes are issued prior to such day

pursuant to Condition 13(a), the Exchange Date may, at the option of the Issuer, be postponed to the day falling after the expiry of 40 days after the issue date of such further Materialised Notes.

## TAXATION

*The following is a summary limited to certain tax considerations in France and in Luxembourg relating to the Notes that may be issued under the Programme and specifically contains information on taxes on the income from the securities withheld at source. This summary is based on the laws in force in France and in the Grand Duchy of Luxembourg as of the date of this Base Prospectus and are subject to any changes in law. It does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes. Each prospective holder or beneficial owner of Notes should consult its tax advisor as to the tax consequences of any investment in or ownership and disposition of the Notes.*

### **EU Savings Directive**

On 3 June 2003, the European Union adopted the Directive 2003/48/EC regarding the taxation of savings income in the form of interest payments (the "Directive"). The Directive requires Member States as from 1 July 2005 to provide to the tax authorities of other Member States details of payments of interest and other similar income within the meaning of the Directive made by a paying agent within its jurisdiction to (or under circumstances to the benefit of) an individual resident in another Member State, except that Belgium, Luxembourg and Austria will instead impose a withholding system for a transitional period unless the beneficiary of interest payment elects for the exchange of information. The same regime applies to payments to individuals resident in any of the following territories: Netherlands Antilles, Aruba, Guernsey, Jersey, the Isle of Man, Montserrat and the British Virgin Islands.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent, the Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

### **French Withholding Tax**

The Directive has been implemented in French law by Article 242 *ter* of the French General Tax Code and Articles 49 I *ter* to 49 I *sexies* of the Schedule III to French General Tax Code. Article 242 *ter* of the French *Code Général des Impôts*, imposes on paying agents based in France an obligation to report to the French tax authorities certain information with respect to interest payments made to beneficial owners domiciled in another Member State, including, among other things, the identity and address of the beneficial owner and a detailed list of the different categories of interest paid to that beneficial owner.

Payments of interest and other revenues with respect to Notes which constitute *obligations* under French law and are issued or deemed to be issued by the Issuer outside the Republic of France benefit from the exemption from deduction of tax at source on interest set out under Article 125 A III of the French *Code Général des Impôts*, as provided for in Article 131 *quater* of the French *Code Général des Impôts*. Accordingly, such payments do not give the right to any tax credit from any French source.

Notes constituting *obligations* under French law will be issued (or deemed to be issued) outside France by the Issuer (i) in the case of syndicated or non-syndicated issues of Notes, if such Notes are denominated in euro, (ii) in the case of syndicated issues of Notes denominated in currencies other than euro, if, *inter alia*, the Issuer and the relevant Dealers agree not to offer the Notes to the public in the Republic of France in connection with their initial distribution and such Notes are offered in the Republic of France only through an international syndicate



to qualified investors (*investisseurs qualifiés*) as described in Article L. 411-2 of the French *Code monétaire et financier* or (iii) in the case of non-syndicated issues of Notes denominated in currencies other than euro, if each of the subscribers of the Notes is domiciled or resident for tax purposes outside the Republic of France and does not act through a permanent establishment or fixed base therein, in each case as more fully set out in the Circular 5 I-11-98 of the *Direction Générale des Impôts* dated 30 September 1998.

However, if so provided in the relevant Final Terms, Notes constituting *obligations* denominated in currencies other than euro may be issued on a non-syndicated basis and placed with subscribers not all of whom are resident outside the Republic of France. In such cases, the Notes will not benefit from the exemption from deduction at source provided for in Article 131 *quater* of the French *Code Général des Impôts* and interest payments under such Notes made to a non-French resident will be exempt from withholding or deduction imposed by or on behalf of the Republic of France at source only if the beneficiary of the payment provides certification that he is not resident in the Republic of France, all in accordance with the provisions of Article 125 A III of the French *Code Général des Impôts*, as more fully described in Condition 9.

See “*Terms and Conditions of the Notes – Taxation*”.

The tax regime applicable to Notes which do not constitute *obligations* will be set out in the relevant Final Terms.

### **Luxembourg Withholding Tax**

The Directive has been implemented in Luxembourg law by Act of 21 June 2005.

#### **Individuals**

##### *Luxembourg residents*

A 10% withholding tax has been introduced, as from 1 January 2006, on interest payments made by Luxembourg paying agents (defined in the same way as in the Directive) to Luxembourg individual residents. Only interest accrued after 1 July 2005 falls within the scope of this withholding tax. Income (other than interest) from investment funds and from current accounts provided that the interest rate is not higher than 0,75% are exempt from the withholding tax. Furthermore, interest which is accrued once a year on savings accounts (short and long term) and which does not exceed €250 per person and per paying agent is exempted from the withholding tax.

This withholding tax represents the final tax liability for the Luxembourg individual resident taxpayers.

##### *Luxembourg non-residents*

Subject to the application of the Directive and the Laws, there is no withholding tax on payments of interest (including accrued but unpaid interest) made to Luxembourg non-resident Noteholders.

Under the Directive and the Laws, a Luxembourg based paying agent (within the meaning of the Directive) is required since 1 July 2005 to withhold tax on interest and other similar income paid by it to (or under certain circumstances, to the benefit of) an individual resident in another Member State unless the beneficiary of the interest payments elects for the exchange of information. The same regime applies to payments to individuals or Residual Entities resident in certain dependent territories.

The withholding tax rate is initially 15%, increasing steadily to 20% and to 35%. The withholding tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain other countries.

### **Corporations**

There is no withholding tax for Luxembourg resident and non-resident corporations holders of the Notes on payments of interest (including uncured but unpaid interest).

# FORM OF FINAL TERMS\*

## Final Terms dated [ ● ]

[LOGO, if document is printed]

**HSBC France**  
**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**  
**under the €20,000,000,000**  
**Euro Medium Term Note Programme**

[Name(s) of Dealer(s)]

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 15 September 2006 [and the supplement to the Base Prospectus dated [ ● ]] which [together] constitute[s] a prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. [The Base Prospectus [and the supplement to the Base Prospectus] [is] [are] available for viewing at, and copies may be obtained from, the registered office of the Issuer and at the specified office of the Paying Agent(s) or on the websites of (a) the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and (b) the Issuer ([www.hsbc.fr](http://www.hsbc.fr)).] [In addition<sup>2</sup>, the Base Prospectus [and the supplement to the Base Prospectus] [is] [are] available for viewing [at/on] [ ● ].]

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

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the [Prospectus/Base Prospectus] dated [original date] [and the supplement to the [Prospectus/Base Prospectus] dated . This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus dated 15 September 2006 [and the supplement to the Base Prospectus dated [ ● ]], which [together] constitute[s] a prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the [Prospectus/Base Prospectus] dated [original date] [and the supplement to the [Prospectus/Base Prospectus] dated [ ● ]] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the [Prospectus/Base Prospectus] dated [original date] and [current date] [and the supplement to the [Prospectus/Base Prospectus] dated [ ● ]] and the Base Prospectus dated [current date] [and the supplement to the Base Prospectus dated [ ● ]]. [The Base Prospectus [and the supplement to the Base Prospectus] [is] [are] available for viewing at, and copies may be obtained from, the registered office of the Issuer and at the specified office of the Paying Agent(s) or on the websites of (a) the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and (b) the Issuer (<http://www.hsbc.fr>).] [In addition<sup>3</sup>, the Base Prospectus [and the supplement to the Base Prospectus] [is] [are] available for viewing [at/on] [ ● ].]

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

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\* The Final Terms may be obtained from the Paying Agent(s) or, if applicable, Calculation Agent and are available on the Bourse de Luxembourg website ([www.bourse.lu](http://www.bourse.lu)).

<sup>2</sup> If the Notes are listed on a Regulated Market other than the Luxembourg Stock Exchange.

<sup>3</sup> If the Notes are listed on a Regulated Market other than the Luxembourg Stock Exchange.

*[When completing final terms or adding any other final terms or information consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive, the publication of which would in turn trigger the investors' right to withdraw their acceptances within a 48-hour time period.]*

- |    |   |  |
|----|---|--|
| 1. | Issuer:   | HSBC France  |
| 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. | Specified Currency or Currencies:                                     | [●]  |
| 4. | Aggregate Nominal Amount of Notes admitted to trading:                | [●]  |
|    | [(i)] Series:   | [●]  |
|    | [(ii)] Tranche:   | [●]  |
| 5. | Issue Price:  | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]   |
| 6. | Specified Denominations:  | [●] <sup>4</sup> (one denomination only for Dematerialised Notes) (Not less than €1,000 or its equivalent in other currency at the Issue Date for Notes listed or offered to the public in the EEA in circumstances where a prospectus is required to be published under the Prospectus Directive) |
| 7. | [(i)] Issue Date [and Interest Commencement Date]:                    | [●]  |
|    | [(ii)] Interest Commencement Date (if different from the Issue Date): | [●]  |
| 8. | Maturity Date:  | [specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]   |
| 9. | Interest Basis:   | [[●] per cent. Fixed Rate]<br>[[EURIBOR, EONIA, LIBOR, CMS, TEC or other] +/- [●] per cent. Floating Rate] [Index-Linked Interest Note]<br>[Zero Coupon]<br>[Other (specify)]<br>(further particulars specified below)   |

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<sup>4</sup> Notes [(including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the issuer in the United Kingdom or whose issue otherwise constitutes a contravention of S19 FSMA and] which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

10. Redemption/Payment  
(Condition 7) Basis<sup>5</sup>: [Redemption at par]  
[Index Linked Redemption]  
[Dual Currency]  
[Partly Paid]  
[Instalment]  
[Cash Equity Redemption]  
[Equity Linked Redemption]  
[Physical Delivery]  
[Other (specify)  
(further particulars specified below)]
11. Change of Interest or Redemption/Payment  
Basis: [Specify details of any provision for convertibility  
of Notes into another interest or redemption/  
payment basis]
12. Put/Call Options: [Condition 7[(c)][(d)] will apply as  
specified below]
13. (i) Status of the Notes: [Senior/[Dated/Undated]/ Subordinated]  
(ii) Date of Board approval for issuance  
of Notes obtained: [●]
14. Method of distribution: [Syndicated/Non-syndicated]

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

15. Fixed Rate Note Provisions: [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-  
paragraphs of this paragraph)
- (i) Rate[(s)] of Interest: [●] per cent. per annum [payable [annually /  
semi-annually / quarterly / monthly] in arrear]
- (ii) Interest Payment Date(s): [●] in each year [adjusted in accordance with  
[specify Business Day Convention and any  
applicable Business Centre(s) for the definition of  
“Business Day”]/not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [●] per [●] in Nominal Amount
- (iv) Broken Amount(s): [Insert particulars of any initial or final broken  
interest amounts which do not correspond with  
the Fixed Coupon Amount[(s)]]
- (v) Day Count Fraction: [30/360/Actual/Actual  
(ICMA[ISMA]/ISDA)/other]
- (vi) Determination Dates: [●] in each year  
  
(insert regular Interest Payment Dates, ignoring  
Issue Date or Maturity Date in the case of a long

<sup>5</sup> If the Final Redemption Amount is different than 100% of the nominal value the Notes will be derivatives securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation apply. This form of Final Terms has been annotated to indicate where the key additional requirements of Annex XII are dealt with.

*or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))*

- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
16. Floating Rate Note Provisions: [Applicable/Not Applicable]
- (i) Interest Period(s): [●]
- (ii) Specified Interest Payment Dates: [●]
- (iii) Business Day Convention: [Floating Rate Business Day Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (give details)]  
[Insert "unadjusted" if the application of the relevant business day convention is not intended to affect the Interest Amount]
- (iv) Business Centre(s) (Condition 4(a)): [●]
- (v) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/FBF Determination/ISDA Determination/ other (give details)]
- (vi) Interest Period Dates: [●]
- (vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent): [●]
- (viii) Screen Rate Determination:
- Reference Rate: [●] (specify Benchmark [EURIBOR, EONIA, LIBOR, CMS, TEC or other] and months, e.g. EURIBOR 3 months) (additional information is required if other)
  - Interest Determination Date(s): [●]
  - Relevant Time: [●]
  - Reference Banks (if primary source is "Reference Banks"): [Specify four]
  - Primary Source : [Specify relevant screen page or "Reference Banks"]
  - Representative Amount: [Specify if screen or Reference Bank quotations are to be given in respect of a transaction of a specified notional amount]

- Relevant Financial Centre: *[The financial centre most closely connected to the benchmark - specify if not Paris]*
  - Effective Date: *[Specify if quotations are not to be obtained with effect from commencement of Interest Accrual Period]*
  - Specified Duration: *[Specify period for quotation if not duration of Interest Accrual Period]*
  - Relevant Screen Page: *[●] (in the case of EURIBOR, if not Moneyline 248 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
- (ix) ISDA Determination
- Floating Rate Option: *[●]*
  - Designated Maturity: *[●]*
  - Reset Date: *[●]*
- ISDA Definitions (if different from those set out in the Conditions): *[●]*
- (x) FBF Determination:
- Floating Rate (*Taux Variable*): *[●] (specify Benchmark [EURIBOR, EONIA, LIBOR, CMS, TEC or other] and months [e.g. EURIBOR 3 months]) (additional information is required if other)*
  - Floating Rate Determination Date (*Date de Détermination du Taux Variable*): *[●]*
  - FBF Definitions (if different from those set out in the Conditions): *[●] (specify how rate determined (e.g. relevant page) if different or not specified in FBF Definitions)*
- (xi) Margin(s): *[+/-] [●] per cent. per annum*
- (xii) Minimum Rate of Interest: *[Not Applicable/[●] per cent. per annum]*
- (xiii) Maximum Rate of Interest: *[Not Applicable/[●] per cent. per annum]*
- (xiv) Day Count Fraction: *[●]*
- (xv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: *[●]*
17. Zero Coupon Note Provisions *[Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Amortisation Yield: *[●] per cent. per annum*
  - (ii) Reference Price: *[●]*

- (iii) Any other formula/basis of determining amount payable: [ ● ]
- (iv) Day Count Fraction: [ ● ]
18. Index-Linked Interest Note/other variable-linked interest Note Provisions<sup>6</sup>: [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Index/Formula/other variable: [give or annex details]
- (ii) Calculation Agent responsible for calculating the interest due: [ ● ][give name and address]
- (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: [ ● ]
- (iv) Determination Date(s): [ ● ]
- (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [ ● ]
- (vi) Interest or Calculation Period(s): [ ● ]
- (vii) Specified Interest Payment Dates: [ ● ]
- (viii) Business Day Convention: [Floating Rate Business Day Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
- (ix) Business Centre(s): [ ● ]
- (x) Minimum Rate of Interest: [Not Applicable/[ ● ] per cent. per annum]
- (xi) Maximum Rate of Interest: [Not Applicable/[ ● ] per cent. per annum]
- (xii) Day Count Fraction: [ ● ]
19. Dual Currency Note Provisions<sup>7</sup>: [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Rate of Exchange/Method of calculating Rate of Exchange: [Give details]
- (ii) Calculation Agent, if any, responsible

<sup>6</sup> If the Final Redemption Amount is different than 100% of the nominal value the Notes will be derivatives securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation apply. This form of Final Terms has been annotated to indicate where the key additional requirements of Annex XII are dealt with.

<sup>7</sup> If the Final Redemption Amount is different than 100% of the nominal value the Notes will be derivatives securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation apply. This form of Final Terms has been annotated to indicate where the key additional requirements of Annex XII are dealt with.



- for calculating the principal and/or interest due:  [give name and address]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:
- (iv) Person at whose option Specified Currency(ies) is/are payable:
- (v) Day Count Fraction:
20. Provisions relating to Physical Delivery Notes  [Applicable/Not Applicable]  
*[If not applicable, delete the remaining subparagraphs of this paragraph]*
- (i) Underlying Assets and/or Formula to be used to determine principal and/or interest or the Physical Delivery Amount:
- (ii) Settlement by way of cash and/or physical delivery:  [Specify whether or not Notice of Election of Settlement is applicable]
- (iii) [Issuer/Noteholder] option to vary method of settlement and, if yes, method of election, and procedure, for variation of settlement:  [Yes *[give or annex details]*/No]
- (iv) If settlement is by way of physical delivery:
- (a) method of delivery of Physical Delivery Amount and consequences of a Settlement Disruption Event(s):
- (b) Details of how and when Transfer Notice is to be delivered:
- (c) Details of how entitlement to Physical Delivery Amount will be evidenced:
- (v) The party responsible for calculating the redemption amount and/or interest amount, or the Physical Delivery Amount, payable (if not the Agent):
- (vi) Provisions where calculation by reference to the Underlying Assets and/or Formula is impossible or impracticable:
- (vii) Details of any other relevant terms, any stock exchange requirements/tax considerations (including details of person responsible for transfer expenses):
- (viii) Method of calculating Early Redemption Amount (if for reasons  per Note of  Specified Denomination/Market Value)

other than following a redemption for tax reasons or an Event of Default):

- (ix) Valuation Date(s): [●]
- (x) Details of Stock Exchanges(s) and Related Exchange(s): [●]
- (xi) Exchange Rate: [Applicable/Not Applicable]
- (xii) Such other additional terms or provisions as may be required: [●]

## PROVISIONS RELATING TO REDEMPTION

21. Issuer's optional redemption (Call): [Applicable/Not applicable]  
(Condition 7(c)) *(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (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]*
22. Noteholder's optional redemption (Put): [Applicable/Not applicable]  
(Condition 7(d)) *(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Redemption amount (Put): *[specify — if not par, also specify details of any formula]*
  - (ii) Put Option date(s)/Put Option Period: *[specify]*
23. Final Redemption Amount of each Note<sup>8</sup>: [[●] per Note of [●] Specified Denomination /Nominal Amount/Other/See Appendix]  
In cases where the Final Redemption Amount is Index-Linked or other variable-linked:
- (i) Index/Formula/variable: *[Give or annex details]*
  - (ii) Calculation Agent responsible for calculating the Final Redemption Amount: [●] *[give name and address]*

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<sup>8</sup> If the Final Redemption Amount is different than 100% of the nominal value the Notes will be derivatives securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation apply. This form of Final Terms has been annotated to indicate where the key additional requirements of Annex XII are dealt with.

- (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: [●]
- (iv) Determination Date(s): [●]
- (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [●]
- (vi) Payment Date: [●]
- (vii) Minimum Final Redemption Amount: [●]
- (viii) Maximum Final Redemption Amount: [[ ] per Note of [ ] specified denomination/other/see Appendix]

[Provisions for Equity Linked Notes:

If the Closing Price is greater than or equal to the Strike Price, each Note shall be redeemed at the Specified Denomination (the "Final Redemption Amount").

If the Closing Price is less than the Strike Price, each Note shall be redeemed by the delivery or procurement of delivery to the Noteholder of the Securities Transfer Amount for each Note held on the Settlement Date or, if later (and subject to Condition 7) three Business Days following receipt by the Issuer of a duly completed Transfer Notice and surrender of the relevant Note(s).]

[Other Notes: Par/other - specify/See Annex [ ] Attached hereto.

24. Early Redemption Amount:

Early Redemption Amount(s) of each Note payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in Condition 7(e)):

[●]

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

25. Form of Notes: [Dematerialised Notes/  
Materialised Notes] (Materialised Notes are only  
in bearer form)  
[Delete as appropriate]
- (i) Form of Dematerialised Notes: [Not Applicable / if Applicable specify whether  
bearer form (au porteur) / administered registered  
form (au nominatif administré) / fully registered  
form (au nominatif pur)]
- (ii) Registration Agent: [Not Applicable/if applicable give name and  
address] (Note that a Registration Agent must be  
appointed in relation to Fully Registered  
Dematerialised Notes only)
- (iii) Temporary Global Certificate: [Not Applicable/Temporary Global Certificate  
exchangeable for Definitive Materialised Notes  
on [●] (the "Exchange Date"), being 40 days  
after the Issue Date subject to postponement as  
specified in the Temporary Global Certificate]
- (iv) Applicable TEFRA exemption: [C Rules/D Rules/Not Applicable] (Only  
applicable to Materialised Notes)
26. Financial Centre(s) or other special  
provisions relating to Payment Dates for the  
purposes of Condition 8(g): [Not Applicable/Give details. Note that this item  
relates to the date and place of payment, and not  
interest period end dates, to which items 15 (ii),  
16(iv) and 18(ix) relates]
27. Talons for future Coupons or Receipts to be  
attached to Definitive Materialised Notes  
(and dates on which such Talons mature): [Yes/No/Not Applicable. If yes, give details]  
(Only applicable to Materialised Notes)
28. Details relating to Partly Paid Notes:  
amount of each payment comprising the  
Issue Price and date on which each payment  
is to be made and consequences (if any) of  
failure to pay, including any right of the  
Issuer to forfeit the Notes and interest due  
on late payment: [Not Applicable/give details]
29. Details relating to Instalment Notes: amount  
of each instalment, date on which each  
payment is to be made: [Not Applicable/give details]
30. Redenomination, renominatisation and  
reconventioning provisions: [Not Applicable/The provisions [in Condition  
1(d)] [annexed to these Final Terms] apply]
31. Consolidation provisions: [Not Applicable/The provisions [in Condition  
15(b)] [annexed to these Final Terms] apply]

32. *Masse* (Condition 13): [Applicable/Not Applicable/ Condition 13 replaced by the full provisions of the *Code de Commerce* relating to the *Masse*] (*Note that: (i) in respect of any Tranche of Notes issued or deemed to be issued outside France, Condition 13 may be waived, amended or supplemented, and (ii) in respect of any Tranche of Notes issued inside France, Condition 13 must be waived in its entirety and replaced by the full provisions of the Code de commerce relating to the Masse. If Condition 13 (as it may be amended or supplemented) applies or if full provisions of the Code de commerce relating to the Masse apply, insert details of Representative and Alternative Representative and remuneration, if any).*)
33. Other final terms: [Not Applicable/give details]  
*(When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)*

**DISTRIBUTION  
PROVISIONS APPLICABLE TO INDEX LINKED NOTES, CASH EQUITY NOTES, AMERICAN  
DEPOSITARY RECEIPT LINKED NOTES AND EQUITY LINKED NOTES**

34. Security Delivery (Equity Linked Notes only): Transfer Notice: [Yes/No/Not Applicable].  
*Delivery of the Securities will be via the Clearance System. The delivery or Transfer of Securities to each Noteholder is at the relevant Noteholder's risk and if delivery occurs later than the earliest possible date for delivery, no additional amounts will be payable by the Issuer.*
35. Provisions for Cash Equity Notes and Equity Linked Notes (excluding American Depositary Receipt Linked Notes):
- (i) Securities: [●]
  - (ii) Underlying Company(ies): [●]
  - (iii) Exchange(s): [●]
  - (iv) Cash Settlement Payment Date: [Maturity Date/other - specify]
  - (v) Securities Transfer Amount: [●]  
(for Equity Linked Notes only)

(vi) Settlement Date: (for Equity Linked Notes only)	Condition 10(c) [applies/does not apply]
(vii) Settlement Disruption Event: (for Equity Linked Notes only)	Condition 10(d) [applies/does not apply]
- Disruption Period (if other than as specified in Condition 10(c)):	
(viii) Delivery Disruption Event: (for Equity Linked Notes only)	Condition 10(e)(i) [applies/does not apply] Condition 10(e)(ii) [applies/does not apply]
(ix) Potential Adjustment Event:	Condition 10(e)(iii) [applies/does not apply]
(x) Merger Event:	Condition 10(e)(iv) [applies/does not apply]
(xi) Nationalisation, Insolvency or Delisting:	[ ● ]
(xii) Tenuer Offer:	[ ● ]
(xiii) Conversion: (for Notes relating to debt securities only)	Condition 10(e)(v) [applies/does not apply]
(xiv) Corrections to published prices affecting debt securities:	
- Spot Price:	[ ● ]
(xv) Barrier Level:	[ ● ]
(xvi) Barrier Period:	[ ● ]
(xvii) Trigger Event:	[ ● ]
(xviii) Trigger Level:	[ ● ]
(xix) Weighting:	[ ● ]
(xx) Strike Price:	[ ● ]
(xxi) Strike Date:	[ ● ]
(xxii) Knock-in Event:	[Not Applicable/ <i>specify</i> /"greater than"/"greater than or equal to"/"less than"/"less than or equal to"]
(xxiii) Knock-in Period Beginning Date:	[Not Applicable/ <i>specify</i> ]

	(xxiv) Knock-in Period Ending Date:	[Not Applicable/ <i>specify</i> ]
	(xxv) Knock-in Price:	[Not Applicable/ <i>specify</i> ]
	(xxvi) Knock-in Valuation Time:	[Not Applicable/ <i>specify</i> ]
	(xxvii) Knock-out Event:	[[Not Applicable/ <i>specify</i> /"greater than"/"greater than or equal to"/"less than"/"less than or equal to"]
	(xxviii) Knock-out Period Beginning Date:	[Not Applicable/ <i>specify</i> ]
	(xxix) Knock-out Period Ending Date:	[Not Applicable/ <i>specify</i> ]
	(xxx) Knock-out Period Ending Date Scheduled Trading Day Convention:	[Not Applicable/ <i>specify</i> ]
	(xxxi) Knock-out Price:	[Not Applicable/ <i>specify</i> ]
	(xxxii) Knock-out Valuation Time:	[Not Applicable/ <i>specify</i> ]
	(xxxiii) Scheduled Trading Day Convention:	[Not Applicable/ <i>specify</i> ]
	(xxxiv) Automatic Early Redemption Amount:	[Not Applicable/ <i>specify</i> ]
	(xxxv) Automatic Early Redemption Dates(s):	[Not Applicable/ <i>specify</i> ]
	(xxxvi) Automatic Early Redemption Event:	[Not Applicable/ <i>specify</i> ]
	(xxxvii) Automatic Early Redemption Price:	[Not Applicable/ <i>specify</i> ]
	(xxxviii) Automatic Early Redemption Rate:	[Not Applicable/ <i>specify</i> ]
	(xxxix) Automatic Early Redemption Valuation Date(s):	[Not Applicable/ <i>specify</i> ]
	(xl) Exchange Rate:	[Not Applicable/ <i>specify</i> ]
36.	Additional provisions for Equity Linked Notes:	[ ● ]
37.	Provisions for American Depository Receipt Linked Notes:	

- (i) ADR Securities: [ ● ]
- (ii) ADR Issuer: [ ● ]
- (iii) Equity Element [ ● ]
- (iv) Securities Transfer Amount: [ ● ]  
(for Equity Linked Notes only)
- (v) Settlement Date: [ ● ]  
(for Equity Linked Notes only)
- (vi) Settlement Disruption Event: [ ● ]  
(for Equity Linked Notes only)
- Disruption Period (if other than  
as specified in Condition  
10(c)):
- (vii) Delivery Disruption Event: (for [ ● ]  
Equity Linked Notes only)
- (viii) Knock-in Event: [Not Applicable/specify/"greater than"/"greater than or equal to"/"less than"/"less than or equal to"]
- (ix) Knock-in Period Beginning Date: [Not Applicable/specify]
- (x) Knock-in Period Ending Date: [Not Applicable/specify]
- (xi) Knock-in Price: [Not Applicable/specify]
- (xii) Knock-in Valuation Time: [Not Applicable/specify]
- (xiii) Knock-out Event: [Not Applicable/specify/"greater than"/"greater than or equal to"/"less than"/"less than or equal to"]
- (xiv) Knock-out Period Beginning Date: [Not Applicable/specify]
- (xv) Knock-out Period Beginning Date [Not Applicable/specify]  
Scheduled Trading Day Convention:
- (xvi) Knock-out Period Ending Date: [Not Applicable/specify]
- (xvii) Knock-out Period Ending Date [Not Applicable/specify]  
Scheduled Trading Day Convention:
- (xviii) Knock-out Price: [Not Applicable/specify]



	(xix) Knock-out Valuation Time:	[Not Applicable/ <i>specify</i> ]
	(xx) Automatic Early Redemption Amount:	[Not Applicable/ <i>specify</i> ]
	(xxi) Automatic Early Redemption Dates(s):	[Not Applicable/ <i>specify</i> ]
	(xxii) Automatic Early Redemption Event:	[Not Applicable/ <i>specify</i> ]
	(xxiii) Automatic Early Redemption Price:	[Not Applicable/ <i>specify</i> ]
	(xxiv) Automatic Early Redemption Rate:	[Not Applicable/ <i>specify</i> ]
	(xxv) Automatic Early Redemption Valuation Date(s):	[Not Applicable/ <i>specify</i> ]
	(xxvi) Exchange Rate:	[Not Applicable/ <i>specify</i> ]
38.	Provisions for Index Linked Notes:	
	(i) Multiple Exchange Indices:	[Applicable/Not Applicable]
	(ii) Index(ices):	[ ● ]
	(iii) Index Sponsor:	[ ● ]
	(iv) Exchanges:	[ ● ]
	(v) Related Exchange:	[ ● ]
	(vi) Cash Settlement Payment Date:	[ ● ]
	(vii) Adjustment Index	[ ● ]
	(viii) Strike Date	[ ● ]
	(ix) Strike Price	[ ● ]
	(x) Knock-in Event:	[Not Applicable/ <i>specify</i> /"greater than"/"greater than or equal to"/"less than"/"less than or equal to"]
	(xi) Knock-in Period Beginning Date:	[Not Applicable/ <i>specify</i> ]
	(xii) Knock-in Period Beginning Date Scheduled:	[Not Applicable/ <i>specify</i> ]
	(xiii) Knock-in Period Ending Date:	[Not Applicable/ <i>specify</i> ]
	(xiv) Knock-in Level:	[Not Applicable/ <i>specify</i> ]

- (xv) Knock-in Valuation Time: [Not Applicable/*specify*]
- (xvi) Knock-out Event: [Not Applicable/*specify*/"greater than"/"greater than or equal to"/"less than"/"less than or equal to"]
- (xvii) Knock-out Period Ending Date: [Not Applicable/*specify*]
- (xviii) Knock-out Level: [Not Applicable/*specify*]
- (xix) Knock-out Valuation Time: [Not Applicable/*specify*]
- (xx) Automatic Early Redemption Amount: [Not Applicable/*specify*]
- (xxi) Automatic Early Redemption Dates(s): [Not Applicable/*specify*]
- (xxii) Automatic Early Redemption Event: [Not Applicable/*specify*]
- (xxiii) Automatic Early Redemption Level: [Not Applicable/*specify*]
- (xxiv) Automatic Early Redemption Rate: [Not Applicable/*specify*]
- (xxv) Automatic Early Redemption Valuation Date(s) [Not Applicable/*specify*]
- (xxvi) Exchange Rate: [Not Applicable/*specify*]
39. Valuation Date(s): [ ● ]
40. Valuation Time: [ ● ]
41. Averaging Dates:
- (i) Relevant Prices: [Yes/No. *If yes, specify dates*]
- (ii) Details relating to how Final Redemption Amount will be calculated where the Notes relate to a Basket of Indices or Securities: [*Specify how level of Index or market value of Securities is to be determined*]
- (iii) Averaging Date Market Disruption: [ ● ]
- [Omission/Postponement/Modified Postponement/Not Applicable/Other (Specify)]
42. Other terms or special conditions relating to Index Linked Notes, Cash Equity Notes or Equity Linked Notes: [ ● ]

43. If syndicated, names [and addresses<sup>9</sup>] of Managers [and underwriting commitments<sup>10</sup>]: [Not Applicable/give names[, addresses and underwriting commitments<sup>10</sup>]]
- [(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)<sup>10</sup>]
- (ii) Date of [Subscription] Agreement: [●]<sup>10</sup>
- (ii[i]) Stabilising Manager(s) (if any): [Not Applicable/give name]
44. If non-syndicated, name [and address<sup>8</sup>] of Dealer: [Not Applicable/give name [and address<sup>10</sup>]]
45. Total commission and concession: [●] per cent. of the Aggregate Nominal Amount<sup>10</sup>
46. Additional selling restrictions: [Not Applicable/give details]
47. GENERAL
- The aggregate principal amount of Notes issued has been translated into Euro at the rate of [●] per cent. producing a sum of: [●]

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

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the Euro 20,000,000,000 Euro Medium Term Note Programme of HSBC France.]

#### RESPONSIBILITY

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

Signed on behalf of the Issuer:

By: .....  
Duly authorised

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<sup>9</sup> Not required for Notes with a denomination per unit of at least €50,000

## PART B – OTHER INFORMATION

### 1. RISK FACTORS

*[[Insert any risk factors that are material to the Notes being offered and/or admitted to trading in order to assess the market risk associated with these Notes and that may affect the Issuer's ability to fulfil its obligations under the Notes which are not covered under "Risk Factors" in the Base Prospectus. If any such additional risk factors need to be included, consideration should be given as to whether they constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.][Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.]]*

### 2. [PUBLIC OFFER(S)]

(i) Public offer(s): [Yes/Not Applicable]

(ii) Member State: [the Notes will be offered to the public in [•] (insert any Member State of the European Economic Area where the Notes will be offered to the public/Not Applicable)]

### 3. LISTING AND ADMISSION TO TRADING

(i) Listing(s): [Luxembourg Stock Exchange Regulated Market (Bourse de Luxembourg)/other (specify)/None]

(ii) [(a)] Admission to trading: [Application has been made for the Notes to be admitted to trading [•] with effect from [●].] [Not Applicable]

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

[(b) Regulated Markets or equivalent markets on which, to the knowledge of the Issuer, securities of the same class of the Notes to be offered or admitted to trading are already admitted to trading: [•]]

[(iii) Estimate of total expenses related to admission to trading: [•]<sup>10</sup>]

(iv) Additional publication of Base

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\* Required in particular for derivative securities to which Annex 12 to the Prospectus Directive Regulation applies. See footnote 9 above.

<sup>10</sup> Required only for Notes with a denomination per unit of at least €50,000

Prospectus and Final Terms: [ ● ] (See paragraph 8 of the section “General Information” of this Base Prospectus which provides that the Base Prospectus will be published on the websites of (a) the Luxembourg Stock Exchange during a period of twelve months from the date of the Base Prospectus and (b) the Issuer and that the Final Terms related to Notes on any Regulated Market will be published on the websites of (a) the Luxembourg Stock Exchange (www.bourse.lu) and (b) the Issuer (www.hsbc.fr). Please provide for additional methods of publication in respect of an admission to trading on a regulated market other than the Paris Stock Exchange, for example, Luxembourg)

#### 4. RATINGS

Ratings:

The Notes to be issued have been rated:

[S & P: [ ● ]]

[Moody's: [ ● ]]

[[Other]: [ ● ]]

*[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.<sup>11</sup>]*

*(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

#### 5. [NOTIFICATION

The *Commission de Surveillance du Secteur Financier* in Luxembourg, which is the competent authority in Luxembourg for the purpose of the Prospectus Directive [has been requested to provide/has provided - include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues] the [include names of competent authorities of host Member States] with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.]

#### 6. [THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST

*If advisors are mentioned in these Final Terms, specify the capacity in which the advisors have acted.*

*Specify other information mentioned in the Final Terms which has been audited or reviewed by auditors and where auditors have produced a report. Insert the report or, with permission of the competent authority, a summary of the report.*

*Where a statement or report attributed to a person as an expert is included in these Final Terms in respect of the Issuer or the Notes, provide such person's name, business address, qualifications and material interest if any in the Issuer. If the report has been produced at the Issuer's request a statement to that effect that such statement or report is included, in the form and context in which it is included, with the consent of that person who has authorised the contents of that part in respect of the Issuer or the Notes.*

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<sup>11</sup> Not required for Notes with a denomination per unit of at least €50,000

*Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.*

*In addition, the Issuer shall identify the source(s) of the information.]*

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

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement: "So far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer"./[ ● ]

## **[8. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

[(i) Reasons for the offer

[ ● ]

*(For Unsubordinated Notes, see "Use of Proceeds" wording in Base Prospectus – if reasons for offer different from general corporate purposes will need to include those reasons here.)]*

[(ii)] Estimated net proceeds:

[ ● ]

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

[(iii)] Estimated total expenses:

[ ● ]. *[Include breakdown of expenses.]*<sup>12</sup>

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

## **9. [Fixed Rate Notes only – YIELD**

Indication of yield:

[ ● ].

Calculated as *[include details of method of calculation in summary form]* on the Issue Date.

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield. ]

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<sup>12</sup> Not required for Notes with a denomination per unit of at least €50,000

**10. [Floating Rate Notes only - HISTORIC INTEREST RATES**

Details of historic [EURIBOR/LIBOR/EONIA/CMS/TEC/other] rates can be obtained [Moneyline/Reuters/other].]<sup>13</sup>

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

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

**12. [Dual Currency Notes only – PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT\*]**

*Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained [and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident]<sup>16,17</sup>.*

**13. [Derivatives only – EXPLANATION OF EFFECT ON VALUE OF INVESTMENT, RETURN ON DERIVATIVES SECURITIES AND INFORMATION CONCERNING THE UNDERLYING**

**[EXPLANATION OF EFFECT ON VALUE OF INVESTMENT**

*Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident, and the risks that investors may lose part or all of their investment.]<sup>18</sup>*

**14. SETTLEMENT PROCEDURES FOR DERIVATIVE SECURITIES**

*Need to include a description of the settlement procedures of the derivative securities.*

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<sup>13</sup> Not required for Notes with a denomination per unit of at least €50,000.

\* For derivative securities to which Annex XII to the Prospectus Directive Regulation applies, please complete instead paragraph 13 below relating to explanation of effect on value of investment, return on derivatives securities and information concerning the underlying.

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

<sup>15</sup> Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies (i.e. if the Final Redemption Amount is different than 100% of the nominal value of the Notes).

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

<sup>17</sup> Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies (i.e. if the Final Redemption Amount is different than 100% of the nominal value of the Notes).

<sup>18</sup> Not required for Notes with a denomination per unit of at least €50,000.

**15. RETURN ON DERIVATIVES SECURITIES**

- Return on derivative securities: *[Description of how any return on derivative securities takes place]*
- Payment or delivery date: [●]
- Method of calculation: [●]

**16. INFORMATION CONCERNING THE UNDERLYING**

- The exercise price or the final reference price of the underlying: [●]
- A statement setting out the type of the underlying and details of where information on the underlying can be obtained:
- an indication where information about the past and the further performance of the underlying and its volatility can be obtained [●]
  - where the underlying is an index: [Applicable/Not Applicable]
    - the name of the index and a description of the index if it is composed by the issuer. If the index is not composed by the issuer, where information about the index can be obtained: [●]
  - where the underlying is an interest rate: [Applicable/Not Applicable]
    - a description of the interest rate: [●]
  - others: [Applicable/Not Applicable]
    - where the underlying does not fall within the categories specified above the Final Terms shall contain equivalent information: [●]
  - where the underlying is a basket of underlyings: [Applicable/Not Applicable]
    - disclosure of the relevant weightings of each underlying in the basket: [●]
- A description of any market disruption or settlement disruption events that affect the underlying: [●]
- Adjustment rules with relation to events concerning the underlying:]\* [●]

**OTHER**

- Name and address of Calculation Agent: [●]
- [Information on taxes on the income from the Notes withheld at source in the country where admission to trading (other than in Luxembourg and France) is sought: [●]]

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\* Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies. See footnote 9 above.



**17. [Derivatives only – POST ISSUANCE INFORMATION CONCERNING THE UNDERLYING**

The Issuer [intends][does not intend] to issue any post-issuance information in connection with this issue of Notes.

*[If post-issuance information is to be reported, specify what information will be reported and where such information can be obtained.]*

**18. OPERATIONAL INFORMATION**

ISIN Code:

Common Code:

Depositories:

(i) Euroclear France to act as Central Depository

(ii) Common Depository for Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):

*[Not Applicable/give name(s), number(s) and addresses]*

Delivery:  Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any):

**19. [TERMS AND CONDITIONS OF THE OFFER**

**CONDITIONS, OFFER STATISTICS, EXPECTED TIMETABLE AND ACTION REQUIRED TO APPLY FOR THE OFFER**

Conditions to which the offer is subject:

Total amount of the issue/offer; if the amount is not fixed, description of the arrangements and time for announcing to the public the amount of the offer:

The time period, including any possible amendments, during which the offer will be open and description of the application process:

[A description of the possibility to reduce subscriptions and the manner for refunding excess amount paid by applicants:]<sup>19</sup>

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<sup>19</sup> Not required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies.

Details of the minimum and/or maximum amount [ ● ]  
of application, (whether in number of securities or  
aggregate amount to invest):

Method and time limits for paying up the [ ● ]  
securities and for delivery of the securities:

A full description of the manner and date in which [ ● ]  
results of the offer are to be made public:]

[The procedure for the exercise of any right of [ ● ]  
pre-emption, the negotiability of subscription  
rights and the treatment  
of subscription rights not exercised:]<sup>20</sup>

## 20. [PLAN OF DISTRIBUTION AND ALLOTMENT

The various categories of potential investors to [ ● ]  
which the securities are offered. If the offer is  
being made simultaneously in the markets of two  
or more countries and if a tranche has been or is  
being reserved for certain of these, indicate any  
such tranche:

Process for notification to applicants of the [ ● ]  
amount allotted and indication whether dealing  
may begin before notification is made:]

## 21. [PRICING

Indication of the expected price at which the [ ● ]  
securities will be offered or the method of  
determining the price and the process for its  
disclosure. Indicate the amount of any expenses  
and taxes specifically charged to the subscriber or  
purchaser:]

## 22. [PLACING AND UNDERWRITING

Name and address of the coordinator(s) of the [ ● ]  
global offer and of single parts of the offer and, to  
the extent known to the issuer or to the offeror, of  
the placers in the various countries where the  
offer takes place:

Entities agreeing to underwrite the issue on a firm [ ● ]  
commitment basis, and entities agreeing to place  
the issue without a firm commitment or under  
'best efforts' arrangements. Where not all of the  
issue is underwritten, a statement of the portion  
not covered:]

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<sup>20</sup> Not required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies.

## SUBSCRIPTION AND SALE

Subject to the terms and on the conditions contained in an amended and restated dealer agreement dated 15 September 2006 between the Issuer, the Permanent Dealers and the Arranger (the "**Dealer Agreement**"), the Notes will be offered by the Issuer to the Permanent Dealers (other than HSBC France). However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger for its expenses incurred in connection with the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes which have a denomination of less than €50,000 on a syndicated basis will be stated in the relevant Final Terms.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealers have agreed to indemnify the Issuer against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

### **Selling Restrictions**

#### **General**

These selling restrictions may be modified by the agreement of the Issuer and the Dealers in particular following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Base Prospectus.

Each Dealer has agreed that it will comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Base Prospectus, any other offering material or any Final Terms and neither the Issuer nor any other Dealer shall have responsibility therefore.

#### **European Economic Area**

In respect of Notes the denomination per unit of which is less than Euro 50,000 (or its equivalent in another currency):

in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes to the public in that Relevant Member State except that it may, unless otherwise provided in the selling restrictions relating to a particular Member State, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

- (a) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

#### **United States**

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account of benefit of U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Materialised Notes having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it will not offer or sell or, in the case of Materialised Notes, deliver the Notes of any identifiable Tranche (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the Issuer, by the Fiscal Agent, or in the case of Notes issued on a syndicated basis, the Lead Manager, within the United States or to, or for the account or benefit of U.S. persons, and it will have sent to each Dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account of U.S. persons. Terms used in this 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.

In addition, until 40 days after the commencement of the offering of an identifiable Tranche of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such Tranche of Notes) may violate the registration requirements of the Securities Act.

This Base Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Base Prospectus does not constitute an offer to any person in the United States. Distribution of this Base Prospectus by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States is unauthorised and any disclosure without prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, is prohibited.

### **United Kingdom**

Each Dealer has represented, warranted and agreed that:

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

### **Japan**

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the "**Securities and Exchange Law**"). Accordingly, each of the Dealers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Securities and Exchange Law and other relevant laws and regulations of Japan. As used in this paragraph, "**resident of Japan**" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

### **France**

#### **(a) Notes denominated in euro:**

In respect of Notes constituting *obligations* under French law issued in euro whether on a syndicated or non-syndicated basis, each of the Dealers and the Issuer has represented and agreed that<sup>21</sup>:

- (i) Offer to the public in France:

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<sup>21</sup> Prior to any offer to the public in France or admission to trading on Euronext Paris S.A., a notice has to be published in the French legal gazette called *Bulletin des Annonces légales obligataires* ("**BALO**").

it has only made and will only make an offer of Notes to the public in France in the period beginning (a) when a prospectus in relation to those Notes has been approved by the *Autorité des marchés financiers* (AMF), on the date of such publication or, (b) when a prospectus has been approved by the competent authority of another Member State of the European Economic Area which has implemented the EU Prospectus Directive 2003/71/EC, on the date of notification of such approval to the AMF, all in accordance with articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and the *Règlement général* of the AMF, and ending at the latest on the date which is 12 months after the date of the approval of the Base Prospectus; or

(ii) Private placement in France:

[in connection with their initial distribution,]<sup>22</sup> it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*), and/or (c) a restricted group of investors (*cercle restreint d'investisseurs*), all as defined in, and in accordance with, articles L.411-1, L.411-2, and D.411-1 to D.411-4 of the French *Code monétaire et financier*.

**(b) Syndicated issues of Notes denominated in currencies other than euro<sup>1</sup>:**

In respect of Notes constituting *obligations* under French law issued in currencies other than euro on a syndicated basis, each of the Dealers and the Issuer has represented and agreed that, [in connection with their initial distribution,]<sup>23</sup> it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes, and that such offers, sales and distributions have been and shall only be made in France through an international syndicate to qualified investors (*investisseurs qualifiés*), as defined in, and in accordance with, articles L.411-1, L.411-2, D.411-1 and D.411-2 of the French *Code monétaire et financier*.

**(c) Non-syndicated issues of Notes denominated in currencies other than euro:**

In respect of Notes constituting *obligations* under French law issued in currencies other than euro on a non-syndicated basis, each of the Dealers and the Issuer has represented and agreed that [in connection with their initial distribution,]<sup>24</sup> it has not offered or sold and will not offer or sell, directly or indirectly, Notes in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed in France, the Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes, and each subscriber will be domiciled or resident for tax purposes outside France.

To the extent that the Notes do not constitute obligations under French law, these selling restrictions will be amended in the relevant Final Terms.

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<sup>22</sup> Only applicable where an admission to trading on Euronext Paris S.A. is contemplated.

<sup>23</sup> Only applicable where an admission to trading on the Paris stock exchange (Euronext Paris S.A.) is contemplated.

<sup>24</sup> Only applicable where an admission to trading on the Paris stock exchange (Euronext Paris S.A.) is contemplated.

## Hong Kong

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

## The Netherlands

Zero coupon Notes in definitive form and other Notes in definitive form on which interest does not become due and payable during their term but only at maturity (savings certificates or *spaarbewijzen* as defined in the Dutch Savings Certificates Act or *Wet inzake spaarbewijzen*, the “SCA”) may only be transferred and accepted, directly or indirectly, within, from or into the Netherlands through the mediation of either the Issuer or a member of Euronext Amsterdam N.V. with due observance of the provisions of the SCA and its implementing regulations (which include registration requirements). No such mediation is required, however, in respect of (i) the initial issue of such Notes to the first holders thereof, (ii) the transfer and acceptance by individuals who do not act in the conduct of a profession or business, and (iii) the issue and trading of such Notes if they are physically issued outside the Netherlands and are not immediately thereafter distributed in The Netherlands.

Each Dealer has furthermore represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that Notes with a maturity of less than 12 months which qualify as money market instruments will only be offered, directly or indirectly, in or from The Netherlands, (i) if they each have a minimum denomination (or minimum aggregate purchase price) of €50,000 or the equivalent thereof in another currency; or (ii) solely to persons who trade or invest in securities in the conduct of their profession or business (which includes banks, securities firms, investment institutions, insurance companies, pension funds, other institutional investors, and finance companies and large enterprises which as an ancillary activity regularly invest in securities); or (iii) in circumstances where another exception to or exemption or dispensation from the prohibition of section 3 subsection 4 of the Dutch Act on the Supervision of the Securities Trade 1995 (*Wet toezicht effectenverkeer 1995*) applies.

## Switzerland

The Base Prospectus and any Final Terms relating to the Notes do not constitute an issue prospectus pursuant to Art 652a or Art 1156 of the Swiss Code of Obligations and may not comply with the Directive for Notes of Foreign Borrowers of the Swiss Bankers Association. The products will not be listed on the SWX Swiss exchange and, therefore, the Base Prospectus and any Final Terms may not comply with the disclosure standards of the listing rules of the SWX Swiss Exchange.

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

## Kingdom of Spain

Each Dealer has represented and agreed that the Notes may not be offered or sold in the Kingdom of Spain save in accordance with the requirements of the Spanish Securities Market Law (*Ley del Mercado de Valores*) of 28 July 1988 as amended and restated and Royal Decree 291/1992 on Issues and Public Offering of Securities (*Real Decreto 291/1992 sobre Emisiones y Ofertas Publicas de Valores*) as amended and restated.

## Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("CONSOB") pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes in the Republic of Italy in a solicitation to the public at large, and that sales of the Notes in the Republic of Italy shall only be negotiated on an individual basis with "Professional Investors", as defined under Article 31, paragraph 2 of CONSOB Regulation no.11522 of 1 July 1998, as amended, and effected in compliance with the requirements of Articles 94 and seq. of Legislative Decree no.58 of 24 February 1998, as amended ("**Legislative Decree no.58**") and CONSOB Regulation no. 11971 of 14 May 1999, as amended ("**Regulation no.11971**") and shall in any event be effected in accordance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations.

Accordingly, each Dealer has represented and agreed that the Notes may not be offered, sold or delivered and neither the Base Prospectus nor any other material relating to the Notes may be distributed or made available in the Republic of Italy, unless such offer, sale or delivery of Notes or distribution or availability of copies of the Base Prospectus or any other material relating to the Notes in the Republic of Italy is:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree no. 58, Regulation no.11971 and any other applicable laws or regulations;
- (b) in compliance with Article 129 of Legislative Decree no.385 of 1 September 1993 and the implementing instructions of the Bank of Italy, pursuant to which the issue, trading or placement of securities in Italy is subject to prior notification to the Bank of Italy, unless an exemption, depending *inter alia* on the amount of the issue and the characteristics of the securities, applies; and
- (c) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

## Andorra

The Notes shall only be offered or sold to Andorran banks or financial entities duly authorised by the Andorran Government to operate within the financial sector in Andorra or otherwise as lawfully permitted in Andorra.

## Liechtenstein

The Notes are offered by way of a private placement to a limited number of investors in Liechtenstein and as such do not form part of any public offering in Liechtenstein. This Base Prospectus, any supplemental Prospectuses, Drawdown Prospectuses and Final Terms shall be treated as confidential and may only be relied upon by the addressee and not a third party. In case of any potential on-selling by an investor, the investor must respect the public offering restriction under Liechtenstein law.



**Monaco**

The Notes shall only be offered or sold to duly authorised banks and licensed portfolio management companies in Monaco or otherwise as lawfully permitted in Monaco.

## GENERAL INFORMATION

- (1) This Base Prospectus has been approved by the CSSF, as competent authority in Luxembourg for the purposes of the Prospectus Directive.

Application has been made for a certificate of approval attesting that this Base Prospectus has been drawn up in accordance with the Prospectus Directive by the CSSF to the AMF, as competent authority in France for the purposes of the Prospectus Directive. This Base Prospectus has not been submitted to the clearance procedures of the AMF. In compliance with Article 18 of the Prospectus Directive, such notification may also be made from time to time at the Issuer's request to any other competent authority of any other Member State of the EEA.

Notes issued under the Programme may be listed and admitted to trading on any other Regulated Market in such Member State of the European Economic Area ("EEA") and/or offered to the public in any Member State of the EEA.

- (2) The Issuer has obtained all necessary consents, approvals and authorisations in France in connection with the establishment of the Programme. Any issuance of Notes under the Programme, to the extent that such Notes constitute *obligations* under French law, require the decision of the Board of Directors (*Conseil d'Administration*) of the Issuer or, as the case may be, the decision of any person acting by delegation of the Board of Directors (*Conseil d'Administration*) of the Issuer. For this purpose the Board of Directors (*Conseil d'Administration*) of the Issuer has delegated on 25 July 2006 to its Chairman and CEO (*Président Directeur Général*) Charles-Henri Filippi, its Executive Director and Deputy CEO (*Administrateur et Directeur Général Délégué*) Gilles Denoyel, its Executive Director and Deputy CEO (*Administrateur et Directeur Général Délégué*) Patrick Careil and to Didier Descamps, Jean-Michel Meyer and/or Thibaut de Roux, all powers to issue *obligations* and to determine their Final Terms and conditions, up to a maximum aggregate amount of €10,000,000,000 for 1 year, which authority will, unless previously cancelled, expire on 25 July 2007. Any drawdown of Notes, to the extent that such Notes do not constitute *obligations* under French law, fall within the general powers of the *directeur général* or a *directeur général délégué* of the Issuer.
- (3) There has been no significant change in the financial position of the Issuer or the Group since 31 December 2005.
- (4) There has been no material adverse change in the prospects of the Issuer or the Group since 31 December 2005.
- (5) Neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceeding which are pending or threatened of which the Issuer is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer.
- (6) There are no material contracts that are not entered into the ordinary course of the Issuer's business which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligation to Noteholders in respect of the Notes being issued.
- (7) In respect of derivatives securities as defined in Article 15.2 of Commission Regulation no.809/2004, the Final Terms will indicate whether or not the Issuer intends to provide post-issuance information concerning the underlying. If the Issuer intends to provide such information, the Final Terms will specify what information will be reported and where such information can be obtained.
- (8) Application may be made for Notes to be accepted for clearance through Clearstream Luxembourg (42 avenue JF Kennedy, 1855 Luxembourg, Luxembourg), Euroclear (boulevard du Roi Albert II, 1210 Bruxelles, Belgique) and Euroclear France (115 rue Réaumur, 75081 Paris cedex 02, France). The Common Code and the International Securities Identification Number (ISIN) or the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.
- (9) This Base Prospectus will be published on the websites of (a) the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and (b) the Issuer ([www.hsbc.fr](http://www.hsbc.fr)). The Final Terms related to Notes listed on any

Regulated Market of the EEA or offered to the public in any Member State of the EEA, in each case in accordance with the Prospectus Directive, will be published on the websites of (a) the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and (b) the Issuer ([www.hsbc.fr](http://www.hsbc.fr)).

In addition, should the Notes be listed on a Regulated Market of the EEA other than the Luxembourg Stock Exchange's Regulated Market or offered to the public in any Member State of the EEA, in each case in accordance with the Prospectus Directive, the Final Terms related to those Notes will provide whether this Base Prospectus and the relevant Final Terms will be published on the website of (x) the Regulated Market of the Member State of the EEA where the Notes have been listed or offered to the public or (y) the competent authority of the Member State of the EEA where the Notes have been listed or offered to the public.

- (10) So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available, free of charge, during usual business hours on any weekday (Saturdays and public holidays excepted), at the registered office of the Issuer and at the specified office of the Paying Agent(s) for the time being in Paris:
- (i) the *statuts* of the Issuer;
  - (ii) the consolidated audited financial statements of the Issuer in respect of the financial years ended 31 December 2003 and 2004;
  - (iii) the most recently published annual consolidated audited financial statements of the Issuer and the most recently published unaudited consolidated semi-annual financial statements of the Issuer;
  - (iv) the Agency Agreement (which includes the form of the *Lettre Comptable*, the Temporary Global Certificates, the Definitive Materialised Notes, the Coupons, the Receipts and the Talons) and the Final Terms for Notes that are listed on the Luxembourg Stock Exchange's Regulated Market or any other Regulated Market in the EEA and/or that are offered to the public in any Member State of the EEA;
  - (v) a copy of this Base Prospectus together with any supplement to this Base Prospectus or further Base Prospectus; and
  - (vi) a copy of the Final Terms for Notes that are (i) listed and admitted to trading on the Luxembourg Stock Exchange's Regulated Market or any other Regulated Market or (ii) offered to the public in any Member State of the EEA so long as such Notes are outstanding. Final Terms relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity.
- (11) The statutory auditors of the Issuer as from 30 July 2002 until 12 May 2004 were Cabinet Alain Lainé and KPMG S.A. The statutory auditors of the Issuer as from 12 May 2004 are KPMG S.A. and from 17 May 2005 are BDO Marque & Gendrot. Both KPMG and BDO Marque & Gendrot are members of the "*Compagnie Nationale des Commissaires aux Comptes*".
- (12) For certain information as to the taxation of saving income, see "*Taxation*" in page 120 above.

**REGISTERED OFFICE OF THE ISSUER**

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