

## FINAL TERMS

Final Terms dated 19 November 2012

Series No.: NWP26205

Tranche No.: 1

**HSBC Bank plc**

**Programme for the Issuance of Notes and Warrants**

**Issue of**

**EUR 50,000,000**

**issued pursuant to HSBC Bank plc's Programme for the Issuance of Notes and Warrants**

**HSBC Uniform EUR Basket Volatility Budgeted Index Linked Notes due 21 November 2022**

### PART A - CONTRACTUAL TERMS

This document constitutes the Final Terms relating to the issue of the Tranche of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Notes (the "**Conditions**") set forth in the Base Prospectus dated 19 June 2012 in relation to the above Programme, which together with each supplemental prospectus relating to the above Programme published by the Issuer after 19 June 2012 constitute a prospectus ("**Prospectus**").

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus is available for viewing at HSBC Bank plc, 8 Canada Square, London E14 5HQ and <http://www.hsbc.com/1/2/investor-relations/fixed-income> and copies may be obtained from HSBC Bank plc, 8 Canada Square, London E14 5HQ.

**It is advisable that prospective investors considering acquiring any Notes understand the risks of transactions involving the Notes and it is advisable that they reach an investment decision after carefully considering, with their financial, legal, regulatory, tax, accounting and other advisers, the suitability of the Notes in light of their particular circumstances (including without limitation their own financial circumstances and investment objectives and the impact the Notes will have on their overall investment portfolio) and the information contained in the Prospectus and these Final Terms. Prospective investors should consider carefully the risk factors set forth under "*Risk Factors*" in the Prospectus.**

- |    |       |  |                |
|----|-------|--|----------------|
| 1. | (i)   | Issuer:                                    | HSBC Bank plc  |
|    | (ii)  | Arranger(s):                               | HSBC Bank plc  |
| 2. | (i)   | Series number:                             | NWP26205       |
|    | (ii)  | Tranche number:                            | 1              |
|    | (iii) | Whether issue is of Notes or Certificates: | Notes          |
| 3. |       | Specified Currency or Currencies:          |                |
|    | (i)   | of denomination:                           | EUR            |
|    | (ii)  | of payment:                                | EUR            |
| 4. |       | Aggregate Principal Amount:                |                |
|    | (i)   | Series:                                    | EUR 50,000,000 |

	(ii)	Tranche:	EUR 50,000,000
5.	(i)	Issue Price:	100 per cent. of the Aggregate Principal Amount
	(ii)	Commission payable:	None
	(iii)	Selling concession:	None
6.	(i)	Denomination(s) ( <i>Condition 1(b)</i> ):	EUR 100,000
	(ii)	Calculation Amount:	EUR 100,000
7.	(i)	Issue Date:	21 November 2012
	(ii)	Interest Commencement Date:	21 November 2012
8.		Maturity Date: ( <i>Condition 6(a)</i> )	21 November 2022 adjusted in accordance with Modified Following Business Day Convention and the Business Centres for the definition of Business Day
9.		Interest basis: ( <i>Conditions 3 to 5</i> )	<p>The interest rate in respect of each Interest Period up to (and including) the Interest Period scheduled to end on 21 November 2014 will be equal to 4.00% per annum.</p> <p>The interest rate in respect of each Interest Period from (and including) the Interest Period scheduled to end on 21 November 2015 to and including the Interest Period scheduled to end on the Maturity Date will be equal to a per annum rate calculated in accordance with the following formula:</p> <p><b>15.00%</b> x Reference Index Return (t), subject to a Coupon Floor.</p>
10.		Redemption basis: ( <i>Condition 6</i> )	Redemption at par
11.		Change of interest or redemption basis:	Not applicable
12.		Put/Call options:	Not applicable
13.	(i)	Status of the Notes: ( <i>Condition 2</i> )	Unsubordinated, unsecured
	(ii)	Date Board approval for issuance of Notes obtained:	Not applicable
14.		Method of distribution:	Non-syndicated
<b>PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE</b>			
15.		Fixed Rate Note provisions: ( <i>Condition 3</i> )	Not applicable
16.		Floating Rate Note provisions: ( <i>Condition 4</i> )	Not applicable

17.	Variable Coupon Amount Note provisions: (Condition 5)	Not applicable
18.	Zero Coupon Note provisions: (Condition 5)	Not applicable
19.	Index-Linked Interest Note/other variable-linked interest Note Provisions:	Applicable
	(i) Index/Formula/other variable:	HSBC Uniform EUR Basket Volatility Budgeted Index (the " <b>Index</b> " or the " <b>Reference Index</b> "). The Index tracks the performance of a systematically managed strategy which aims to benefit from the term premium embedded in the short-term EURIBOR forward curve as well as from moves in the Fourth EURIBOR Future contract, the short-term USD Eurodollar forward curve, the Fourth Eurodollar Future contract, the short-term GBP Short Sterling forward curve and the Fourth Short Sterling Future. See Annex 1 for the rules of the Index (the " <b>Index Rules</b> ").
	(ii) Calculation Agent responsible for calculating the interest due:	HSBC Bank plc
	(iii) Provisions for determining interest where calculated by reference to Index and/or Formula and/or other variable:	<p>For the purposes of determining the interest rate:</p> <p>“Reference Index Return (t)” means Reference Index (t) - Reference Index(t-3) / Reference Index(t-3);</p> <p>“Reference Index(0)” means the level of the Reference Index as determined by the Calculation Agent on the fifth Business Days prior to the Issue Date;</p> <p>“Reference Index(t)” means the level of the Reference Index as determined by the Calculation Agent on the relevant Valuation Date; and</p> <p>“Reference Index(t-3)” means (a) for t = 3, Reference Index(0) and (b) for t &gt; 3, the level of the Reference Index as determined by the Calculation Agent on the Valuation Date for the Interest Period ending three years prior to the end of the current Interest Period.</p>
	(iv) Interest or calculation period(s):	Each period from (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date, provided that the initial Interest Period commences on (and includes) 21 November 2012 and ends on (but excludes) 21 November 2013 and annually thereafter until the Maturity Date.
	(v) Interest Payment Dates:	21 November in each year from and including 21 November 2013, provided that the last Interest Payment Date will be the Maturity Date.
	(vi) Business Day Convention:	Modified Following Business Day Convention
	(vii) Business Centre(s):	TARGET and London

	(viii) Minimum Rate/Amount of Interest:	Not applicable
	(ix) Maximum Rate/Amount of Interest:	Not applicable
	(x) Day Count Fraction:	Act/Act ICMA, unadjusted
20.	Dual Currency Note provisions/Multi-currency Note provisions:	Not applicable

#### PROVISIONS RELATING TO REDEMPTION

21.	Issuer's optional redemption (Call): (Condition 6(c))	Not applicable
22.	Noteholder's optional redemption (Put): (Condition 6(d))	Not applicable
23.	Final Redemption Amount of each Note:  (Condition 6(a))	100%
24.	Final Redemption Amount of each Note in cases where the Final Redemption Amount is Equity-Linked/ Index-Linked or other variable-linked:	Not Applicable
25.	Instalment Notes: (Condition 6(a))	Not applicable
26.	Early Redemption Amount:	Yes
	(i) Early Redemption Amount (upon redemption for taxation reasons, illegality or following an Event of Default: (Conditions 6(b), 6(h) or 10)	Fair Market Value
	(ii) Other redemption provisions: (Condition 6(i))	Fair Market Value. See Index Cancellation, Change of Law, Hedging Disruption, Increased Cost of Hedging and Index Substitution described in paragraph 38.

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

27.	Form of Notes: (Condition 1(a))	
	(i) Form of Notes:	Bearer Notes
	(ii) Bearer Notes exchangeable for Registered Notes:	No
28.	New Global Note	No
29.	If issued in bearer form:	

	(i)	Initially represented by a Temporary Global Note or Permanent Global Note:	Temporary Global Note
	(ii)	Temporary Global Note exchangeable for Permanent Global Note and/or Definitive Notes and/or Registered Notes: ( <i>Condition 1(a)</i> )	Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for definitive notes only in limited circumstances specified in the Permanent Global Note.
	(iii)	Permanent Global Note exchangeable at the option of the bearer for Definitive Notes and/or Registered Notes:	No
	(iv)	Coupons to be attached to Definitive Notes:	Not applicable
	(v)	Talons for future Coupons to be attached to Definitive Notes:	Not applicable
	(vi)	(a) Definitive Notes to be security printed:	Yes
		(b) if the answer to (a) is yes, whether steel engraved plates will be used:	Yes
	(vii)	Definitive Notes to be in ICMA or successor's format:	Yes
	(viii)	Issuer or Noteholder to pay costs of security printing:	Issuer
30.		Exchange Date for exchange of Temporary Global Note:	Not earlier than 40 days after the Issue Date
31.		Payments: ( <i>Condition 8</i> )	
	(i)	Method of payment:	Condition 8 applies
	(ii)	Relevant Financial Centre Day:	TARGET and London
	(iii)	Local banking day specified for payments in respect of the Notes in global form:	No
32.		Partly Paid Notes: ( <i>Condition 1</i> )	No
33.		Redenomination: ( <i>Condition 9</i> )	
	(i)	Redenomination:	Not applicable

- (ii) Exchange: Not applicable
- 34. Other final terms: Not applicable

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

- 35. Security Delivery: Not applicable
- 36. Provisions for Cash Equity Notes and Equity-Linked Notes: Not applicable
- 37. Additional provisions for Equity-Linked Notes: Not applicable
- 38. Provisions for Index-Linked Notes:
  - (i) Index(ices): HSBC Uniform EUR Basket Volatility Budgeted Index
  - (ii) Index Sponsor: HSBC Global Markets, a business unit of HSBC Bank plc, which shall be deemed to act independently of the Quantitative Techniques business of HSBC Global Research, the Index Calculation Agent
  - (iii) Index Rules: See Annex 1 hereto for the Index Rules, Annex 2 for the rules of the HSBC Uniform EUR Basket Core Index, Annex 3 for a summary of the rules of the HSBC Uniform EUR Core Index, Annex 4 for a summary of the rules of the HSBC Uniform USD Core Index and Annex 5 for a summary of the rules of the HSBC Uniform GBP Core Index.
  - (iv) Exchange: Not applicable
  - (v) Related Exchange: Not applicable
  - (vi) Initial Index Level: Not applicable
  - (vii) Final Index Level: Not applicable
  - (viii) Strike Date: Not applicable
  - (ix) Reference Level: Not applicable
  - (x) Adjustments to Indices: Successor Index (Condition 21 (f) (i)), Index Modification (Condition 21 (f)(ii) as modified below), Index Cancellation (Condition 21 (f) (iii) as modified below), Correction of Index Levels (Condition 21 (f)(ix)).

For the purposes hereof:

**"Index Modification"** means, if on or prior to any Valuation Date, a relevant Index Sponsor or a relevant Index Calculation Agent, as applicable, announces that it will make a material change in the formula for or the method of calculating that Index or in any other way materially modifies that Index, including, but not limited to, making adjustments to the value, term or other variable of the Index (a **"Index Modification"**), as determined by the Calculation Agent in its sole and absolute discretion, then the Calculation Agent shall determine whether such change has a material effect on

the Notes and, if so, may make such adjustment to the payment, settlement or other terms of the Notes as the Calculation Agent determines appropriate to account for the economic effect on the Notes of such Index Modification and the effective date of such adjustment.

Until the Issuer has provided the Noteholders with the details of a website including any relevant details relating to that Index (the "**Index Website**"), the Issuer as soon as reasonably practicable upon becoming aware of it shall notify Noteholders of any such Index Modification in accordance with Condition 13.

**"Index Cancellation"** shall mean if on or prior to any Valuation Date, the Index Sponsor announces that (a) it suspends the calculation and publication of the level of the Index for a continuous period of eight or more Scheduled Trading Days; (b) it permanently cancels the Index and no Successor Index exists; or (c) the Index Sponsor ceases to be the calculation agent for the Index and no successor Index Calculation Agent is appointed.

- (xi) Additional Disruption Event: The following Additional Disruption Events apply: Change in Law, Hedging Disruption, Increased Cost of Hedging

For the purposes hereof:

**"Change in Law"** means on or after the Issue Date (i) due to the adoption of any or any change in any applicable law or regulation (including, without limitation, any tax law), or (ii) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), (X) it has become illegal to hold, acquire or dispose of any Hedge Positions relating to such Notes or (Y) the Issuer will incur a materially increased cost in performing its obligations relating to such Notes (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position).

**"Hedging Disruption"** means that the Issuer is unable or it is or has become not reasonably practicable, or it has otherwise become undesirable, for any reason, for the Issuer wholly or partial after using commercially reasonable efforts and acting in good faith to (i) hold, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the risk the Issuer's obligations in respect of the Notes, or (ii) realise, recover or remit the proceeds of any such transaction(s) or asset(s).

**"Hedge Positions"** means, with respect Issuer, any purchase, sale, entry into or maintenance of one or more positions or contracts in deposits, rates, swaps, options, futures, derivatives or foreign exchange or any

other instruments or arrangements (howsoever described) by the Issuer in order to hedge, individually or on a portfolio basis, such Notes.

(xii) Index Substitution:

Applicable. Upon the occurrence or existence of any event that would give rise to an Index Cancellation or Hedging Disruption, the Issuer, in its sole and absolute discretion

(a) whether or not and the date as of which the Index is substituted with a Substitute Index and, from the date so determined, the Substitute index shall be deemed to be the Index; and/or

(b) if no Substitute Index has been identified within 10 Business Days of giving notice of an Index Cancellation or a Hedging Disruption, the Issuer shall, in its sole and absolute discretion determine whether the Notes continue in which case the Calculation Agent shall determine the Final Index Level for such Valuation Date in accordance with the formula for and method of calculating that Index last in effect prior to such Index Cancellation or hedging Disruption.

If the Issuer determines that the Notes shall not continue, the Notes shall be terminated and the Issuers obligations under the Notes shall be satisfied in full upon payment of the early redemption amount at Fair Market Value.

39. For Equity-Linked and Credit-Linked Notes:

US Federal Income Tax Considerations

40. Valuation Date(s):

The date that is five Business Days prior to the relevant Interest Period subject to the Disrupted Day provisions.

For the purposes of determining the Valuation Date,

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

**"Scheduled Trading Day"** means any day on which the Index Sponsor is scheduled to publish the level of the Index.

**"Disrupted Day"** means any Scheduled Trading Day on which the Index Sponsor fails to publish the level of the Index.

If any Valuation Date is a Disrupted Day, the Valuation Date for each Index not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation date and the Valuation Date for each Index affected by the occurrence of a Disrupted day shall be the first succeeding Scheduled Trading Day which is not a Disrupted Day relating to that Index, unless each of the succeeding Scheduled Trading Days up to and including the Limit Valuation Date (i.e the 8th



Scheduled Trading Day) is a Disrupted Day relating to that Index. In that case, the Calculation Agent shall determine in its sole and absolute discretion either:

- (1) the Limit Valuation Date shall be the Valuation Date for the relevant Index notwithstanding the fact that such day is a Disrupted Day relating to such index; or
- (2) the Valuation Date shall be the first succeeding Scheduled Trading Day which is not a Disrupted Day relating to such Index,

and, in the case of (1) above, the Calculation Agent shall determine the level of that Index on the Limit Valuation Day using (i) quotations (either firm or indicative) for each of the index components or for similar indices or for over-the-counter transactions that are equivalent to any component of that Index, which quotations are supplied by one or more third parties; (ii) information consisting of relevant market data supplied by one or more third parties (including, without limitation, relevant rates, prices, yields, yield curves, volatilities, spreads, and correlations); and/or (iii) information of the types described under (i) or (ii) above from internal sources (including any of the Calculation Agent's affiliates) if that information is of the same type used by the Calculation Agent in the regular course of its business for the valuation of similar transactions, available on the Limit Day or, if such quotation or information is not available, its good faith estimate of the value of each of the relevant components comprised in that Index on the Limit Valuation Day.

- |     |   |                |
|-----|---|----------------|
| 41. | Valuation Time:   | Not applicable |
| 42. | Averaging Dates:  | No             |
| 43. | Other terms or special conditions relating to Index-Linked Notes, Cash Equity Notes or Equity-Linked Notes: | Not applicable |

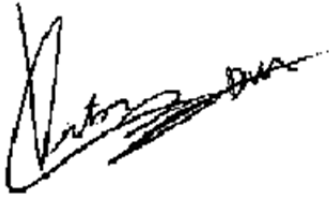
**DISTRIBUTION**

- |     |   |                                  |
|-----|---|----------------------------------|
| 44. | (i) If syndicated, names, addresses and underwriting commitments of Relevant Dealer(s)/Lead Manager(s): | Not applicable                   |
|     | (ii) If syndicated, names, addresses and underwriting commitments of other Dealers/Managers (if any):   | Not applicable                   |
|     | (iii) Date of Subscription Agreement:   | Not applicable                   |
|     | (iv) Stabilising Manager (if any):  | Not applicable                   |
| 45. | If non-syndicated, name and address   | HSBC Bank plc<br>8 Canada Square |

	of Relevant Dealer:	Canary Wharf London E14 5HQ United Kingdom
46.	Total commission and concession:	Not applicable
47.	Selling restrictions:	TEFRA D Rules
	United States of America:	Notes may not be offered or sold within the United States of America or, to or for the account or the benefit of, a US person (as defined in Regulation S).
	Non-exempt Offer:	The offer addressed solely to qualified investors (as such term is defined in the Prospectus Directive)
	Other:	Not applicable
48.	Stabilisation:	Not applicable

**CONFIRMED**

**HSBC BANK PLC**

A handwritten signature in black ink, appearing to read 'Victor Delgado Melgares', written in a cursive style.

**Victor Delgado Melgares**

By: .....  
*Authorised Signatory*

Date: .....

## PART B - OTHER INFORMATION

### 1. LISTING

- (i) Listing: Not applicable
- (ii) Admission to trading: Not applicable

### 2. RATINGS

Ratings: The long term senior debt of HSBC Bank plc has been rated:

S&P: AA-  
Moody's: Aa3  
Fitch: AA

The Notes have not specifically been rated.

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

### 3. NOTIFICATION

Not applicable

### 4. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE OFFER

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

### 5. REASONS FOR THE OFFER

Reasons for the offer: Not applicable

### 6. *Fixed Rate Notes only* - YIELD

Indication of yield: Not applicable

### 7. *Floating Rate Notes only* - HISTORIC INTEREST RATES

Not applicable

### 8. **Index-Linked, Equity-Linked or other variable-linked Interest Notes only - PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING**

Please refer to the Annex 1 hereto for the Index Summary.

### 9. **Dual Currency/Multi-currency Notes only - PERFORMANCE OF EXCHANGE RATE(S) AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS**

Not applicable

## OPERATIONAL INFORMATION

10. ISIN Code: XS0851658442

11.	Common Code:	085165844
12.	CUSIP:	Not applicable
13.	Valoren Number:	Not applicable
14.	SEDOL:	Not applicable
15.	Intended to be held in a manner which would allow Eurosystem eligibility:	No
16.	Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	None
17.	Delivery:	Delivery against payment
18.	Settlement procedures:	Medium Term Note
19.	Additional Paying Agent(s) (if any):	None
20.	Common Depository:	HSBC Bank plc
21.	Agent Bank/Calculation Agent:	HSBC Bank plc
	- is Calculation Agent to make calculations?	Yes
	- if not, identify calculation agent:	Not applicable
22.	Notices: ( <i>Condition 13</i> )	Not applicable
23.	City in which specified office of Registrar to be maintained: ( <i>Condition 14</i> )	Not applicable
24.	ERISA Considerations:	Not applicable

**ANNEX 1**

**HSBC UNIFORM EUR BASKET VOLATILITY BUDGETED INDEX RULES**

# **HSBC Global Markets Indices**

## **Index Terms Module**

### **(HSBC Uniform EUR Basket Volatility Budgeted Index)**

Version 3  
6 June 2012

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## 1. Introduction

### (a) General

This Index Terms Module, together with the Base Terms Module, and the Index Terms Module (HSBC Uniform EUR Basket Core Index), forms the Index Description for the HSBC Uniform EUR Basket Volatility Budgeted Index (the "**Index**").

This Index Terms Module must be read, and must be interpreted, in conjunction with the Base Terms Module and the Index Terms Module (HSBC Uniform EUR Basket Core Index). This is not a stand alone document and should not be read or interpreted separately from the other parts of the Index Description for the Index. If there is any inconsistency between the terms of this Index Terms Module, the Base Terms Module or any other part of the Index Description, the terms of this Index Terms Module shall prevail.

### (b) Definitions

Any capitalised term not defined in Appendix 1 (*Definitions*) of this Index Terms Module shall have the meaning given to such term in the Base Terms Module or the Index Terms Module (HSBC Uniform EUR Basket Core Index), as applicable.

### (c) Index Parameters

Certain parameters for the Index, which are used to determine the Index Level for the Index as described herein, are set out in the Parameters Table in Appendix 2 (*Parameters Table*).

## 2. Overview of the Index

The Index has been developed as an index aiming to benefit from price moves in the HSBC Uniform EUR Basket Core Index. The values for the Index Level of the Index are available for each Index Valuation Date from the Base Date, at which time the Index Level was set at the Initial Index Level. The Index uses a "volatility budget" mechanism which aims to control the volatility of the daily returns of the Index.

## 3. Index publication

(a) The "**Index Valuation Date**" means every Business Day on which the Core Index is calculated in accordance with the HSBC Uniform EUR Basket Core Index Term Module.

(b) Subject to the occurrence of any Disruption Event (as detailed under Section 4 below.) in the Core Index, the Index Level for the Index is calculated on each Index Valuation Date (following the Base Date). The Index Level is normally released by 5 p.m. London time on the relevant Index Valuation Date.

The Index Level is calculated in EUR only. The calculation method for the Index does not incorporate any deductions for transaction costs, taxes or fees.



- (c) The Index Level is published on the pages specified in the Parameters Table.
- (d) The "**Observation Time**" is 4 p.m. London time. For the purposes of calculating the historic data in respect of the back-testing period (i.e. between the Base Date and 17<sup>th</sup> of February 2012 the Index Calculation Agent may have used a different Observation Time than 4 p.m.).

## 4. Disruption Events

If, in respect of any Index Valuation Date, no level of the Core Index is determined for such Index Valuation Date then the level of the Index will not be determined for such Index Valuation Date and determination of the level of the Index shall be suspended until such time as the level of the Core Index is determined. If the Index Sponsor determines that it will terminate the publication of the Core Index, publication of the Index may also be terminated.

## 5. Calculation of the Index Level

The Index Calculation Agent shall calculate the Index Level on each Index Valuation Date by reference to:

- (a) the Index Level in respect of the immediately preceding Index Valuation Date;
- (b) the Target Volatility Factor in respect of the immediately preceding Index Valuation Date (as determined pursuant to Section 7 (*Calculation of the Target Volatility Factor*) below); and
- (c) the Core Index Return from the preceding Index Valuation Date to the relevant Index Valuation Date (as determined pursuant to Section 0 (*Calculation of Core Index Return*) below).

The mathematical expression for calculating the Index Level in respect of Index Valuation Date  $t$  is as follows:

$$UNI(t) = UNI(t-1) \times [1 + TVF(t-1) \times R(t)]$$

**Where:**

<b>UNI(t)</b>	means the Index Level in respect of Index Valuation Date $t$ ,
<b>UNI(t-1)</b>	means the Index Level in respect of the Index Valuation Date immediately preceding Index Valuation Date $t$ ,
<b>TVF(t-1)</b>	means the Target Volatility Factor in respect of the Index Valuation Date immediately preceding Index Valuation Date $t$ ,
<b>R(t)</b>	means the Core Index Return in respect of Index Valuation Date $t$ .

## 6. Calculation of the Core Index Return

The Index Calculation Agent shall calculate the Core Index Return on each Index Valuation Date by reference to:

- (a) the Core Index Level in respect of the immediately preceding Index Valuation Date; and
- (b) the Core Index Level in respect of the relevant Index Valuation Date.

The mathematical expression for calculating the Core Index Return from Index Valuation Date  $t-1$  to Index Valuation Date  $t$  is as follows:

$$R(t) = \frac{BI(t) - BI(t-1)}{BI(t-1)}$$

**Where:**

- R(t)** means the Core Index Return in respect of Index Valuation Date  $t$ ;
- BI(t)** means the Core Index Level in respect of Index Valuation Date  $t$ ; and
- BI(t-1)** means the Core Index Level in respect of the Index Valuation Date immediately preceding Index Valuation Date  $t$ .

## 7. Calculation of the Target Volatility Factor

### (a) Calculation of the Target Volatility Factor

The Index Calculation Agent shall calculate the Target Volatility Factor on each Index Valuation Date by reference to:

- (1) The Target Volatility; and
- (2) the Realized Volatility in respect of such Index Valuation Date

The mathematical expression for calculating the Target Volatility Factor in respect of Index Valuation Date  $n$  is as follows:

$$\text{TVF}(n) = \text{Minimum} \left( \frac{\sigma_{\text{Target}}}{\sigma_{\text{Realized}}(n)}, 200\% \right)$$

**Where:**

- TVF(n)** means the Target Volatility Factor in respect of Index Valuation Date  $n$ ;
- $\sigma_{\text{Target}}$**  means 8%; and
- $\sigma_{\text{Realized}}(n)$**  means the Realized Volatility in respect of Index Valuation Date  $n$

(b) **Calculation of the Realized Volatility**

The Index Calculation Agent shall calculate the Realized Volatility on each Index Valuation Date by reference to the volatility on each of the Index Valuation Dates falling between the eleventh Index Valuation Date and the second Index Valuation Date immediately prior to such Index Valuation Date. In case the Core Index was not published for any of these Index Valuation Date the Realized Volatility is set to 8% for such Index Valuation Date on which the Core Index was not published.

The mathematical expression for calculating the Realized Volatility in respect of Index Valuation Date  $n$  is as follows:

$$\sigma_{\text{Realized}}(n) = \text{Maximum} (\sigma(n-2), \sigma(n-3), \sigma(n-4), \sigma(n-5), \sigma(n-6), \sigma(n-7), \sigma(n-8), \sigma(n-9), \sigma(n-10), \sigma(n-11))$$

**Where:**

- |                               |   |
|-------------------------------|---|
| $\sigma_{\text{Realized}}(n)$ | means the Realized Volatility in respect of Index Valuation Date $n$ ;                          |
| $\sigma(n-k)$                 | means the volatility on Index Valuation Date $n-k$ ; and  |
| $n-k$                         | means the $k^{\text{th}}$ Index Valuation Date immediately preceding Index Valuation Date $n$ . |

(c) **Calculation of the volatility on an Index Valuation Date**

The Index Calculation Agent shall calculate the volatility on each of the Index Valuation Dates falling between the eleventh Index Valuation Date and the second Index Valuation Date immediately prior to an Index Valuation Date by reference to the Daily Return on the Core Index.

The mathematical expression for calculating the volatility in respect of Index Valuation Date  $n-k$  is as follows:

$$\sigma(n-k) = \sqrt{250 \times \frac{\left( \sum_{i=n-k-19}^{n-k} (r(i))^2 \right)}{20}}$$

**Where:**

- |                 |   |
|-----------------|---|
| $\sigma(n-k)$   | means the volatility on Index Valuation Date $n-k$ ;  |
| $r(i)$          | means the Daily Return on the Index on the $i^{\text{th}}$ Index Valuation Date in the relevant Realized Volatility Calculation Period; and |
| <b>Realized</b> | means in respect of Index Valuation Date $n$ -  |

**Volatility  
Calculation  
Period**

$k$ , the period from (but excluding) 20 Index Valuation Dates prior to  $n-k$  to (and including)  $n-k$ .

(d) **Calculation of the Daily Return on the Core Index ( $r(i)$ )**

The Index Calculation Agent shall calculate the Daily Return on the Core Index in respect of each day in the relevant Realized Volatility Calculation Period.

The mathematical expression for calculating the Daily Return on the Core Index on the  $i^{\text{th}}$  Index Valuation Date in the relevant Realized Volatility Calculation Period is as follows:

$$r(i) = \frac{BI(i) - BI(i-1)}{BI(i-1)}$$

**Where:**

**$r(i)$**  means the Daily Return on the Core Index on the  $i^{\text{th}}$  Index Valuation Date in the relevant Realized Volatility Calculation Period

**$BI(i)$**  means the Core Index Level observed by the Index Calculation Agent on the  $i^{\text{th}}$  Index Valuation Date in the relevant Realized Volatility Calculation Period; and

**$BI(i-1)$**  means the Core Index Level observed by the Index Calculation Agent on the Index Valuation Date immediately preceding the  $i^{\text{th}}$  Index Valuation Date in the relevant Realized Volatility Calculation Period.

## 8. Data Provider disclaimer

None of the Index Sponsor, the Index Calculation Agent or any of their respective affiliates has any relationship with, is affiliated with or has received compensation from any organisations that have created or publish or provide the information that serves as a reference for the Index (collectively the "**Data Providers**"). None of the Index Sponsor, the Index Calculation Agent or any of their respective affiliates assumes any responsibility for the non-availability or miscalculation of, or any error or omission in, any of the rates used to make any determination in respect of the Indices. None of the Data Providers sponsors, endorses or promotes the Index or any Investment Products which reference the Indices.

## Appendix 1: Definitions

Except where the context otherwise requires, the following terms used in this Index Terms Module have the following meanings:

"**Base Date**" has the meaning set out in the Parameters Table.

"**Business Day**" means a day which is a Business Day in accordance to the Index Terms Module of the HSBC Uniform EUR Basket Core Index.

"**Core Index**" means the HSBC Uniform EUR Basket Core Index.

"**Core Index Level**" means the level of the Core Index as determined pursuant to the index description for the HSBC Uniform EUR Basket Core Index.

"**Core Index Return**" means the return of the Core Index as determined pursuant Section 6 (*Calculation of the Core Index Return*) of this Index Terms Module.

"**EUR**" means the currency of the European Monetary Union (Euro), or its respective successor as determined by the European Central Bank.

"**Index**" has the meaning set out in Section 1(a) (*Introduction*).

"**Index Level**" means the level of the Index as determined pursuant Section 5 (*Calculation of the Index Level*) of this Index Terms Module.

"**Index Valuation Date**" every Business Day on which the Core Index is calculated in accordance to the HSBC Uniform EUR Basket Core Index Term Module

"**Initial Index Level**" has the meaning set out in the Parameters Table.

"**Parameters Table**" means the table set out in Appendix 2 (*Parameters Table*) of this Index Terms Module.

"**Target Volatility**" is the daily volatility the index aims to have. It is set to 8% p.a..

"**Target Volatility Factor**" has the meaning set out in Section 7 (*Calculation of the Target Volatility Factor*).

## Appendix 2: Parameters Table

<b>Index</b>	<b>Base Date</b>	<b>Core Index</b>	<b>Initial Index Level</b>	<b>Bloomberg page</b>
HSBC Uniform EUR Basket Volatility Budgeted Index	13 March 2000	HSBC Uniform EUR Basket Core Index (Bloomberg Page HSUNBKE0 Index)	100	HSUNBKE1 Index

## Appendix 3: Disclaimer

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**Neither the Index Sponsor nor the Index Calculation Agent make any representation, warranty or guarantee whatsoever as to the performance of any Index. Investment Products can fluctuate in price or value and prices, values or income may fall against an investor's interests. Changes in rates of exchange and rates of interest may have an adverse effect on the level of an Index and the value, price or income of any Investment Product linked to that Index.**

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ANNEX 2

HSBC UNIFORM EUR BASKET CORE INDEX RULES

# HSBC Global Markets Indices

Index Terms Module

(HSBC Uniform EUR Basket Core Index)

Version 2  
6 June 2012

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## 1. Introduction

### (a) General

This Index Terms Module, together with the Base Terms Module, and the Index Terms Module of the HSBC Uniform EUR Core Index and the Index Terms Module of the HSBC Uniform USD Core Index and the HSBC Uniform GBP Core Index, forms the Index Description for the HSBC Uniform EUR Basket Core Index (the "**Index**").

The HSBC Uniform EUR Core Index, the HSBC Uniform USD Core Index and the HSBC Uniform GBP Core Index are each referred to as an "**Underlying Core Index**" and together, the "**Underlying Core Indices**".

This Index Terms Module must be read, and must be interpreted, in conjunction with the Base Terms Module and the Index Terms Modules for the Underlying Core Indices. This is not a stand alone document and should not be read or interpreted separately from the other parts of the Index Description for the Index. If there is any inconsistency between the terms of this Index Terms Module, the Base Terms Module or any other part of the Index Description, the terms of this Index Terms Module shall prevail.

### (b) Definitions

Any capitalised term not defined in Appendix 1 (*Definitions*) of this Index Terms Module shall have the meaning given to such term in the Base Terms Module or the other Index Terms Modules which are part of the Index Description, as applicable.

### (c) Index Parameters

Certain parameters for the Index, which are used to determine the Index Level for the Index as described herein, are set out in the Parameters Table in Appendix 2 (*Parameters Table*).

## 2. Overview of the Index

The Index has been developed as an index aiming to benefit from moves in the Underlying Core Indices which form part of it. The Index aims to provide the generated returns in EUR but retains some exposure to the changes in the exchange rate between EUR and USD, as well as between EUR and GBP. The values for the Index Level of the Index are available for each Index Valuation Date from the Base Date, at which time the Index Level was set at the Initial Index Level.

## 3. Index publication

- (a) The "**Index Valuation Date**" means each day which is an Index Valuation Date in each of the Underlying Core Indices and which is a business day in accordance with the Target Calendar.

Subject to the occurrence of any disruption in respect of any of the Underlying Core Indices (as further described in Section 4(a) below), the Index Level for the Index is calculated on each Index Valuation Date (following the Base

Date). The Index Level is normally released by 5 p.m. London time on the relevant Index Valuation Date.

The Index Level is calculated in EUR only. The calculation method for the Index does not incorporate any deductions for transaction costs, taxes or fees

- (b) The Index Level is published on the pages specified in the Parameters Table
- (c) The "**Observation Time**" is 4 p.m. London time. For the purposes of calculating the historic data in respect of the back-testing period (i.e. between the Base Date and 17th of February 2012), the Index Calculation Agent may have used a different Observation Time than 4 p.m.

## 4. Disruption Events

### (a) Underlying Core Index Disruption

If, in respect of any Index Valuation Date, no level of one or multiple of the Underlying Core Indices is determined for such Index Valuation Date then the level of the Index will not be determined for such Index Valuation Date and determination of the level of the Index shall be suspended until such time as the level of all Underlying Core Indices is determined. If the Index Sponsor determines that it will terminate the publication of any of the Underlying Core Indices, publication of the Index may also be terminated.

### (b) FX Price Source Disruption

If the Index Calculation Agent determines that a FX Price Source Disruption has occurred in respect of the exchange rate from USD to EUR or the exchange rate from GBP to EUR then the Index Calculation Agent may determine the relevant value in respect of any relevant currency pair which becomes unavailable as a result of such disruption by seeking quotes from three Reference Banks selected by the Index Calculation Agent for such currency pair. If three such quotations are provided, the relevant value for that Index Valuation Date will be the arithmetic mean of such quotations. If fewer than three such quotations are provided then the FX Price Source Disruption shall be deemed to be a Disruption Event and Section (c) (*FX Disruption*) shall apply accordingly.

### (c) FX Disruption

If the Index Sponsor determines that an FX Disruption Event has occurred or is likely to occur in the exchange rate of USD to EUR or in the exchange rate of GBP to EUR, then the Index Sponsor may, in its discretion, either:

- (ii) Suspend the calculation and publication of the Index Level for the Index, or
- (iii) cease to calculate and publish the Index Level and cancel the Index,

in which event the Index Level on any Business Day following the occurrence of an FX Disruption Event shall remain static and shall be equal to the Index Level determined by the Index Calculation Agent immediately prior to the occurrence of such FX Disruption Event.

## 5. Calculation of the Index Level

The Index Calculation Agent shall calculate the Index Level on each Index Valuation Date by reference to:

- (a) the Index Level in respect of the immediately preceding Index Valuation Date;
- (b) the Return of the Underlying Core Indices from the preceding Index Valuation Date to the relevant Index Valuation Date (as determined pursuant to Section 6 (*Calculation of the Underlying Core Index Return*) below); and
- (c) the Foreign Currency Return from the preceding Index Valuation Date to the relevant Index Valuation Date (as determined pursuant to Section 7 (*Calculation of Foreign Currency Return*) below) for the Foreign Currencies USD and GBP.

The mathematical expression for calculating the Index Level in respect of Index Valuation Date  $t$  is as follows:

$$\text{EURBasket}(t) = \text{EURBasket}(t-1) \times [1 + 1/3 * \text{RUSD}(t-1,t) * (1 + \text{FXUSD}(t-1,t)) + 1/3 * \text{REUR}(t-1,t) + 1/3 * \text{RGBP}(t-1,t) * (1 + \text{FXGBP}(t-1,t))]$$

### Where:

<b>EURBasket(t)</b>	means the Index Level in respect of Index Valuation Date $t$ ;
<b>EURBasket(t-1)</b>	means the Index Level in respect of the Index Valuation Date immediately preceding Index Valuation Date $t$ ;
<b>FXUSD(t-1,t)</b>	means the Foreign Currency Return from Index Valuation Date $t-1$ to $t$ of USD (the Foreign Currency)
<b>FXGBP(t-1, t)</b>	means the Foreign Currency Return from Index Valuation Date $t-1$ to $t$ of GBP (the Foreign Currency)
<b>RGBP(t-1, t)</b>	means the Underlying Core Index Return from Index Valuation Date $t-1$ to $t$ where the Underlying Core Index is the HSBC Uniform GBP Core Index
<b>REUR(t-1, t)</b>	means the Underlying Core Index Return from Index Valuation Date $t-1$ to $t$ where the Underlying Core Index is the HSBC Uniform EUR Core Index
<b>RUSD(t-1,t)</b>	means the Underlying Core Index Return from Index Valuation Date $t-1$ to $t$ where the Underlying Core Index is the HSBC Uniform USD Core Index.

## 6. Calculation of the Underlying Core Index Return

The Index Calculation Agent shall calculate the Underlying Core Index Return in respect of an Underlying Core Index from Index Valuation Date  $t-1$  to Index Valuation Date  $t$  by reference to:

- (a) The relevant Underlying Core Index Level in respect of the immediately preceding Index Valuation Date  $t-1$ ; and
- (b) the relevant Underlying Core Index Level in respect of the relevant Index Valuation Date  $t$ .

The mathematical expression for calculating the Underlying Core Index Return from Index Valuation Date  $t-1$  to Index Valuation Date  $t$  is as follows:

$$R(t) = \frac{BI(t) - BI(t-1)}{BI(t-1)}$$

**Where:**

**R(t-1,t)** means the Underlying Core Index Return from Index Valuation Date  $t-1$  to  $t$ ,

**BI(t)** means the Underlying Core Index Level in respect of Index Valuation Date  $t$ , and

**BI(t-1)** means the Underlying Core Index Level in respect of the Index Valuation Date immediately preceding Index Valuation Date  $t$ , which is the Index Valuation Date  $t-1$ .

## 7. Calculation of the Foreign Currency Return

The Index Calculation Agent shall calculate the "**Foreign Currency Return**" in respect of a Foreign Currency from Index Valuation Date  $t-1$  to Index Valuation Date  $t$  on each Index Valuation Date  $t$  by reference to:

- (a) The exchange rate for the relevant Foreign Currency into EUR on the immediately preceding Index Valuation Date, which is Index Valuation Date ( $t-1$ ); and
- (b) the exchange rate for the relevant Foreign Currency into EUR on the relevant Index Valuation Date  $t$

The mathematical expression for calculating the Foreign Currency Return from Index Valuation Date  $t-1$  to Index Valuation Date  $t$  is as follows:

$$FXR(t) = \frac{FX(t)}{FX(t-1)} - 1$$

**Where:**

**FXR(t-1,t)** means the Foreign Currency's Return from Index Valuation Date  $t-1$  to Index

Valuation Date t;

**FX(t)** means the Foreign Currency Exchange Rate in respect of Index Valuation Date t

**FX(t-1)** means the Foreign Currency Exchange Rate on the immediately preceding Index Valuation Date t-1

## 8. Data Provider disclaimer

None of the Index Sponsor, the Index Calculation Agent or any of their respective affiliates has any relationship with, is affiliated with or has received compensation from any organisations that have created or publish or provide the information that serves as a reference for the Index (collectively the "**Data Providers**"). None of the Index Sponsor, the Index Calculation Agent or any of their respective affiliates assumes any responsibility for the non-availability or miscalculation of, or any error or omission in, any of the rates used to make any determination in respect of the Indices. None of the Data Providers sponsors, endorses or promotes the Index or any Investment Products which reference the Indices.

## Appendix 1: Definitions

Except where the context otherwise requires, the following terms used in this Index Terms Module have the following meanings:

"**Base Date**" has the meaning set out in the Parameters Table.

"**Business Day**" means each day which is a Business Day in each of the Underlying Core Indices.

"**EUR**" means Euro, the currency of the European Monetary union or such successor official currency as determined by the European Central Bank.

"**Foreign Currency**" means the either a) the currency of the United States of America, i.e. US Dollar or its successor currency as determined by the United States Federal Reserve Bank or b) the currency of the United Kingdom British Pound Sterling (GBP) or its successor currency as determined by the Bank of England

"**Foreign Currency Display Page**" means the page specified in the Parameters Table.

"**Foreign Currency Exchange Rate**" means the average of the ask price and the bid price displayed on the Foreign Currency Display Page for: a) where the Foreign Currency is USD, one USD in EUR (i.e. one divided by the average of bid and ask price displayed on the Foreign Currency Display Page); or b) where the Foreign Currency is GBP, one GBP in EUR.

"**Foreign Currency Return**" means the return of the Foreign Currency as determined pursuant Section 7 (*Calculation of the Foreign Currency Return*) of this Index Terms Module.

"**FXDisruption Event**" means the occurrence of any of the following:

- (a) an event having an adverse direct effect on the availability of any price or rate relating to the Foreign Currency, including, without limitation:
  - (i) *illiquidity*: the Index Sponsor's or the Index Calculation Agent's (or any of their relevant affiliates') ability to determine or obtain a firm quote of the relevant settlement rate or any other rate for the Foreign Currency which is relevant for the calculation of the Index Level in an amount which HSBC reasonably considers is necessary to discharge its obligations hereunder or in respect of its hedge positions relating to any Investment Products, for any reason becomes restricted, subject to material charges or deductions, or otherwise impracticable; and
  - (ii) *dual exchange rate*: any exchange rate for the Foreign Currency, or any other rate relating to the Foreign Currency and relevant to the calculation of the Index Level splits into dual or multiple rates;
- (b) an event having an adverse direct effect on the convertibility, availability or transferability of the Foreign Currency including, without limitation:
  - (i) *inconvertibility*: the occurrence of any event that generally makes it impossible (or materially restricts the Index Sponsor's or the Index Calculation Agent's (or any of their relevant affiliates') ability) to exchange or convert the Foreign Currency into another currency in the relevant jurisdiction through customary legal channels for conducting such conversion;



- (ii) *non-transferability*: the occurrence of any event that generally makes it impossible (or materially restricts the Index Sponsor's or the Index Calculation Agent's (or any of their relevant affiliates') ability) to deliver:
  - A. the Foreign Currency from accounts inside any relevant jurisdiction to accounts outside that jurisdiction;
  - B. the Foreign Currency between accounts inside the any relevant jurisdiction or to a party that is a non-resident of that jurisdiction;
- (c) an event related to a government or issuer action having a direct adverse effect on the Foreign Currency including, without limitation:
  - (i) *governmental authority default*: to the extent that such event has an impact on the Foreign Currency and in respect of any security or indebtedness for borrowed money of, or guaranteed by, any Governmental Authority, the occurrence of a default, event of default or other similar condition or event (however described) including, but not limited to:
    - A. the failure of timely payment in full of any principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security, indebtedness for borrowed money or guarantee;
    - B. a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for borrowed money or guarantee; or
    - C. the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for borrowed money or guarantee without the consent of all holders of such obligation.

The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee;

- (ii) *nationalization*: to the extent that such event has an impact on the Foreign Currency, any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Index Sponsor or the Index Calculation Agent (or any of their relevant affiliates), of all or substantially all of its assets in the affected jurisdiction;
- (iii) *moratorium*: a general moratorium is declared in respect of banking activities;
- (iv) *restrictions on dealings*: any restrictions, charges, duties or other deductions have been imposed by any applicable Governmental Authority on any dealing by the Index Sponsor or the Index Calculation Agent (or any of their relevant affiliates) on any transactions referencing the Foreign Currency (including but not limited to foreign exchange transactions) such that the Index Sponsor or the Index Calculation Agent (or any of their relevant affiliates):

- A. is unable to continue to enter into, continue or complete such transactions;
  - B. is unable to perform its obligations under any hedging transaction related to any relevant Investment Products; or
  - C. will incur a materially increased cost in performing its obligations relating to such hedging positions;
- (v) *change in law*: a change in applicable law or regulation or a change in the promulgation of or interpretation of such law or regulation has occurred which may affect the ownership in and/or the availability or transferability of the Foreign Currency;
- (vi) *reserve requirements*: the introduction of reserve requirements or other currency control restrictions adversely affecting any hedging transactions relating to any relevant Investment Products;
- (vii) *national emergency*: there occurs a declaration of national emergency, a disaster or civil unrest that would constitute a national emergency, the imposition of martial law, a declaration of war by or against such the relevant jurisdiction, or any other such similar event;
- (viii) *taxation*: any of the following:
- A. the imposition of taxes on the transfer of the Foreign Currency out of any relevant jurisdiction;
  - B. the imposition of any taxes on any conversion of the Foreign Currency into any other currency;
  - C. any action being taken by a taxing authority in a relevant jurisdiction; or
  - D. the occurrence of any other act or event at any time relating to withholding or deduction for or on account of tax in relation to any hedge transaction relating to an Investment Product; and

any other event, whether similar or not to the events listed in paragraphs (a) to (c) above, which makes it impossible for the Index Calculation Agent to calculate the Index Level for an Index.

**"FX Price Source Disruption"** means in respect of a Foreign Currency, the occurrence of an event or circumstance when it becomes impossible to obtain any relevant rate relating to a Foreign Currency relevant to the calculation of the Index Level for the Index from the Foreign Currency Display Page as stated in the Parameters Table or if such rate does not reflect the actual prices traded in the market for the relevant Foreign Currency. .

**"GBP"** means British Pound Sterling, the currency of the United Kingdom or such successor official currency as determined by the Bank of England.

**"Governmental Authority"** means any *de facto* or *de jure* government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of any relevant jurisdiction.

"**Index**" has the meaning set out in Section 1(a) (*Introduction*).

"**Index Level**" means the level of the Index as determined pursuant Section 5 (*Calculation of the Index Level*) of this Index Terms Module.

"**Index Valuation Date**" has the meaning given to it in Section 0(a) (*Index publication*) of this Index Terms Module.

"**Initial Index Level**" has the meaning set out in the Parameters Table.

"**Parameters Table**" means the table set out in Appendix 2 (*Parameters Table*) of this Index Terms Module.

"**Target Calendar**" means the calendar which is used for settlements and payments in the Target Interbank System.

"**Underlying Core Index**" means the HSBC Uniform EUR Core Index, the HSBC Uniform USD Core Index and the HSBC Uniform GBP Core Index.

"**Underlying Core Index Level**" means the level of the Underlying Core Index as determined pursuant to the index description for the respective Underlying Core Index.

"**Underlying Core Index Return**" means the return of the Core Index as determined pursuant Section 6 (*Calculation of the Core Index Return*) of this Index Terms Module.

"**USD**" means United States Dollar, the currency of the United States of America or its successor currency as determined by the United States Federal Reserve Bank.

## Appendix 2: Parameters Table

Index	Base Date	Underlying Core Indices	Initial Index Level	Bloomberg page	Foreign Currency Display Page
HSBC Uniform EUR Basket Core Index	13 March 2000	<p>HSBC Uniform EUR Core Index</p> <p>HSBC Uniform USD Core Index</p> <p>HSBC Uniform GBP Core Index</p>	100	<p>HSUNBKE0 Index</p> <p>For the HSBC Uniform EUR Core Index:</p> <p>HSUNEU00 Index</p> <p>For the HSBC Uniform USD Core Index:</p> <p>HSUNUS00 Index</p> <p>For the HSBC Uniform GBP Core Index:</p> <p>HSUNBP00 Index</p>	<p>In case the Foreign Currency is USD</p> <p>Reuters page: USDEURFIX=WM</p> <p>In case the Foreign Currency is GBP</p> <p>Reuters page: GBPEURFIX=WM</p>

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**Neither the Index Sponsor nor the Index Calculation Agent make any representation, warranty or guarantee whatsoever as to the performance of any Index. Investment Products can fluctuate in price or value and prices, values or income may fall against an investor's interests. Changes in rates of exchange and rates of interest may have an adverse effect on the level of an Index and the value, price or income of any Investment Product linked to that Index.**

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## ANNEX 3

### SUMMARY OF THE RULES OF THE HSBC UNIFORM EUR CORE INDEX

*This is a summary of the technical index rules (the "**Index Rules**") for the HSBC Uniform EUR Core Index (the "**Index**"). The Index Rules include, among other things, further information about HSBC index governance, disruption and adjustment events, amendments and modifications of the Index Rules and detailed calculations followed by the Index Calculation Agent to determine the level of the Index. The Index Rules comprise a base terms module and an index terms modules, each of which may be amended or supplemented from time to time in accordance with the terms of the Index Rules. The Index Rules will be made available upon request to the Issuer and subject to confidentiality undertakings. If there is any conflict between the Index Rules and this summary, the Index Rules shall prevail.*

#### 1. OVERVIEW

The Index has been designed by the Index Sponsor to benefit from price movements in the three month EURIBOR future contract (the "**EURIBOR Future**") traded on London International Financial Futures and Options Exchange ("**LIFFE**").

The Core Index was first calculated on 10 March 2000, at which time their respective levels were set at 100. The level of the Index (the "**Core Index Level**") is released by 5 p.m. (London time) on each date on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency) in London and Frankfurt (each, an "**Index Valuation Date**") and is calculated in Euro only. The calculation methods do not incorporate any deductions for transaction costs, taxes or fees. The Core Index is published on Bloomberg page HSUNEU00.

#### 2. MANAGEMENT RESPONSIBILITIES

##### (a) Index Sponsor

The index sponsor is the Global Markets division (the "**Index Sponsor**") of HSBC Bank plc ("**HSBC**"). The Index is sponsored, developed and promoted by the Index Sponsor and is a proprietary index of the Index Sponsor. In certain circumstances, the Index Sponsor may be entitled to make certain amendments or modifications to the Index. In making any such amendments or modifications, the Index Sponsor will, acting in good faith and a commercially reasonable manner, ensure that such amendments or modifications will result in a methodology that, in the Index Sponsor's determination, is consistent in its intended commercial purpose with the methodology originally set out in the terms of the Index.

##### (b) Index Calculation Agent

The index calculation agent is the Quantitative Techniques business of HSBC Global Research (the "**Index Calculation Agent**"). The role of the Index Calculation Agent is to provide independent calculation of the Index Level and make various determinations and adjustments. The Index Calculation Agent is responsible for obtaining information for inclusion or use in the calculation of the Index. The Index Calculation Agent will not independently verify such information and does not guarantee the accuracy or completeness of the Index or any data included therein.

##### (c) Index Committee

The HSBC Global Markets Indices and Strategies Governance Committee (the "**Index Committee**") has been established by the Index Sponsor and comprises core representatives from various functions within the Index Sponsor. The Index Committee is responsible for approving new indices and making certain amendments to existing indices (including the Index), determining the effects on the indices of certain exceptional events and periodically reviewing each index. The Index Committee is not responsible for assessing the suitability of indices for any index-linked investment product or for investors in such investment product.

(d) **Limitation of liability**

To the extent permitted by applicable law, neither the Index Sponsor nor the Index Calculation Agent shall be liable (whether in negligence or otherwise) to any person for any direct, indirect, special, punitive, consequential or any other losses or damages incurred by such person that arise out of or in connection with any error in the Index and neither the Index Sponsor nor the Index Calculation Agent is under any obligation to advise any person of any error therein.

3. **CALCULATION OF INDEX LEVEL**

(a) **Duties and discretions of Index Sponsor and Index Calculation Agent**

All calculations and determinations made by the Index Sponsor and/or the Index Calculation Agent will be made in good faith and a commercially reasonable manner by reference to such factors as the Index Sponsor and/or the Index Calculation Agent deem appropriate. The Index Sponsor and the Index Calculation Agent will, as far as practicable, exercise any discretion with the aim of preserving the intended commercial purpose of the Index. Neither the Index Sponsor nor the Index Calculation Agent is required to consider the interest of any investor in Index-linked investment products in exercising such discretion.

In addition, in exercising its discretion, the Index Sponsor may take into account the effects of any positions, contracts, transactions or other instruments or arrangements (howsoever described) that the Index Sponsor reasonably believes a provider of any Index-linked investment product may reasonably hold in order to hedge its obligations in respect of the performance of the Index in respect of that Index-linked investment product ("**Investment Product Hedging**"). In exercising its discretion, the Index Calculation Agent may also take into account the effects of any such Investment Product Hedging as notified to it by the Index Sponsor, which may have a positive or negative impact on the level of the Index.

The calculations and determinations of each of the Index Sponsor and the Index Calculation Agent in relation to the Index and/or any constituent thereof shall be final and binding on all parties in the absence of manifest error.

(b) **Calculation methodology**

The level of the Core Index, "**Core Index Level**",  $BI(t)$ , is determined in accordance with the following formula on each Index Valuation Date  $t$  by reference to: the level of the Core Index on the immediately preceding Rebalancing Date,  $BI(n)$ , and the "**Futures Return**" on such Index Valuation Date,  $F(t)$ , (which represents a long or a short position in respect of the price for the Fourth EURIBOR Future (as defined below) on that Index Valuation Date and on the immediately preceding Rebalancing Date):

$$BI(t) = BI(n) \times [1 + (10 \times F(t))]$$

The Core Index is rebalanced as of each third Index Valuation Date prior to the third Wednesday in each calendar month, each a "**Rebalancing Date**".

(c) **Calculation of the Futures Return**

The Futures Return,  $F(t)$ , is determined in accordance with the following formula on each Index Valuation Date  $t$  by reference to: the value of the Indicator (which determines whether the Core Index assumes a long or a short position in respect of the Fourth EURIBOR Future),  $Indicator(t)$ , and the price of the Fourth EURIBOR Future in respect of (i) that Index Valuation Date  $t$ ,  $EF(t)$ , and (ii) the immediately preceding Rebalancing Date  $n$ ,  $EF(n)$ :

The "**Fourth EURIBOR Future**" in respect of an Index Valuation Date is the EURIBOR Future which expires in the month of the fifth future expiry date on or after that Index Valuation Date. The price of the Fourth EURIBOR Future in respect of any Rebalancing Date is calculated as an arithmetic average of the relevant prices at five different observation points on such date.



(d) **Determination of the Indicator and the Trading Strategy**

The "**Indicator**",  $Indicator(t)$ , is determined on each Index Valuation Date  $t$  as either:

- (i) number "1", if the Trading Strategy is to buy the Fourth EURIBOR Future, or
- (ii) number "-1", if the Trading Strategy is to sell the Fourth EURIBOR Future.

The Index Calculation Agent determines the answer to the following questions on the second Index Valuation Date prior to each Rebalancing Date in order to determine the "**Trading Strategy**":

Question 1: Is the ratio of the TwosTens Spread over the TwosTens Volatility greater than a specified level?

Question 2: Is the ratio of the TwosTens Spread over the TwosTens Volatility less than a specified level?

Question 3: Is the Rates Trend Indicator greater than the Rates Level Barrier?

Question 4: Is the Spread Trend Indicator less than the Spread Level Barrier?

The "**TwosTens Spread**" means, in respect of the relevant Index Valuation Date, the difference between the rates for the EURIBOR swap rate (a "**EURIBOR Swap Rate**") with the designated maturity of ten and two years, each as calculated by reference to relevant public sources, whereas the "**TwosTens Volatility**" represents the volatility of such spread.

The "**Rates Trend Indicator**" means, in respect of the relevant Index Valuation Date, a trend indicator relating to a 3-month EURIBOR rate (a "**EURIBOR Rate**"), as calculated by reference to relevant public sources, whereas the "**Rate Level Barrier**" is determined by reference to the volatility of the absolute returns on such rate.

The "**Spread Trend Indicator**" means, in respect of the relevant Index Valuation Date, a trend indicator relating to the TwosTens Spread, whereas the "**Spread Level Barrier**" is determined by reference to the volatility of the absolute returns on such spread.

The Index Calculation Agent uses the following diagram to determine whether the Trading Strategy is to buy or to sell the Fourth EURIBOR Future:

4. **DISRUPTION EVENTS**

From time to time the Index Calculation Agent and/or the Index Sponsor may determine that the Index is affected by certain disruption events including (but not limited to) the inability of the Index Calculation Agent to obtain the necessary data for calculating the Index, any suspension or limitation on trading the constituents of the Index, any cancellation, suspension or substitution of the Core Index, any changes in laws or regulations affecting the Index or any constituents thereof or any rate used in the determination of the Index not reflecting the relevant costs of funding of the Index Sponsor. In the event of any such disruption the Index Sponsor and/or the Index Calculation Agent have certain powers to amend or modify the Index or to suspend or terminate the calculation or publication of the Index. Further detail on disruption events is set out below.

(a) **Data disruption**

In the event of a disruption relating to the manner that the Index Calculation Agent receives or otherwise acquires information necessary to make any determination or calculation relevant to the Index ("**Data Disruption**"), the Index Calculation Agent shall use reasonable endeavours to source data from alternative sources with the aim of publishing the level of the Index as soon as reasonably practicable. The Index Calculation Agent will not publish the level of the Index until the relevant Data Disruption is over or until it acquires the required data from an alternative source.

(b) **Market Disruption Event**

**"Market Disruption Events"** means, in respect of any Index Valuation Date and as determined in its discretion by the Index Calculation Agent, any rate or any other value relevant to the determination of the level of the Index is not available or does not accurately reflect the relevant market, any other disruption which disrupts the ability of market participants to effect transactions or obtain quotes in respect of the relevant rate or value or prevents the Index Calculation Agent from calculating or disseminating the Index Level, including but not limited to:

- (i) any relevant futures exchange not opening for business or severely curtailing its hours of business; or
- (ii) trading on a relevant futures exchange being conducted without timely dissemination of closing price data.

If the Index Calculation Agent determines that a Market Disruption Event has occurred in respect of any Index Valuation Date, then no level of the Index shall be determined for such Index Valuation Date and determination of the level of the Index shall be suspended until such time as the Index Calculation Agent determines that the Market Disruption Event no longer exists. If the Market Disruption Event continues for eight Index Valuation Dates, then the Index Sponsor may determine that it will terminate the publication of the Index.

(c) **Liquidity Disruption Event**

**"Liquidity Disruption Event"** means, in respect of any Index Valuation Date and as determined in its discretion by the Index Calculation Agent, a material reduction in the liquidity of the EURIBOR Future on LIFFE such that the prices quoted on the relevant Reuters page for such rate do not adequately reflect the price at which a market participant may enter into a position in respect of the EURIBOR Future. Factors which may indicate a Liquidity Disruption Event include, without limitation, a material reduction in the volume of trades in the EURIBOR Future, a material widening of the bid-offer spread in respect of the EURIBOR Future or a material increase in the volatility of the price of the EURIBOR Future, in each case when compared to historic averages.

If the Index Calculation Agent determines that a Liquidity Disruption Event has occurred in respect of any Index Valuation Date, then the Index Sponsor may determine that it will terminate the publication of the Index. Any event that the Index Calculation Agent determines would constitute a Market Disruption Event and a Liquidity Disruption Event shall be considered to be a Liquidity Disruption Event and the provisions of this paragraph (c) shall apply.

(d) **Indicator Disruption Event**

If a EURIBOR Swap Rate or a EURIBOR Rate does not appear on the relevant Reuters screen on any Index Valuation Date, the relevant rate for that Index Valuation Date will be determined by the Index Calculation Agent on the basis of either (i) mid-market semi-annual swap rate quotations, in respect of a EURIBOR Swap Rate, or (ii) the mid-market quarterly money market rate quotations, in respect of a EURIBOR Rate, provided by five leading swap dealers in the London interbank market, as selected by the Index Calculation Agent, at approximately 11 a.m. Frankfurt time on the relevant Index Valuation Date. If the Index Calculation Agent is unable to obtain any relevant rate, then there shall be deemed to be a Market Disruption Event and the provisions of paragraph (b) above shall apply.

(e) **Index Restrictions**

If any EURIBOR Future referenced the Index, causes or would cause HSBC and/or certain HSBC group entities to become:

- (i) subject to any legal and/or regulatory reporting and/or disclosure requirements and/or any legal and/or regulatory restrictions; or

- (ii) subject to the imposition of any taxes, duty, withholding, deduction or other charge;  
or
- (iii) restricted from dealing in such Index constituent pursuant to regulatory or legal obligations or internal policies,

then, if the Index Sponsor determines at any time that the circumstance described in (i), (ii) or (iii) is material, such EURIBOR Future shall be a "**Restricted Index Constituent**" and no Restricted Index Constituent shall be an Index constituent. The Index Sponsor may make such amendments or modifications to the Index Rules for the Index in its discretion as it deems appropriate as a result, including excluding the Restricted Index Constituent from the Index.

In the event that the Index Sponsor determines at any time that the circumstance described in (i), (ii) or (iii) above has ceased to be material in relation to any Restricted Index Constituent, then the Index Sponsor will determine that such Index constituent shall cease to be a Restricted Index Constituent.

## 5. **SUSPENSION AND TERMINATION OF THE INDEX**

The publication and maintenance of the Index is discretionary. The Index Sponsor may suspend or terminate the publication of the Index at any time, notwithstanding the fact whether any one or more of the disruption events set out in Section 5 (*Disruption Events*) has occurred or not.

In the event that the Index is suspended or terminated, the Index Sponsor accepts no responsibility for any losses incurred by any party whether incidental or consequential which arise out of any reliance on the continued existence and publication of the Index.

## 6. **DISCLAIMER**

The Index is sponsored, developed and promoted by the Index Sponsor. The Index is calculated by the Index Calculation Agent, which is part of HSBC Global Research. The Index Sponsor has no responsibility for the calculation of the Index and does not guarantee or represent or warrant the accuracy or completeness of the Index or the data comprised therein.

Although the Index Calculation Agent will obtain information and data for inclusion in or for use in the calculation of the Index from sources which the Index Calculation Agent considers reliable, the Index Calculation Agent will not independently verify such information and data and does not guarantee the accuracy or the completeness of the Index or any data included therein. While any inaccuracy in such sources may have an adverse effect on level of the Index, neither the Index Sponsor nor the Index Calculation Agent accepts any liability for loss or damage of any kind arising from the use of such information in any such calculation or determination. Except in the case of fraudulent misrepresentation and without prejudice to their respective obligations under applicable law and/or the regulatory system to which they are subject, no liability (whether directly or indirectly, in contract, in tort, or otherwise) is accepted by either the Index Sponsor or the Index Calculation Agent or any other member, division, affiliate or agent of the HSBC Group whatsoever for any direct, indirect, special, punitive, consequential or any other losses or damages incurred by such person that arise out of or in connection with the Index, including in relation to the performance by the Index Sponsor or the Index Calculation Agent of any part of their respective roles as Index Sponsor or the Index Calculation Agent under the Index Rules.

Neither the Index Sponsor nor the Index Calculation Agent make any representation, warranty or guarantee whatsoever as to the performance of the Index. Investment products linked to the performance of the Index ("**Investment Products**") can fluctuate in price or value and prices, values or income may fall against an investor's interests. Changes in rates of exchange and rates of interest may have an adverse effect on the level of the Index and the value, price or income of any Investment Product.

Potential purchasers of any Investment Product are solely responsible for making their own independent appraisal of and investigation into the Index and its components and they should not rely on any information in this document as constituting investment advice. Neither HSBC nor any of its

affiliates are responsible for providing such potential purchasers with legal, tax or other specialist advice and they should make their own arrangements in respect of this accordingly. Neither the Index Sponsor nor the Index Calculation Agent can be held responsible for any errors, intentional or unintentional on the part of external data providers, nor for any delays in publishing the Index.

No opinions are expressed as to the merits or suitability of the Index or any Investment Products. Investments in Investment Products may not be suitable for all requirements and if any potential purchasers of any Investment Products have any doubts, they should seek advice from their investment adviser.

Any member of the HSBC Group, together with their directors, officers and employees may have traded for their own account as principal, or together with its officers, directors and employees may have a long or short position in any related instrument mentioned in this material.

## ANNEX 4

### SUMMARY OF THE RULES OF THE HSBC UNIFORM USD CORE INDEX

*This is a summary of the technical index rules (the "**Index Rules**") for the HSBC Uniform USD Core Index (the "**Index**"). The Index Rules include, among other things, further information about HSBC index governance, disruption and adjustment events, amendments and modifications of the Index Rules and detailed calculations followed by the Index Calculation Agent to determine the level of the Index. The Index Rules comprise a base terms module and an index terms modules, each of which may be amended or supplemented from time to time in accordance with the terms of the Index Rules. The Index Rules will be made available upon request to the Issuer and subject to confidentiality undertakings. If there is any conflict between the Index Rules and this summary, the Index Rules shall prevail.*

#### 7. OVERVIEW

The Index has been designed by the Index Sponsor to benefit from price movements in the three month USD Libor future contract (the "**Eurodollar Future**") traded on the Chicago Merchantile Exchange ("**CME**").

The Core Index was first calculated for 11th of May 1990, for which time their respective levels were set at 100. The level of the Index (the "**Core Index Level**") is released by 5 p.m. (London time) on each date on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency) in London and New York (each, an "**Index Valuation Date**") and is calculated in USD only. The calculation methods do not incorporate any deductions for transaction costs, taxes or fees. The Core Index is published on Bloomberg page HSUNUS00.

#### 8. MANAGEMENT RESPONSIBILITIES

##### (a) Index Sponsor

The index sponsor is the Global Markets division (the "**Index Sponsor**") of HSBC Bank plc ("**HSBC**"). The Index is sponsored, developed and promoted by the Index Sponsor and is a proprietary index of the Index Sponsor. In certain circumstances, the Index Sponsor may be entitled to make certain amendments or modifications to the Index. In making any such amendments or modifications, the Index Sponsor will, acting in good faith and a commercially reasonable manner, ensure that such amendments or modifications will result in a methodology that, in the Index Sponsor's determination, is consistent in its intended commercial purpose with the methodology originally set out in the terms of the Index.

##### (b) Index Calculation Agent

The index calculation agent is the Quantitative Techniques business of HSBC Global Research (the "**Index Calculation Agent**"). The role of the Index Calculation Agent is to provide independent calculation of the Index Level and make various determinations and adjustments. The Index Calculation Agent is responsible for obtaining information for inclusion or use in the calculation of the Index. The Index Calculation Agent will not independently verify such information and does not guarantee the accuracy or completeness of the Index or any data included therein.

##### (c) Index Committee

The HSBC Global Markets Indices and Strategies Governance Committee (the "**Index Committee**") has been established by the Index Sponsor and comprises core representatives from various functions within the Index Sponsor. The Index Committee is responsible for approving new indices and making certain amendments to existing indices (including the Index), determining the effects on the indices of certain exceptional events and periodically reviewing each index. The Index Committee is not responsible for assessing the suitability of indices for any index-linked investment product or for investors in such investment product.

(d) **Limitation of liability**

To the extent permitted by applicable law, neither the Index Sponsor nor the Index Calculation Agent shall be liable (whether in negligence or otherwise) to any person for any direct, indirect, special, punitive, consequential or any other losses or damages incurred by such person that arise out of or in connection with any error in the Index and neither the Index Sponsor nor the Index Calculation Agent is under any obligation to advise any person of any error therein.

9. **CALCULATION OF INDEX LEVEL**

(a) **Duties and discretions of Index Sponsor and Index Calculation Agent**

All calculations and determinations made by the Index Sponsor and/or the Index Calculation Agent will be made in good faith and a commercially reasonable manner by reference to such factors as the Index Sponsor and/or the Index Calculation Agent deem appropriate. The Index Sponsor and the Index Calculation Agent will, as far as practicable, exercise any discretion with the aim of preserving the intended commercial purpose of the Index. Neither the Index Sponsor nor the Index Calculation Agent is required to consider the interest of any investor in Index-linked investment products in exercising such discretion.

In addition, in exercising its discretion, the Index Sponsor may take into account the effects of any positions, contracts, transactions or other instruments or arrangements (howsoever described) that the Index Sponsor reasonably believes a provider of any Index-linked investment product may reasonably hold in order to hedge its obligations in respect of the performance of the Index in respect of that Index-linked investment product ("**Investment Product Hedging**"). In exercising its discretion, the Index Calculation Agent may also take into account the effects of any such Investment Product Hedging as notified to it by the Index Sponsor, which may have a positive or negative impact on the level of the Index.

The calculations and determinations of each of the Index Sponsor and the Index Calculation Agent in relation to the Index and/or any constituent thereof shall be final and binding on all parties in the absence of manifest error.

(b) **Calculation methodology**

The level of the Core Index, "**Core Index Level**",  $BI(t)$ , is determined in accordance with the following formula on each Index Valuation Date  $t$  by reference to: the level of the Core Index on the immediately preceding Rebalancing Date,  $BI(n)$ , and the "**Futures Return**" on such Index Valuation Date,  $F(t)$ , (which represents a long or a short position in respect of the price for the Fourth Eurodollar Future (as defined below) on that Index Valuation Date and on the immediately preceding Rebalancing Date):

$$BI(t) = BI(n) \times [1 + (10 \times F(t))]$$

The Core Index is rebalanced as of each third Index Valuation Date prior to the third Wednesday in each calendar month, each a "**Rebalancing Date**".

(c) **Calculation of the Futures Return**

The Futures Return,  $F(t)$ , is determined in accordance with the following formula on each Index Valuation Date  $t$  by reference to: the value of the Indicator (which determines whether the Core Index assumes a long or a short position in respect of the Fourth Eurodollar Future),  $Indicator(t)$ , and the price of the Fourth Eurodollar Future in respect of (i) that Index Valuation Date  $t$ ,  $EF(t)$ , and (ii) the immediately preceding Rebalancing Date  $n$ ,  $EF(n)$ :

$$F(t) = \frac{EF(t) - EF(n)}{100} \times Indicator(t)$$

The "**Fourth Eurodollar Future**" in respect of an Index Valuation Date is the Eurodollar Future which expires in the month of the fifth future expiry date on or after that Index

Valuation Date. The price of the Fourth Eurodollar Future in respect of any Rebalancing Date is calculated as an arithmetic average of the relevant prices at five different observation points on such date.

(d) **Determination of the Indicator and the Trading Strategy**

The "**Indicator**", *Indicator(t)*, is determined on each Index Valuation Date *t* as either:

- (i) number "1", if the Trading Strategy is to buy the Fourth Eurodollar Future, or
- (ii) number "-1", if the Trading Strategy is to sell the Fourth Eurodollar Future.

The Index Calculation Agent determines the answer to the following questions on the second Index Valuation Date prior to each Rebalancing Date in order to determine the "**Trading Strategy**":

Question 1: Is the ratio of the TwosTens Spread over the TwosTens Volatility greater than a specified level?

Question 2: Is the ratio of the TwosTens Spread over the TwosTens Volatility less than a specified level?

Question 3: Is the Rates Trend Indicator greater than the Rates Level Barrier?

Question 4: Is the Spread Trend Indicator less than the Spread Level Barrier?

The "**TwosTens Spread**" means, in respect of the relevant Index Valuation Date, the difference between the rates for the USD 6M Libor swap rate (a "**USD Swap Rate**") with the designated maturity of ten and two years, each as calculated by reference to relevant public sources, whereas the "**TwosTens Volatility**" represents the volatility of such spread.

The "**Rates Trend Indicator**" means, in respect of the relevant Index Valuation Date, a trend indicator relating to a 3-month USD Libor rate (a "**USD Libor Rate**"), as calculated by reference to relevant public sources, whereas the "**Rate Level Barrier**" is determined by reference to the volatility of the absolute returns on such rate.

The "**Spread Trend Indicator**" means, in respect of the relevant Index Valuation Date, a trend indicator relating to the TwosTens Spread, whereas the "**Spread Level Barrier**" is determined by reference to the volatility of the absolute returns on such spread.

The Index Calculation Agent uses the following diagram to determine whether the Trading Strategy is to buy or to sell the Fourth Eurodollar Future:

10. **DISRUPTION EVENTS**

From time to time the Index Calculation Agent and/or the Index Sponsor may determine that the Index is affected by certain disruption events including (but not limited to) the inability of the Index Calculation Agent to obtain the necessary data for calculating the Index, any suspension or limitation on trading the constituents of the Index, any cancellation, suspension or substitution of the Core Index, any changes in laws or regulations affecting the Index or any constituents thereof or any rate used in the determination of the Index not reflecting the relevant costs of funding of the Index Sponsor. In the event of any such disruption the Index Sponsor and/or the Index Calculation Agent have certain powers to amend or modify the Index or to suspend or terminate the calculation or publication of the Index. Further detail on disruption events is set out below.

(a) **Data disruption**

In the event of a disruption relating to the manner that the Index Calculation Agent receives or otherwise acquires information necessary to make any determination or calculation relevant to the Index ("**Data Disruption**"), the Index Calculation Agent shall use reasonable endeavours to source data from alternative sources with the aim of publishing the level of the Index as

soon as reasonably practicable. The Index Calculation Agent will not publish the level of the Index until the relevant Data Disruption is over or until it acquires the required data from an alternative source.

(b) **Market Disruption Event**

"**Market Disruption Events**" means, in respect of any Index Valuation Date and as determined in its discretion by the Index Calculation Agent, any rate or any other value relevant to the determination of the level of the Index is not available or does not accurately reflect the relevant market, any other disruption which disrupts the ability of market participants to effect transactions or obtain quotes in respect of the relevant rate or value or prevents the Index Calculation Agent from calculating or disseminating the Index Level, including but not limited to:

- (i) any relevant futures exchange not opening for business or severely curtailing its hours of business; or
- (ii) trading on a relevant futures exchange being conducted without timely dissemination of closing price data.

If the Index Calculation Agent determines that a Market Disruption Event has occurred in respect of any Index Valuation Date, then no level of the Index shall be determined for such Index Valuation Date and determination of the level of the Index shall be suspended until such time as the Index Calculation Agent determines that the Market Disruption Event no longer exists. If the Market Disruption Event continues for eight Index Valuation Dates, then the Index Sponsor may determine that it will terminate the publication of the Index.

(c) **Liquidity Disruption Event**

"**Liquidity Disruption Event**" means, in respect of any Index Valuation Date and as determined in its discretion by the Index Calculation Agent, a material reduction in the liquidity of the Eurodollar Future on CME such that the prices quoted on the relevant Reuters page for such rate do not adequately reflect the price at which a market participant may enter into a position in respect of the Eurodollar Future. Factors which may indicate a Liquidity Disruption Event include, without limitation, a material reduction in the volume of trades in the Eurodollar Future, a material widening of the bid-offer spread in respect of the Eurodollar Future or a material increase in the volatility of the price of the Eurodollar Future, in each case when compared to historic averages.

If the Index Calculation Agent determines that a Liquidity Disruption Event has occurred in respect of any Index Valuation Date, then the Index Sponsor may determine that it will terminate the publication of the Index. Any event that the Index Calculation Agent determines would constitute a Market Disruption Event and a Liquidity Disruption Event shall be considered to be a Liquidity Disruption Event and the provisions of this paragraph (c) shall apply.

(d) **Indicator Disruption Event**

If a USD Swap Rate or a USD Libor Rate does not appear on the relevant Reuters screen on any Index Valuation Date, the relevant rate for that Index Valuation Date will be determined by the Index Calculation Agent on the basis of either (i) mid-market semi-annual swap rate quotations, in respect of a USD Swap Rate, or (ii) the mid-market quarterly money market rate quotations, in respect of a USD Libor Rate, provided by five leading swap dealers in the London interbank market, as selected by the Index Calculation Agent, at approximately 11 a.m. London time on the relevant Index Valuation Date. If the Index Calculation Agent is unable to obtain any relevant rate, then there shall be deemed to be a Market Disruption Event and the provisions of paragraph (b) above shall apply.

(e) **Index Restrictions**



If any Eurodollar Future referenced the Index, causes or would cause HSBC and/or certain HSBC group entities to become:

- (i) subject to any legal and/or regulatory reporting and/or disclosure requirements and/or any legal and/or regulatory restrictions; or
- (ii) subject to the imposition of any taxes, duty, withholding, deduction or other charge; or
- (iii) restricted from dealing in such Index constituent pursuant to regulatory or legal obligations or internal policies,

then, if the Index Sponsor determines at any time that the circumstance described in (i), (ii) or (iii) is material, such Eurodollar Future shall be a "**Restricted Index Constituent**" and no Restricted Index Constituent shall be an Index constituent. The Index Sponsor may make such amendments or modifications to the Index Rules for the Index in its discretion as it deems appropriate as a result, including excluding the Restricted Index Constituent from the Index.

In the event that the Index Sponsor determines at any time that the circumstance described in (i), (ii) or (iii) above has ceased to be material in relation to any Restricted Index Constituent, then the Index Sponsor will determine that such Index constituent shall cease to be a Restricted Index Constituent.

#### 11. **SUSPENSION AND TERMINATION OF THE INDEX**

The publication and maintenance of the Index is discretionary. The Index Sponsor may suspend or terminate the publication of the Index at any time, notwithstanding the fact whether any one or more of the disruption events set out in Section 5 (*Disruption Events*) has occurred or not.

In the event that the Index is suspended or terminated, the Index Sponsor accepts no responsibility for any losses incurred by any party whether incidental or consequential which arise out of any reliance on the continued existence and publication of the Index.

#### 12. **DISCLAIMER**

The Index is sponsored, developed and promoted by the Index Sponsor. The Index is calculated by the Index Calculation Agent, which is part of HSBC Global Research. The Index Sponsor has no responsibility for the calculation of the Index and does not guarantee or represent or warrant the accuracy or completeness of the Index or the data comprised therein.

Although the Index Calculation Agent will obtain information and data for inclusion in or for use in the calculation of the Index from sources which the Index Calculation Agent considers reliable, the Index Calculation Agent will not independently verify such information and data and does not guarantee the accuracy or the completeness of the Index or any data included therein. While any inaccuracy in such sources may have an adverse effect on level of the Index, neither the Index Sponsor nor the Index Calculation Agent accepts any liability for loss or damage of any kind arising from the use of such information in any such calculation or determination. Except in the case of fraudulent misrepresentation and without prejudice to their respective obligations under applicable law and/or the regulatory system to which they are subject, no liability (whether directly or indirectly, in contract, in tort, or otherwise) is accepted by either the Index Sponsor or the Index Calculation Agent or any other member, division, affiliate or agent of the HSBC Group whatsoever for any direct, indirect, special, punitive, consequential or any other losses or damages incurred by such person that arise out of or in connection with the Index, including in relation to the performance by the Index Sponsor or the Index Calculation Agent of any part of their respective roles as Index Sponsor or the Index Calculation Agent under the Index Rules.

Neither the Index Sponsor nor the Index Calculation Agent make any representation, warranty or guarantee whatsoever as to the performance of the Index. Investment products linked to the performance of the Index ("**Investment Products**") can fluctuate in price or value and prices, values or income may fall against an investor's interests. Changes in rates of exchange and rates of interest may

have an adverse effect on the level of the Index and the value, price or income of any Investment Product.

Potential purchasers of any Investment Product are solely responsible for making their own independent appraisal of and investigation into the Index and its components and they should not rely on any information in this document as constituting investment advice. Neither HSBC nor any of its affiliates are responsible for providing such potential purchasers with legal, tax or other specialist advice and they should make their own arrangements in respect of this accordingly. Neither the Index Sponsor nor the Index Calculation Agent can be held responsible for any errors, intentional or unintentional on the part of external data providers, nor for any delays in publishing the Index.

No opinions are expressed as to the merits or suitability of the Index or any Investment Products. Investments in Investment Products may not be suitable for all requirements and if any potential purchasers of any Investment Products have any doubts, they should seek advice from their investment adviser.

Any member of the HSBC Group, together with their directors, officers and employees may have traded for their own account as principal, or together with its officers, directors and employees may have a long or short position in any related instrument mentioned in this material.

## ANNEX 5

### SUMMARY OF THE RULES OF THE HSBC UNIFORM GBP CORE INDEX

*This is a summary of the technical index rules (the "**Index Rules**") for the HSBC Uniform GBP Core Index (the "**Index**"). The Index Rules include, among other things, further information about HSBC index governance, disruption and adjustment events, amendments and modifications of the Index Rules and detailed calculations followed by the Index Calculation Agent to determine the level of the Index. The Index Rules comprise a base terms module and an index terms modules, each of which may be amended or supplemented from time to time in accordance with the terms of the Index Rules. The Index Rules will be made available upon request to the Issuer and subject to confidentiality undertakings. If there is any conflict between the Index Rules and this summary, the Index Rules shall prevail.*

#### 13. OVERVIEW

The Index has been designed by the Index Sponsor to benefit from price movements in the three month GBP Libor future contract (the "**Short Sterling Future**") traded on London International Financial Futures and Options Exchange ("**LIFFE**").

The Core Index was first calculated for 14th of January 1992, for which time their respective levels were set at 100. The level of the Index (the "**Core Index Level**") is released by 5 p.m. (London time) on each date on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency) in London (each, an "**Index Valuation Date**") and is calculated in GBP only. The calculation methods do not incorporate any deductions for transaction costs, taxes or fees. The Core Index is published on Bloomberg page HSUNBP00.

#### 14. MANAGEMENT RESPONSIBILITIES

##### (a) Index Sponsor

The index sponsor is the Global Markets division (the "**Index Sponsor**") of HSBC Bank plc ("**HSBC**"). The Index is sponsored, developed and promoted by the Index Sponsor and is a proprietary index of the Index Sponsor. In certain circumstances, the Index Sponsor may be entitled to make certain amendments or modifications to the Index. In making any such amendments or modifications, the Index Sponsor will, acting in good faith and a commercially reasonable manner, ensure that such amendments or modifications will result in a methodology that, in the Index Sponsor's determination, is consistent in its intended commercial purpose with the methodology originally set out in the terms of the Index.

##### (b) Index Calculation Agent

The index calculation agent is the Quantitative Techniques business of HSBC Global Research (the "**Index Calculation Agent**"). The role of the Index Calculation Agent is to provide independent calculation of the Index Level and make various determinations and adjustments. The Index Calculation Agent is responsible for obtaining information for inclusion or use in the calculation of the Index. The Index Calculation Agent will not independently verify such information and does not guarantee the accuracy or completeness of the Index or any data included therein.

##### (c) Index Committee

The HSBC Global Markets Indices and Strategies Governance Committee (the "**Index Committee**") has been established by the Index Sponsor and comprises core representatives from various functions within the Index Sponsor. The Index Committee is responsible for approving new indices and making certain amendments to existing indices (including the Index), determining the effects on the indices of certain exceptional events and periodically reviewing each index. The Index Committee is not responsible for assessing the suitability of indices for any index-linked investment product or for investors in such investment product.

(d) **Limitation of liability**

To the extent permitted by applicable law, neither the Index Sponsor nor the Index Calculation Agent shall be liable (whether in negligence or otherwise) to any person for any direct, indirect, special, punitive, consequential or any other losses or damages incurred by such person that arise out of or in connection with any error in the Index and neither the Index Sponsor nor the Index Calculation Agent is under any obligation to advise any person of any error therein.

15. **CALCULATION OF INDEX LEVEL**

(a) **Duties and discretions of Index Sponsor and Index Calculation Agent**

All calculations and determinations made by the Index Sponsor and/or the Index Calculation Agent will be made in good faith and a commercially reasonable manner by reference to such factors as the Index Sponsor and/or the Index Calculation Agent deem appropriate. The Index Sponsor and the Index Calculation Agent will, as far as practicable, exercise any discretion with the aim of preserving the intended commercial purpose of the Index. Neither the Index Sponsor nor the Index Calculation Agent is required to consider the interest of any investor in Index-linked investment products in exercising such discretion.

In addition, in exercising its discretion, the Index Sponsor may take into account the effects of any positions, contracts, transactions or other instruments or arrangements (howsoever described) that the Index Sponsor reasonably believes a provider of any Index-linked investment product may reasonably hold in order to hedge its obligations in respect of the performance of the Index in respect of that Index-linked investment product ("**Investment Product Hedging**"). In exercising its discretion, the Index Calculation Agent may also take into account the effects of any such Investment Product Hedging as notified to it by the Index Sponsor, which may have a positive or negative impact on the level of the Index.

The calculations and determinations of each of the Index Sponsor and the Index Calculation Agent in relation to the Index and/or any constituent thereof shall be final and binding on all parties in the absence of manifest error.

(b) **Calculation methodology**

The level of the Core Index, "**Core Index Level**",  $BI(t)$ , is determined in accordance with the following formula on each Index Valuation Date  $t$  by reference to: the level of the Core Index on the immediately preceding Rebalancing Date,  $BI(n)$ , and the "**Futures Return**" on such Index Valuation Date,  $F(t)$ , (which represents a long or a short position in respect of the price for the Fourth Short Sterling Future (as defined below) on that Index Valuation Date and on the immediately preceding Rebalancing Date):

$$BI(t) = BI(n) \times [1 + (10 \times F(t))]$$

The Core Index is rebalanced as of each first Index Valuation Date prior to the third Wednesday in each calendar month, each a "**Rebalancing Date**".

(c) **Calculation of the Futures Return**

The Futures Return,  $F(t)$ , is determined in accordance with the following formula on each Index Valuation Date  $t$  by reference to: the value of the Indicator (which determines whether the Core Index assumes a long or a short position in respect of the Fourth Short Sterling Future),  $Indicator(t)$ , and the price of the Fourth Short Sterling Future in respect of (i) that Index Valuation Date  $t$ ,  $EF(t)$ , and (ii) the immediately preceding Rebalancing Date  $n$ ,  $EF(n)$ :

$$F(t) = \frac{EF(t) - EF(n)}{100} \times Indicator(t)$$

The "**Fourth Short Sterling Future**" in respect of an Index Valuation Date is the Short Sterling Future which expires in the month of the fifth future expiry date on or after that Index

Valuation Date. The price of the Fourth Short Sterling Future in respect of any Rebalancing Date is calculated as an arithmetic average of the relevant prices at five different observation points on such date.

(d) **Determination of the Indicator and the Trading Strategy**

The "**Indicator**", *Indicator(t)*, is determined on each Index Valuation Date *t* as either:

- (i) number "1", if the Trading Strategy is to buy the Fourth Short Sterling Future, or
- (ii) number "-1", if the Trading Strategy is to sell the Fourth Short Sterling Future.

The Index Calculation Agent determines the answer to the following questions on the second Index Valuation Date prior to each Rebalancing Date in order to determine the "**Trading Strategy**":

Question 1: Is the ratio of the TwosTens Spread over the TwosTens Volatility greater than a specified level?

Question 2: Is the ratio of the TwosTens Spread over the TwosTens Volatility less than a specified level?

Question 3: Is the Rates Trend Indicator greater than the Rates Level Barrier?

Question 4: Is the Spread Trend Indicator less than the Spread Level Barrier?

The "**TwosTens Spread**" means, in respect of the relevant Index Valuation Date, the difference between the rates for the GBP 6M Libor swap rate (a "**GBP Swap Rate**") with the designated maturity of ten and two years, each as calculated by reference to relevant public sources, whereas the "**TwosTens Volatility**" represents the volatility of such spread.

The "**Rates Trend Indicator**" means, in respect of the relevant Index Valuation Date, a trend indicator relating to a 3-month GBP Libor rate (a "**GBP Libor Rate**"), as calculated by reference to relevant public sources, whereas the "**Rate Level Barrier**" is determined by reference to the volatility of the absolute returns on such rate.

The "**Spread Trend Indicator**" means, in respect of the relevant Index Valuation Date, a trend indicator relating to the TwosTens Spread, whereas the "**Spread Level Barrier**" is determined by reference to the volatility of the absolute returns on such spread.

The Index Calculation Agent uses the following diagram to determine whether the Trading Strategy is to buy or to sell the Fourth Short Sterling Future:

16. **DISRUPTION EVENTS**

From time to time the Index Calculation Agent and/or the Index Sponsor may determine that the Index is affected by certain disruption events including (but not limited to) the inability of the Index Calculation Agent to obtain the necessary data for calculating the Index, any suspension or limitation on trading the constituents of the Index, any cancellation, suspension or substitution of the Core Index, any changes in laws or regulations affecting the Index or any constituents thereof or any rate used in the determination of the Index not reflecting the relevant costs of funding of the Index Sponsor. In the event of any such disruption the Index Sponsor and/or the Index Calculation Agent have certain powers to amend or modify the Index or to suspend or terminate the calculation or publication of the Index. Further detail on disruption events is set out below.

(a) **Data disruption**

In the event of a disruption relating to the manner that the Index Calculation Agent receives or otherwise acquires information necessary to make any determination or calculation relevant to the Index ("**Data Disruption**"), the Index Calculation Agent shall use reasonable endeavours to source data from alternative sources with the aim of publishing the level of the Index as

soon as reasonably practicable. The Index Calculation Agent will not publish the level of the Index until the relevant Data Disruption is over or until it acquires the required data from an alternative source.

(b) **Market Disruption Event**

"**Market Disruption Events**" means, in respect of any Index Valuation Date and as determined in its discretion by the Index Calculation Agent, any rate or any other value relevant to the determination of the level of the Index is not available or does not accurately reflect the relevant market, any other disruption which disrupts the ability of market participants to effect transactions or obtain quotes in respect of the relevant rate or value or prevents the Index Calculation Agent from calculating or disseminating the Index Level, including but not limited to:

- (i) any relevant futures exchange not opening for business or severely curtailing its hours of business; or
- (ii) trading on a relevant futures exchange being conducted without timely dissemination of closing price data.

If the Index Calculation Agent determines that a Market Disruption Event has occurred in respect of any Index Valuation Date, then no level of the Index shall be determined for such Index Valuation Date and determination of the level of the Index shall be suspended until such time as the Index Calculation Agent determines that the Market Disruption Event no longer exists. If the Market Disruption Event continues for eight Index Valuation Dates, then the Index Sponsor may determine that it will terminate the publication of the Index.

(c) **Liquidity Disruption Event**

"**Liquidity Disruption Event**" means, in respect of any Index Valuation Date and as determined in its discretion by the Index Calculation Agent, a material reduction in the liquidity of the Short Sterling Future on LIFFE such that the prices quoted on the relevant Reuters page for such rate do not adequately reflect the price at which a market participant may enter into a position in respect of the Short Sterling Future. Factors which may indicate a Liquidity Disruption Event include, without limitation, a material reduction in the volume of trades in the Short Sterling Future, a material widening of the bid-offer spread in respect of the Short Sterling Future or a material increase in the volatility of the price of the Short Sterling Future, in each case when compared to historic averages.

If the Index Calculation Agent determines that a Liquidity Disruption Event has occurred in respect of any Index Valuation Date, then the Index Sponsor may determine that it will terminate the publication of the Index. Any event that the Index Calculation Agent determines would constitute a Market Disruption Event and a Liquidity Disruption Event shall be considered to be a Liquidity Disruption Event and the provisions of this paragraph (c) shall apply.

(d) **Indicator Disruption Event**

If a GBP Swap Rate or a GBP Libor Rate does not appear on the relevant Reuters screen on any Index Valuation Date, the relevant rate for that Index Valuation Date will be determined by the Index Calculation Agent on the basis of either (i) mid-market semi-annual swap rate quotations, in respect of a GBP Swap Rate, or (ii) the mid-market quarterly money market rate quotations, in respect of a GBP Libor Rate, provided by five leading swap dealers in the London interbank market, as selected by the Index Calculation Agent, at approximately 11 a.m. London time on the relevant Index Valuation Date. If the Index Calculation Agent is unable to obtain any relevant rate, then there shall be deemed to be a Market Disruption Event and the provisions of paragraph (b) above shall apply.

(e) **Index Restrictions**

If any Short Sterling Future referenced the Index, causes or would cause HSBC and/or certain HSBC group entities to become:

- (i) subject to any legal and/or regulatory reporting and/or disclosure requirements and/or any legal and/or regulatory restrictions; or
- (ii) subject to the imposition of any taxes, duty, withholding, deduction or other charge; or
- (iii) restricted from dealing in such Index constituent pursuant to regulatory or legal obligations or internal policies,

then, if the Index Sponsor determines at any time that the circumstance described in (i), (ii) or (iii) is material, such Short Sterling Future shall be a "**Restricted Index Constituent**" and no Restricted Index Constituent shall be an Index constituent. The Index Sponsor may make such amendments or modifications to the Index Rules for the Index in its discretion as it deems appropriate as a result, including excluding the Restricted Index Constituent from the Index.

In the event that the Index Sponsor determines at any time that the circumstance described in (i), (ii) or (iii) above has ceased to be material in relation to any Restricted Index Constituent, then the Index Sponsor will determine that such Index constituent shall cease to be a Restricted Index Constituent.

#### 17. **SUSPENSION AND TERMINATION OF THE INDEX**

The publication and maintenance of the Index is discretionary. The Index Sponsor may suspend or terminate the publication of the Index at any time, notwithstanding the fact whether any one or more of the disruption events set out in Section 5 (*Disruption Events*) has occurred or not.

In the event that the Index is suspended or terminated, the Index Sponsor accepts no responsibility for any losses incurred by any party whether incidental or consequential which arise out of any reliance on the continued existence and publication of the Index.

#### 18. **DISCLAIMER**

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