

Report Prepared On: 08/26/14

Structured Product Details

Name	Trigger PLUS linked to WisdomTree Japan Hedged Equity
Issue Size	\$4.33 million
Issue Price	\$10
Term	42 Months
Annualized Coupon	0.00%
Pricing Date	November 29, 2013
Issue Date	December 4, 2013
Valuation Date	May 31, 2017
Maturity Date	June 5, 2017
Issuer	HSBC
CDS Rate	28.89 bps
Swap Rate	0.85%
Reference Asset	WisdomTree Japan Hedged Equity's stock
Initial Level	\$50.31
Dividend Rate	0.95%
Implied Volatility	22.48%
Delta¹	0.52
Fair Price at Issue	\$9.95
CUSIP	40434B818
SEC Link	www.sec.gov/Archives/edgar/ data/83246/000114420413065312/ v362069_424b2.htm

Related Research

Research Papers:

www.slcg.com/research.php

- "Are Structured Products Suitable for Retail Investors?" December 2006.
- "Structured Products in the Aftermath of Lehman Brothers," November 2009.
- "What TiVo and JP Morgan Teach Us about Reverse Convertibles," June 2010.

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Trigger PLUS linked to WisdomTree Japan Hedged Equity

Description

HSBC issued \$4.33 million of Trigger PLUS linked to WisdomTree Japan Hedged Equity on December 4, 2013 at \$10 per note.

These notes are HSBC-branded Buffered PLUS securities that do not pay periodic coupons, but instead pay a single amount at maturity depending on the final level of WisdomTree Japan Hedged Equity's stock.

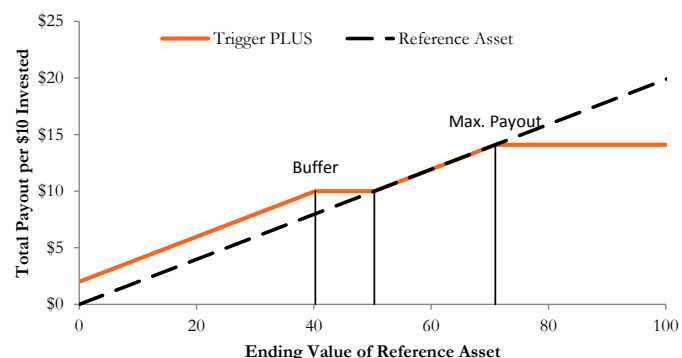
If on May 31, 2017 WisdomTree Japan Hedged Equity's stock price is higher than \$50.31, but lower than \$70.94, the notes pay a return equal to the percentage increase in WisdomTree Japan Hedged Equity's stock, up to a cap of 41.00%. If on May 31, 2017 the refe is below \$50.31 but not below \$40.25, investors receive \$10 face value per note. If WisdomTree Japan Hedged Equity's stock price on May 31, 2017 is lower than \$40.25, investors receive face value per note reduced by the amount the reference asset is below \$40.25 as a percent of the initial level, \$50.31.

Valuation

This product can be valued as a combination of a note from HSBC, one short out-of-the-money put option, one long at-the-money call option, and one short out-of-the-money call option. For reasonable valuation inputs this note was worth \$9.95 when it was issued on December 4, 2013 because the value of the options investors gave HSBC plus the interest investors would have received on HSBC's straight debt was worth \$0.05 more than the options investors received from HSBC.

There is no active secondary market for most structured products. Structured products, including this note, therefore are much less liquid than simple stocks, bonds, notes and mutual funds. Investors are likely to receive less than the structured product's estimated market value if they try to sell the structured product prior to maturity. Our valuations do not incorporate this relative lack of liquidity and therefore should be considered an upper bound on the value of the structured product.

Payoff Curve at Maturity

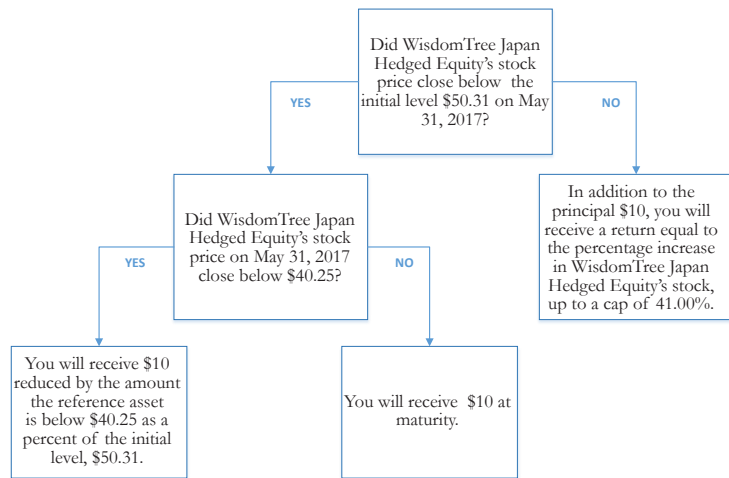


The payoff diagram shows the final payoff of this note given WisdomTree Japan Hedged Equity's stock price (horizontal axis). For comparison, the dashed line shows the payoff if you invested in WisdomTree Japan Hedged Equity's stock directly.

Principal Payback Table

WisdomTree Japan Hedged Equity's Stock	Note Payoff
\$0.00	\$2.00
\$5.03	\$3.00
\$10.06	\$4.00
\$15.09	\$5.00
\$20.12	\$6.00
\$25.16	\$7.00
\$30.19	\$8.00
\$35.22	\$9.00
\$40.25	\$10.00
\$50.31	\$10.00
\$55.34	\$11.00
\$60.37	\$12.00
\$65.40	\$13.00
\$70.43	\$14.00
\$75.47	\$14.10

Maturity Payoff Diagram

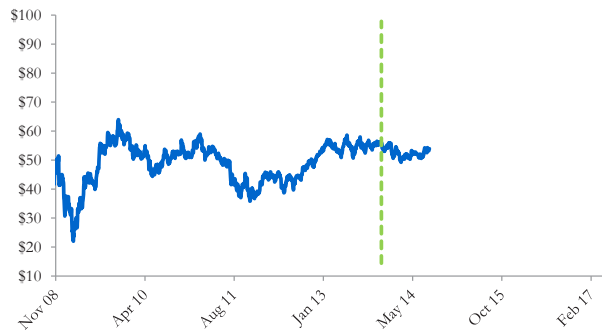


The contingent payoffs of this Trigger PLUS.

Analysis

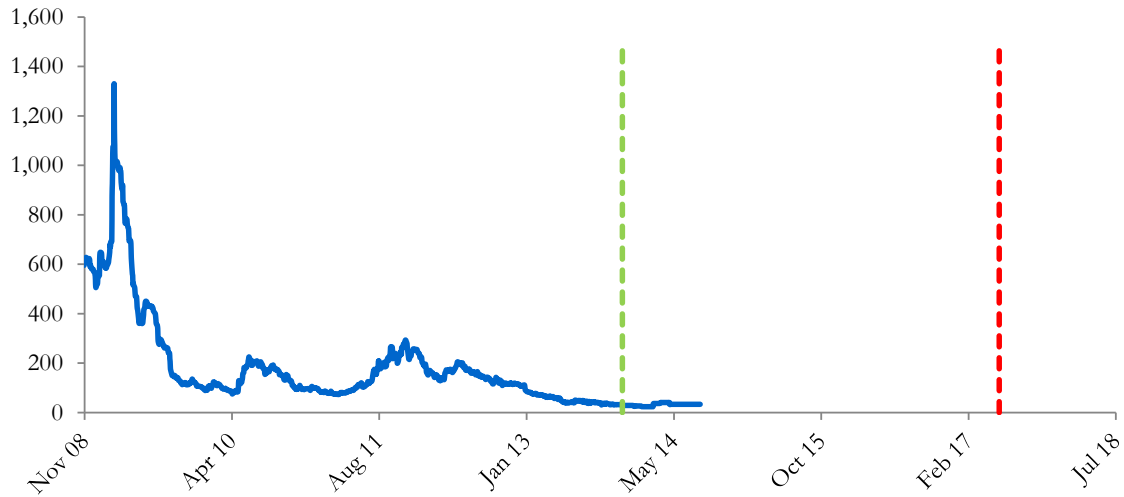
This Trigger PLUS pays investors the increase in WisdomTree Japan Hedged Equity's stock capped at 41.00%, but if WisdomTree Japan Hedged Equity's stock declines over the term of the note, investors will suffer losses equal to the percentage decline in WisdomTree Japan Hedged Equity's stock. In addition, investors bear the credit risk of HSBC. Investors purchasing this Trigger PLUS effectively sell at-the-money put and out-of-the-money call options to HSBC, buy at-the-money call options, and a zero-coupon note from HSBC. This Trigger PLUS is fairly priced if and only if the market value of the options investors received from HSBC equals the market value of the options investors gave HSBC plus the interest investors would have received on HSBC's straight debt.

HSBC's Stock Price



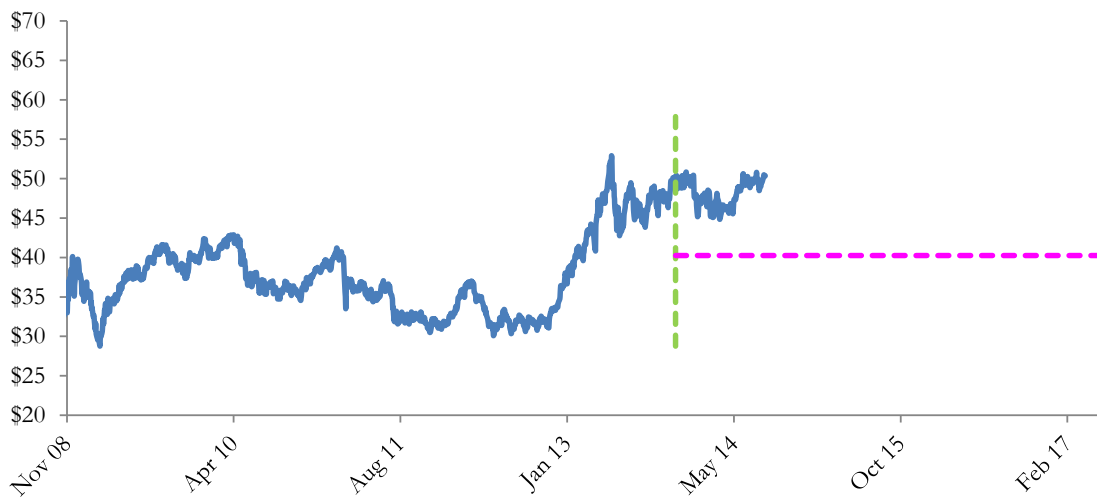
The graph above shows the adjusted closing price of the issuer HSBC for the past several years. The stock price of the issuer is an indication of the financial strength of HSBC. The adjusted price shown above incorporates any stock split, reverse stock split, etc.

HSBC's CDS Rate



Credit default swap (CDS) rates are the market price that investors require to bear credit risk of an issuer such as HSBC. CDS rates are usually given in basis points (bps). One basis point equals 0.01%. Higher CDS rates reflect higher perceived credit risk, higher required yields, and therefore lower market value of HSBC's debt, including outstanding Trigger PLUS. Fluctuations in HSBC's CDS rate impact the market value of the notes in the secondary market.

WisdomTree Japan Hedged Equity's Stock Price

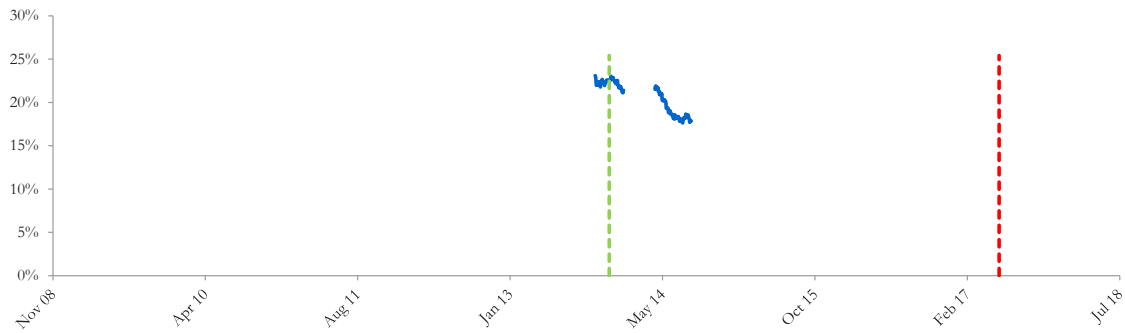


The graph above shows the historical levels of WisdomTree Japan Hedged Equity's stock for the past several years. The final payoff of this note is determined by WisdomTree Japan Hedged Equity's stock price at maturity. Higher fluctuations in WisdomTree Japan Hedged Equity's stock price correspond to a greater uncertainty in the final payout of this Trigger PLUS.

Realized Payoff

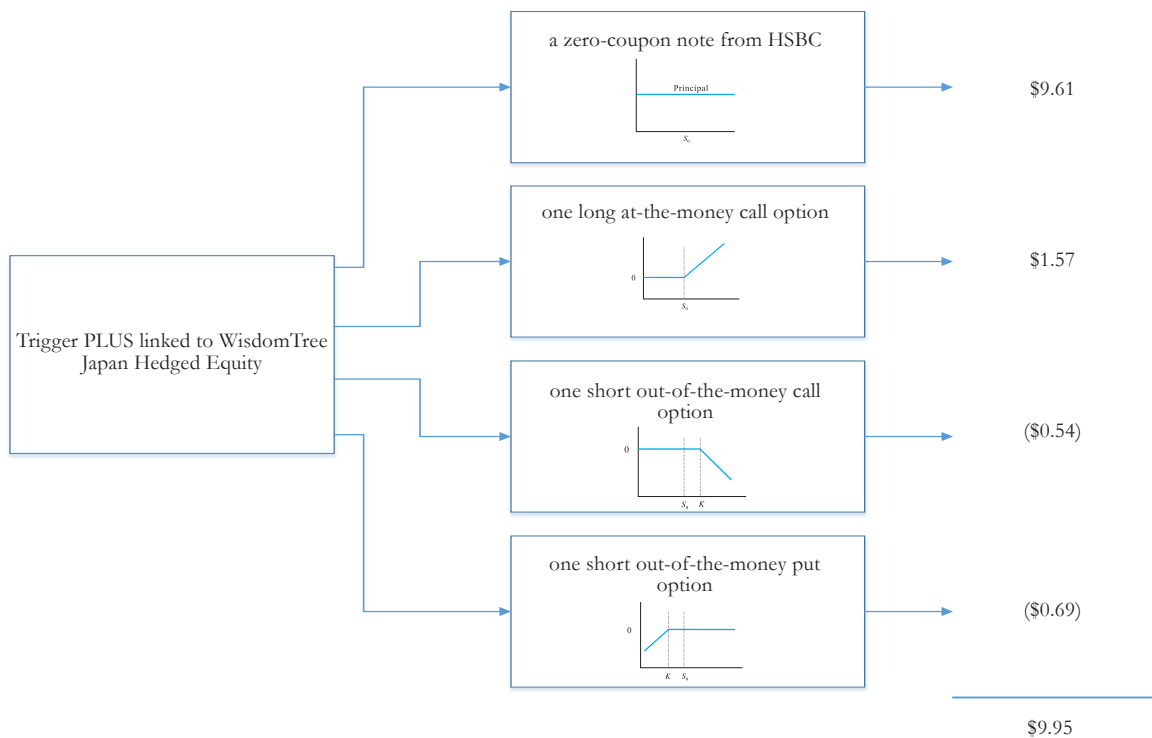
This product will mature on June 5, 2017.

Reference Asset WisdomTree Japan Hedged Equity's Stock's Implied Volatility



The annualized implied volatility of WisdomTree Japan Hedged Equity's stock on November 29, 2013 was 22.48%, meaning that options contracts on WisdomTree Japan Hedged Equity's stock were trading at prices that reflect an expected annual volatility of 22.48%. The higher the implied volatility, the larger the expected fluctuations of WisdomTree Japan Hedged Equity's stock price and of the Note's market value during the life of the Notes.

Decomposition of this Trigger PLUS



This note can be decomposed into different components, and each component can be valued separately. The chart above shows the value of each component of this Trigger PLUS.

1. Delta measures the sensitivity of the price of the note to the WisdomTree Japan Hedged Equity's stock price on November 29, 2013.
2. CDS rates can be considered a measure of the probability that an issuer will default over a certain period of time and the likely loss given a default. The lower the CDS rate, the lower the default probability. CDS rate is given in basis points (1 basis point equals 0.01%), and is considered as a market premium, on top of the risk-free rate, that investors require to insure against a potential default.
3. Fair price evaluation is based on the Black-Scholes model of the WisdomTree Japan Hedged Equity's stock on November 29, 2013.
4. Calculated payout at maturity is only an approximation, and may differ from actual payouts at maturity.
5. Our evaluation does not include any transaction fees, broker commissions, or liquidity discounts on the notes.