European Vanilla Option

FX Derivatives

This document is a presentation for information purposes only and is not a solicitation of a transaction

Markets - June 2023

This is a structured product that involves derivatives. Do not enter this trade unless you fully understand and are willing to assume the risks associated with it. HSBC India ("HSBC" /"Bank") provides foreign exchange risk management solutions to customers on a strictly non-advised basis.

Client's Exposure

The Client needs to buy AUD and sell USD and would like to manage the FX exposure. The Client is unsure of which direction AUDUSD will go and would like to retain full flexibility to benefit from a favourable Spot move. The Client is prepared to pay a premium for the ability to retain the full upside potential.

Product Description

The European Vanilla Option is a product designed for clients who wish to hedge an FX exposure and want to enjoy upside potential if the Spot moves in their favour. In order to benefit from a favourable Spot Rate move, a premium is payable.

In this Strategy, the Client has the right, but not the obligation, to buy AUD at the Strike Rate provided the Spot at Expiry is at or above the Strike Rate.

If the Spot Rate is below the Strike Rate, the Client has no obligation to deal and can take advantage of favourable market conditions.

Main Benefits

- Potential to benefit from a favourable Spot Rate move
- Protected hedge rate
- Client has no obligation except payment of the premium

Main Risks

The main risk is that the Client has paid a premium for the European Vanilla Option, which may not be recoverable

Indicative Terms For European Vanilla Option	
Trade Date	14-Jun-2023
Counterparties	To be determined (“You”, “Your”, “the Client”) and HSBC (“HSBC”)
Expiry Date(s)	31-May-2024
Expiry Time	1: 00 p. m. London time
Settlement Date(s)	04-Jun-2024
Strike Rate	0. 6700
Notional Amount	AUD 1,000,000.00 per Expiry Date
FX transaction(s)	The Client buys AUD and sells USD at the Strike Rate if AUDUSD Fixing is at or above the Strike Rate or No FX Transaction if AUDUSD Fixing is below the Strike Rate
Settlement	Physical delivery of USD and AUD
Premium	The Client pays AUD 48,040. 36 payable on 16-Jun-2023
Reference Information	Spot Rate at Trade Date: 0. 6791 Par Forward: 0.6837
Par Forward	Par Forward is the average of outright forward rates in transactions with multiple settlement dates. In this term sheet, Par Forward is being used as a reference rate only for the purpose of comparison of pay-offs against the structure described in the term sheet.
AUDUSD Fixing	means the mid spot exchange rate AUDUSD (expressed as the number of USD per one AUD as displayed on Reuters Page WMRSPOT (or its successor) under the heading 'Mid' in respect of the 1:00 p.m. London Time fixing on the relevant Expiry Date and if such rate is not available for any reason, the rate for such day shall be determined by the Calculation Agent acting in good faith and in a commercially reasonable manner.
Calculation Agent	HSBC
Business Days	Refer to Trade Confirmation
Business Day Convention	Refer to Trade Confirmation
Documentation	Refer to Trade Confirmation

Trade Analysis

- If the AUDUSD Fixing on the Expiry Date is at or above the Strike Rate, Client buys AUD Notional Amount and sells USD at the Strike Rate and is protected at this rate.
- The option will be automatically exercised at the Expiry Time on the Expiry Date unless otherwise instructed in advance.
- If the AUDUSD Fixing on the Expiry Date is below the Strike Rate, there is no FX transaction. The Client is free to buy AUD and sell USD at the prevailing Spot Rate, benefiting from a favourable move.

Scenario Analysis

The following analysis is produced for illustrative purposes only, and does not reflect a complete analysis of all possible opportunity gain and loss scenarios that may arise under the actual hedge structure. No representation or warranty is made by The Hongkong and Shanghai Banking Corporation Limited in India ("HSBC" or "HSBC India") that any scenario shown below can be duplicated under the actual structure. Actual results may vary from the results shown below, and variations may be material. The scenario analysis only illustrates potential outcomes on expiration dates and is not considered a reflection of the mark-to-market value nor the unwind cost which depends on additional market factors (refer sections on Scenario Analysis, Unwind Costs and the appendix attached separately). The unwind cost of the product can fluctuate either upward or downward due to changes in prevailing market conditions. Accordingly, if the hedge structure set out herein is unwound prior to its stated maturity, you may sustain a loss which may well exceed the amount you receive under the said structure.

The following scenario analysis is based on the first Settlement Date.

Scenario 1: AUD strengthens and at Expiry the Spot Rate is at or above the Strike Rate. Client is entitled to buy AUD at the Strike Rate. The Gain/ Loss from the Structure does not include the premium paid.

Ex #	%move in Spot Rate	FX at Expiry	Notional Amount (AUD)	Strike Rate	Gain/ Loss Structure (USD)	Gain/ Loss Forward (USD)	Structure vs Forward (USD)
0	-1.34%	0.6700	1,000,000	0.6700	0	(13,700)	13,700
1	2.79%	0.6981	1,000,000	0.6700	28,100	14,400	13,700
2	6.93%	0.7262	1,000,000	0.6700	56,200	42,500	13,700
3	11.05%	0.7542	1,000,000	0.6700	84,200	70,500	13,700
4	15.19%	0.7823	1,000,000	0.6700	112,300	98,600	13,700
5	19.33%	0.8104	1,000,000	0.6700	140,400	126,700	13,700
6	23.47%	0.8385	1,000,000	0.6700	168,500	154,800	13,700
7	27.59%	0.8665	1,000,000	0.6700	196,500	182,800	13,700
8	31.73%	0.8946	1,000,000	0.6700	224,600	210,900	13,700
9	35.87%	0.9227	1,000,000	0.6700	252,700	239,000	13,700
10	40.00%	0.9508	1,000,000	0.6700	280,800	267,100	13,700

Scenario 2: AUD weakens, the Spot Rate at Expiry is below the Strike Rate, No FX transaction. Client has no obligation and can buy AUD at the prevailing Spot Rate. The Gain/ Loss from the Structure does not include the premium paid.

Ex #	%move in Spot Rate	FX at Expiry	Notional Amount (AUD)	Strike Rate	Gain/ Loss Structure (USD)	Gain/ Loss Forward (USD)	Structure vs Forward (USD)
0	-5.22%	0.6437	1,000,000	n/a	0	(40,000)	40,000
1	-9.07%	0.6175	1,000,000	n/a	0	(66,200)	66,200
2	-12.95%	0.5912	1,000,000	n/a	0	(92,500)	92,500
3	-16.81%	0.5650	1,000,000	n/a	0	(118,700)	118,700
4	-20.68%	0.5387	1,000,000	n/a	0	(145,000)	145,000
5	-24.54%	0.5125	1,000,000	n/a	0	(171,200)	171,200
6	-28.41%	0.4862	1,000,000	n/a	0	(197,500)	197,500
7	-32.27%	0.4600	1,000,000	n/a	0	(223,700)	223,700
8	-36.14%	0.4337	1,000,000	n/a	0	(250,000)	250,000
9	-40.00%	0.4075	1,000,000	n/a	0	(276,200)	276,200
10	-43.87%	0.3812	1,000,000	n/a	0	(302,500)	302,500

Worst Case Scenario

In the worst case, the option expires worthless and Client does not recover the premium.

Liquidity/ Unwind Costs

The Client should only purchase an option if the Client is prepared to keep it for the length of the term. If the Client wants to terminate the option early, the Client will not be required to pay any unwind cost but the Client may not get anything from HSBC potentially resulting in a net loss for the Client.

When HSBC enters into an option contract with the Client, HSBC generally hedges its position to manage its own risk. If the Client terminates the transaction, HSBC will no longer need to manage this risk but will still have the hedge positions open, so HSBC will need to terminate its hedging contract. When HSBC terminates or otherwise adjusts its own hedge, HSBC will be impacted by market values and other factors (including, but not limited to, the availability of equivalent hedge positions and its own funding costs and creditworthiness) which might affect the residual value of the position.

Depending on the market parameters including but not limited to prevailing market interest rates, market volatility, the residual value of the option can be higher than the original premium paid by the Client or a substantially lower fraction of the premium originally paid by the Client or even zero. In any circumstance, the residual value of the option cannot be lower than zero. It means that the Client will not be required to pay any unwind cost upon termination in any circumstances.

RISK DISCLOSURE STATEMENT

Derivatives / Market Risks

This transaction contains derivative instruments whose values are sensitive to changes to market factors. If the transaction involves exposure to foreign currency risk or is settled in a foreign currency, the Client may suffer a loss as a result of exchange rate fluctuations. The economics of this transaction may also be asymmetrical because of these components and the potential benefit may be capped or limited (see scenario analysis). There is no assurance that a particular transaction will provide the Client with a positive or anticipated return or achieve the Client's objectives. Past

performance is not necessarily a guide to the future results. The Client's decision to invest should not be based mainly or solely on past performance. Prior to maturity, depending on the market conditions, the mark-to-market value of the transaction can fluctuate either upward or downward. In case of any early termination due to default or similar events or unwinding of the transaction before maturity for any reason, it may result in loss to the Client, capped at the premium payable for the option.

The value of the transaction is determined by the prevailing market rates of different parameters reflecting the market conditions at that time, as well as the remaining terms and tenor of the transaction (which may have been impacted by the market movements since the inception of the trade). Therefore, this value is not determined solely by reference to the prevailing spot rate or price and the relevant Strike Rate or price, but also by reference to other factors such as but not limited to the expected forward rate or price, volatility, interest rates, valuation model or method and other market data which we believe to be appropriate at the time of calculation. At times of high market volatility the changes in valuation can be very significant. While we may provide mark-to-market valuation on the transaction from time to time, we are not obliged to do so; and given the bilateral, over-the-counter nature of the trade, the Client may find it difficult to obtain a valuation from another independent source. Moreover, the value or price of the transaction (in relation to, for example, any mark-to-market determinations, or restructuring or unwind requests) may be calculated by reference to, or by discounting using, one or more benchmark or rate curves, as applicable. Such benchmarks or rates may be discontinued in the future or may over time no longer be appropriate, as determined by HSBC. As a result, HSBC may in the future apply a different discounting methodology, which may result in a different valuation or price.

Addendum to the Risk Disclosure Statement

a) For the description and rationale of the transaction:

Refer to sections "Client's Exposure" and "Product Description"

b) The sensitivity analysis identifying the various parameters that may affect the transaction:

The value of the transaction is determined by the prevailing market rates of different parameters reflecting the market conditions at the time, as well as the terms and the remaining tenor of the transaction (which may have been impacted by market movements since the inception of the trade) as described in the "Derivatives / Market Risks" section. Therefore, the value of the transaction could be impacted by various parameters (if applicable) at the time of calculation including but not limited to:

- Spot rate or price ; strike rate or price ; forward rate or price ; volatility ; interest rates

The sensitivity to some of the above parameters (as on inception) is as below:

Delta (calculated from the Client's point of view as at Trade Date)	AUD 576,024.40 Delta is calculated by taking the first order derivative value of the underlying derivative price with respect to spot rate. This could change during the tenor of the transaction subject to market parameters changing. To illustrate, for the purposes of this transaction, if there is a small increase in spot rate: • a positive Delta means such small increase in spot rate will result in an increase in the underlying derivative price; and • a negative Delta means such small increase in spot rate will result in a decrease in underlying derivative price. The above illustration assumes a small increase in spot rate. If there is a large movement in spot rate, both the direction and/ or the magnitude of the change in underlying derivative price as a result of the movement in spot rate may be different from the above.
Vega (calculated from the Client's point of view as at Trade Date)	AUD 3,631. 85 Vega is calculated by taking the first order derivative value of the underlying derivative price with respect to implied volatility. This could change during the tenor of the transaction subject to market parameters changing. To illustrate, for the purposes of this transaction, if there is a small increase in implied volatility: • a positive Vega means such small increase in implied volatility will result in an increase in the underlying derivative price; and • a negative Vega means such small increase in implied volatility will result in a decrease in underlying derivative price. The above illustration assumes a small increase in implied volatility. If there is a large movement in implied volatility, both the direction and/ or the magnitude of the change in underlying derivative price as a result of the movement in implied volatility may be different from the above.

c) For a comprehensive scenario analysis covering key upside and downside risks on the pay-off profile:

Refer to section "Scenario Analysis"

d) Notwithstanding anything to the contrary contained in the "Derivatives / Market Risks" section in the Risk Disclosure Statement, the mark-to-market valuation on the transaction shall be provided from time to time to the extent required by applicable regulations.

Please see below explanation of the terminology used in this term sheet:

	Term sheet terminology	**Explanation**
1	Product Description	Product Features
2	FX Transaction(s)	Pay-off profile
3	Trade Analysis	An illustration of how the product works

Acknowledgements

Name of Authorised Signatory -

Designation -

Signature -

The Client has read this term sheet in detail and has clearly understood the risks and payoffs of this transaction as highlighted in the term sheet, the nature and extent of its exposure to risk and to loss as well as the consequences of the transaction. The Client is aware that the transaction entered into by it is subject to the applicable regulations issued by the Reserve Bank of India (RBI). These regulations are also supplemented by the guidelines issued by the Foreign Exchange Dealer's Association of India (FEDAI) (including around product permissibility), as amended from time to time. The Client's decision to enter into this hedging transaction is based on its own independent assessment and it has not relied on any advice given by HSBC. The Client confirms that they have on hand a valid underlying exposure and they are duly authorized to execute the transaction. Further the Client confirms that the above transaction is in line with its board approvals and the approved risk management policy of the Client. The Client also confirms that it follows prudent accounting and disclosure norms.

Transaction Documents

The Client should read and understand all of the terms and conditions governing the transaction (including without limitation the term sheet in respect of this transaction, the relevant master agreement (if any) and other transaction documents, including all notices, risk warnings and disclaimers contained therein) before deciding whether to enter into this transaction. The Client's decision to trade should be made on the basis of such documents and the terms and conditions therein.

HSBC Hedging Activities

HSBC and/or its affiliates may, in its discretion, decide to engage in hedging activities with respect to the transaction. Such activities may include buying and selling, on a dynamic basis, the underlying currency in the spot market or entering into derivatives on such currency. The hedging strategy may entail unwinding the hedge when a trigger event occurs under the transaction. HSBC and/or its affiliate may anticipate such event occurring and begin unwinding the hedge before such event occurs, or HSBC's hedging strategy may require greater and more frequent dynamic adjustments to the hedge as market prices approach the trigger. Unwinding or adjusting the hedge typically consists of buying or selling a quantity of the underlying currencies, or terminating or entering into derivatives positions with market counterparties. This activity may affect the likelihood of the trigger event occurring or not occurring. In addition, currency or currency derivative transactions that HSBC executes in other capacities (such as trading for proprietary accounts, for accounts under management or to facilitate transactions on behalf of customers) may affect the probability that a trigger event will occur.

Hedging Mismatch Risk

If this transaction is to be used for risk management purposes, and if the asset or liability that is being hedged is of a different quantum or is realised on a different date, or the Client has entered into similar transactions with other institutions, there may be a mismatch in the Client's asset or liability and its hedge. The Client should check the portfolio of financial instruments and promptly notify HSBC should it become aware that it is (or will become as a result of entering into this transaction) over-hedged or that there is any mismatch in its asset or liability position and the transactions entered into to hedge such position. The Client should consider its ability and potential costs to terminate the transaction

in such circumstances, and whether the excess notional amount remaining under the transaction (if applicable) may create any implications under which the asset or liability is subject. Unless otherwise expressly agreed at the time, HSBC has no obligation to terminate or modify any transaction in response to these changes or other changes in light of the Client's circumstances.

Concentration Risk

If the client is entering into this transaction for investment purposes, the Client should avoid excessive exposure in a single financial instrument with regard to its total proportion of the Client's overall portfolio, in order to guard against over-exposure to any single financial instrument or asset class. The Client should promptly notify HSBC should it become aware that its exposure to a single financial instrument or asset class becomes (or will become as a result of entering into this transaction) over-concentrated whether on account of the Client having entered into similar transactions with other institutions or otherwise. Unless otherwise expressly agreed at the time, HSBC has no obligation to terminate or modify any transaction in response to these changes or other changes in light of the Client's circumstances.

Reference Rates

Prior to entering into a transaction that is priced or settled or that includes a contingency based on one or more reference rates or prices, the Client should endeavour to fully understand how those reference rates or prices are established. This includes, among others, the nature, quality and sources of data inputs, the methodology and process for the construction or generation of such reference rates or prices and the contingency arrangements maintained by the sponsor, publisher or administrator, the governance and oversight arrangements maintained by the sponsor, publisher or administrator of such reference rates or prices (including with respect to any submission process or other data input selection process) and its management of conflicts of interest, and the transparency and availability of disclosures by the sponsor, publisher or administrator regarding the foregoing matters. The Client should independently assess the suitability of the transaction in comparison to its needs. Information regarding a reference rate or price may be available through the sponsor, publisher or administrator, including its publications or websites or through other sources.

Credit/Default Risk

Unless this transaction is secured by collateral posted by HSBC when the Client enters into this transaction, it will be relying on HSBC's, the Issuer's and the Guarantor's (if applicable) creditworthiness and it is exposed to the insolvency risk of the same. If HSBC or the Issuer or the Guarantor (if applicable) becomes insolvent or defaults on its obligations under this transaction, the Client will become an unsecured creditor of HSBC and/or the Issuer and/or the Guarantor (if applicable), the market value (or the termination value) of this transaction may result in the Client suffering a substantial mark-to-market loss and there is a risk that this transaction may become valueless. What the Client will receive in respect of this transaction will depend on the liquidation procedure applicable to companies incorporated in the jurisdiction of HSBC and/or the Issuer and/ or the Guarantor (if applicable).

Collateral Call Risk

Where the Client has entered into a collateral arrangement with HSBC and the market conditions go against the Client, HSBC may call for margin/collateral pursuant to the terms of any such collateral arrangement and therefore the Client could face substantial liquidity risks. The Client must ensure that it is fully aware of the terms and conditions of any collateral arrangement entered into with HSBC, in particular:

1. the Client needs to be prepared for meeting margin calls which may require them to make top-up payment to cover the full marked-to-market losses for the remaining period of this transaction. Such payment can be substantial in poor market conditions and/or when the remaining tenor of this transaction is long;

2. in poor market conditions, the Client may have to meet margin calls at short notice while his/her/ their ability to make top-up payments may be much worse than during normal times, due to the significant fall in market value of other financial assets; and

3. if the Client fails to meet margin calls, this transaction may be terminated without the Client's consent and the Client will have to bear the consequential losses and costs which could be very substantial.

Disclaimer

This document is intended as an outline only of the product(s) described herein and does not purport to list or summarise all of the terms and conditions of a particular transaction, nor to identify or define all or any of the risks that would be associated with the purchase or sale of such product(s). Prior to making an investment decision, you should conduct such investig ation and analysis regarding the product(s) described herein as you deem appropriate and to the extent you deem necessary obtain independent advice from competent legal, financial, tax, accounting and other professionals, to enable you to understand and recognise fully the legal, financial, tax and other risks arising in respect of such product(s) and the purchase, holding and sale thereof. Please note that any prices or levels and any terms or conditions contained herein are indicative, are provided for discussion purposes only and may vary in accordance with changes in market conditions. No liability is accepted whatsoever for any direct, indirect or consequential loss arising solely from your use or distribution of this document in jurisdictions where such use or distribution may be restricted by law. The information contained herein is confidential to the addressees thereof and may not be reproduced or otherwise disseminated (except to your professional advisers for the purposes of advising you hereon). This document shall not be circulated to the public under any circumstances whatsoever. The Hongkong and Shanghai Banking Corporation Limited, India (HSBC or HSBC India), its affiliates and/ or individuals associated therewith may have (or may liquidate) from time to time positions in the product(s), security or securities and/ or underlying asset(s) (including derivatives thereof) referred to herein, or in any other asset, which may directly or indirectly affect the return to you under the product(s) described herein.

Notwithstanding any explanation on product or transaction suitability made by HSBC or any of its affiliates, you must make your own independent assessment as to whether the product or transaction is suitable to you based on your own financial conditions, risk appetite, investment experience and obj ectives. Product suitability will be adversely affected if any such information if so provided by you is inaccurate, misleading or incomplete for which neither HSBC nor any of its affiliates assumes any responsibility. Where applicable, product or transaction suitability is conducted before you invest in the product or enter into the transaction. Therefore, neither HSBC nor any of its affiliates has an ong oing responsibility to ensure that a product continues to remain suitable for you throughout the term of that product as your personal circumstances, financial conditions, investment objectives as well as market conditions may change. By placing an order or entering into the transaction, you are deemed to have acknowledged that you are fully aware of and understand the terms of the product or the transaction including the risks of investing in the product or the transaction If you are in doubt on any aspect about this product, you should consult your own leg al, financial, tax or other professional investment advisers.

Should you intend to sell or otherwise transfer or supply (directly or indirectly) the product(s) (or any interest therein) described herein to any third party (and without prej udice to any contractual requirement to obtain the consent of HSBC (or any of its affiliates) in respect of such sale, transfer or supply), you (rather than HSBC or any of its affiliates) will be responsible for complying with all applicable laws, regulations and rules in respect of any such sale, transfer or supply (including without limitation as to the suitability of such product(s) for such third party) and the provision of all appropriate risk warnings and disclosures. In addition, you accept that in no circumstances shall any such third party be treated as a customer of HSBC (or any of its affiliates) in respect of such sale, transfer or supply. Neither HSBC nor any of its affiliates shall be liable for any loss or damages any such third party may incur.

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