Interest Rate Risk Management

Interest Rate Swap Term Sheet

This is a structured investment product involving derivatives. Do not enter this trade or invest in the product unless you fully understand and are willing to assume the risks associated with it. If you are in any doubt about the risks involved in the product, you may clarify with the intermediary or seek independent professional advice.

This document is a Term Sheet which sets out indicative terms and conditions for a transaction (the "**Transaction**") between You (as defined below) and The Hongkong and Shanghai Banking Corporation Ltd., India branch ("**HSBC**", "**We**", "**Us**" and "**Our**"). This document is provided for Your information and is for discussion purposes only. The final terms are set out in the contract between us.

It is important that You read the whole Term Sheet, including the disclosures in the "Important Note" section of this Term Sheet. There are risks involved in this Transaction that You should be aware of and You should be willing to accept significant fluctuations in the value of this Transaction to You.

Client Exposure and Needs

You are a customer who has a fixed rate liability (the "**Liability**"). Your business model is exposed to economic cycles and You wish to create cashflows which are more aligned to Your business requirements by using an interest rate swap (the "**Swap**").

Client Objectives

You wish to create cashflows which are better aligned to Your business model and financial requirements.

Product Description

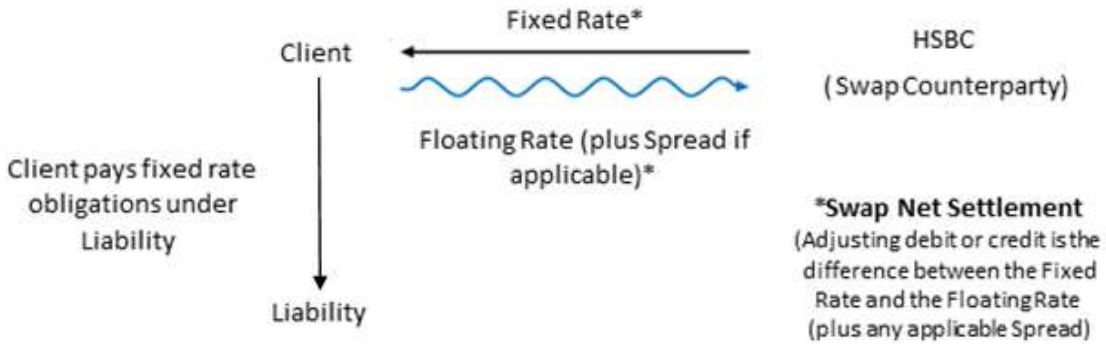
A Swap is an over-the-counter instrument that allows You to swap (or exchange) a fixed rate of interest for a variable rate. For a given Calculation Period, the Floating Rate of the Swap is calculated on a compounded basis as set out as set out in the definition of "Floating Rate"below. Payments are made at the end of the relevant Calculation Period (a "**Payment Date**").

To illustrate, for a given Calculation Period, assuming: (i) there is no mismatch between the terms of the Liability and the Swap; and (ii) the same payment frequency on both the fixed rate and floating rate legs of the Swap, where You ("**Client**") enter into a Swap with HSBC and You are the Floating Rate Payer and HSBC is the Fixed Rate Payer:

- If the Floating Rate is above the Fixed Rate, You will pay Us an amount equal to the difference between the Floating Rate and the Fixed Rate on the relevant Notional Amount on the relevant Payment Date using the relevant Day Count Fraction.

- If the Floating Rate is below the Fixed Rate, We will pay You an amount equal to the difference between the Fixed Rate and the Floating Rate on the relevant Notional Amount on the relevant Payment Date using the relevant Day Count Fraction.

Please be aware that it is possible to have a negative interest rate, whether due to a negative Fixed Rate or negative Floating Rate. In this case, if the interest rate payable by a party is negative, the other party will become additionally liable to pay an amount equal to the absolute value of that negative interest rate – please see section entitled 'Cashflow Examples' for an example of how the Swap might work in a negative rate scenario. As mentioned in the section entitled 'Client Exposure and Needs', the terms of the Swap should correspond to those in the Liability, otherwise there will be a mismatch between the Swap and the Liability (and in certain circumstances You may be obliged to make payments to Us on account of negative interest rates).


Fixed Rate*
Client
HSBC
(Swap Counterparty)
Floating Rate (plus Spread if applicable)*
Client pays fixed rate obligations under Liability
Liability
*Swap Net Settlement
(Adjusting debit or credit is the difference between the Fixed Rate and the Floating Rate (plus any applicable Spread)

RISK DISCLOSURE STATEMENT

What are the main benefits and risks of the Swap?

Benefits

- By swapping (or exchanging) a fixed rate of interest for a variable rate of interest, You can better manage Your obligations under the Liability.
- As the Floating Rate Payer, You may benefit if interest rates fall.

Risks

- As the Floating Rate Payer, You will be exposed to fluctuations in interest rates which may not move as expected during the life of the Swap. As a result, You may pay or receive a less favourable rate than the prevailing market interest rates. For example, if the Floating Rate is or remains consistently above the Fixed Rate received by You under the Swap, You are still required to pay the Floating Rate, which will be higher than the Fixed Rate payable to You by HSBC under the Swap.
- If, for any reason, You need to terminate or restructure the Swap earlier than the Termination Date, You may have to pay an Unwind Cost (as defined below), which could be substantial - please see section entitled 'Early Termination, Restructuring and Unwind Cost' for details.
- The Transaction contains derivative instruments whose values are sensitive to changes to market factors and the mark-to-market value of the Swap can fluctuate upward or downward. There is no assurance that a particular product will provide You with a positive or anticipated return or achieve Your objectives. Past performance is not necessarily a guide to the future results. Your decision to enter into the Transaction should not be based mainly or solely on past performance. In times of high market volatility, the changes in valuation can be very significant - please see section entitled 'Early Termination, Restructuring and Unwind Cost' below for examples of market factors.
- Under the Swap, You will receive from HSBC a floating rate based on SOFR calculated on a compounded basis as set out in the definition of "Floating Rate". If at the time of valuation, there are no or limited observable market parameters, standards and historical data for the Swap, valuation of the Swap may depend on certain assumptions proprietary to HSBC. Since SOFR is an overnight rate which is subject to day-to-day fluctuations, the daily volatility of SOFR can change over time. Please also note that if Your Liability uses a different method of calculating the SOFR-based floating rate than that under the Swap, this may result in the Swap being an imperfect hedge for Your Liability All of the foregoing factors could result in increased costs to You and/or result in a mismatch between Your interest rate exposure under the Liability and the Floating Rate You receive from HSBC under this Swap. Please see section entitled 'General Near Risk-Free Rates Related Risk Factors' for more detail.
- The Swap has a mandatory early termination which occurs on the Mandatory Early Termination Date. This means that the Swap will terminate prior to the Termination Date set out below and You may be required to make payments in respect of losses which could be significant. However, it may also be possible that, in certain circumstances, an amount may be payable by HSBC to You. Please see section entitled 'Mandatory Early Termination' for details. If You wish to ensure that the Swap continues until the Termination Date then You should enter into a different Swap arrangement.

Indicative Terms and Conditions

General Terms		
Party A	:	The Hongkong and Shanghai Banking Corporation Ltd., India branch ("HSBC," "We," "Us" and "Our")
Party B	:	ABC Limited ("You", "Your" and "Client")
Notional Amount	:	USD 88,000,000.00
Trade Date	:	2 August 2023
Effective Date	:	4 August 2023
Termination Date	:	4 August 2025, subject to adjustment in accordance with the Modified Following Business Day Convention and subject to any Mandatory Early Termination
Applicable Business Day or ABD	:	U.S. Government Securities Business Day
U.S. Government Securities Business Day	:	Any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities
Fixed Amount		
Fixed Rate Payer	:	Party A
Fixed Rate	:	4.79% p.a.
Fixed Rate Day Count Fraction	:	Actual/360
Fixed Amount	:	Notional Amount x Fixed Rate x Fixed Rate Day Count Fraction
Fixed Rate Payer Payment Date(s)	:	Annually commencing on and including 5 August 2024 and then the Termination Date, subject to adjustment in accordance with the Fixed Rate Business Day Convention.
Fixed Rate Initial Calculation Period	:	From 4 August 2023 to 5 August 2024
Fixed Rate Final Calculation Period	:	From 5 August 2024 to 4 August 2025
Fixed Rate Business Day Convention	:	Modified Following
Business Day(s)	:	New York
Mid-Market Mark	:	
Floating Amount		
Floating Rate Payer	:	Party B
Floating Rate for Initial Calculation Period	:	Floating Rate as determined by Calculation Agent in respect of the Initial Calculation Period
Floating Rate Option	:	USD-SOFR
Floating Rate	:	The floating rate calculated by reference to USD-SOFR applying "OIS Compounding"
OIS Compounding	:	****Request definition from Legal / RC / Trading if required****
Floating Rate Day Count Fraction	:	Actual/360
Floating Amount	:	Notional Amount x Floating Rate x Floating Rate Day Count Fraction

Reset Date(s)	:	The last day of each Calculation Period
Floating Rate Payer Payment Date(s)	:	Annually commencing on and including 5 August 2024 and then the Termination Date, subject to adjustment in accordance with the Floating Rate Business Day Convention.
Floating Rate Initial Calculation Period	:	From 4 August 2023 to 5 August 2024
Floating Rate Final Calculation Period	:	From 5 August 2024 to 4 August 2025
Floating Rate Business Day Convention	:	Modified Following
Business Day(s)	:	New York
Miscellaneous		
Calculation Agent	:	HSBC
Documentation	:	ISDA Master Agreement, Swap Confirmation and/or other documentation as may be required by Us from time to time
Mandatory Early Termination	:	On a Mandatory Early Termination Date, the Swap will terminate and on such Mandatory Early Termination Date, the relevant party will pay the other party the Dealer Price.
Mandatory Early Termination Date	:	1 September 2023, subject to adjustment in accordance with the Modified Following Business Day Convention.
Dealer Price	:	The amount that HSBC reasonably determines (the calculations for which shall be provided to You upon request), acting in good faith and a commercially reasonable manner, to be its total losses and costs (payable by You to HSBC) or gains (payable by HSBC to You), including, but not limited to, as the case may be, any loss of bargain, cost of funding or, at the election of HSBC, but without duplication, loss or cost incurred as a result of its terminating, liquidating, obtaining, or re-establishing any hedge or related trading position (or any gain resulting from any of them), subject to and in accordance with the detailed provisions of the Documentation.
ISDA Definitions	:	Capitalised terms used and not defined in this document have the meanings given in the 2006 Definitions as published by ISDA, as supplemented from time to time up to and including the Trade Date, including the 2018 Benchmarks Supplement
Early Termination/Restructuring	:	Any request for early termination or restructuring of the Swap (assuming that there has not been any Mandatory Early Termination) is subject to HSBC approval and will be evaluated on a case by case basis by Us and upon terms to be agreed between You and HSBC. **Please see section entitled 'Early Termination, Restructuring and Unwind Cost' for details.**

Schedule

Start Date	End Date	Outstanding Notional Amount (USD)	Payment Date
4 Aug 23	5 Aug 24	88,000,000.00	5 Aug 24
5 Aug 24	4 Aug 25	88,000,000.00	4 Aug 25

*The dates set out in the table above are indicative only. They are based on the current New York Business Day schedules and have been adjusted in accordance with the relevant Business Day Convention. They do not take into account any market disruption events.

Cashflow Examples

The following analysis provides You with some examples of how the Swap might work in certain scenarios for a given Calculation Period. In the examples below, the Fixed Rate is 4.79%.

For the purposes of the examples, it is assumed that (i) Your Liability uses the same method of calculating the SOFR-based floating rate as that under the Swap; (ii) the Calculation Periods under the Swap match exactly with the interest calculation periods under Your Liability; and (iii) the Swap will be entered into for 100% of the Liability, though You may wish to enter into the Swap in respect of only a portion of the Liability.

The below 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 any actual Transaction. No representation or warranty is made by HSBC that any scenario shown below can be duplicated under any actual Transaction. Actual results may vary from the results shown below and such variations may be material.

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Examples of possible levels of Floating Rate for a given Calculation Period	-1.00%	3.00%	6.00%	8.00%
Under the Swap, the Fixed Rate is	4.79%	4.79%	4.79%	4.79%
Under the Swap, the Floating Rate is	-1.00%	3.00%	6.00%	8.00%
Under the Swap settlement with HSBC, the difference between the Fixed Rate and the Floating Rate means that	You receive 5.79%	You receive 1.79%	You pay 1.21%	You pay 3.21%

Early Termination, Restructuring and Unwind Cost

You should only proceed with this Swap if You are prepared to keep it until the Termination Date, as You may have to pay a significant Unwind Cost to terminate early. You should also be aware of the tenor of this Swap as Transactions with a longer tenor may be associated with higher costs of early termination.

As the Swap is a bilateral derivative transaction between You and HSBC, there is no secondary market for the Swap. Any request for early termination or restructuring prior to the Termination Date will be evaluated on a case-by-case basis by HSBC and upon terms to be agreed between You and HSBC. Any agreement to early terminate or restructure the Swap will be dependent on Our reasonable assessment of underlying market conditions and availability of credit limits. Satisfactory documentary evidence may also be required before HSBC allows the Swap to be early terminated or restructured.

Where (i) an Early Termination Date occurs under the terms of the Documentation (other than a Mandatory Early Termination), or (ii) You request Us to restructure the terms of the Swap, or (iii) You request HSBC to early terminate the Swap, You may be obliged to pay, or You may receive, an amount determined by HSBC, acting in good faith and a commercially reasonable manner, to be its total losses or gains, if the Swap is terminated, restructured or amended (as the case may be) before the Termination Date ("**Unwind Cost**"). The Unwind Cost could be significant.

The Unwind Cost is typically the change in mark-to-market value of the Swap, as a result of terminating, restructuring or amending the Swap (as the case may be), adjusted for any costs HSBC might incur in the process.

In particular and without limitation, in determining the mark-to-market value of the Swap, HSBC may take into account the expected price or forward rate, volatility, interest rates, valuation model or method and other market data which HSBC believes to be appropriate at the time of calculation.

In addition, when You enter into a Swap with HSBC, HSBC will generally hedge Our own position to manage Our own risk. Therefore, if You choose to terminate early or restructure the terms of the Swap, We will also need to account for the costs of terminating or adjusting Our own hedging positions in the market. We may hedge Our risk associated with the Swap on an individual basis, an aggregate basis in respect of a number of swaps or not at all. The costs of doing this will depend on the market at the time, including, but not limited to, the availability of equivalent hedging positions, and such costs will be passed on to You as part of the Unwind Cost. Other factors which may affect the determination of Unwind Cost include, without limitation, Your creditworthiness and Our own funding costs.

It is possible that, in terminating the Swap early or restructuring the Swap, the Unwind Cost could be zero, in which case You will not have to pay any Unwind Cost to HSBC.

It is also possible that, if at the time of termination or restructuring of the Swap, the Unwind Cost is an amount in Your favour, You could receive an unwind 'pay-out'.

The table below illustrates what the mark-to-market value of the Swap might be, in the event of movement from the current interest rate swaps curve for the remaining term of the Swap. This only considers a parallel shift of the interest rate swaps curve (a parallel shift is when swap rates on all maturities increase or decrease by the same absolute amount). Please note that this is indicative only and does not take into account any other market factors which may impact upon the Unwind Cost You may have to pay. For an example of an extreme market scenario, please see section entitled 'Extreme Market Scenario'.

Absolute Parallel Movement in Interest Rate Swaps Curve from current levels

Scenario Date	-2.00%	-1.00%	-0.50%	0.00%	0.50%	1.00%	2.00%
2 Aug 2023	3,476,367	1,703,630	830,403	-34,178	-890,199	-1,737,746	-3,407,750
1 Aug 2024	2,596,534	791,771	-110,654	-1,013,138	-1,915,703	-2,818,372	-4,624,110
1 Aug 2025	2,315,780	1,414,434	960,436	504,206	45,733	-414,994	-1,343,254

IMPORTANT: The figures in the table above are in USD. Negative figures represent an amount that You would pay HSBC and positive figures represent an amount that HSBC would pay You. Please also note that any asymmetry in the effect of a parallel shift up or down the interest rate swaps curve is due to a number of factors including without limitation the shape of the forward market curve and the difference between the Fixed Rate and the Mid-Market Mark.

It is not possible to determine Unwind Costs in advance as they are linked to market variables prevailing at the time of terminating or restructuring the Swap. The actual Unwind Cost could be within the range illustrated or in some circumstances, significantly higher. If You have any further questions about Unwind Costs, please contact Us before proceeding any further.

Extreme Market Scenario

In an extreme market scenario, the Floating Rate could rise or fall by more than the range illustrated in the table above in respect of ALL Calculation Periods.

For example, if the Floating Rate is and remains at 9.79% p.a. which is 5.00% above the Fixed Rate, You could be required under the terms of the Swap to pay HSBC an amount totalling approximately USD 8,934,444 over the life of the Swap. Please note that these amounts will vary depending on the actual number of days in each Calculation Period.

The above scenario is for information purposes only and is designed to illustrate what could happen in an extreme market scenario. The amount You will have to pay HSBC under the Swap will always depend on the level of the Floating Rate in respect of the relevant Calculation Period.

Mandatory Early Termination

If a Mandatory Early Termination occurs, a significant amount may be payable by You to HSBC on the Mandatory Early Termination Date. However, it is also possible that, in certain circumstances, an amount may be payable by

HSBC to You. In each case, the amount payable will be determined by HSBC as set out in the definition of Dealer Price above. Please let us know if You require information on how this is determined.

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, You 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, generation, submission or selection of such reference rates or prices and the contingency arrangements maintained by the sponsor, publisher or administrator, and the transparency and availability of disclosures by the sponsor, publisher or administrator regarding the foregoing matters. You should independently assess the suitability of this Transaction in comparison to Your 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.

General Near Risk-Free Rates Related Risk Factors

The following applies if near risk-free rate benchmarks (such as the Sterling Overnight Index Average ("**SONIA**"), the Secured Overnight Finance Rate ("**SOFR**") and the euro short-term ("**€STR**", previously "**ESTER**")) and/or any other relevant benchmarks (together, "**RFRs**" and each, an "**RFR**") are directly or indirectly used to determine certain amounts payable under a transaction and/or determine its value.

Regulatory Reform and Developments

Various interest rate benchmarks globally have been the subject of regulatory guidance and reform. Over the last few years, regulators around the globe have engaged with the financial services industry to transition markets from interest calculations based on interbank offered rates (or "**IBORs**") to RFRs. For example, as of 1 January 2022, Sterling, Euro, Swiss Franc and Japanese Yen LIBOR settings in all tenors, and USD LIBOR 1-week and 2-month settings have either ceased to be published or are no longer representative. USD LIBOR Overnight, 1-month, 3-month, 6-month and 12-month settings will either cease to be published or become non-representative after 30 June 2023.

What are RFRs?

RFRs are overnight rates, published every business day in arrear and intended to be based on actual transactions in the wholesale market. RFRs may be calculated based on unsecured (e.g. SONIA and €STR) or secured (e.g. SOFR) transactions. For the purposes of calculating a rate for a particular period of time (e.g. monthly or quarterly) under a derivative transaction, a rate is calculated based on the overnight RFRs published for that period.

In contrast to transactions referencing IBOR term rates, where the interest rate is known at the beginning of the interest period, interest under an RFR-referencing transaction:

- will only become known at, or near the end of, the interest period; and
- does not itself contain an embedded premium which reflects credit risk.

The RFRs are overnight rates that are subject to day-to-day fluctuations in market rates. The level of an RFR can change over time and depends on a number of factors including day-to-day changes in supply and demand. Taking an average of, or compounding, an RFR over a period of time may smooth the impact of any such fluctuations, with longer averaging/compounding periods generally having a greater smoothing effect versus shorter averaging/compounding periods.

RFR Considerations

The market in RFRs continues to develop. For example, market participants and working groups have considered alternative reference rates based on RFRs, including term RFRs which seek to measure the market's forward expectation of an RFR rate over a certain term (see, for example, the paragraph on SOFR Term Rate). The International Swaps and Derivatives Association, Inc. ("**ISDA**") has also published overnight RFR rate options, as well as provisions required to implement compounding and averaging approaches. In addition, there are RFR indices being published by various regulators and benchmark administrators, including for SOFR, SONIA and €STR. ISDA has also published certain floating rate options which relate to such RFR indices.

Please note however that the use of RFRs and term RFRs is still developing. The existence of a particular RFR or term RFR should not be taken to indicate that it will be available for use with all products, and the methodologies and applications of RFRs may change over time.

Liquidity for a number of RFR-referencing transactions in certain markets is developing. If, at the time of valuation, there are no or limited observable market parameters or standards for such RFR-referencing transactions, valuation would depend on certain assumptions proprietary to HSBC. Even if observable market parameters or standards for such RFR-referencing transactions do develop, HSBC may choose to deviate from, or otherwise not to incorporate, such standards in its proprietary models. Additionally, even if the majority of market participants do switch to using RFRs, there is no guarantee that a liquid market will continue to develop in relation to RFR-referencing transactions. This may give rise to issues with putting appropriate hedging in place and you may incur substantial costs if you were to amend, terminate or restructure an RFR-referencing transaction prior to its maturity.

Interest rate transactions that include a cap or a floor are more complicated to price than vanilla interest rate swaps. Pricing in these products is already subject to certain divergence in the market. The RFR-cap/floor market continues to develop and consequently, this divergence in pricing may be greater for caps and floors that reference an RFR due to the use of different models to price such transactions.

If a transaction is being used to hedge interest rate exposure, the following considerations may also be relevant:

- basis risks could arise as a result of differences between the terms of the cash product and the hedging transaction, such as differences in the interest calculation methodologies, payment dates and the fallback provisions in the event a benchmark ceases to exist;
- accounting, regulatory capital and tax issues may arise; and
- existing or new laws and regulations may materially impact upon any existing or new RFR transactions and such impact may be difficult to predict. Such laws and regulations may also have consequential effects on pricing and liquidity in the market.

SOFR Term Rate

In July 2021, the Alternative Reference Rates Committee ("**ARRC**") announced recommended best practices[1] supporting the use of forward-looking SOFR term rates ("**SOFR Term Rates**") for limited products in certain circumstances.

If you have a cash product referencing a SOFR Term Rate that is hedged with a product based on overnight or compounded/averaged SOFR, this could result in cashflow and/or valuation mismatches between the two products.

If you enter into any SOFR Term Rate derivative transaction with HSBC, you are responsible for complying with any and all applicable legal, regulatory, industry and/or market practice, guidance, standards and/or protocols (including, for example, any relevant ARRC recommendations). Please also note that the use of the CME Group's forward-looking SOFR term rates is likely to require appropriate licensing – please contact the CME Group for more information and also refer to the CME Group's FAQs[2].

Under the ARRC-endorsed methodology, SOFR Term Rates are derived from certain SOFR derivative transactions' market data, so HSBC's trading activities in such derivatives may impact on SOFR Term Rates. Please also note that Term SOFR Rates may not be equivalent to the rate for the identical term that is derived from the compounded/averaged SOFR for such period.

Given the ARRC recommendation that SOFR Term Rate derivatives be limited to end-user facing derivatives intended to hedge SOFR Term Rate cash products, there is very limited to no liquidity in the SOFR Term Rate derivative market and pricing may be unobservable. When entering into a SOFR Term Rate derivative transaction with HSBC, HSBC will include, in the fixed rate payable by you, additional execution costs ("**Additional Execution Costs**") to reflect HSBC's risk management activities in connection with the transaction. Such Additional Execution Costs depend on HSBC's view of prevailing and future market conditions, as well as HSBC's related risk appetite. If you wish to early terminate, restructure, amend or novate the transaction, this may prove challenging depending on prevailing market conditions and you may incur potentially significant costs at the time of such early termination, restructure, amendment or novation. As a result, (i) the price of the transaction on the trade date; and (ii) the cost

[1] ARRC_Scope_of_Use.pdf (newyorkfed.org)

[2] CME Term SOFR Reference Rates – Frequently Asked Questions - CME Group

of terminating, restructuring, amending or novating the transaction prior to the termination date, in each case, is likely to be higher than that of a swap with the exact same terms but referencing overnight or compounded/averaged SOFR.

The above information is not a complete statement of risks and other considerations concerning its subject matter. This information is general and not intended to be, and should not be relied upon as, legal, regulatory, financial, tax, accounting or other advice. HSBC makes no representation as to the accuracy, completeness or timeliness of such information, which may also be subject to change. In particular, it has been prepared without taking account of any particular party's objectives, financial situation or needs.

You should seek independent advice, including if you are unclear about any potential implications in respect of the above, including legal, tax, accounting, regulatory, financial or other issues.

The value or price of a 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 will or 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.

Given that HSBC's interest, involvement or role may vary depending on the transaction in question, HSBC may make decisions and act independently with respect to each transaction, without any obligation to treat all transactions alike, including, without limitation, agreeing or applying the same spreads or adjustments to alternative benchmarks for purposes of converting them into approximations of the original benchmark's rates.

Further information on IBOR reforms can be found on the following link: https://www.gbm.hsbc.com/financial-regulation/market-structure/ibor. HSBC is participating in a number of industry and regulatory working groups relating to benchmark reform and, as appropriate, will periodically update the information found on the above link.

Explanation of Key Aspects

Contract

The Swap is a separate legal contract from the Liability that it relates to and, generally, the terms and conditions of the Liability, as well as any amendment to or termination of the Liability do not affect the Swap. **You will therefore remain obliged to fulfil Your obligations under the Swap even if the Liability to which it relates is amended or terminated.** Payments are calculated on the relevant Notional Amount agreed in the Swap, not the amount outstanding under the terms of the Liability. Any changes made to the Liability will not be automatically reflected in the Swap – this may lead to a mismatch between the Swap and the Liability. Where You have requested, and HSBC has agreed, to make corresponding changes to the Swap, depending on those changes, an Unwind Cost may be payable.

HSBC as Swap Counterparty

If HSBC is not able to pay You what is owed under the Swap, You could incur significant losses and/or costs. You must make Your own judgement about HSBC's ability to fulfil Our obligations to You under the Swap. If HSBC becomes insolvent or defaults on Our obligations under the Swap, what You will receive in respect of the Swap (if anything) will depend on the liquidation procedure applicable to HSBC.

HSBC Hedging Activity

HSBC and/or Our affiliates may, in Our/their discretion, enter into hedging transactions in the market to enable Us to fulfil Our obligations under the Swap. These hedging transactions typically involve contracts for the purchase and/or sale of the underlying interest rates and the establishment of long and/or short positions in the underlying interest rates which may be constantly adjusted. These hedging transactions or the unwinding or adjustment of the positions in the underlying interest rates shortly before the relevant determination dates under the Swap may affect the relevant interest rates.

Settlement

When You enter into the Swap with HSBC, You are responsible for ensuring payments are made as they fall due under the terms of the Swap. Unless You have instructed otherwise (for example, if You have given Standard Settlement Instructions (SSIs)), or if You fail to make payment on time, We may effect settlement on Your behalf by debiting and crediting any accounts You hold with HSBC. Failure to make payments due under the Transaction may result in HSBC terminating the Transaction(s) and any Unwind Cost (which may be significant) will be payable by You.

Indication

All costs associated with the Swap are indicative and all costs indicated and communicated by HSBC are independent of any costs associated with the Liability, in particular any lending margin or arrangement fees charged on the Liability.

Verbal agreement

Where the Transaction is agreed between You and HSBC on the telephone, the conversation will be recorded and You will be entering into a legally binding contract with HSBC.

Confirmation

Following execution of the Transaction, You will be sent documentation to confirm the economic terms, legal terms and conditions of the Transaction, which You are required to sign and return to HSBC. If, for any reason a confirmation is not provided, or You do not sign and return the confirmation, this shall not affect the validity of any Transaction agreed verbally.

Independent Evaluation

There is no assurance that the Transaction will achieve Your objectives. By entering into the Transaction, You represent and warrant that You are acting for Your own account and that You make an independent evaluation of the Transaction You have entered into and its associated risks.

Valuation and Accounting

HSBC may provide mark-to-market valuation on the Swap from time to time, however given the bilateral nature of the instrument, You may find it difficult to obtain a valuation from another independent source.

Where HSBC has provided fair value 'mark-to-market' valuations, please note that the accounting treatment of a particular transaction is a matter of agreement between You and Your auditors. If You prepare accounts under International Financial Reporting Standards (IFRS), You will need to comply with IFRS in relation to risk management transactions.

Mismatch

This Swap could be ineffective if there is a mismatch between the critical terms (including but not limited to the Effective Date, Termination Date, Notional Amount, etc.) of the underlying Liability and the Swap. For example, You may be in an over-hedged position in the event You reschedule the profile of the Liability and the Swap is not amended.

Early Termination

If You decide to terminate the Swap early, You may have to pay an Unwind Cost. This amount will be calculated by reference to prevailing market conditions at the time of termination and include the cost incurred by HSBC in terminating or adjusting Our own hedging positions in the market. Please be aware that the Unwind Cost may be significant (please see section entitled 'Early Termination, Restructuring and Unwind Cost' for details).

Transfer / Novation

Where You and We agree, the Swap may be novated to a third party. Novation is the legal process by which contractual rights and obligations are transferred from one party to another. All parties have to agree to the novation and You may incur additional charges.

Security

Where You have credit facilities with HSBC, the Swap may be linked to those facilities for reasons including, but not limited to, cross-default, and other early termination events. In addition, HSBC may be entitled to enforce any security held if there is a default under the credit facilities or any derivative contracts, in which case the Swap may be terminated early. The terms of any such facilities and/security will be contained within that liability, security and/or transaction documentation. Any such linkages may restrict Your ability to move Your lending and/or swap relationship with HSBC without novating or terminating early the relevant agreement(s) as appropriate.

IMPORTANT SALES RELATED INFORMATION IN RELATION TO DISCLOSURE OF MONETARY AND NON-MONETARY BENEFITS AND INDEPENDENCE STATUS

HSBC acts as principal in this Transaction, and may receive trading profit from the distribution of the product.

As You may be aware, in our course of dealing, We may distribute investment and/or financial products to You. To the extent applicable and unless We notify You otherwise, We are NOT an independent intermediary because:

- We receive fees, commissions, or other monetary benefits from other parties (which may include product issuers) in relation to Our distribution of investment products to You. For details, You should refer to Our disclosure on monetary benefits which We are required to deliver to You prior to or at the point of entering into any transaction in investment products; and/or
- We are the product issuer, act as principal in the transaction, receive non-monetary benefits from other parties, or have close links or other legal or economic relationships with issuers of products that We may distribute to You.

Your Confirmation

For Your own benefit and protection, You should read this Term Sheet carefully before agreeing to enter into the Transaction with HSBC. If You do not understand any aspect of this Term Sheet, please ask for further information.

By entering into any Transaction with HSBC, You hereby confirm that:

- You understand the terms and conditions governing this Swap (including without limitation this Term Sheet, the relevant master agreement (if any) and other product documents, and all notices, risk warnings and disclaimers contained therein). Your decision to enter into the Swap is made on the basis of such documents and the terms and conditions therein.

- You have independently assessed whether entering into the Transaction is suitable for You. You should evaluate the appropriateness of the Transaction based on Your own assessment of the facts and circumstances and Your assessment of the Transaction's merits, and You should enter into the Transaction based only on Your own independent determination of the Transaction, either on Your own or in consultation with Your advisors or agents.

- This Swap is entered into for genuine commercial and/or economic reasons and is appropriate for Your objectives, experience, financial and operational resources.

- You understand and agree with the contents of the sections entitled "Client Exposure and Needs" and "Client Objectives".

On behalf of ABC Limited

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Important Note

Important Notice to Clients

This document has been issued by The Hongkong and Shanghai Banking Corporation Limited ("HSBC" or the "Company") in the conduct of its India regulated business. It is not intended for anyone other than the recipient and should not be distributed by you to any other persons. You should note the selling restrictions as specified in this Term Sheet. This document must not be distributed to the United States, Canada or Australia. It must not be reproduced or further distributed, in whole or part, for any purpose. The information contained in this document has been issued by HSBC specifically for the information of HSBC customers only.

Past performance is not necessarily a guide to the future results. The value of any investment may move up or down, and may become valueless. It is as likely that losses will be incurred as a profit made as a result of buying and selling investment products. When an investment is denominated in a currency other than Your local or reporting currency, You will incur currency risk due to any changes in exchange rates which may have an adverse effect on the value, price or income of that investment. In the case of investments for which there is no recognised market, it may be difficult for clients to sell their investments or to obtain reliable information about their value or the extent of the risk to which they are exposed. Investment in any market may be extremely volatile and subject to sudden fluctuations of varying magnitude due to a wide range of direct and indirect influences. Such characteristics can lead to considerable losses being incurred by those exposed to such markets. Your decision to invest should not be based mainly or solely on past performance. Past performance information may be out of date.

Companies within the HSBC Group and/or their officers, directors and employees may have positions in any securities mentioned in this document (or any related investment) and may from time to time add to or dispose of any such securities (or investment). Companies within the HSBC Group may act as market makers or have assumed an underwriting commitment in the securities of companies discussed in this document (or related investments), may sell them or buy them from customers on a principal basis and may also perform or seek to perform investment banking or underwriting services for or relating to those companies.

Risk of Product Dependent on Client Purpose

The Client should note that the risk of the product to the Client may depend on a number of factors, including the purpose for which the Client is entering into the product. For example, if the Client is entering into the product for hedging purposes, the risk of the product may be lower; whereas if the Client is entering into the same product but for risk mitigation or investment purposes, then the risk of the product to the Client may be higher.

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 investigation 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 (HSBC), 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 objectives. 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 ongoing 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 legal, 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 prejudice 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.

The Hongkong and Shanghai Banking Corporation Limited (2017-2022)