

LISTING PARTICULARS



HSBC HOLDINGS PLC

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

as Issuer

¥58,100,000,000 0.450% Senior Unsecured Fixed Rate Bonds due 2021

¥59,300,000,000 0.842% Senior Unsecured Fixed Rate Bonds due 2023

¥4,400,000,000 1.207% Senior Unsecured Fixed Rate Bonds due 2026

On 26 September 2016, HSBC Holdings plc ("HSBC Holdings" or the "Issuer") issued ¥58,100,000,000 0.450% Senior Unsecured Fixed Rate Bonds due 2021 (the "**Bonds (First Series 2016)**"), ¥59,300,000,000 0.842% Senior Unsecured Fixed Rate Bonds due 2023 (the "**Bonds (Second Series 2016)**"), and ¥4,400,000,000 1.207% Senior Unsecured Fixed Rate Bonds due 2026 (the "**Bonds (Third Series 2016)**") (and together, the Bonds (First Series 2016), the Bonds (Second Series 2016) and the Bonds (Third Series 2016), the "**Bonds**"), which are described in this document. This document (and all documents incorporated by reference herein) (the "**Listing Particulars**") has been prepared for the purpose of providing disclosure information with regard to the Bonds to be admitted to the Official List of the Irish Stock Exchange and trading on its Global Exchange Market. The Irish Stock Exchange's Global Exchange Market is not a regulated market for the purposes of the Markets in Financial Instruments Directive (2004/39/EC) ("**MiFID**"). **These Listing Particulars constitute listing particulars for the purposes of listing on the Irish Stock Exchange's Official List and trading on its Global Exchange Market.** Application has been made for these Listing Particulars to be approved by the Irish Stock Exchange and the Bonds to be admitted to the Irish Stock Exchange's Official List and to trading on its Global Exchange Market. **Investors should note that securities to be admitted to the Irish Stock Exchange's Official List and trading on its Global Exchange Market will, because of their nature, normally be bought and traded by a limited number of investors who are particularly knowledgeable in investment matters.**

These Listing Particulars do not constitute (i) a prospectus for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended) or (ii) a base prospectus for the purposes of Directive 2003/71/EC (as amended) (the "Prospectus Directive"). These Listing Particulars have been prepared solely with regard to the Bonds which are (i) not to be admitted to listing or trading on any regulated market for the purposes of MiFID and (ii) not to be offered to the public in a Member State (other than pursuant to one or more of the exemptions set out in Article 3.2 of the Prospectus Directive). These Listing Particulars have not been approved or reviewed by any regulator which is a competent authority under the Prospectus Directive.

The Bonds are issued in the denomination of ¥100,000,000 each.

AN INVESTMENT IN THE BONDS INVOLVES CERTAIN RISKS. SEE PAGE 5 FOR RISK FACTORS.

The Bonds were each assigned a credit rating of A1 by Moody's Investors Service, Inc. and A by Standard and Poor's Ratings Services.

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons 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 under the Securities Act.

7 December 2016

IMPORTANT NOTICES

HSBC Holdings accepts responsibility for the information contained in this document. To the best of the knowledge of HSBC Holdings, which has taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

*The managers named under "Subscription and Sale" below (the "**Managers**") have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Managers as to the accuracy or completeness of these Listing Particulars or any document incorporated by reference herein or any further information supplied in connection with any Bonds. The Managers accept no liability in relation to these Listing Particulars or their distribution or with regard to any other information supplied by or on behalf of HSBC Holdings.*

No person has been authorised to give any information or to make any representation not contained in or not consistent with these Listing Particulars and, if given or made, such information or representation must not be relied upon as having been authorised by HSBC Holdings or any of the Managers.

These Listing Particulars should not be considered as a recommendation by HSBC Holdings or any of the Managers that any recipient of these Listing Particulars should purchase any of the Bonds. Each investor contemplating purchasing the Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of HSBC Holdings. No part of these Listing Particulars constitutes an offer or invitation by or on behalf of HSBC Holdings or the Managers or any of them to any person to subscribe for or to purchase any of the Bonds.

Neither the delivery of these Listing Particulars nor the offering, sale or delivery of any Bonds shall, in any circumstances, create any implication that there has been no change in the affairs of HSBC Holdings since the date hereof, or that the information contained in these Listing Particulars is correct at any time subsequent to the date hereof or that any other written information delivered in connection herewith or therewith is correct as of any time subsequent to the date indicated in such document. The Managers expressly do not undertake to review the financial condition or affairs of HSBC Holdings or its subsidiary undertakings during the life of the Bonds.

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

*All references in these Listing Particulars to "£", "**pounds**", "**Pounds Sterling**" and "**Sterling**" are to the lawful currency of the United Kingdom, all references to "\$", "**dollars**", "**U.S.\$**", "**USD**" and "**U.S. Dollars**" are to the lawful currency of the United States of America and all references to "€", "**euro**" and "**EUR**", are to the lawful currency of the member states of the European Union that have adopted or adopt the single currency in accordance with the Treaty establishing the European Community, as amended and all references to "yen", "**JPY**" or "¥" are to the lawful currency for the time being of Japan.*

CONTENTS

| | Page |
|--|-------------|
| OVERVIEW | 1 |
| RISK FACTORS | 5 |
| DOCUMENTS INCORPORATED BY REFERENCE | 9 |
| TERMS AND CONDITIONS OF THE BONDS (FIRST SERIES 2016) | 10 |
| TERMS AND CONDITIONS OF THE BONDS (SECOND SERIES 2016) | 20 |
| TERMS AND CONDITIONS OF THE BONDS (THIRD SERIES 2016) | 30 |
| DESCRIPTION OF THE ISSUER | 40 |
| UNITED KINGDOM TAXATION | 41 |
| CERTAIN OTHER TAXATION MATTERS | 43 |
| SUBSCRIPTION AND SALE | 44 |
| GENERAL INFORMATION | 45 |

OVERVIEW

This overview must be read as an introduction to these Listing Particulars and any decision to invest in the Bonds should be based on a consideration of these Listing Particulars as a whole, including the documents incorporated by reference.

This overview refers to certain provisions of the Conditions and is qualified by the more detailed information contained elsewhere in these Listing Particulars.

Words and expressions defined in the "Terms and Conditions of the Bonds (First Series 2016)", "Terms and Conditions of the Bonds (Second Series 2016)", "Terms and Conditions of the Bonds (Third Series 2016)" below or elsewhere in these Listing Particulars have the same meanings in this overview.

| | |
|-----------------------|--|
| The Issuer: | HSBC Holdings plc |
| Lead Managers: | HSBC Securities (Japan) Ltd. Mizuho Securities Co., Ltd. Nomura Securities Co., Ltd. SMBC Nikko Securities Inc. |
| Managers: | Daiwa Securities Co. Ltd. Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. |
| Fiscal Agent: | Mizuho Bank, Ltd. |
| The Bonds: | ¥58,100,000,000 0.45% Senior Unsecured Fixed Rate Bonds due 2021 ¥59,300,000,000 0.842% Senior Unsecured Fixed Rate Bonds due 2023 ¥4,400,000,000 1.207% Senior Unsecured Fixed Rate Bonds due 2026 |
| Issue Price: | 100 per cent. |
| Issue Date: | 26 September 2016 |
| Interest: | <p>The Bonds (First Series 2016) bear interest at the rate of 0.450 per cent. per annum of their principal amount for the period from, and including, 27 September 2016 to, and including, 24 September 2021, payable semi-annually in arrear on 26 March and 26 September of each year in respect of the half year period to and including each such interest payment date; <i>provided, however, that</i> the interest in respect of the period from, and including, 27 March 2021 to, and including, 24 September 2021 shall be payable on 24 September 2021.</p> <p>The Bonds (Second Series 2016) bear interest at the rate of 0.842 per cent. per annum of their principal amount for the period from, and including, 27 September 2016 to, and including, 26 September 2023, payable semi-annually in arrear on 26 March and 26 September of each year in respect of the half year period to and including each such interest payment date.</p> |

The Bonds (Third Series 2016) bear interest at the rate of 1.207 per cent. per annum of their principal amount for the period from, and including, 27 September 2016 to, and including, 26 September 2026, payable semi-annually in arrear on 26 March and 26 September of each year in respect of the half year period to and including each such interest payment date; *provided, however, that* the interest in respect of the period from, and including, 27 March 2026 to, and including, 25 September 2026 shall be payable on 25 September 2026.

Initial Interest Payment Date:

26 March 2017

Prescription:

The period of extinctive prescription shall be 10 years for the principal of the Bonds and 5 years for the interest on the Bonds.

Status:

The Bonds constitute direct and unsecured obligations of the Issuer, and rank and will rank *pari passu* without any preference among themselves and *pari passu* with all other unsubordinated and unsecured obligations of the Issuer, present and future, other than any such obligations preferred by law.

**UK Bail-in Power
Acknowledgement**

By its acquisition of the Bonds, each holder of Bonds (a "**Bondholder**") acknowledges, accepts, consents and agrees, agrees to be bound by: (a) the exercise of any UK Bail-in Power (as defined below) by the Relevant UK Resolution Authority (as defined below) that may result in (i) the reduction of all, or a portion, of the Amounts Due (as defined below); (ii) the conversion of all, or a portion, of the Amounts Due into the Issuer's or another person's ordinary shares, other securities or other obligations (and the issue to, or conferral on, the Bondholder of such ordinary shares, other securities or other obligations), including by means of an amendment, modification or variation of the terms of the Bonds; (iii) the cancellation of the Bonds; and/or (iv) the amendment or alteration of the date for redemption of the Bonds or amendment of the amount of interest payable on the Bonds, or the Interest Payment Dates, including by suspending payment for a temporary period; and (b) the variation of the terms of the Bonds, if necessary, to give effect to the exercise of any UK Bail-in Power by the Relevant UK Resolution Authority.

For these purposes:

"**UK Bail-in Power**" means any write-down, conversion, transfer, modification or suspension power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in the United Kingdom, relating to the transposition of the BRRD, including but not limited to the Banking Act and the instruments, rules and standards created thereunder, pursuant to which (i) any obligation of a Regulated Entity (or other affiliate of such Regulated Entity) can be reduced, cancelled, modified or converted into shares, other securities or other obligations of such Regulated Entity or any other person (or suspended for a temporary period); and (ii) any right in a contract governing an obligation of a Regulated Entity may be deemed to have been exercised.

"**Relevant UK Resolution Authority**" means any authority with the ability to exercise a UK Bail-in Power.

The exercise of the UK Bail-in Power by the Relevant UK Resolution Authority with respect to the Bonds shall not constitute an Event of Default.

Form and Denomination:

The Bonds are issued in the denomination of ¥100,000,000 each. The Book-Entry Transfer Law (as defined in the Conditions) shall apply to the Bonds and the transfer of the Bonds and other matters relating to the Bonds shall be dealt with in accordance with the Book-Entry Transfer Law and the Business Regulations (as defined in the Conditions). Bond Certificates shall not be issued, except in limited cases set forth in the Book-Entry Transfer Law.

Final Redemption:

Bonds (First Series 2016): 24 September 2021 at 100 per cent. of their principal amount.

Bonds (Second Series 2016): 26 September 2023 at 100 per cent. of their principal amount.

Bonds (Third Series 2016): 25 September 2026 at 100 per cent. of their principal amount.

Redemption for Tax Reasons:

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, if:

- (a) on the occasion of the next payment due under the Bonds,
 - (i) the Issuer has or will become obliged to pay Additional Amounts as provided in Condition 6 (in the Conditions of the Bonds for each Series); or
 - (ii) interest payments under or with respect to the Bonds are no longer fully deductible for United Kingdom corporation tax purposes; or

as a result of any change in, or amendment to, the laws or regulations of the United Kingdom (or any authority or political subdivision therein or thereof having power to tax) or any change in the official application or interpretation of such laws or regulations, which change or amendment becomes effective on or after 26 September 2016; and

- (b) in the case of (i) above, such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

as described in the Conditions of the Bonds for each Series.

Events of Default:

The Bonds contain certain events of default provisions, as further described in the Conditions of the Bonds of the relevant Series; however, there are no provisions for cross default.

Taxation:

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

law.

In such event, the Issuer shall pay such additional amounts (the "**Additional Amounts**") as may be necessary in order that the net amounts receivable by the Bondholders or, as the case may be, the pledgees in respect of the Bonds after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Bonds in the absence of such withholding or deduction, subject to certain exceptions as described in the Conditions of the Bonds for each Series.

Governing Law:

The Bonds are governed by, and shall be construed in accordance with, the laws of Japan.

Listing and Trading:

Application has been made for these Listing Particulars to be approved by the Irish Stock Exchange and the Bonds to be admitted to the Irish Stock Exchange's Official List and to trading on its Global Exchange Market.

Clearing Systems:

Japan Securities Depository Center, Incorporated ("**JASDEC**" and "**Book-Entry Transfer Institution**") will act as book-entry transfer institution (*furikae kikan*) of the Bonds under the Book-Entry Transfer Law.

Selling Restrictions:

See "*Subscription and Sale*".

Risk Factors:

Investing in the Bonds involves risks. See "*Risk Factors*".

ISIN:

Bonds (First Series 2016): JP582666AG93

Bonds (Second Series 2016): JP582666BG92

Bonds (Third Series 2016): JP582666CG91

RISK FACTORS

*Any investment in the Bonds is subject to a number of risks. Prior to investing in the Bonds, prospective investors should carefully consider risk factors associated with any investment in the Bonds, the business of the Issuer and the industry in which it operates together with the Annual Report and Accounts of the Issuer and its subsidiary undertakings for the year ended 31 December 2015 and all other information contained in these Listing Particulars, including, in particular, the risk factors described below and the risk factors set out in the registration document, incorporated by reference (the "**Registration Document**"). The Issuer considers such risk factors to be the principal risk factors that may affect the Issuer's ability to fulfil its obligations under the Bonds and/or risk factors that are material for the purposes of assessing the market risk associated with the Bonds. Words and expressions defined in the Conditions or elsewhere in these Listing Particulars have the same meanings in this section.*

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

Terms and expressions in these risk factors shall, unless otherwise defined or unless the context otherwise requires, have the same meaning and be construed in accordance with Conditions of the Bonds.

Risks relating to the Issuer

The section entitled "Risk Factors" on pages 109a to 109l of the Annual Report of the Issuer for the year ended 31 December 2015 on Form 20-F, as incorporated by reference herein, sets out a description of the risk factors that may affect the ability of the Issuer to fulfil its obligations to investors in relation to the Bonds.

Risks relating to the Bonds

The Bonds are the subject of the UK Bail-in Power, which may result in the Bonds being written down to zero or converted into other securities, including unlisted equity securities

On 1 January 2015, the Banking Act and other primary and secondary legislative instruments were amended to give effect to the BRRD in the UK. The stated aim of the BRRD is to provide supervisory authorities, including the Relevant UK Resolution Authority, with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' contributions to bank bail-outs and/or exposure to losses.

As the parent company of a UK bank, the Issuer is subject to the Banking Act, which gives wide powers in respect of UK banks and their parent and other group companies to Her Majesty's Treasury ("**HM Treasury**"), the Bank of England, the UK Prudential Regulation Authority and the Financial Conduct Authority in circumstances where a UK bank has encountered or is likely to encounter financial difficulties.

As a result, the Bonds are subject to existing UK Bail-in Power under the Banking Act and may be subject to future UK Bail-in Power under existing or future legislative and regulatory proposals, including measures implementing the BRRD. In particular, the Banking Act was amended to implement a "bail-in" tool, which may be exercised by the Bank of England (the "**BoE**") (as a Relevant UK Resolution Authority) and forms part of the UK Bail-in Power.

Where the conditions for resolution exist, the BoE may use the bail-in tool (individually or in combination with other resolution tools under the Banking Act) to cancel all or a portion of the principal amount of, or interest on, certain unsecured liabilities of a failing financial institution and/or convert certain debt claims into another security, including ordinary shares of the surviving entity. In addition, the BoE may use the bail-in tool to, among other things, replace or substitute the issuer as obligor in respect of debt instruments, modify the terms of debt instruments (including altering the maturity (if any) and/or the amount of interest payable and/or imposing a temporary suspension on payments) and discontinue the

listing and admission to trading of financial instruments. The BoE must apply the bail-in tool in accordance with a specified preference order. In particular, the Banking Act requires resolution authorities to write-down or convert debts in the following order: (i) additional tier 1 instruments, (ii) tier 2 instruments, (iii) other subordinated claims that do not qualify as additional tier 1 or tier 2 instruments and (iv) eligible senior claims. Although the bail-in tool has a safeguard designed to leave no creditor worse off than in the case of insolvency, due to the discretion afforded to the BoE, the claims of some creditors whose claims would rank equally with the Bondholders' may be excluded from being subject to the bail-in tool. The greater number of such excluded creditors there are, the greater the potential impact of the bail-in tool on other creditors who have not been excluded (which may include the Bondholders).

As a result, the Bonds, which are subject to the bail-in tool, will be written down or converted if the reduction of additional tier 1 instruments, tier 2 instruments and subordinated claims that do not qualify as an additional tier 1 or tier 2 instrument, does not sufficiently reduce the aggregate amount of liabilities that must be written down or converted to prevent the HSBC Group's failure.

Moreover, to the extent the UK Bail-in Power is exercised pursuant to the Banking Act or otherwise, the Issuer does not expect any securities issued upon conversion of the Bonds to meet the listing requirements of any securities exchange, and the Issuer expects its outstanding listed securities to be delisted from the securities exchanges on which they are listed. Any securities the Bondholders receive upon conversion of their Bonds (whether debt or equity) likely will not be listed for at least an extended period of time, if at all, or may be on the verge of being delisted by the relevant exchange, including, for example, the Issuer's American depositary receipts listed on the New York Stock Exchange or the Issuer's ordinary shares listed on the London Stock Exchange or otherwise. Additionally, there may be limited, if any, disclosure with respect to the business, operations or financial statements of the issuer of any securities issued upon conversion of the Bonds, or the disclosure with respect to any existing issuer may not be current to reflect changes in the business, operations or financial statements as a result of the exercise of the UK Bail-in Power. Moreover, the exercise of the UK Bail-in Power and/or other actions implementing the UK Bail-in Power may require interests in the Bonds to be held or taken, as the case may be, through clearing systems, intermediaries or persons other than the Book-Entry Transfer Institution. As a result, there may not be an active market for any securities the Bondholders may hold after the exercise of the UK Bail-in Power.

The Bondholders should consider the risk that the Bondholders may lose all of the investment, including the principal amount plus any accrued interest, if the UK Bail-in Power is acted upon or that any remaining outstanding Bonds or securities into which the Bonds are converted, including the Issuer's ordinary shares, may be of little value at the time of conversion and thereafter. In addition, trading behavior, including prices and volatility, may be affected by the threat of bail-in and, as a result, the Bonds are not necessarily expected to follow the trading behavior associated with other types of securities.

The records, etc. under the Book-Entry Transfer System

It is not yet clear what procedures and timelines will need to be followed in connection with the exercise of the UK Bail-in Power. It is possible that a public notice of the exercise of the UK Bail-in Power could be given immediately before or even after the effective date of such exercise. Also, even if the Issuer and/or the Fiscal Agent request the Book-Entry Transfer Institution immediately upon the exercise of the UK Bail-in Power to take necessary actions in accordance with the UK Bail-in Power (including but not limited to mark-down of the value of the Bonds as recorded under the Book-Entry Transfer System and/or to suspension of the transfers through the Book-Entry Transfer System), a period of time may be required before implementation of such actions. As a result, there can be no assurance that mark-down of the value of Bonds as recorded under the Book-Entry Transfer System and/or suspension of transfers through the Book-Entry Transfer System will be implemented before or simultaneously with the effectiveness of any exercise of the UK Bail-in Power, and there is a possibility that the Bonds have been already written down or converted and therefore the Issuer has been already released from its payment obligations under the Bonds even when there are still records of the Bonds in the case of the exercise of the UK Bail-in Power. In addition, when the Bonds are converted into shares or other securities or obligations of the Issuer or any other person pursuant to a UK Bail-in Power, the procedures for conversion and delivery of the shares, etc. may not be conducted within the framework of the Book-Entry Transfer System.

The UK's referendum on EU membership

Following the UK electorate's vote to leave the European Union (the "EU") in a national referendum, there has been a period of volatility against a backdrop of uncertainty, which is likely to continue for some time. The Issuer was aware of the potential for market disruption in the aftermath of a vote to leave the EU and took steps to plan for this outcome.

Negotiation of the UK's exit agreement, its future relationship with the EU and its trading relationship with the rest of the world will likely take a number of years to resolve. During this time, uncertainty as to the precise terms of these arrangements and the future legal and regulatory landscape may lead to uncertain economic conditions and market volatility. This may lead to reduced economic growth which could affect both the Issuer and its clients.

Among other issues, changes to the UK's future relationship are likely to influence the business model for the Issuer's London-based European cross-border banking operations, which currently rely on unrestricted access to the European financial services market.

Until the terms and timing of the UK's exit from the EU are confirmed, including the terms on which UK financial institutions will conduct cross-border business post-exit, it is not possible to fully determine the impact on the Issuer.

Other changes in law may adversely affect the rights of Bondholders

Changes in law after the date hereof may affect the rights of Bondholders as well as the market value of the Bonds. Such changes in law may include changes in statutory, tax and regulatory regimes during the life of the Bonds, which may have an adverse effect on an investment in the Bonds.

In addition, any change in law or regulation that results in the Issuer's having to pay Additional Amounts to the Bondholders could constitute a tax event that may entitle the Issuer to redeem the Bonds, in whole (but not in part), as more particularly described in Condition 6 (*Redemption and Purchase*) of the Conditions of the Bonds.

Such legislative and regulatory uncertainty could also affect the ability of Bondholders to accurately value the Bonds and, therefore, affect the trading price of the Bonds given the extent and impact on the Bonds that one or more regulatory or legislative changes could have on the Bonds.

The Issuer may issue securities pari passu with the Bonds and/or secured debt

There is no restriction on the amount of securities that the Issuer may issue that rank *pari passu* with the Bonds. In particular, the Financial Stability Board (the "FSB") final standards for total loss absorbing capacity ("TLAC") requirements for global systemically important banks will apply to the Issuer once implemented in the United Kingdom, and the Issuer expects to issue between \$60 billion and \$80 billion in aggregate principal amount of senior debt securities between 2016 and 2018 in order to meet these TLAC requirements. Furthermore, the Issuer (and its subsidiaries) may incur additional debt, including secured debt. The Bonds will be effectively subordinated to any indebtedness or other liabilities of the Issuer's subsidiaries and to any of its indebtedness that is secured by property or assets to the extent of the value of the property or assets securing such indebtedness. In the event of the Issuer's winding up, the Bondholders may recover from the value of the Issuer's assets to satisfy claims of the Bondholders only after secured creditors of the Issuer have been paid in full. In addition, the claims of *pari passu* creditors may reduce the amount recoverable by the Bondholders. Therefore, the Bondholders may lose all or some of investment in the Bonds in the event of winding up of the Issuer.

The Issuer's holding company structure may mean that its rights to participate in assets of any of the Issuer's subsidiaries upon its liquidation may be subject to prior claims of some of its creditors, including when the Issuer has loaned or otherwise advanced the proceeds received from the issuance of the Bonds to such subsidiary

The Bonds are the Issuer's obligations exclusively and are not guaranteed by any person, including any of its subsidiaries. The Issuer is a non-operating holding company and, as such, its principal source of income is derived from its operating subsidiaries that hold the principal assets of the Issuer together with its subsidiary undertakings. As a separate legal entity, the Issuer relies on, among other things, remittance of its subsidiaries' loan interest payments and dividends in order to be able to meet its obligations to the

Bondholders as they fall due. The ability of the Issuer's subsidiaries and affiliates to pay dividends could be restricted by changes in regulation, exchange controls and other requirements, which may restrict its ability to pay any amounts due under the Bonds.

In addition, because the Issuer is a holding company, the Issuer's rights to participate in the assets of any subsidiary if it is liquidated will be subject to the prior claims of its creditors and any preference shareholders, except to the extent that the Issuer may be a creditor with recognised claims ranking ahead of or *pari passu* with such prior claims against the subsidiary.

The Issuer also has absolute discretion as to how it makes its investments in, or advance funds to, its subsidiaries, including the proceeds of issuances of debt securities, such as the Bonds, and as to how it may restructure existing investments and funding in the future. The ranking of the Issuer's claims in respect of such investments and funding in the event of the liquidation of a subsidiary, and their treatment in resolution, will depend in part on their form and structure and the types of claim that they give rise to. The purposes of such investments and funding, and any such restructuring, may include, among other things, the provision of different amounts or types of capital or funding to particular subsidiaries, including for the purposes of meeting regulatory requirements, such as the implementation of the European Banking Authority's minimum requirement for own funds and eligible liabilities (or any equivalent requirements imposed by the UK Prudential Regulation Authority), or the FSB's minimum TLAC requirements, in respect of such subsidiaries, which may require funding to be made on a subordinated basis.

In addition, the terms of some loans or investments in capital instruments issued by the Issuer's subsidiaries may contain contractual mechanisms that, upon the occurrence of a trigger related to the prudential or financial condition of such subsidiary, would result in a write-down of the claim or a change in the ranking and type of claim that the Issuer has against such subsidiary. Such loans to and investments in the Issuer's subsidiaries may also be subject to the exercise of the UK Bail-in Power. Any changes in the legal or regulatory form or ranking of a loan or investment could also affect its treatment in resolution.

If any of the Issuer's subsidiaries were wound up, liquidated or dissolved (i) the Bondholders would have no right to proceed against the assets of such subsidiary and (ii) the liquidator of such subsidiary would first apply the assets of such subsidiary to settle the claims of such subsidiary's creditors and/or preference shareholders (including holders of such subsidiary's senior debt and tier 2 and additional tier 1 capital instruments) before the Issuer would be entitled to receive any distributions.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated by reference in, and to form part of, these Listing Particulars:

- the Registration Document of HSBC Holdings dated 4 March 2016 submitted to and filed with the Irish Stock Exchange;
- the 2014 Annual Report and Accounts of the Issuer and its subsidiary undertakings for the year ended 31 December 2014 submitted to and filed with the Irish Stock Exchange;
- the 2015 Annual Report and Accounts of the Issuer and its subsidiary undertakings for the year ended 31 December 2015 submitted to and filed with the Irish Stock Exchange;
- the unaudited consolidated interim report of the Issuer and its subsidiary undertakings for the six months ended 30 June 2016 (the "**Interim Report 2016**"), except for the section entitled "*Strategic Actions – Progress against strategic actions*" on page 11 of the Interim Report 2016 submitted to and filed with the Irish Stock Exchange;
- the Form 20-F of the Issuer for the fiscal year ended 31 December 2015 dated 25 February 2016 filed with the U.S. Securities and Exchange Commission (as set out at: <https://www.sec.gov/Archives/edgar/data/1089113/000119312516478487/d117963d20f.htm>) (the "**Form 20-F**");
- the Form 6-K of the Issuer dated 3 August 2016 filed with the U.S. Securities and Exchange Commission (as set out at <https://www.sec.gov/Archives/edgar/data/1089113/000165495416001130/a0596g.htm>) (the "**Form 6-K**"); and
- the earnings release of the Issuer and its subsidiary undertakings for the nine months ended 30 September 2016 submitted to and filed with the Irish Stock Exchange.

The Issuer will, at its registered office, make available for inspection during normal business hours and free of charge, upon oral or written request, a copy of these Listing Particulars and any document incorporated by reference in these Listing Particulars. Written or oral requests for inspection of such documents should be directed to the registered office of the Issuer. Additionally, these Listing Particulars and all the documents incorporated by reference herein will be available for viewing at www.hsbc.com (please follow links to 'Investor relations', 'Fixed income securities', 'Issuance programmes' for these Listing Particulars and the Registration Document and 'Investor relations' and 'Financial and regulatory reports' for the remaining documents). For the avoidance of doubt, any websites referred to in these Listing Particulars or any information appearing on such websites and pages do not form part of these Listing Particulars.

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

TERMS AND CONDITIONS OF THE BONDS (FIRST SERIES 2016)

Below is the English translation of the Terms and Conditions of the Bonds (First Series 2016). In the event of any difference in meaning between the English translation and the original Japanese version, the Japanese version shall prevail:

These Conditions of Bonds shall apply to the issue of HSBC HOLDINGS PLC JAPANESE YEN BONDS - FIRST SERIES (2016) (the "**Bonds**") pursuant to lawful authorisation by HSBC Holdings plc (the "**Issuer**").

1. **Aggregate Principal Amount, Date of Issuance, Denomination and Form**

The aggregate principal amount of the Bonds is ¥58,100,000,000.

The date of issuance of the Bonds is September 26, 2016.

The Bonds are issued in the denomination of ¥100,000,000 each.

The Law Concerning Book-Entry Transfer of Corporate Bonds, Stocks, Etc. of Japan (Law No. 75, 2001, as amended) (the "**Book-Entry Transfer Law**") shall apply to the Bonds and the transfer of and other matters relating to the Bonds shall be dealt with in accordance with the Book-Entry Transfer Law and the business regulations and other rules relating to book-entry transfer of corporate bonds, etc. (collectively, the "**Business Rules**") from time to time adopted by the Book-Entry Transfer Institution (as defined in Condition 4).

The certificates for the Bonds (the "**Bond Certificates**") shall not be issued except in such exceptional events as provided under the Book-Entry Transfer Law where the holders of the Bonds (the "**Bondholders**") may make a request for the issue of Bond Certificates. In the event that the Bond Certificates are issued, such Bond Certificates shall be only in bearer form with unmatured interest coupons and the Bondholders may not request that the Bond Certificates be exchanged for Bond Certificates in registered form or divided or consolidated.

If the Bond Certificates are issued, the manner of the calculation and payment of principal of and interest on the Bonds, the exercise of the rights under the Bonds by the Bondholders and the transfer of the Bonds, and all other matters in respect of the Bonds shall be subject to the then applicable Japanese laws and regulations and the then prevailing market practice in Japan. In the event of any inconsistency between the provisions of these Conditions of Bonds and the then applicable Japanese laws and regulations and the then prevailing market practice in Japan, such Japanese laws and regulations and market practice in Japan shall prevail.

All expenses incurred in connection with the issue of the Bond Certificates shall be borne by the Issuer.

2. **Status of the Bonds**

The Bonds constitute direct and unsecured obligations of the Issuer, and rank and will rank pari passu without any preference among themselves and pari passu with all other unsubordinated and unsecured obligations of the Issuer, present and future, other than any such obligations preferred by law.

3. **Appointment of Fiscal Agent, Issuing Agent and Paying Agent and Non-appointment of Commissioned Company for Bondholders**

- (1) Mizuho Bank, Ltd. acts as fiscal agent, issuing agent and paying agent (the "**Fiscal Agent**", unless the context otherwise requires, the term "**Fiscal Agent**" means an agent acting in all these capacities) of the Issuer in respect of the Bonds. The Fiscal Agent shall perform the duties and functions provided for in these Conditions of Bonds, the Fiscal, Issuing and Paying Agency Agreement (the "**Fiscal Agency Agreement**") dated September 15, 2016 between the Issuer and the Fiscal Agent, and the Business Rules. The Fiscal Agent is acting solely as agent of the Issuer and does not assume any obligation towards or relationship of agency or trust for or with the Bondholders. A copy of the Fiscal Agency Agreement to which these Conditions of Bonds are attached shall be kept at the head office of the Fiscal Agent up to the expiry of one year after the

redemption date of the Bonds and shall be made available for perusal or photocopying by any Bondholder during normal business hours of the Fiscal Agent. All expenses incurred for such photocopying shall be borne by the applicant therefor.

- (2) No commissioned company for bondholders is appointed in respect of the Bonds.
- (3) The Issuer may from time to time vary the appointment of the Fiscal Agent, provided that the appointment of the Fiscal Agent shall continue until a replacement fiscal agent, issuing agent and paying agent shall be effectively appointed (provided that such replacement fiscal agent, issuing agent and paying agent shall be qualified to act as both issuing agent and paying agent pursuant to the Business Rules). In such case the Issuer shall give prior public notice thereof to the Bondholders.
- (4) The Issuer shall, without delay, appoint a replacement fiscal agent, issuing agent and paying agent (provided that such replacement fiscal agent, issuing agent and paying agent shall be qualified to act as both issuing agent and paying agent pursuant to the Business Rules) and give public notice to that effect to the Bondholders if the Book-Entry Transfer Institution notifies the Issuer that the Fiscal Agent will be disqualified from acting as a designated issuing agent or paying agent.
- (5) As at the effective date of the appointment, the replacement fiscal agent, issuing agent and paying agent shall succeed to and be substituted for the retiring Fiscal Agent, and shall perform its duties and functions provided for in these Conditions of Bonds, the Fiscal Agency Agreement and the Business Rules, with the same effect as if the replacement fiscal agent, issuing agent and paying agent had been named as the fiscal agent, issuing agent and paying agent therein and herein.

4. **Book-Entry Transfer Institution**

In relation to the Bonds, Japan Securities Depository Center, Incorporated (the "**Book-Entry Transfer Institution**") acts as book-entry transfer institution (*furikae kikan*) under the Book-Entry Transfer Law.

In these Conditions of Bonds, all references to the Book-Entry Transfer Institution shall be deemed to include any successor book-entry transfer institution as designated by the competent minister pursuant to the Book-Entry Transfer Law.

5. **Interest**

The Bonds shall bear interest at the rate of 0.450% per annum of the principal amount thereof.

The Bonds shall bear interest from and including September 27, 2016, payable in Japanese yen semi-annually in arrears on March 26 and September 26 of each year in respect of the 6-month period to and including each such date; provided that the interest in respect of the period from and including March 27, 2021 to and including September 24, 2021 shall be payable on September 24, 2021. Interest for any period of other than 6 months shall be payable for the actual number of days included in such period computed on the basis of a 365-day year. Each date set for payment of interest in this Condition 5 is hereinafter referred to as an "**Interest Payment Date**".

The Bonds shall cease to bear interest from but excluding the date on which they become due for redemption; provided, however, that should the Issuer fail to redeem any of the Bonds when due in accordance with these Conditions of Bonds, then interest accrued on the principal amount of the Bonds then outstanding shall be paid in Japanese yen at the interest rate specified above for the actual number of days in the period from, but excluding, the due date to, and including, the date of the actual redemption of such Bonds, computed on the basis of a 365-day year. Such period, however, shall not exceed the date on which the Fiscal Agent (acting in its capacity of paying agent under the Business Rules, hereinafter the "**Paying Agent**") allocates the necessary funds for the full redemption of the Bonds received by it among the relevant participants which have opened their accounts with the Book-Entry Transfer Institution to make book-entry transfer of the Bonds (*kiko kanyusha*) (the "**Institution Participants**"); provided that if such overdue allocation is not possible under the Business Rules, such period shall not exceed 14 days after the

date on which the last public notice is given by the Issuer or the Fiscal Agent in accordance with Condition 7(3).

6. **Redemption and Purchase**

- (1) Unless previously redeemed or purchased and cancelled as provided in Condition 6(2) or (3), the Bonds shall be redeemed on September 24, 2021 at a price equal to 100% of the principal amount.
- (2) If, as a result of a change in or amendment to the laws of the United Kingdom or any political subdivision or any taxing authority thereof or therein having the power to tax (the "**Taxing Jurisdiction**"), or any change in the official application or interpretation of such laws (including a decision of any court or tribunal), or any change in, or in the official application or interpretation of, or execution of, or amendment to, any treaty or treaties affecting taxation to which the United Kingdom is a party, which change, amendment or execution becomes effective on or after the date of issuance of the Bonds:
 - (a) on the next succeeding Interest Payment Date the Issuer would be obliged to pay any Additional Amounts (as defined in Condition 8(1)) pursuant to Condition 8; or
 - (b) if the Issuer were to seek to redeem the Bonds (for which purpose no regard shall be had as to whether or not the Issuer would otherwise be entitled to redeem the Bonds), the Issuer would (notwithstanding its having made such reasonable endeavours available to it) be obliged to pay any Additional Amounts pursuant to Condition 8; or
 - (c) on the next succeeding Interest Payment Date, interest payments (or funding costs of the Issuer as recognised in its accounts) under or with respect to the Bonds are no longer fully deductible for United Kingdom corporation tax purposes,

the Bonds may be redeemed, in whole but not in part, at the option of the Issuer, at any time at a price equal to 100% of the principal amount together with interest accrued to and including the date fixed for redemption; provided that no such public notice of redemption as provided below shall be given earlier than 90 days prior to the earliest date on which, in the case of (a) or (b) above, the Issuer would be obliged to pay such Additional Amounts or, in the case of (c) above, such interest payments (or funding costs) are no longer fully deductible for United Kingdom corporation tax purposes, were a payment in respect of the Bonds then due.

If the Issuer would be obliged to pay such Additional Amounts pursuant to Condition 8, but any law, regulation or ruling of the Taxing Jurisdiction then in force prohibits the Issuer from paying such Additional Amounts in full, then the Issuer shall redeem all (but not some only) of the Bonds then outstanding at a price equal to 100% of the principal amount together with interest accrued to and including the date fixed for redemption (but subject to such law, regulation or ruling), as soon as practicable, but in no event later than 40 days after the later of (i) the date of the occurrence of the events giving rise to the obligation of the Issuer to pay such Additional Amounts, or (ii) the date on which such law, regulation or ruling becomes effective.

In the event of redemption to be made under this Condition 6(2), the Issuer shall deliver to the Fiscal Agent a certificate signed by a duly authorised signatory of the Issuer stating (i), in the case of (a) or (b) above, that the Issuer is or will be obliged to pay such Additional Amounts pursuant to Condition 8(1) or, in the case of (c) above, that such interest payments (or funding costs) are no longer fully deductible for United Kingdom corporation tax purposes, (ii) that it elects or is obliged to redeem the Bonds pursuant to this Condition 6(2), (iii) the date for such redemption, (iv) that the conditions precedent to the right or obligation of the Issuer so to redeem under this Condition 6(2) have occurred or that such conditions precedent are reasonably expected to occur on or prior to the date on which the relevant payment of principal or interest of the Bonds would otherwise be made (together with details of facts relating thereto) and (v) (in case of the exercise of the redemption right of the Issuer relating to (b) above) that its obligation to pay such Additional Amounts could not be avoided by the Issuer having made reasonable endeavours available to it, and a written opinion of an independent legal adviser or accountant of recognised standing confirming the matters set forth in items (i) and (iv) above.

Such certificate and opinion shall be delivered to the Fiscal Agent at least 30 days prior to the proposed redemption date, and the Issuer shall give public notice to the Bondholders of such matters at least 14 days prior to the proposed redemption date. Such proposed redemption date shall be a Business Day (as defined in Condition 7(2)), and such delivery to the Fiscal Agent and public notice to the Bondholders shall be irrevocable.

Such certificate and opinion delivered by the Issuer to the Fiscal Agent pursuant to this Condition 6(2) shall be kept at the head office of the Fiscal Agent up to the expiry of one year after the redemption date of the Bonds and shall be made available for perusal or photocopying by any Bondholder during normal business hours of the Fiscal Agent. All expenses incurred for such photocopying shall be borne by the applicant therefor.

All expenses necessary for the procedures under this Condition 6(2) shall be borne by the Issuer.

- (3) The Issuer and any of its subsidiaries may at any time purchase the Bonds in the open market or otherwise and at any price. If purchases are made by tender, tenders must be available to all Bondholders alike. Such Bonds may be held, resold or cancelled, except as otherwise provided for by applicable laws and in the Business Rules.
- (4) Except as otherwise provided in these Conditions of Bonds, the Issuer may not redeem or repay the principal of the Bonds in whole or in part prior to the maturity thereof.

7. **Payment**

- (1) Payment of principal and interest in respect of the Bonds shall be made by the Paying Agent to the Bondholders, directly in case when such Bondholders are the Institution Participants, and in other cases through the relevant account management institutions (*kouza kanri kikan*) (the "**Account Management Institutions**") with which such Bondholders have opened their accounts to have the Bonds recorded in accordance with the Book-Entry Transfer Law and the Business Rules.
- (2) If any due date for the payment of principal of or interest on the Bonds falls on a day which is not a day on which banks are open for business in Tokyo, Japan (the "**Business Day**"), the Bondholders shall not be entitled to payment of the amount due until the next following Business Day, nor shall they be entitled to the payment of any further or additional interest or other payment in respect of such delay.
- (3) If the full amount of principal of or interest on the Bonds payable on any due date is received by the Paying Agent after such due date, the Issuer shall, or shall cause the Fiscal Agent to, give public notice to the Bondholders to that effect and of the method of payment and the date of such payment as soon as practicable but not later than 14 days after receipt of such amount by the Paying Agent. If at the time of such receipt either the method or the date of such payment (or both) is not determinable, the Issuer or the Fiscal Agent shall give public notice to the Bondholders of such receipt and of the method and/or the date of such payment to the extent the same has been determined, and give at a later date public notice to the Bondholders of the method and/or the date of such payment promptly upon determination thereof. All expenses incurred in connection with the said public notice shall be borne by the Issuer.

8. **Taxation**

- (1) All payments (whether in respect of principal, interest or otherwise) in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Taxing Jurisdiction, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts (the "**Additional Amounts**") as will result in the receipt by the Bondholder of such amounts as would have been received by such Bondholder if no such withholding or deduction had been required, except that no such Additional Amounts shall be payable in respect of any Bond (i) to, or to a third party on behalf of, a Bondholder who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the Taxing Jurisdiction other than the mere holding of such Bond or (ii) (only in the event that the Bond Certificates are

issued) more than 30 days after the Relevant Date (as defined below) except to the extent the Bondholder would have been entitled to such Additional Amounts on presenting the same for payment on the last day of such period of 30 days.

"Relevant Date" means whichever is the later of (i) the date on which the relevant payment of principal or interest first becomes due and (ii) if the full amount payable on such due date has not been duly received by the Paying Agent on or prior to such due date, the date on which, such full amount having been so received by the Paying Agent, the last public notice to that effect has been duly given by the Issuer or the Fiscal Agent in accordance with Condition 7(3).

- (2) Any reference in these Conditions of Bonds to principal or interest shall be deemed also to refer to any Additional Amounts which may be payable in respect of principal or interest, respectively, under this Condition 8. All expenses necessary for the procedures under this Condition 8 shall be borne by the Issuer.
- (3) Notwithstanding any other provision in these Conditions of Bonds, the Issuer shall be permitted to withhold or deduct any amounts required by the rules of U.S. Internal Revenue Code of 1986 Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any inter-governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service ("**FATCA withholding**"). The Issuer will have no obligation to pay Additional Amounts or otherwise indemnify a Bondholder for any FATCA withholding deducted or withheld by the Issuer, the Paying Agent or any other party as a result of any person (other than an agent of the Issuer) not being entitled to receive payments free of FATCA withholding.

9. **Events of Default**

The following will be Events of Default (each, an "**Event of Default**" with respect to the Bonds):

- (a) a default is made in the payment of any amount of interest in respect of the Bonds on the due date for payment thereof and such default continues for 14 days, provided that it shall not be such a default to withhold or refuse any such payment (i) in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment or (ii) in cases of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice given at any time during the said period of 14 days by independent legal advisers of recognised standing as to such validity or applicability; or
- (b) an order is made or an effective resolution is passed for the winding up of the Issuer in England (otherwise than in connection with a scheme of reconstruction or amalgamation the terms of which shall previously have been approved by an Extraordinary Resolution (as defined in Condition 10(3))).

If any Event of Default shall have occurred, any Bondholder may, at its option, by giving written notice by or on behalf of such Bondholder to the Issuer at the head office of the Fiscal Agent (at the time of giving such notice, such Bondholder shall present, at the head office of the Fiscal Agent, the certificate (the "**Certificate**") certifying the holding of the relevant Bond and issued by the Book-Entry Transfer Institution or the relevant Account Management Institution), declare that any Bond(s) held by such Bondholder shall be forthwith due and payable, whereupon the same shall become immediately due and payable at a price equal to 100% of the principal amount together with interest accrued to such date, without further action or formality, unless, prior to receipt of such notice by the Fiscal Agent, all Events of Default shall have been cured.

If (x) the event specified in item (b) above has occurred or (y) any circumstance exists which would with the lapse of time or the giving of notice or both constitute such event, the Issuer shall, immediately or in case of (y) above immediately when such circumstance comes to knowledge of the Issuer, notify the Fiscal Agent in writing of such event or circumstance and give public notice of the same to the Bondholders through the Fiscal Agent. If the event specified in item (a) above has occurred or any circumstance exists which would with the lapse of time constitute such event, the Issuer shall also immediately notify the Fiscal Agent in writing of such event or circumstance and give public notice of the same to the Bondholders through the Fiscal Agent.

All expenses necessary for the procedures under this Condition 9 shall be borne by the Issuer.

10. **Bondholders' Meetings**

- (1) The Issuer shall convene a Bondholders' meeting to consider any matters which relate to the interests of the Bondholders in the event: that Bondholders holding one-tenth (1/10) or more of the aggregate principal amount of the Bonds then outstanding, acting either jointly or individually, so request in writing to the Fiscal Agent on behalf of the Issuer at the head office of the Fiscal Agent, provided that such Bondholders shall have presented to the Fiscal Agent the Certificates; or that the Issuer should deem it necessary to hold a Bondholders' meeting by giving written notice at least 35 days prior to the proposed date of the meeting to the Fiscal Agent.

When a Bondholders' meeting is to be convened, the Issuer shall give public notice to the Bondholders of the Bondholders' meeting at least 21 days prior to the date of such meeting; and ensure that the Fiscal Agent, on behalf of the Issuer, shall take the steps necessary for the convocation of the Bondholders' meeting and to expedite the proceedings thereof.

- (2) The Bondholders may exercise their vote by themselves at the relevant Bondholders' meeting, by proxy, or in writing or (in the event the Issuer permits the exercise of the voting rights by electronic method) by an electronic method pursuant to the rules established by the Issuer or the Fiscal Agent on behalf of the Issuer. At any Bondholders' meeting, each

Bondholder shall have voting rights in proportion to the principal amount of the Bonds (for the time being outstanding) held by such Bondholder; provided, however, that the Certificates shall have been presented to the Fiscal Agent at its head office, at least 7 days prior to the date set for such meeting and to the Issuer or the Fiscal Agent at such meeting, on the date thereof; and, provided, further, that the Bondholder shall not make an application for book-entry transfer or an application for obliteration of the Bonds unless the Bondholder returns the relevant Certificate to the Book-Entry Transfer Institution or the relevant Account Management Institution of such Bondholder. The Issuer may have its representative attend such meeting and express its opinion thereat.

- (3) Resolutions at such Bondholders' meeting shall be passed by more than one-half (1/2) of the aggregate amount of voting rights held by the Bondholders who are entitled to exercise their voting rights (the "**Voting Rights Holders**") and present at such meeting; provided, however, that an Extraordinary Resolution (as defined below) is required with respect to the following items:

- (a) giving a grace of payment, an exemption from liabilities resulting from a default, or settlement, to be effected with respect to all the Bonds (other than the matters referred to in (b) below);
- (b) any acts of litigation to be made with respect to all the Bonds, or all acts pertaining to bankruptcy, corporate reorganisation or similar proceedings;
- (c) the election or dismissal of representative(s) of the Bondholders who may be appointed and authorised by resolution of a Bondholders' meeting to make decisions on matters to be resolved at a Bondholders' meeting (provided each of such representative(s) must hold one-thousandth (1/1,000) or more of the aggregate principal amount of the Bonds (for the time being outstanding)) (the "**Representative(s) of the Bondholders**") or an executor (the "**Executor**") who may be appointed and authorised by resolution of a Bondholders' meeting so as to execute the resolutions of the Bondholders' meeting, or the change in any matters entrusted to them; and
- (d) any other matters where the Extraordinary Resolution is required under the provisions of these Conditions of Bonds.

"**Extraordinary Resolution**" means a resolution passed at a Bondholders' meeting by one-fifth (1/5) or more of the aggregate amount of the voting rights held by the Voting Rights Holders representing the aggregate principal amount of the Bonds then outstanding and two-thirds (2/3) or more of the aggregate amount of the voting rights held by the Voting Rights Holders present at such meeting.

For the purposes of calculating the number of votes exercised at a Bondholders' meeting, the Bondholders who have exercised their votes by proxy or in writing or (in the event the Issuer permits the exercise of the voting rights by electronic method) by an electronic method shall be deemed to have attended and voted at such meeting.

- (4) The resolution passed pursuant to this Condition 10 shall be binding on all the Bondholders whether present or not at such Bondholders' meeting to the extent permitted by the applicable Japanese law, and shall be carried out by the Representative(s) of the Bondholders or the Executor.
- (5) For the purpose of this Condition 10, the Bonds then held by the Issuer or any of its subsidiaries shall be disregarded and deemed not to be outstanding.
- (6) The Bondholders' meetings shall be held in Tokyo, Japan.
- (7) All expenses necessary for the procedures under this Condition 10 shall be borne by the Issuer.

11. **Merger, Consolidation, Etc.**

The Issuer may, without the consent of the Bondholders, consolidate or amalgamate with or merge into any other corporation or convey or sell or transfer or lease its properties and assets substantially as an entirety to any other corporation, provided that:

- (a) the corporation formed by such consolidation or amalgamation or into which the Issuer is merged or to which conveyance, transfer or lease of the properties and assets of the Issuer, substantially as an entirety, is made (i) shall expressly assume, by a supplemental agreement executed by such successor corporation and/or the Issuer with the Fiscal Agent, the due and punctual payment of any principal or interest in respect of all the Bonds and the performance of every obligation and covenant under these Conditions of Bonds on the part of the Issuer to be performed or observed and (ii) the definition of "**Taxing Jurisdiction**" shall be amended, if applicable, to replace the United Kingdom with the jurisdiction in which such successor corporation is resident for tax purposes;
- (b) immediately after giving effect to such transaction and treating any indebtedness that becomes an obligation of the Issuer, as a result of such transaction as having been incurred by the Issuer at the time of such transaction, no Event of Default, and no event that, after notice or lapse of time, or both, would become an Event of Default, shall have occurred and be continuing; and
- (c) the Issuer and the successor corporation have delivered to the Fiscal Agent a certificate signed by a duly authorised signatory of the Issuer stating, and a written opinion of independent legal advisers of recognised standing confirming, that such consolidation, merger, conveyance, transfer or lease comply with this Condition 11.

Such certificate and opinion delivered to the Fiscal Agent pursuant to this Condition 11 shall be kept at the head office of the Fiscal Agent up to the expiry of one year after the redemption date of the Bonds and shall be made available for perusal or photocopying by any Bondholder during normal business hours of the Fiscal Agent. All expenses incurred for such photocopying shall be borne by the applicant therefor.

Upon any consolidation or amalgamation with or merger into any other corporation, or any conveyance, transfer or lease of the properties and assets of the Issuer substantially as an entirety to any other corporation in accordance with this Condition 11, the successor corporation formed by such consolidation or amalgamation or into which the Issuer is merged or the successor corporation to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under these Conditions of Bonds with the same effect as if such successor corporation had been named as the Issuer herein, and thereafter, except in the case of a lease, the predecessor corporation shall be relieved of all obligations and covenants under these Conditions of Bonds.

12. **Registration Book**

The registration book for the Bonds shall be prepared, administered and kept by the Fiscal Agent at its head office on behalf of the Issuer.

13. **Prescription**

The period of extinctive prescription shall be 10 years for the principal of the Bonds and 5 years for the interest on the Bonds.

14. **Public Notices**

All public notices relating to the Bonds shall be published once in the Japanese Official Gazette (if possible) and once in a daily Japanese newspaper published in both Tokyo and Osaka reporting on general affairs. Direct notification to individual Bondholders need not be made. Such public notices to be given by the Issuer shall, upon the request and at the expense of the Issuer, be given by the Fiscal Agent on behalf of the Issuer. The Fiscal Agency Agreement provides that the Issuer shall request the Fiscal Agent in writing to give such public notices on behalf of the Issuer whenever necessary under these Conditions of Bonds.

15. **Currency Indemnity**

In the event of a judgment or order being rendered or issued by any court for the payment of the principal of or interest on the Bonds or any other amount payable in respect of the Bonds, and such judgment or order being expressed in a currency other than Japanese yen, any amount received or recovered in such currency by any Bondholder in respect of such judgment or order shall only constitute a discharge to the Issuer to the extent of the amount received or recovered in Japanese yen and the Issuer undertakes to pay to such Bondholder the amount necessary to make up any deficiency arising or resulting from any variation in rates of exchange between (i) the date as of which any amount expressed in Japanese yen is (or is to be treated as) converted into such currency other than Japanese yen for the purposes of any such judgment or order, and (ii) the date or dates of discharge of such judgment or order (or part thereof). To the extent permitted by any applicable law, the above undertaking shall constitute a separate and independent obligation of the Issuer from its other obligations, shall give rise to a separate and independent cause of action against the Issuer, shall apply irrespective of any indulgence granted by any Bondholder from time to time and shall continue in full force and effect notwithstanding any judgment or order.

16. **Agreement with Respect to the Exercise of the UK Bail-in Power**

- (1) By its acquisition of the Bonds, each Bondholder (which, for these purposes, includes each beneficial owner of the Bonds) acknowledges, accepts, consents and agrees, notwithstanding any other term of the Bonds or any other agreements, arrangements or understandings between the Issuer and any Bondholder, to be bound by:

- (a) the effect of the exercise of any UK Bail-in Power (as defined below) by the Relevant UK Resolution Authority (as defined below) that may include and result in any of the following, or some combination thereof: (i) the reduction of all, or a portion, of the Amounts Due (as defined below); (ii) the conversion of all, or a portion, of the Amounts Due into the Issuer's or another person's ordinary shares, other securities or other obligations (and the issue to, or conferral on, the Bondholder of such ordinary shares, other securities or other obligations), including by means of an amendment, modification or variation of the terms of the Bonds; (iii) the cancellation of the Bonds; and/or (iv) the amendment or alteration of the date for redemption of the Bonds or amendment of the amount of interest payable on the Bonds, or the Interest Payment Dates, including by suspending payment for a temporary period; and
- (b) the variation of the terms of the Bonds, if necessary, to give effect to the exercise of any UK Bail-in Power by the Relevant UK Resolution Authority.

No repayment or payment of Amounts Due shall become due and payable or be paid after the exercise of any UK Bail-in Power by the Relevant UK Resolution Authority if and to the extent

such amounts have been reduced, converted, cancelled, amended or altered as a result of such exercise.

Each Bondholder (which, for these purposes, includes each beneficial owner of the Bonds) consents to the exercise of any UK Bail-in Power as it may be imposed without any prior notice by the Relevant UK Resolution Authority of its decision to exercise such power with respect to the Bonds.

"Amounts Due" means the principal amount of, and any accrued but unpaid interest, including any Additional Amounts, on, the Bonds. References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of any UK Bail-in Power by the Relevant UK Resolution Authority.

"Banking Act" means the UK Banking Act 2009, as amended.

"BRRD" means Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended from time to time.

"PRA" means the UK Prudential Regulation Authority or any successor entity. **"Regulated Entity"** refers to any BRRD Undertaking as such term is defined under the PRA Rulebook promulgated by the PRA, as amended from time to time, which includes certain credit institutions, investment firms and certain of their parent or holding companies.

"Relevant UK Resolution Authority" means any authority with the ability to exercise a UK Bail-in Power.

"UK Bail-in Power" means any write-down, conversion, transfer, modification or suspension power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in the United Kingdom, relating to the transposition of the BRRD, including but not limited to the Banking Act and the instruments, rules and standards created thereunder, pursuant to which (i) any obligation of a Regulated Entity (or other affiliate of such Regulated Entity) can be reduced, cancelled, modified or converted into shares, other securities or other obligations of such Regulated Entity or any other person (or suspended for a temporary period); and (ii) any right in a contract governing an obligation of a Regulated Entity may be deemed to have been exercised.

- (2) The exercise of the UK Bail-in Power by the Relevant UK Resolution Authority with respect to the Bonds shall not constitute an Event of Default.
- (3) Upon the exercise of the UK Bail-in Power by the Relevant UK Resolution Authority with respect to the Bonds, the Issuer shall immediately notify the Fiscal Agent in writing of such exercise and give public notice of the same to the Bondholders through the Fiscal Agent. For avoidance of doubt, any delay or failure by the Issuer in delivering any notice or public notice referred to in this Condition 16(3) shall not affect the validity and enforceability of the UK Bail-in Power.
- (4) By its acquisition of the Bonds, to the fullest extent permitted by applicable law (including, without limitation, the Business Rules), each Bondholder (which, for these purposes, includes each beneficial owner of the Bonds) shall be deemed to have authorized, directed and requested the Book-Entry Transfer Institution and the Institution Participant or the Account Management Institution, as the case may be, to take any and all necessary action, if required, to implement the exercise of any UK Bail-in Power with respect to the Bonds as it may be imposed, without any further action or direction on the part of such Bondholder or beneficial owner, and the Fiscal Agent.
- (5) To the fullest extent permitted by applicable law, the Bondholders in respect of any claims of such Bondholders to payment of any principal or interest in respect of the Bonds, by their acceptance of the Bonds, shall be deemed to have waived any right of set-off or counterclaim that such Bondholders might otherwise have.
- (6) Any Bondholder (which, for these purposes, includes each beneficial owner of the Bonds) that acquires the Bonds in the secondary market and any successors, assigns, heirs, executors,

administrators, trustees in bankruptcy and legal representatives of any Bondholder shall be deemed to acknowledge, agree to be bound by and consent to the same provisions in this Condition 16 to the same extent as the Bondholders that acquire the Bonds upon their initial issuance, including, without limitation, with respect to the acknowledgement and agreement to be bound by and consent to the terms of the Bonds related to the UK Bail-in power.

17. Governing Law and Jurisdiction

Except as to the authorisation relating to the issue of the Bonds by the Issuer, the Bonds and all the rights and obligations of all the parties concerned, including the Bondholders, arising thereunder shall in all respects be governed by and construed in accordance with the laws of Japan.

Except as otherwise provided in these Conditions of Bonds, the place of performance of obligations pertaining to the Bonds is Tokyo, Japan.

Any legal or other court procedural action against the Issuer arising from or relating to the Bonds or these Conditions of Bonds may be instituted, on a non-exclusive basis, in the Tokyo District Court, to the jurisdiction of which the Issuer hereby expressly, unconditionally and irrevocably agrees to submit.

The Issuer hereby appoints the Representative in Japan of The Hongkong and Shanghai Banking Corporation Limited as the authorised agent of the Issuer upon whom process or any judicial or other court documents may be served in any legal or other court procedural action arising from or relating to the Bonds or these Conditions of Bonds that may be instituted in Tokyo, Japan; the Issuer hereby designates the address from time to time of the Tokyo Branch of The Hongkong and Shanghai Banking Corporation Limited, currently at HSBC Building, 11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo 103-0027, Japan, as the address to receive such process or any judicial or other court documents; and the Issuer hereby agrees to take, from time to time and so long as any of the Bonds shall remain outstanding, any and all action (including the execution and filing of any and all documents and instruments) that may be necessary to effect and to continue such appointment and designation in full force and effect. If at any time such agent shall not, for any reason, serve as such authorised agent, the Issuer shall immediately appoint, and it hereby undertakes to take any and all action that may be necessary to effect the appointment of, a successor authorised agent in Tokyo, Japan. In such case the Issuer shall promptly notify the Fiscal Agent in writing of the appointment of such successor agent and give public notice thereof.

Nothing in this Condition 17 shall affect the right of the Bondholders to institute legal or other court procedural action against the Issuer in any court of competent jurisdiction under applicable laws or to serve process or any judicial or other court documents in any manner otherwise permitted by law.

18. Modifications and Amendments

To the fullest extent permitted by applicable law, certain modifications and amendments to these Conditions of Bonds may be made without the consent of any Bondholder, only for the purpose of curing any ambiguity, or of correcting or supplementing any defective provisions contained herein, adding covenants for the benefit of the Bondholders, surrendering rights or powers conferred on the Issuer, or in any other manner which the Issuer may deem necessary and desirable and which will not adversely affect the interest of the Bondholders. The Issuer shall immediately notify the Fiscal Agent in writing of any such modification and amendment and give public notice of the same to the Bondholders as soon as practicable thereafter. All expenses necessary for the procedures under this Condition 18 shall be borne by the Issuer.

TERMS AND CONDITIONS OF THE BONDS (SECOND SERIES 2016)

Below is the English translation of the Terms and Conditions of the Bonds (Second Series 2016). In the event of any difference in meaning between the English translation and the original Japanese version, the Japanese version shall prevail:

These Conditions of Bonds shall apply to the issue of HSBC HOLDINGS PLC JAPANESE YEN BONDS - SECOND SERIES (2016) (the "**Bonds**") pursuant to lawful authorisation by HSBC Holdings plc (the "**Issuer**").

1. **Aggregate Principal Amount, Date of Issuance, Denomination and Form**

The aggregate principal amount of the Bonds is ¥59,300,000,000. The date of issuance of the Bonds is September 26, 2016.

The Bonds are issued in the denomination of ¥100,000,000 each.

The Law Concerning Book-Entry Transfer of Corporate Bonds, Stocks, Etc. of Japan (Law No. 75, 2001, as amended) (the "**Book-Entry Transfer Law**") shall apply to the Bonds and the transfer of and other matters relating to the Bonds shall be dealt with in accordance with the Book-Entry Transfer Law and the business regulations and other rules relating to book-entry transfer of corporate bonds, etc. (collectively, the "**Business Rules**") from time to time adopted by the Book-Entry Transfer Institution (as defined in Condition 4).

The certificates for the Bonds (the "**Bond Certificates**") shall not be issued except in such exceptional events as provided under the Book-Entry Transfer Law where the holders of the Bonds (the "**Bondholders**") may make a request for the issue of Bond Certificates. In the event that the Bond Certificates are issued, such Bond Certificates shall be only in bearer form with unmatured interest coupons and the Bondholders may not request that the Bond Certificates be exchanged for Bond Certificates in registered form or divided or consolidated.

If the Bond Certificates are issued, the manner of the calculation and payment of principal of and interest on the Bonds, the exercise of the rights under the Bonds by the Bondholders and the transfer of the Bonds, and all other matters in respect of the Bonds shall be subject to the then applicable Japanese laws and regulations and the then prevailing market practice in Japan. In the event of any inconsistency between the provisions of these Conditions of Bonds and the then applicable Japanese laws and regulations and the then prevailing market practice in Japan, such Japanese laws and regulations and market practice in Japan shall prevail.

All expenses incurred in connection with the issue of the Bond Certificates shall be borne by the Issuer.

2. **Status of the Bonds**

The Bonds constitute direct and unsecured obligations of the Issuer, and rank and will rank *pari passu* without any preference among themselves and *pari passu* with all other unsubordinated and unsecured obligations of the Issuer, present and future, other than any such obligations preferred by law.

3. **Appointment of Fiscal Agent, Issuing Agent and Paying Agent and Non-appointment of Commissioned Company for Bondholders**

- (1) Mizuho Bank, Ltd. acts as fiscal agent, issuing agent and paying agent (the "**Fiscal Agent**", unless the context otherwise requires, the term "**Fiscal Agent**" means an agent acting in all these capacities) of the Issuer in respect of the Bonds. The Fiscal Agent shall perform the duties and functions provided for in these Conditions of Bonds, the Fiscal, Issuing and Paying Agency Agreement (the "**Fiscal Agency Agreement**") dated September 15, 2016 between the Issuer and the Fiscal Agent, and the Business Rules. The Fiscal Agent is acting solely as agent of the Issuer and does not assume any obligation towards or relationship of agency or trust for or with the Bondholders. A copy of the Fiscal Agency Agreement to which these Conditions of Bonds are attached shall be kept at the head office of the Fiscal Agent up to the expiry of one year after the redemption date of the Bonds and shall be made available for perusal or photocopying by any

Bondholder during normal business hours of the Fiscal Agent. All expenses incurred for such photocopying shall be borne by the applicant therefor.

- (2) No commissioned company for bondholders is appointed in respect of the Bonds.
- (3) The Issuer may from time to time vary the appointment of the Fiscal Agent, provided that the appointment of the Fiscal Agent shall continue until a replacement fiscal agent, issuing agent and paying agent shall be effectively appointed (provided that such replacement fiscal agent, issuing agent and paying agent shall be qualified to act as both issuing agent and paying agent pursuant to the Business Rules). In such case the Issuer shall give prior public notice thereof to the Bondholders.
- (4) The Issuer shall, without delay, appoint a replacement fiscal agent, issuing agent and paying agent (provided that such replacement fiscal agent, issuing agent and paying agent shall be qualified to act as both issuing agent and paying agent pursuant to the Business Rules) and give public notice to that effect to the Bondholders if the Book-Entry Transfer Institution notifies the Issuer that the Fiscal Agent will be disqualified from acting as a designated issuing agent or paying agent.
- (5) As at the effective date of the appointment, the replacement fiscal agent, issuing agent and paying agent shall succeed to and be substituted for the retiring Fiscal Agent, and shall perform its duties and functions provided for in these Conditions of Bonds, the Fiscal Agency Agreement and the Business Rules, with the same effect as if the replacement fiscal agent, issuing agent and paying agent had been named as the fiscal agent, issuing agent and paying agent therein and herein.

4. **Book-Entry Transfer Institution**

In relation to the Bonds, Japan Securities Depository Center, Incorporated (the "**Book-Entry Transfer Institution**") acts as book-entry transfer institution (*furikae kikan*) under the Book-Entry Transfer Law.

In these Conditions of Bonds, all references to the Book-Entry Transfer Institution shall be deemed to include any successor book-entry transfer institution as designated by the competent minister pursuant to the Book-Entry Transfer Law.

5. **Interest**

The Bonds shall bear interest at the rate of 0.842% per annum of the principal amount thereof.

The Bonds shall bear interest from and including September 27, 2016, payable in Japanese yen semi-annually in arrears on March 26 and September 26 of each year in respect of the 6-month period to and including each such date. Interest for any period of other than 6 months shall be payable for the actual number of days included in such period computed on the basis of a 365-day year. Each date set for payment of interest in this Condition 5 is hereinafter referred to as an "**Interest Payment Date**".

The Bonds shall cease to bear interest from but excluding the date on which they become due for redemption; provided, however, that should the Issuer fail to redeem any of the Bonds when due in accordance with these Conditions of Bonds, then interest accrued on the principal amount of the Bonds then outstanding shall be paid in Japanese yen at the interest rate specified above for the actual number of days in the period from, but excluding, the due date to, and including, the date of the actual redemption of such Bonds, computed on the basis of a 365-day year. Such period, however, shall not exceed the date on which the Fiscal Agent (acting in its capacity of paying agent under the Business Rules, hereinafter the "**Paying Agent**") allocates the necessary funds for the full redemption of the Bonds received by it among the relevant participants which have opened their accounts with the Book-Entry Transfer Institution to make book-entry transfer of the Bonds (*kiko kanyusha*) (the "**Institution Participants**"); provided that if such overdue allocation is not possible under the Business Rules, such period shall not exceed 14 days after the date on which the last public notice is given by the Issuer or the Fiscal Agent in accordance with Condition 7(3).

6. **Redemption and Purchase**

- (1) Unless previously redeemed or purchased and cancelled as provided in Condition 6(2) or (3), the Bonds shall be redeemed on September 26, 2023 at a price equal to 100% of the principal amount.
- (2) If, as a result of a change in or amendment to the laws of the United Kingdom or any political subdivision or any taxing authority thereof or therein having the power to tax (the "**Taxing Jurisdiction**"), or any change in the official application or interpretation of such laws (including a decision of any court or tribunal), or any change in, or in the official application or interpretation of, or execution of, or amendment to, any treaty or treaties affecting taxation to which the United Kingdom is a party, which change, amendment or execution becomes effective on or after the date of issuance of the Bonds:
 - (a) on the next succeeding Interest Payment Date the Issuer would be obliged to pay any Additional Amounts (as defined in Condition 8(1)) pursuant to Condition 8; or
 - (b) if the Issuer were to seek to redeem the Bonds (for which purpose no regard shall be had as to whether or not the Issuer would otherwise be entitled to redeem the Bonds), the Issuer would (notwithstanding its having made such reasonable endeavours available to it) be obliged to pay any Additional Amounts pursuant to Condition 8; or
 - (c) on the next succeeding Interest Payment Date, interest payments (or funding costs of the Issuer as recognised in its accounts) under or with respect to the Bonds are no longer fully deductible for United Kingdom corporation tax purposes,

the Bonds may be redeemed, in whole but not in part, at the option of the Issuer, at any time at a price equal to 100% of the principal amount together with interest accrued to and including the date fixed for redemption; provided that no such public notice of redemption as provided below shall be given earlier than 90 days prior to the earliest date on which, in the case of (a) or (b) above, the Issuer would be obliged to pay such Additional Amounts or, in the case of (c) above, such interest payments (or funding costs) are no longer fully deductible for United Kingdom corporation tax purposes, were a payment in respect of the Bonds then due.

If the Issuer would be obliged to pay such Additional Amounts pursuant to Condition 8, but any law, regulation or ruling of the Taxing Jurisdiction then in force prohibits the Issuer from paying such Additional Amounts in full, then the Issuer shall redeem all (but not some only) of the Bonds then outstanding at a price equal to 100% of the principal amount together with interest accrued to and including the date fixed for redemption (but subject to such law, regulation or ruling), as soon as practicable, but in no event later than 40 days after the later of (i) the date of the occurrence of the events giving rise to the obligation of the Issuer to pay such Additional Amounts, or (ii) the date on which such law, regulation or ruling becomes effective.

In the event of redemption to be made under this Condition 6(2), the Issuer shall deliver to the Fiscal Agent a certificate signed by a duly authorised signatory of the Issuer stating (i), in the case of (a) or (b) above, that the Issuer is or will be obliged to pay such Additional Amounts pursuant to Condition 8(1) or, in the case of (c) above, that such interest payments (or funding costs) are no longer fully deductible for United Kingdom corporation tax purposes, (ii) that it elects or is obliged to redeem the Bonds pursuant to this Condition 6(2), (iii) the date for such redemption, (iv) that the conditions precedent to the right or obligation of the Issuer so to redeem under this Condition 6(2) have occurred or that such conditions precedent are reasonably expected to occur on or prior to the date on which the relevant payment of principal or interest of the Bonds would otherwise be made (together with details of facts relating thereto) and (v) (in case of the exercise of the redemption right of the Issuer relating to (b) above) that its obligation to pay such Additional Amounts could not be avoided by the Issuer having made reasonable endeavours available to it, and a written opinion of an independent legal adviser or accountant of recognised standing confirming the matters set forth in items (i) and (iv) above.

Such certificate and opinion shall be delivered to the Fiscal Agent at least 30 days prior to the proposed redemption date, and the Issuer shall give public notice to the Bondholders of such matters at least 14 days prior to the proposed redemption date. Such proposed redemption date

shall be a Business Day (as defined in Condition 7(2)), and such delivery to the Fiscal Agent and public notice to the Bondholders shall be irrevocable.

Such certificate and opinion delivered by the Issuer to the Fiscal Agent pursuant to this Condition 6(2) shall be kept at the head office of the Fiscal Agent up to the expiry of one year after the redemption date of the Bonds and shall be made available for perusal or photocopying by any Bondholder during normal business hours of the Fiscal Agent. All expenses incurred for such photocopying shall be borne by the applicant therefor.

All expenses necessary for the procedures under this Condition 6(2) shall be borne by the Issuer.

- (3) The Issuer and any of its subsidiaries may at any time purchase the Bonds in the open market or otherwise and at any price. If purchases are made by tender, tenders must be available to all Bondholders alike. Such Bonds may be held, resold or cancelled, except as otherwise provided for by applicable laws and in the Business Rules.
- (4) Except as otherwise provided in these Conditions of Bonds, the Issuer may not redeem or repay the principal of the Bonds in whole or in part prior to the maturity thereof.

7. **Payment**

- (1) Payment of principal and interest in respect of the Bonds shall be made by the Paying Agent to the Bondholders, directly in case when such Bondholders are the Institution Participants, and in other cases through the relevant account management institutions (*kouza kanri kikan*) (the "**Account Management Institutions**") with which such Bondholders have opened their accounts to have the Bonds recorded in accordance with the Book-Entry Transfer Law and the Business Rules.
- (2) If any due date for the payment of principal of or interest on the Bonds falls on a day which is not a day on which banks are open for business in Tokyo, Japan (the "**Business Day**"), the Bondholders shall not be entitled to payment of the amount due until the next following Business Day, nor shall they be entitled to the payment of any further or additional interest or other payment in respect of such delay.
- (3) If the full amount of principal of or interest on the Bonds payable on any due date is received by the Paying Agent after such due date, the Issuer shall, or shall cause the Fiscal Agent to, give public notice to the Bondholders to that effect and of the method of payment and the date of such payment as soon as practicable but not later than 14 days after receipt of such amount by the Paying Agent. If at the time of such receipt either the method or the date of such payment (or both) is not determinable, the Issuer or the Fiscal Agent shall give public notice to the Bondholders of such receipt and of the method and/or the date of such payment to the extent the same has been determined, and give at a later date public notice to the Bondholders of the method and/or the date of such payment promptly upon determination thereof. All expenses incurred in connection with the said public notice shall be borne by the Issuer.

8. **Taxation**

- (1) All payments (whether in respect of principal, interest or otherwise) in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Taxing Jurisdiction, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts (the "**Additional Amounts**") as will result in the receipt by the Bondholder of such amounts as would have been received by such Bondholder if no such withholding or deduction had been required, except that no such Additional Amounts shall be payable in respect of any Bond (i) to, or to a third party on behalf of, a Bondholder who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the Taxing Jurisdiction other than the mere holding of such Bond or (ii) (only in the event that the Bond Certificates are issued) more than 30 days after the Relevant Date (as defined below) except to the extent the Bondholder would have been entitled to such Additional Amounts on presenting the same for payment on the last day of such period of 30 days.

"Relevant Date" means whichever is the later of (i) the date on which the relevant payment of principal or interest first becomes due and (ii) if the full amount payable on such due date has not been duly received by the Paying Agent on or prior to such due date, the date on which, such full amount having been so received by the Paying Agent, the last public notice to that effect has been duly given by the Issuer or the Fiscal Agent in accordance with Condition 7(3).

- (2) Any reference in these Conditions of Bonds to principal or interest shall be deemed also to refer to any Additional Amounts which may be payable in respect of principal or interest, respectively, under this Condition 8. All expenses necessary for the procedures under this Condition 8 shall be borne by the Issuer.
- (3) Notwithstanding any other provision in these Conditions of Bonds, the Issuer shall be permitted to withhold or deduct any amounts required by the rules of U.S. Internal Revenue Code of 1986 Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any inter-governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service ("**FATCA withholding**"). The Issuer will have no obligation to pay Additional Amounts or otherwise indemnify a Bondholder for any FATCA withholding deducted or withheld by the Issuer, the Paying Agent or any other party as a result of any person (other than an agent of the Issuer) not being entitled to receive payments free of FATCA withholding.

9. **Events of Default**

The following will be Events of Default (each, an "**Event of Default**" with respect to the Bonds):

- (a) a default is made in the payment of any amount of interest in respect of the Bonds on the due date for payment thereof and such default continues for 14 days, provided that it shall not be such a default to withhold or refuse any such payment (i) in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment or (ii) in cases of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice given at any time during the said period of 14 days by independent legal advisers of recognised standing as to such validity or applicability; or
- (b) an order is made or an effective resolution is passed for the winding up of the Issuer in England (otherwise than in connection with a scheme of reconstruction or amalgamation the terms of which shall previously have been approved by an Extraordinary Resolution (as defined in Condition 10(3))).

If any Event of Default shall have occurred, any Bondholder may, at its option, by giving written notice by or on behalf of such Bondholder to the Issuer at the head office of the Fiscal Agent (at the time of giving such notice, such Bondholder shall present, at the head office of the Fiscal Agent, the certificate (the "**Certificate**") certifying the holding of the relevant Bond and issued by the Book-Entry Transfer Institution or the relevant Account Management Institution), declare that any Bond(s) held by such Bondholder shall be forthwith due and payable, whereupon the same shall become immediately due and payable at a price equal to 100% of the principal amount together with interest accrued to such date, without further action or formality, unless, prior to receipt of such notice by the Fiscal Agent, all Events of Default shall have been cured.

If (x) the event specified in item (b) above has occurred or (y) any circumstance exists which would with the lapse of time or the giving of notice or both constitute such event, the Issuer shall, immediately or in case of (y) above immediately when such circumstance comes to knowledge of the Issuer, notify the Fiscal Agent in writing of such event or circumstance and give public notice of the same to the Bondholders through the Fiscal Agent. If the event specified in item (a) above has occurred or any circumstance exists which would with the lapse of time constitute such event, the Issuer shall also immediately notify the Fiscal Agent in writing of such event or circumstance and give public notice of the same to the Bondholders through the Fiscal Agent.

All expenses necessary for the procedures under this Condition 9 shall be borne by the Issuer.

10. **Bondholders' Meetings**

- (1) The Issuer shall convene a Bondholders' meeting to consider any matters which relate to the interests of the Bondholders in the event: that Bondholders holding one-tenth (1/10) or more of the aggregate principal amount of the Bonds then outstanding, acting either jointly or individually, so request in writing to the Fiscal Agent on behalf of the Issuer at the head office of the Fiscal Agent, provided that such Bondholders shall have presented to the Fiscal Agent the Certificates; or that the Issuer should deem it necessary to hold a Bondholders' meeting by giving written notice at least 35 days prior to the proposed date of the meeting to the Fiscal Agent.

When a Bondholders' meeting is to be convened, the Issuer shall give public notice to the Bondholders of the Bondholders' meeting at least 21 days prior to the date of such meeting; and ensure that the Fiscal Agent, on behalf of the Issuer, shall take the steps necessary for the convocation of the Bondholders' meeting and to expedite the proceedings thereof.

- (2) The Bondholders may exercise their vote by themselves at the relevant Bondholders' meeting, by proxy, or in writing or (in the event the Issuer permits the exercise of the voting rights by electronic method) by an electronic method pursuant to the rules established by the Issuer or the Fiscal Agent on behalf of the Issuer. At any Bondholders' meeting, each Bondholder shall have voting rights in proportion to the principal amount of the Bonds (for the time being outstanding) held by such Bondholder; provided, however, that the Certificates shall have been presented to the Fiscal Agent at its head office, at least 7 days prior to the date set for such meeting and to the Issuer or the Fiscal Agent at such meeting, on the date thereof; and, provided, further, that the Bondholder shall not make an application for book-entry transfer or an application for obliteration of the Bonds unless the Bondholder returns the relevant Certificate to the Book-Entry Transfer Institution or the relevant Account Management Institution of such Bondholder. The Issuer may have its representative attend such meeting and express its opinion thereat.
- (3) Resolutions at such Bondholders' meeting shall be passed by more than one-half (1/2) of the aggregate amount of voting rights held by the Bondholders who are entitled to exercise their voting rights (the "**Voting Rights Holders**") and present at such meeting; provided, however, that an Extraordinary Resolution (as defined below) is required with respect to the following items:
- (a) giving a grace of payment, an exemption from liabilities resulting from a default, or settlement, to be effected with respect to all the Bonds (other than the matters referred to in (b) below);
 - (b) any acts of litigation to be made with respect to all the Bonds, or all acts pertaining to bankruptcy, corporate reorganisation or similar proceedings;
 - (c) the election or dismissal of representative(s) of the Bondholders who may be appointed and authorised by resolution of a Bondholders' meeting to make decisions on matters to be resolved at a Bondholders' meeting (provided each of such representative(s) must hold one-thousandth (1/1,000) or more of the aggregate principal amount of the Bonds (for the time being outstanding)) (the "**Representative(s) of the Bondholders**") or an executor (the "**Executor**") who may be appointed and authorised by resolution of a Bondholders' meeting so as to execute the resolutions of the Bondholders' meeting, or the change in any matters entrusted to them; and
 - (d) any other matters where the Extraordinary Resolution is required under the provisions of these Conditions of Bonds.

"**Extraordinary Resolution**" means a resolution passed at a Bondholders' meeting by one-fifth (1/5) or more of the aggregate amount of the voting rights held by the Voting Rights Holders representing the aggregate principal amount of the Bonds then outstanding and two-thirds (2/3) or more of the aggregate amount of the voting rights held by the Voting Rights Holders present at such meeting.

For the purposes of calculating the number of votes exercised at a Bondholders' meeting, the Bondholders who have exercised their votes by proxy or in writing or (in the event the Issuer

permits the exercise of the voting rights by electronic method) by an electronic method shall be deemed to have attended and voted at such meeting.

- (4) The resolution passed pursuant to this Condition 10 shall be binding on all the Bondholders whether present or not at such Bondholders' meeting to the extent permitted by the applicable Japanese law, and shall be carried out by the Representative(s) of the Bondholders or the Executor.
- (5) For the purpose of this Condition 10, the Bonds then held by the Issuer or any of its subsidiaries shall be disregarded and deemed not to be outstanding.
- (6) The Bondholders' meetings shall be held in Tokyo, Japan.
- (7) All expenses necessary for the procedures under this Condition 10 shall be borne by the Issuer.

11. **Merger, Consolidation, Etc.**

The Issuer may, without the consent of the Bondholders, consolidate or amalgamate with or merge into any other corporation or convey or sell or transfer or lease its properties and assets substantially as an entirety to any other corporation, provided that:

- (a) the corporation formed by such consolidation or amalgamation or into which the Issuer is merged or to which conveyance, transfer or lease of the properties and assets of the Issuer, substantially as an entirety, is made (i) shall expressly assume, by a supplemental agreement executed by such successor corporation and/or the Issuer with the Fiscal Agent, the due and punctual payment of any principal or interest in respect of all the Bonds and the performance of every obligation and covenant under these Conditions of Bonds on the part of the Issuer to be performed or observed and (ii) the definition of "**Taxing Jurisdiction**" shall be amended, if applicable, to replace the United Kingdom with the jurisdiction in which such successor corporation is resident for tax purposes;
- (b) immediately after giving effect to such transaction and treating any indebtedness that becomes an obligation of the Issuer, as a result of such transaction as having been incurred by the Issuer at the time of such transaction, no Event of Default, and no event that, after notice or lapse of time, or both, would become an Event of Default, shall have occurred and be continuing; and
- (c) the Issuer and the successor corporation have delivered to the Fiscal Agent a certificate signed by a duly authorised signatory of the Issuer stating, and a written opinion of independent legal advisers of recognised standing confirming, that such consolidation, merger, conveyance, transfer or lease comply with this Condition 11.

Such certificate and opinion delivered to the Fiscal Agent pursuant to this Condition 11 shall be kept at the head office of the Fiscal Agent up to the expiry of one year after the redemption date of the Bonds and shall be made available for perusal or photocopying by any Bondholder during normal business hours of the Fiscal Agent. All expenses incurred for such photocopying shall be borne by the applicant therefor.

Upon any consolidation or amalgamation with or merger into any other corporation, or any conveyance, transfer or lease of the properties and assets of the Issuer substantially as an entirety to any other corporation in accordance with this Condition 11, the successor corporation formed by such consolidation or amalgamation or into which the Issuer is merged or the successor corporation to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under these Conditions of Bonds with the same effect as if such successor corporation had been named as the Issuer herein, and thereafter, except in the case of a lease, the predecessor corporation shall be relieved of all obligations and covenants under these Conditions of Bonds.

12. **Registration Book**

The registration book for the Bonds shall be prepared, administered and kept by the Fiscal Agent at its head office on behalf of the Issuer.

13. **Prescription**

The period of extinctive prescription shall be 10 years for the principal of the Bonds and 5 years for the interest on the Bonds.

14. **Public Notices**

All public notices relating to the Bonds shall be published once in the Japanese Official Gazette (if possible) and once in a daily Japanese newspaper published in both Tokyo and Osaka reporting on general affairs. Direct notification to individual Bondholders need not be made. Such public notices to be given by the Issuer shall, upon the request and at the expense of the Issuer, be given by the Fiscal Agent on behalf of the Issuer. The Fiscal Agency Agreement provides that the Issuer shall request the Fiscal Agent in writing to give such public notices on behalf of the Issuer whenever necessary under these Conditions of Bonds.

15. **Currency Indemnity**

In the event of a judgment or order being rendered or issued by any court for the payment of the principal of or interest on the Bonds or any other amount payable in respect of the Bonds, and such judgment or order being expressed in a currency other than Japanese yen, any amount received or recovered in such currency by any Bondholder in respect of such judgment or order shall only constitute a discharge to the Issuer to the extent of the amount received or recovered in Japanese yen and the Issuer undertakes to pay to such Bondholder the amount necessary to make up any deficiency arising or resulting from any variation in rates of exchange between (i) the date as of which any amount expressed in Japanese yen is (or is to be treated as) converted into such currency other than Japanese yen for the purposes of any such judgment or order, and (ii) the date or dates of discharge of such judgment or order (or part thereof). To the extent permitted by any applicable law, the above undertaking shall constitute a separate and independent obligation of the Issuer from its other obligations, shall give rise to a separate and independent cause of action against the Issuer, shall apply irrespective of any indulgence granted by any Bondholder from time to time and shall continue in full force and effect notwithstanding any judgment or order.

16. **Agreement with Respect to the Exercise of the UK Bail-in Power**

(1) By its acquisition of the Bonds, each Bondholder (which, for these purposes, includes each beneficial owner of the Bonds) acknowledges, accepts, consents and agrees, notwithstanding any other term of the Bonds or any other agreements, arrangements or understandings between the Issuer and any Bondholder, to be bound by:

- (a) the effect of the exercise of any UK Bail-in Power (as defined below) by the Relevant UK Resolution Authority (as defined below) that may include and result in any of the following, or some combination thereof: (i) the reduction of all, or a portion, of the Amounts Due (as defined below); (ii) the conversion of all, or a portion, of the Amounts Due into the Issuer's or another person's ordinary shares, other securities or other obligations (and the issue to, or conferral on, the Bondholder of such ordinary shares, other securities or other obligations), including by means of an amendment, modification or variation of the terms of the Bonds; (iii) the cancellation of the Bonds; and/or (iv) the amendment or alteration of the date for redemption of the Bonds or amendment of the amount of interest payable on the Bonds, or the Interest Payment Dates, including by suspending payment for a temporary period; and
- (b) the variation of the terms of the Bonds, if necessary, to give effect to the exercise of any UK Bail-in Power by the Relevant UK Resolution Authority.

No repayment or payment of Amounts Due shall become due and payable or be paid after the exercise of any UK Bail-in Power by the Relevant UK Resolution Authority if and to the extent such amounts have been reduced, converted, cancelled, amended or altered as a result of such exercise.

Each Bondholder (which, for these purposes, includes each beneficial owner of the Bonds) consents to the exercise of any UK Bail-in Power as it may be imposed without any prior notice

by the Relevant UK Resolution Authority of its decision to exercise such power with respect to the Bonds.

"Amounts Due" means the principal amount of, and any accrued but unpaid interest, including any Additional Amounts, on, the Bonds. References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of any UK Bail-in Power by the Relevant UK Resolution Authority.

"Banking Act" means the UK Banking Act 2009, as amended.

"BRRD" means Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended from time to time.

"PRA" means the UK Prudential Regulation Authority or any successor entity. **"Regulated Entity"** refers to any BRRD Undertaking as such term is defined under the PRA Rulebook promulgated by the PRA, as amended from time to time, which includes certain credit institutions, investment firms and certain of their parent or holding companies.

"Relevant UK Resolution Authority" means any authority with the ability to exercise a UK Bail-in Power.

"UK Bail-in Power" means any write-down, conversion, transfer, modification or suspension power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in the United Kingdom, relating to the transposition of the BRRD, including but not limited to the Banking Act and the instruments, rules and standards created thereunder, pursuant to which (i) any obligation of a Regulated Entity (or other affiliate of such Regulated Entity) can be reduced, cancelled, modified or converted into shares, other securities or other obligations of such Regulated Entity or any other person (or suspended for a temporary period); and (ii) any right in a contract governing an obligation of a Regulated Entity may be deemed to have been exercised.

- (2) The exercise of the UK Bail-in Power by the Relevant UK Resolution Authority with respect to the Bonds shall not constitute an Event of Default.
- (3) Upon the exercise of the UK Bail-in Power by the Relevant UK Resolution Authority with respect to the Bonds, the Issuer shall immediately notify the Fiscal Agent in writing of such exercise and give public notice of the same to the Bondholders through the Fiscal Agent. For avoidance of doubt, any delay or failure by the Issuer in delivering any notice or public notice referred to in this Condition 16(3) shall not affect the validity and enforceability of the UK Bail-in Power.
- (4) By its acquisition of the Bonds, to the fullest extent permitted by applicable law (including, without limitation, the Business Rules), each Bondholder (which, for these purposes, includes each beneficial owner of the Bonds) shall be deemed to have authorized, directed and requested the Book-Entry Transfer Institution and the Institution Participant or the Account Management Institution, as the case may be, to take any and all necessary action, if required, to implement the exercise of any UK Bail-in Power with respect to the Bonds as it may be imposed, without any further action or direction on the part of such Bondholder or beneficial owner, and the Fiscal Agent.
- (5) To the fullest extent permitted by applicable law, the Bondholders in respect of any claims of such Bondholders to payment of any principal or interest in respect of the Bonds, by their acceptance of the Bonds, shall be deemed to have waived any right of set-off or counterclaim that such Bondholders might otherwise have.
- (6) Any Bondholder (which, for these purposes, includes each beneficial owner of the Bonds) that acquires the Bonds in the secondary market and any successors, assigns, heirs, executors, administrators, trustees in bankruptcy and legal representatives of any Bondholder shall be deemed to acknowledge, agree to be bound by and consent to the same provisions in this Condition 16 to the same extent as the Bondholders that acquire the Bonds upon their initial issuance, including, without limitation, with respect to the acknowledgement and agreement to be bound by and consent to the terms of the Bonds related to the UK Bail-in power.

17. **Governing Law and Jurisdiction**

Except as to the authorisation relating to the issue of the Bonds by the Issuer, the Bonds and all the rights and obligations of all the parties concerned, including the Bondholders, arising thereunder shall in all respects be governed by and construed in accordance with the laws of Japan.

Except as otherwise provided in these Conditions of Bonds, the place of performance of obligations pertaining to the Bonds is Tokyo, Japan.

Any legal or other court procedural action against the Issuer arising from or relating to the Bonds or these Conditions of Bonds may be instituted, on a non-exclusive basis, in the Tokyo District Court, to the jurisdiction of which the Issuer hereby expressly, unconditionally and irrevocably agrees to submit.

The Issuer hereby appoints the Representative in Japan of The Hongkong and Shanghai Banking Corporation Limited as the authorised agent of the Issuer upon whom process or any judicial or other court documents may be served in any legal or other court procedural action arising from or relating to the Bonds or these Conditions of Bonds that may be instituted in Tokyo, Japan; the Issuer hereby designates the address from time to time of the Tokyo Branch of The Hongkong and Shanghai Banking Corporation Limited, currently at HSBC Building, 11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo 103-0027, Japan, as the address to receive such process or any judicial or other court documents; and the Issuer hereby agrees to take, from time to time and so long as any of the Bonds shall remain outstanding, any and all action (including the execution and filing of any and all documents and instruments) that may be necessary to effect and to continue such appointment and designation in full force and effect. If at any time such agent shall not, for any reason, serve as such authorised agent, the Issuer shall immediately appoint, and it hereby undertakes to take any and all action that may be necessary to effect the appointment of, a successor authorised agent in Tokyo, Japan. In such case the Issuer shall promptly notify the Fiscal Agent in writing of the appointment of such successor agent and give public notice thereof.

Nothing in this Condition 17 shall affect the right of the Bondholders to institute legal or other court procedural action against the Issuer in any court of competent jurisdiction under applicable laws or to serve process or any judicial or other court documents in any manner otherwise permitted by law.

18. **Modifications and Amendments**

To the fullest extent permitted by applicable law, certain modifications and amendments to these Conditions of Bonds may be made without the consent of any Bondholder, only for the purpose of curing any ambiguity, or of correcting or supplementing any defective provisions contained herein, adding covenants for the benefit of the Bondholders, surrendering rights or powers conferred on the Issuer, or in any other manner which the Issuer may deem necessary and desirable and which will not adversely affect the interest of the Bondholders. The Issuer shall immediately notify the Fiscal Agent in writing of any such modification and amendment and give public notice of the same to the Bondholders as soon as practicable thereafter. All expenses necessary for the procedures under this Condition 18 shall be borne by the Issuer.

TERMS AND CONDITIONS OF THE BONDS (THIRD SERIES 2016)

Below is the English translation of the Terms and Conditions of the Bonds (Third Series 2016). In the event of any difference in meaning between the English translation and the original Japanese version, the Japanese version shall prevail:

These Conditions of Bonds shall apply to the issue of HSBC HOLDINGS PLC JAPANESE YEN BONDS - THIRD SERIES (2016) (the "**Bonds**") pursuant to lawful authorisation by HSBC Holdings plc (the "**Issuer**").

1. **Aggregate Principal Amount, Date of Issuance, Denomination and Form**

The aggregate principal amount of the Bonds is ¥64,400,000,000.

The date of issuance of the Bonds is September 26, 2016.

The Bonds are issued in the denomination of ¥100,000,000 each.

The Law Concerning Book-Entry Transfer of Corporate Bonds, Stocks, Etc. of Japan (Law No. 75, 2001, as amended) (the "**Book-Entry Transfer Law**") shall apply to the Bonds and the transfer of and other matters relating to the Bonds shall be dealt with in accordance with the Book-Entry Transfer Law and the business regulations and other rules relating to book-entry transfer of corporate bonds, etc. (collectively, the "**Business Rules**") from time to time adopted by the Book-Entry Transfer Institution (as defined in Condition 4).

The certificates for the Bonds (the "**Bond Certificates**") shall not be issued except in such exceptional events as provided under the Book-Entry Transfer Law where the holders of the Bonds (the "**Bondholders**") may make a request for the issue of Bond Certificates. In the event that the Bond Certificates are issued, such Bond Certificates shall be only in bearer form with unmaturing interest coupons and the Bondholders may not request that the Bond Certificates be exchanged for Bond Certificates in registered form or divided or consolidated.

If the Bond Certificates are issued, the manner of the calculation and payment of principal of and interest on the Bonds, the exercise of the rights under the Bonds by the Bondholders and the transfer of the Bonds, and all other matters in respect of the Bonds shall be subject to the then applicable Japanese laws and regulations and the then prevailing market practice in Japan. In the event of any inconsistency between the provisions of these Conditions of Bonds and the then applicable Japanese laws and regulations and the then prevailing market practice in Japan, such Japanese laws and regulations and market practice in Japan shall prevail.

All expenses incurred in connection with the issue of the Bond Certificates shall be borne by the Issuer.

2. **Status of the Bonds**

The Bonds constitute direct and unsecured obligations of the Issuer, and rank and will rank pari passu without any preference among themselves and pari passu with all other unsubordinated and unsecured obligations of the Issuer, present and future, other than any such obligations preferred by law.

3. **Appointment of Fiscal Agent, Issuing Agent and Paying Agent and Non-appointment of Commissioned Company for Bondholders**

- (1) Mizuho Bank, Ltd. acts as fiscal agent, issuing agent and paying agent (the "**Fiscal Agent**", unless the context otherwise requires, the term "**Fiscal Agent**" means an agent acting in all these capacities) of the Issuer in respect of the Bonds. The Fiscal Agent shall perform the duties and functions provided for in these Conditions of Bonds, the Fiscal, Issuing and Paying Agency Agreement (the "**Fiscal Agency Agreement**") dated September 15, 2016 between the Issuer and the Fiscal Agent, and the Business Rules. The Fiscal Agent is acting solely as agent of the Issuer and does not assume any obligation towards or relationship of agency or trust for or with the Bondholders. A copy of the Fiscal Agency Agreement to which these Conditions of Bonds are attached shall be kept at the head office of the Fiscal Agent up to the expiry of one year after the

redemption date of the Bonds and shall be made available for perusal or photocopying by any Bondholder during normal business hours of the Fiscal Agent. All expenses incurred for such photocopying shall be borne by the applicant therefor.

- (2) No commissioned company for bondholders is appointed in respect of the Bonds.
- (3) The Issuer may from time to time vary the appointment of the Fiscal Agent, provided that the appointment of the Fiscal Agent shall continue until a replacement fiscal agent, issuing agent and paying agent shall be effectively appointed (provided that such replacement fiscal agent, issuing agent and paying agent shall be qualified to act as both issuing agent and paying agent pursuant to the Business Rules). In such case the Issuer shall give prior public notice thereof to the Bondholders.
- (4) The Issuer shall, without delay, appoint a replacement fiscal agent, issuing agent and paying agent (provided that such replacement fiscal agent, issuing agent and paying agent shall be qualified to act as both issuing agent and paying agent pursuant to the Business Rules) and give public notice to that effect to the Bondholders if the Book-Entry Transfer Institution notifies the Issuer that the Fiscal Agent will be disqualified from acting as a designated issuing agent or paying agent.
- (5) As at the effective date of the appointment, the replacement fiscal agent, issuing agent and paying agent shall succeed to and be substituted for the retiring Fiscal Agent, and shall perform its duties and functions provided for in these Conditions of Bonds, the Fiscal Agency Agreement and the Business Rules, with the same effect as if the replacement fiscal agent, issuing agent and paying agent had been named as the fiscal agent, issuing agent and paying agent therein and herein.

4. **Book-Entry Transfer Institution**

In relation to the Bonds, Japan Securities Depository Center, Incorporated (the "**Book-Entry Transfer Institution**") acts as book-entry transfer institution (*furikae kikan*) under the Book-Entry Transfer Law.

In these Conditions of Bonds, all references to the Book-Entry Transfer Institution shall be deemed to include any successor book-entry transfer institution as designated by the competent minister pursuant to the Book-Entry Transfer Law.

5. **Interest**

The Bonds shall bear interest at the rate of 1.207% per annum of the principal amount thereof.

The Bonds shall bear interest from and including September 27, 2016, payable in Japanese yen semi-annually in arrears on March 26 and September 26 of each year in respect of the 6-month period to and including each such date; provided that the interest in respect of the period from and including March 27, 2026 to and including September 25, 2026 shall be payable on September 25, 2026. Interest for any period of other than 6 months shall be payable for the actual number of days included in such period computed on the basis of a 365-day year. Each date set for payment of interest in this Condition 5 is hereinafter referred to as an "**Interest Payment Date**".

The Bonds shall cease to bear interest from but excluding the date on which they become due for redemption; provided, however, that should the Issuer fail to redeem any of the Bonds when due in accordance with these Conditions of Bonds, then interest accrued on the principal amount of the Bonds then outstanding shall be paid in Japanese yen at the interest rate specified above for the actual number of days in the period from, but excluding, the due date to, and including, the date of the actual redemption of such Bonds, computed on the basis of a 365-day year. Such period, however, shall not exceed the date on which the Fiscal Agent (acting in its capacity of paying agent under the Business Rules, hereinafter the "**Paying Agent**") allocates the necessary funds for the full redemption of the Bonds received by it among the relevant participants which have opened their accounts with the Book-Entry Transfer Institution to make book-entry transfer of the Bonds (*kiko kanyusha*) (the "**Institution Participants**"); provided that if such overdue allocation is not possible under the Business Rules, such period shall not exceed 14 days after the

date on which the last public notice is given by the Issuer or the Fiscal Agent in accordance with Condition 7(3).

6. **Redemption and Purchase**

- (1) Unless previously redeemed or purchased and cancelled as provided in Condition 6(2) or (3), the Bonds shall be redeemed on September 25, 2026 at a price equal to 100% of the principal amount.
- (2) If, as a result of a change in or amendment to the laws of the United Kingdom or any political subdivision or any taxing authority thereof or therein having the power to tax (the "**Taxing Jurisdiction**"), or any change in the official application or interpretation of such laws (including a decision of any court or tribunal), or any change in, or in the official application or interpretation of, or execution of, or amendment to, any treaty or treaties affecting taxation to which the United Kingdom is a party, which change, amendment or execution becomes effective on or after the date of issuance of the Bonds:
 - (a) on the next succeeding Interest Payment Date the Issuer would be obliged to pay any Additional Amounts (as defined in Condition 8(1)) pursuant to Condition 8; or
 - (b) if the Issuer were to seek to redeem the Bonds (for which purpose no regard shall be had as to whether or not the Issuer would otherwise be entitled to redeem the Bonds), the Issuer would (notwithstanding its having made such reasonable endeavours available to it) be obliged to pay any Additional Amounts pursuant to Condition 8; or
 - (c) on the next succeeding Interest Payment Date, interest payments (or funding costs of the Issuer as recognised in its accounts) under or with respect to the Bonds are no longer fully deductible for United Kingdom corporation tax purposes,

the Bonds may be redeemed, in whole but not in part, at the option of the Issuer, at any time at a price equal to 100% of the principal amount together with interest accrued to and including the date fixed for redemption; provided that no such public notice of redemption as provided below shall be given earlier than 90 days prior to the earliest date on which, in the case of (a) or (b) above, the Issuer would be obliged to pay such Additional Amounts or, in the case of (c) above, such interest payments (or funding costs) are no longer fully deductible for United Kingdom corporation tax purposes, were a payment in respect of the Bonds then due.

If the Issuer would be obliged to pay such Additional Amounts pursuant to Condition 8, but any law, regulation or ruling of the Taxing Jurisdiction then in force prohibits the Issuer from paying such Additional Amounts in full, then the Issuer shall redeem all (but not some only) of the Bonds then outstanding at a price equal to 100% of the principal amount together with interest accrued to and including the date fixed for redemption (but subject to such law, regulation or ruling), as soon as practicable, but in no event later than 40 days after the later of (i) the date of the occurrence of the events giving rise to the obligation of the Issuer to pay such Additional Amounts, or (ii) the date on which such law, regulation or ruling becomes effective.

In the event of redemption to be made under this Condition 6(2), the Issuer shall deliver to the Fiscal Agent a certificate signed by a duly authorised signatory of the Issuer stating (i), in the case of (a) or (b) above, that the Issuer is or will be obliged to pay such Additional Amounts pursuant to Condition 8(1) or, in the case of (c) above, that such interest payments (or funding costs) are no longer fully deductible for United Kingdom corporation tax purposes, (ii) that it elects or is obliged to redeem the Bonds pursuant to this Condition 6(2), (iii) the date for such redemption, (iv) that the conditions precedent to the right or obligation of the Issuer so to redeem under this Condition 6(2) have occurred or that such conditions precedent are reasonably expected to occur on or prior to the date on which the relevant payment of principal or interest of the Bonds would otherwise be made (together with details of facts relating thereto) and (v) (in case of the exercise of the redemption right of the Issuer relating to (b) above) that its obligation to pay such Additional Amounts could not be avoided by the Issuer having made reasonable endeavours available to it, and a written opinion of an independent legal adviser or accountant of recognised standing confirming the matters set forth in items (i) and (iv) above.

Such certificate and opinion shall be delivered to the Fiscal Agent at least 30 days prior to the proposed redemption date, and the Issuer shall give public notice to the Bondholders of such matters at least 14 days prior to the proposed redemption date. Such proposed redemption date shall be a Business Day (as defined in Condition 7(2)), and such delivery to the Fiscal Agent and public notice to the Bondholders shall be irrevocable.

Such certificate and opinion delivered by the Issuer to the Fiscal Agent pursuant to this Condition 6(2) shall be kept at the head office of the Fiscal Agent up to the expiry of one year after the redemption date of the Bonds and shall be made available for perusal or photocopying by any Bondholder during normal business hours of the Fiscal Agent. All expenses incurred for such photocopying shall be borne by the applicant therefor.

All expenses necessary for the procedures under this Condition 6(2) shall be borne by the Issuer.

- (3) The Issuer and any of its subsidiaries may at any time purchase the Bonds in the open market or otherwise and at any price. If purchases are made by tender, tenders must be available to all Bondholders alike. Such Bonds may be held, resold or cancelled, except as otherwise provided for by applicable laws and in the Business Rules.
- (4) Except as otherwise provided in these Conditions of Bonds, the Issuer may not redeem or repay the principal of the Bonds in whole or in part prior to the maturity thereof.

7. **Payment**

- (1) Payment of principal and interest in respect of the Bonds shall be made by the Paying Agent to the Bondholders, directly in case when such Bondholders are the Institution Participants, and in other cases through the relevant account management institutions (*kouza kanri kikan*) (the "**Account Management Institutions**") with which such Bondholders have opened their accounts to have the Bonds recorded in accordance with the Book-Entry Transfer Law and the Business Rules.
- (2) If any due date for the payment of principal of or interest on the Bonds falls on a day which is not a day on which banks are open for business in Tokyo, Japan (the "**Business Day**"), the Bondholders shall not be entitled to payment of the amount due until the next following Business Day, nor shall they be entitled to the payment of any further or additional interest or other payment in respect of such delay.
- (3) If the full amount of principal of or interest on the Bonds payable on any due date is received by the Paying Agent after such due date, the Issuer shall, or shall cause the Fiscal Agent to, give public notice to the Bondholders to that effect and of the method of payment and the date of such payment as soon as practicable but not later than 14 days after receipt of such amount by the Paying Agent. If at the time of such receipt either the method or the date of such payment (or both) is not determinable, the Issuer or the Fiscal Agent shall give public notice to the Bondholders of such receipt and of the method and/or the date of such payment to the extent the same has been determined, and give at a later date public notice to the Bondholders of the method and/or the date of such payment promptly upon determination thereof. All expenses incurred in connection with the said public notice shall be borne by the Issuer.

8. **Taxation**

- (1) All payments (whether in respect of principal, interest or otherwise) in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Taxing Jurisdiction, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts (the "**Additional Amounts**") as will result in the receipt by the Bondholder of such amounts as would have been received by such Bondholder if no such withholding or deduction had been required, except that no such Additional Amounts shall be payable in respect of any Bond (i) to, or to a third party on behalf of, a Bondholder who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the Taxing Jurisdiction other than the mere holding of such Bond or (ii) (only in the event that the Bond Certificates are

issued) more than 30 days after the Relevant Date (as defined below) except to the extent the Bondholder would have been entitled to such Additional Amounts on presenting the same for payment on the last day of such period of 30 days.

"Relevant Date" means whichever is the later of (i) the date on which the relevant payment of principal or interest first becomes due and (ii) if the full amount payable on such due date has not been duly received by the Paying Agent on or prior to such due date, the date on which, such full amount having been so received by the Paying Agent, the last public notice to that effect has been duly given by the Issuer or the Fiscal Agent in accordance with Condition 7(3).

- (2) Any reference in these Conditions of Bonds to principal or interest shall be deemed also to refer to any Additional Amounts which may be payable in respect of principal or interest, respectively, under this Condition 8. All expenses necessary for the procedures under this Condition 8 shall be borne by the Issuer.
- (3) Notwithstanding any other provision in these Conditions of Bonds, the Issuer shall be permitted to withhold or deduct any amounts required by the rules of U.S. Internal Revenue Code of 1986 Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any inter-governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service ("**FATCA withholding**"). The Issuer will have no obligation to pay Additional Amounts or otherwise indemnify a Bondholder for any FATCA withholding deducted or withheld by the Issuer, the Paying Agent or any other party as a result of any person (other than an agent of the Issuer) not being entitled to receive payments free of FATCA withholding.

9. **Events of Default**

The following will be Events of Default (each, an "**Event of Default**" with respect to the Bonds):

- (a) a default is made in the payment of any amount of interest in respect of the Bonds on the due date for payment thereof and such default continues for 14 days, provided that it shall not be such a default to withhold or refuse any such payment (i) in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment or (ii) in cases of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice given at any time during the said period of 14 days by independent legal advisers of recognised standing as to such validity or applicability; or
- (b) an order is made or an effective resolution is passed for the winding up of the Issuer in England (otherwise than in connection with a scheme of reconstruction or amalgamation the terms of which shall previously have been approved by an Extraordinary Resolution (as defined in Condition 10(3))).

If any Event of Default shall have occurred, any Bondholder may, at its option, by giving written notice by or on behalf of such Bondholder to the Issuer at the head office of the Fiscal Agent (at the time of giving such notice, such Bondholder shall present, at the head office of the Fiscal Agent, the certificate (the "**Certificate**") certifying the holding of the relevant Bond and issued by the Book-Entry Transfer Institution or the relevant Account Management Institution), declare that any Bond(s) held by such Bondholder shall be forthwith due and payable, whereupon the same shall become immediately due and payable at a price equal to 100% of the principal amount together with interest accrued to such date, without further action or formality, unless, prior to receipt of such notice by the Fiscal Agent, all Events of Default shall have been cured.

If (x) the event specified in item (b) above has occurred or (y) any circumstance exists which would with the lapse of time or the giving of notice or both constitute such event, the Issuer shall, immediately or in case of (y) above immediately when such circumstance comes to knowledge of the Issuer, notify the Fiscal Agent in writing of such event or circumstance and give public notice of the same to the Bondholders through the Fiscal Agent. If the event specified in item (a) above has occurred or any circumstance exists which would with the lapse of time constitute such event, the Issuer shall also immediately notify the Fiscal Agent in writing of such event or circumstance and give public notice of the same to the Bondholders through the Fiscal Agent.

All expenses necessary for the procedures under this Condition 9 shall be borne by the Issuer.

10. **Bondholders' Meetings**

- (1) The Issuer shall convene a Bondholders' meeting to consider any matters which relate to the interests of the Bondholders in the event: that Bondholders holding one-tenth (1/10) or more of the aggregate principal amount of the Bonds then outstanding, acting either jointly or individually, so request in writing to the Fiscal Agent on behalf of the Issuer at the head office of the Fiscal Agent, provided that such Bondholders shall have presented to the Fiscal Agent the Certificates; or that the Issuer should deem it necessary to hold a Bondholders' meeting by giving written notice at least 35 days prior to the proposed date of the meeting to the Fiscal Agent.

When a Bondholders' meeting is to be convened, the Issuer shall give public notice to the Bondholders of the Bondholders' meeting at least 21 days prior to the date of such meeting; and ensure that the Fiscal Agent, on behalf of the Issuer, shall take the steps necessary for the convocation of the Bondholders' meeting and to expedite the proceedings thereof.

- (2) The Bondholders may exercise their vote by themselves at the relevant Bondholders' meeting, by proxy, or in writing or (in the event the Issuer permits the exercise of the voting rights by electronic method) by an electronic method pursuant to the rules established by the Issuer or the Fiscal Agent on behalf of the Issuer. At any Bondholders' meeting, each

Bondholder shall have voting rights in proportion to the principal amount of the Bonds (for the time being outstanding) held by such Bondholder; provided, however, that the Certificates shall have been presented to the Fiscal Agent at its head office, at least 7 days prior to the date set for such meeting and to the Issuer or the Fiscal Agent at such meeting, on the date thereof; and, provided, further, that the Bondholder shall not make an application for book-entry transfer or an application for obliteration of the Bonds unless the Bondholder returns the relevant Certificate to the Book-Entry Transfer Institution or the relevant Account Management Institution of such Bondholder. The Issuer may have its representative attend such meeting and express its opinion thereat.

- (3) Resolutions at such Bondholders' meeting shall be passed by more than one-half (1/2) of the aggregate amount of voting rights held by the Bondholders who are entitled to exercise their voting rights (the "**Voting Rights Holders**") and present at such meeting; provided, however, that an Extraordinary Resolution (as defined below) is required with respect to the following items:

- (a) giving a grace of payment, an exemption from liabilities resulting from a default, or settlement, to be effected with respect to all the Bonds (other than the matters referred to in (b) below);
- (b) any acts of litigation to be made with respect to all the Bonds, or all acts pertaining to bankruptcy, corporate reorganisation or similar proceedings;
- (c) the election or dismissal of representative(s) of the Bondholders who may be appointed and authorised by resolution of a Bondholders' meeting to make decisions on matters to be resolved at a Bondholders' meeting (provided each of such representative(s) must hold one-thousandth (1/1,000) or more of the aggregate principal amount of the Bonds (for the time being outstanding)) (the "**Representative(s) of the Bondholders**") or an executor (the "**Executor**") who may be appointed and authorised by resolution of a Bondholders' meeting so as to execute the resolutions of the Bondholders' meeting, or the change in any matters entrusted to them; and
- (d) any other matters where the Extraordinary Resolution is required under the provisions of these Conditions of Bonds.

"**Extraordinary Resolution**" means a resolution passed at a Bondholders' meeting by one-fifth (1/5) or more of the aggregate amount of the voting rights held by the Voting Rights Holders representing the aggregate principal amount of the Bonds then outstanding and two-thirds (2/3) or more of the aggregate amount of the voting rights held by the Voting Rights Holders present at such meeting.

For the purposes of calculating the number of votes exercised at a Bondholders' meeting, the Bondholders who have exercised their votes by proxy or in writing or (in the event the Issuer permits the exercise of the voting rights by electronic method) by an electronic method shall be deemed to have attended and voted at such meeting.

- (4) The resolution passed pursuant to this Condition 10 shall be binding on all the Bondholders whether present or not at such Bondholders' meeting to the extent permitted by the applicable Japanese law, and shall be carried out by the Representative(s) of the Bondholders or the Executor.
- (5) For the purpose of this Condition 10, the Bonds then held by the Issuer or any of its subsidiaries shall be disregarded and deemed not to be outstanding.
- (6) The Bondholders' meetings shall be held in Tokyo, Japan.
- (7) All expenses necessary for the procedures under this Condition 10 shall be borne by the Issuer.

11. **Merger, Consolidation, Etc.**

The Issuer may, without the consent of the Bondholders, consolidate or amalgamate with or merge into any other corporation or convey or sell or transfer or lease its properties and assets substantially as an entirety to any other corporation, provided that:

- (a) the corporation formed by such consolidation or amalgamation or into which the Issuer is merged or to which conveyance, transfer or lease of the properties and assets of the Issuer, substantially as an entirety, is made (i) shall expressly assume, by a supplemental agreement executed by such successor corporation and/or the Issuer with the Fiscal Agent, the due and punctual payment of any principal or interest in respect of all the Bonds and the performance of every obligation and covenant under these Conditions of Bonds on the part of the Issuer to be performed or observed and (ii) the definition of "**Taxing Jurisdiction**" shall be amended, if applicable, to replace the United Kingdom with the jurisdiction in which such successor corporation is resident for tax purposes;
- (b) immediately after giving effect to such transaction and treating any indebtedness that becomes an obligation of the Issuer, as a result of such transaction as having been incurred by the Issuer at the time of such transaction, no Event of Default, and no event that, after notice or lapse of time, or both, would become an Event of Default, shall have occurred and be continuing; and
- (c) the Issuer and the successor corporation have delivered to the Fiscal Agent a certificate signed by a duly authorised signatory of the Issuer stating, and a written opinion of independent legal advisers of recognised standing confirming, that such consolidation, merger, conveyance, transfer or lease comply with this Condition 11.

Such certificate and opinion delivered to the Fiscal Agent pursuant to this Condition 11 shall be kept at the head office of the Fiscal Agent up to the expiry of one year after the redemption date of the Bonds and shall be made available for perusal or photocopying by any Bondholder during normal business hours of the Fiscal Agent. All expenses incurred for such photocopying shall be borne by the applicant therefor.

Upon any consolidation or amalgamation with or merger into any other corporation, or any conveyance, transfer or lease of the properties and assets of the Issuer substantially as an entirety to any other corporation in accordance with this Condition 11, the successor corporation formed by such consolidation or amalgamation or into which the Issuer is merged or the successor corporation to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under these Conditions of Bonds with the same effect as if such successor corporation had been named as the Issuer herein, and thereafter, except in the case of a lease, the predecessor corporation shall be relieved of all obligations and covenants under these Conditions of Bonds.

12. **Registration Book**

The registration book for the Bonds shall be prepared, administered and kept by the Fiscal Agent at its head office on behalf of the Issuer.

13. **Prescription**

The period of extinctive prescription shall be 10 years for the principal of the Bonds and 5 years for the interest on the Bonds.

14. **Public Notices**

All public notices relating to the Bonds shall be published once in the Japanese Official Gazette (if possible) and once in a daily Japanese newspaper published in both Tokyo and Osaka reporting on general affairs. Direct notification to individual Bondholders need not be made. Such public notices to be given by the Issuer shall, upon the request and at the expense of the Issuer, be given by the Fiscal Agent on behalf of the Issuer. The Fiscal Agency Agreement provides that the Issuer shall request the Fiscal Agent in writing to give such public notices on behalf of the Issuer whenever necessary under these Conditions of Bonds.

15. **Currency Indemnity**

In the event of a judgment or order being rendered or issued by any court for the payment of the principal of or interest on the Bonds or any other amount payable in respect of the Bonds, and such judgment or order being expressed in a currency other than Japanese yen, any amount received or recovered in such currency by any Bondholder in respect of such judgment or order shall only constitute a discharge to the Issuer to the extent of the amount received or recovered in Japanese yen and the Issuer undertakes to pay to such Bondholder the amount necessary to make up any deficiency arising or resulting from any variation in rates of exchange between (i) the date as of which any amount expressed in Japanese yen is (or is to be treated as) converted into such currency other than Japanese yen for the purposes of any such judgment or order, and (ii) the date or dates of discharge of such judgment or order (or part thereof). To the extent permitted by any applicable law, the above undertaking shall constitute a separate and independent obligation of the Issuer from its other obligations, shall give rise to a separate and independent cause of action against the Issuer, shall apply irrespective of any indulgence granted by any Bondholder from time to time and shall continue in full force and effect notwithstanding any judgment or order.

16. **Agreement with Respect to the Exercise of the UK Bail-in Power**

- (1) By its acquisition of the Bonds, each Bondholder (which, for these purposes, includes each beneficial owner of the Bonds) acknowledges, accepts, consents and agrees, notwithstanding any other term of the Bonds or any other agreements, arrangements or understandings between the Issuer and any Bondholder, to be bound by:

- (a) the effect of the exercise of any UK Bail-in Power (as defined below) by the Relevant UK Resolution Authority (as defined below) that may include and result in any of the following, or some combination thereof: (i) the reduction of all, or a portion, of the Amounts Due (as defined below); (ii) the conversion of all, or a portion, of the Amounts Due into the Issuer's or another person's ordinary shares, other securities or other obligations (and the issue to, or conferral on, the Bondholder of such ordinary shares, other securities or other obligations), including by means of an amendment, modification or variation of the terms of the Bonds; (iii) the cancellation of the Bonds; and/or (iv) the amendment or alteration of the date for redemption of the Bonds or amendment of the amount of interest payable on the Bonds, or the Interest Payment Dates, including by suspending payment for a temporary period; and
- (b) the variation of the terms of the Bonds, if necessary, to give effect to the exercise of any UK Bail-in Power by the Relevant UK Resolution Authority.

No repayment or payment of Amounts Due shall become due and payable or be paid after the exercise of any UK Bail-in Power by the Relevant UK Resolution Authority if and to the extent

such amounts have been reduced, converted, cancelled, amended or altered as a result of such exercise.

Each Bondholder (which, for these purposes, includes each beneficial owner of the Bonds) consents to the exercise of any UK Bail-in Power as it may be imposed without any prior notice by the Relevant UK Resolution Authority of its decision to exercise such power with respect to the Bonds.

"Amounts Due" means the principal amount of, and any accrued but unpaid interest, including any Additional Amounts, on, the Bonds. References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of any UK Bail-in Power by the Relevant UK Resolution Authority.

"Banking Act" means the UK Banking Act 2009, as amended.

"BRRD" means Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended from time to time.

"PRA" means the UK Prudential Regulation Authority or any successor entity. "Regulated Entity" refers to any BRRD Undertaking as such term is defined under the PRA Rulebook promulgated by the PRA, as amended from time to time, which includes certain credit institutions, investment firms and certain of their parent or holding companies.

"Relevant UK Resolution Authority" means any authority with the ability to exercise a UK Bail-in Power.

"UK Bail-in Power" means any write-down, conversion, transfer, modification or suspension power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in the United Kingdom, relating to the transposition of the BRRD, including but not limited to the Banking Act and the instruments, rules and standards created thereunder, pursuant to which (i) any obligation of a Regulated Entity (or other affiliate of such Regulated Entity) can be reduced, cancelled, modified or converted into shares, other securities or other obligations of such Regulated Entity or any other person (or suspended for a temporary period); and (ii) any right in a contract governing an obligation of a Regulated Entity may be deemed to have been exercised.

- (2) The exercise of the UK Bail-in Power by the Relevant UK Resolution Authority with respect to the Bonds shall not constitute an Event of Default.
- (3) Upon the exercise of the UK Bail-in Power by the Relevant UK Resolution Authority with respect to the Bonds, the Issuer shall immediately notify the Fiscal Agent in writing of such exercise and give public notice of the same to the Bondholders through the Fiscal Agent. For avoidance of doubt, any delay or failure by the Issuer in delivering any notice or public notice referred to in this Condition 16(3) shall not affect the validity and enforceability of the UK Bail-in Power.
- (4) By its acquisition of the Bonds, to the fullest extent permitted by applicable law (including, without limitation, the Business Rules), each Bondholder (which, for these purposes, includes each beneficial owner of the Bonds) shall be deemed to have authorized, directed and requested the Book-Entry Transfer Institution and the Institution Participant or the Account Management Institution, as the case may be, to take any and all necessary action, if required, to implement the exercise of any UK Bail-in Power with respect to the Bonds as it may be imposed, without any further action or direction on the part of such Bondholder or beneficial owner, and the Fiscal Agent.
- (5) To the fullest extent permitted by applicable law, the Bondholders in respect of any claims of such Bondholders to payment of any principal or interest in respect of the Bonds, by their acceptance of the Bonds, shall be deemed to have waived any right of set-off or counterclaim that such Bondholders might otherwise have.
- (6) Any Bondholder (which, for these purposes, includes each beneficial owner of the Bonds) that acquires the Bonds in the secondary market and any successors, assigns, heirs, executors,

administrators, trustees in bankruptcy and legal representatives of any Bondholder shall be deemed to acknowledge, agree to be bound by and consent to the same provisions in this Condition 16 to the same extent as the Bondholders that acquire the Bonds upon their initial issuance, including, without limitation, with respect to the acknowledgement and agreement to be bound by and consent to the terms of the Bonds related to the UK Bail-in power.

17. Governing Law and Jurisdiction

Except as to the authorisation relating to the issue of the Bonds by the Issuer, the Bonds and all the rights and obligations of all the parties concerned, including the Bondholders, arising thereunder shall in all respects be governed by and construed in accordance with the laws of Japan.

Except as otherwise provided in these Conditions of Bonds, the place of performance of obligations pertaining to the Bonds is Tokyo, Japan.

Any legal or other court procedural action against the Issuer arising from or relating to the Bonds or these Conditions of Bonds may be instituted, on a non-exclusive basis, in the Tokyo District Court, to the jurisdiction of which the Issuer hereby expressly, unconditionally and irrevocably agrees to submit.

The Issuer hereby appoints the Representative in Japan of The Hongkong and Shanghai Banking Corporation Limited as the authorised agent of the Issuer upon whom process or any judicial or other court documents may be served in any legal or other court procedural action arising from or relating to the Bonds or these Conditions of Bonds that may be instituted in Tokyo, Japan; the Issuer hereby designates the address from time to time of the Tokyo Branch of The Hongkong and Shanghai Banking Corporation Limited, currently at HSBC Building, 11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo 103-0027, Japan, as the address to receive such process or any judicial or other court documents; and the Issuer hereby agrees to take, from time to time and so long as any of the Bonds shall remain outstanding, any and all action (including the execution and filing of any and all documents and instruments) that may be necessary to effect and to continue such appointment and designation in full force and effect. If at any time such agent shall not, for any reason, serve as such authorised agent, the Issuer shall immediately appoint, and it hereby undertakes to take any and all action that may be necessary to effect the appointment of, a successor authorised agent in Tokyo, Japan. In such case the Issuer shall promptly notify the Fiscal Agent in writing of the appointment of such successor agent and give public notice thereof.

Nothing in this Condition 17 shall affect the right of the Bondholders to institute legal or other court procedural action against the Issuer in any court of competent jurisdiction under applicable laws or to serve process or any judicial or other court documents in any manner otherwise permitted by law.

18. Modifications and Amendments

To the fullest extent permitted by applicable law, certain modifications and amendments to these Conditions of Bonds may be made without the consent of any Bondholder, only for the purpose of curing any ambiguity, or of correcting or supplementing any defective provisions contained herein, adding covenants for the benefit of the Bondholders, surrendering rights or powers conferred on the Issuer, or in any other manner which the Issuer may deem necessary and desirable and which will not adversely affect the interest of the Bondholders. The Issuer shall immediately notify the Fiscal Agent in writing of any such modification and amendment and give public notice of the same to the Bondholders as soon as practicable thereafter. All expenses necessary for the procedures under this Condition 18 shall be borne by the Issuer.

DESCRIPTION OF THE ISSUER

Information regarding the Issuer is set out in the Registration Document incorporated into this document by reference on page 9 (*Documents Incorporated by Reference*).

UNITED KINGDOM TAXATION

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

(A) United Kingdom Withholding Tax

1. Bonds issued by the Issuer which carry a right to interest will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange within the meaning of section 1005 of the Income Tax Act 2007. Whilst the Bonds are and continue to be quoted Eurobonds, payments of interest on such Bonds may be made without withholding or deduction for or on account of United Kingdom income tax.

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

The Irish Stock Exchange is a recognised stock exchange (as defined in section 1005 of the United Kingdom Income Tax Act 2007). The Issuer's understanding of current HMRC practice is that securities which are officially listed and admitted to trading on the Global Exchange Market of the Irish Stock Exchange may be regarded as "listed on a recognised stock exchange" for these purposes.

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

(B) Other Rules relating to United Kingdom Withholding Tax

3. Bonds may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on any such Bonds will not generally be subject to any United Kingdom withholding tax pursuant to the provisions mentioned in (A) above.
4. Where Bonds are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax provisions as outlined above.

5. Where interest has been paid under deduction of United Kingdom income tax, Bondholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.
6. The references to "**interest**" above mean "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Bonds or any related documentation. Bondholders should seek their own professional advice as regards the withholding tax treatment of any payment on the Bonds which does not constitute "interest" or "principal" as those terms are understood in United Kingdom tax law.
7. Where a payment on a Bond does not constitute (or is not treated as) interest for United Kingdom tax purposes, and the payment has a United Kingdom source, it would potentially be subject to United Kingdom withholding tax if, for example, it constitutes (or is treated as) an annual payment or a manufactured payment for United Kingdom tax purposes (which will be determined by, amongst other things, the terms and conditions of the Bond). In such a case, the payment may fall to be made under deduction of United Kingdom tax (the rate of withholding depending on the nature of the payment), subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply.
8. The above summary under the heading "*United Kingdom Taxation*" assumes that there will be no substitution of the Issuer and does not consider the tax consequences of any such substitution

CERTAIN OTHER TAXATION MATTERS

The proposed Financial Transactions Tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a directive for a common financial transactions tax (the "**FTT**") in Belgium, Germany, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**") and Estonia. However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances. The issuance and subscription of the Bonds should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Bonds are advised to seek their own professional advice in relation to the FTT.

Withholding on account of U.S. tax under FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as "**FATCA**", a "**foreign financial institution**" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements.

A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change.

Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, such withholding would not apply prior to 1 January 2019. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Bonds. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Bonds, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

Words and expressions defined in the "Terms and Conditions of the Bonds (First Series 2016)", "Terms and Conditions of the Bonds (Second Series 2016)", "Terms and Conditions of the Bonds (Third Series 2016)" below or elsewhere in these Listing Particulars have the same meanings in this overview.

HSBC Securities (Japan) Ltd and the other managers named therein (together, the "**Managers**"), in a subscription agreement dated 15 September 2016 (the "**Subscription Agreement**") and made between the Issuer and the Managers upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe for the Bonds at their respective Issue Price.

United States of America

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act.

Each Lead Manager has represented that it has offered and sold any Bonds, and agrees that it will offer and sell any Bonds, (i) as part of their distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering of the Bonds to the public and the Closing Date (the "**Distribution Compliance Period**"), only in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, each Lead Manager further represented and agreed that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to any Bonds, and it and they have complied and will comply with the offering restrictions requirement of Regulation S under the Securities Act.

Each Lead Manager also agrees that, at or prior to confirmation of sale of Bonds, it sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Bonds from it during the Distribution Compliance Period a confirmation or notice to substantially the following effect:

"The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering of the Bonds to the public and the Closing Date, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S under the Securities Act."

Terms used in the paragraph above have the meanings given to corresponding English terms by Regulation S under the Securities Act.

General

Persons into whose hands these Listing Particulars come are required by the Issuer and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they subscribe for, purchase, offer, sell or deliver Bonds or have in their possession or distribute such offering material, in all cases at their own expense.

GENERAL INFORMATION

1. The creation and issue of the Bonds was authorised pursuant to resolutions of the Board of Directors of the Issuer passed on 19 February 2016.
2. In relation to the Issuer, any transfer of, or payment in respect of, a Bond involving the government of any country which is at the relevant time the subject of United Nations sanctions, any person or body resident in, incorporated in or constituted under the laws of any such country or exercising public functions in any such country or any person or body controlled by any of the foregoing or by any person acting on behalf of the foregoing may be subject to restrictions pursuant to such sanctions.
3. For so long as the Bonds are listed on the Official List of the Irish Stock Exchange and admitted to trading on the Global Exchange Market, the physical form of the following documents may be inspected during normal business hours at the registered office of the Issuer:
 - (a) the constitutional documents of the Issuer;
 - (b) the Subscription Agreement;
 - (c) the Fiscal Agency Agreement; and
 - (d) the Annual Report and Accounts of the Issuer and its subsidiary undertakings for the years ended 31 December 2014 and 31 December 2015 together with all other audited consolidated annual reports and accounts of the Issuer subsequent to 31 December 2015.
4. The Issuer will, at its registered office and at the registered office of HSBC Securities (Japan) Ltd, make available for inspection during normal office hours, free of charge, upon oral or written request, a copy of these Listing Particulars and any document incorporated by reference therein prepared in relation to the Bonds. Written or oral requests for such documents should be directed to the registered office of the Issuer.
5. KPMG Audit Plc Chartered Accountants of 15 Canada Square, London E14 5GL, United Kingdom has audited without qualification the Financial Statements contained in the Annual Report and Accounts of the Issuer for the financial years ended 31 December 2009, 2010, 2011, 2012, 2013 and 2014. A resolution to appoint PricewaterhouseCoopers LLP ("**PwC**") of 1 Embankment Place, London, WC2N 6RH, United Kingdom as auditor of the Issuer was proposed and passed at the Issuer's Annual General Meeting held on 24 April 2015. PwC has audited without qualification the financial statements contained in the Annual Report and Accounts of the Issuer for the financial year ended 31 December 2015.
6. There has been no material adverse change in the prospects of the Issuer since 31 December 2015.
7. There has been no significant change in the financial or trading position of the Issuer and its subsidiaries since 30 June 2016.
8. Save as disclosed in Note 29 (*Provisions*) on pages 421 to 423 and in Note 40 (*Legal proceedings and regulatory matters*) on pages 445 to 454 of the Issuer's 2015 Annual Report and Accounts, and in Note 16 (*Provisions*) and Note 19 (*Legal proceedings and regulatory matters*) on pages 128 to 129, and on pages 130 to 136 respectively of the Issuer's Interim Report 2016 (both incorporated by reference herein), there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 month period before the date of these Listing Particulars which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer and/or the Issuer and its subsidiaries.
9. D Nish and J Tai were appointed to the Board of Directors of the Issuer with effect from 1 May 2016 and 12 September 2016, respectively. The business address of D Nish and J Tai is 8 Canada Square, London, E14 5HQ, United Kingdom. Further information on D Nish is set out at page 146 of the Interim Report 2016. There are no existing or potential conflicts of interest between any duties owed to the Issuer by the directors of the Issuer and the private interests and/or external duties owed by D Nish and J Tai.

10. The Bonds have been accepted for clearance through the facilities of JASDEC. For the Bonds (First Series 2016), the ISIN is JP582666AG93; for the Bonds (Second Series 2016), the ISIN is JP582666BG92; and for the Bonds (Third Series 2016), the ISIN is JP582666CG91.

HEAD AND REGISTERED OFFICE OF THE ISSUER

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