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Contracts

issued by

The Hongkong and Shanghai Banking Corporation Limited

(incorporated in Hong Kong with limited liability under the Companies Ordinance of Hong Kong)

Announcement

We intend to issue the following callable bull contracts detailed below (the **contracts**).

Stock Code	60553
Index	Hang Seng Index
Style	European
Type	Bull
Category	R
Settlement method	Cash Settled
Issue size	250,000,000 contracts
Issue price	HK\$0.25 per contract
Expiry date / Valuation date	29 November 2012
Trading board lot	10,000 contracts
Exercise amount	10,000 contracts
Call level	20,588
Strike level	20,288
Mandatory call observation period start date	15 February 2012
Mandatory call observation period end date	The business day immediately preceding the expiry date

Stock Code	60553
Initial funding cost	15.82% p.a. (= 3 month's HIBOR + 15.42%)
Index currency amount	$\frac{10,000}{12,000} \times \text{HK\$}1.00$
Effective gearing*	6.90x
Gearing*	6.90x
Premium*	12.51%
Liquidity provider	HSBC Securities Brokers (Asia) Limited (Broker ID: 9503) Levels 17 and 18, HSBC Main Building, 1 Queen's Road Central, Hong Kong Tel: (852)2822 1849

* The gearing, effective gearing and premium may not be comparable to similar information provided by other issuers of structured products as each issuer may use different pricing models.

The contracts are in global registered form and exercisable only in the relevant trading board lots specified above.

What is a mandatory call event? What happens if a mandatory call event occurs?

A **mandatory call event** means the first occurrence on a business day during the mandatory call observation period whereby the spot level is equal to or less than the call level.

Spot level means the spot level of the index as compiled and published by Hang Seng Indexes Company Limited.

The **mandatory call observation period** commences from the mandatory call observation period start date and ends on the mandatory call observation period end date (both dates inclusive).

Upon the occurrence of a mandatory call event, the contracts will terminate automatically on the mandatory call date and for every exercise amount you will receive from us, the mandatory call payoff being an amount in Hong Kong dollars calculated by us in accordance with the following formula:

Mandatory call payoff per exercise amount:

$$\{(\text{Minimum index level} - \text{strike level}) \times \text{index currency amount}\} - \text{expenses}$$

Minimum index level means the minimum index level of the index during the period from the time of the occurrence of the mandatory call event up to the end of the next trading session for the callable bull/bear contracts on Hong Kong indices as compiled and published by Hang Seng Indexes Company Limited on the stock exchange (in accordance with the conditions).

If the mandatory call payoff is at or below zero, you will lose all your investment in the contracts.

How do we calculate the cash settlement amount at expiry?

If no mandatory call event occurs during the mandatory call observation period and on the expiry date, the value of the cash settlement amount is greater than zero, the contracts will be automatically exercised. You are not required to deliver any exercise notice and you will receive from us the cash settlement amount (if any) in Hong Kong dollars calculated by us as follows:

Cash settlement amount per exercise amount:

$\{(Closing\ level - strike\ level) \times index\ currency\ amount\} - expenses$

The closing level shall be the final settlement price for settling the Hang Seng Index November 2012 Futures Contracts determined pursuant to Regulation 012 of the Regulations for Trading Stock Index Futures and the Contract Specifications for Hang Seng Index Futures Contracts (as amended from time to time) of the Hong Kong Futures Exchange.

Where can you obtain further information?

Our base listing document dated 26 April 2011 (the **base listing document**), the addendum to the base listing document dated 15 August 2011 together with any additional addenda or successor document, our supplemental listing document to be dated 14 February 2012 and our latest publicly available annual report and interim report will be available for inspection, together with their Chinese translations, during usual business hours at the office of Computershare Hong Kong Investor Services Limited, which is presently at Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong. Information on us can also be found on the website of the group of companies to which we belong, which is www.hsbc.com.

How will the liquidity provider provide quotes?

The liquidity provider will provide liquidity by responding to requests for bid and offer quotes. A quote may be obtained by calling its telephone number.

Additional information

The contracts will constitute our general unsecured contractual obligations. They are not obligations of any other person.

An application will be made to the stock exchange for the listing of, and permission to deal in, the contracts on the stock exchange. The date of commencement of dealings in the contracts is expected to be 15 February 2012.

Other than being a licensed bank in Hong Kong regulated by the Hong Kong Monetary Authority and a registered institution under the Securities and Futures Ordinance, we are not regulated by any of the bodies referred to in rule 15A.13(2) or (3) of the stock exchange rules.

Our long term credit ratings are AA- by Standard and Poor's Ratings Group and Aa1 by Moody's Investors Service, Inc.

Index disclaimer

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The Hongkong and Shanghai Banking Corporation Limited
8 February 2012