

SUPPLEMENTAL LISTING PARTICULARS



HSBC Bank plc

(A company incorporated with limited liability in England with registered number 14259)

5,000,000 Call Warrants in relation to the Common Stock Shares of Total Fina Elf

These supplemental listing particulars which include annexes 1 and 2 to this document (the "**Supplemental Listing Particulars**") are prepared in connection with the warrants listed in annex 1 below (the "**Warrants**") issued by HSBC Investment Bank plc ("**IBEU**").

These Supplemental Listing Particulars are supplemental to and should be read in conjunction with the supplemental information memorandum dated 7 October 2002, the information memorandum dated 10 April 2001 and the pricing supplement dated 28 June 2001 (together, the "**Information Memorandum**") prepared by IBEU in relation to the Warrants. These Supplemental Listing Particulars and the Information Memorandum together comprise Listing Particulars.

Application has been made for the Warrants to be admitted to the Official List of the Financial Services Authority (the "**UK Listing Authority**"), in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (the "**FSMA**") and to trading on the London Stock Exchange plc (the "**London Stock Exchange**").

A copy of the Listing Particulars has been delivered for registration to the Registrar of Companies in England and Wales as required by Section 83 of the FSMA.

By operation of the HSBC Investment Banking Act 2002 given Royal Assent on 7 November 2002, the investment banking business of IBEU which includes all the liabilities in respect of the Warrants issued by IBEU have become liabilities of HSBC Bank plc (the "**Issuer**" or the "**Bank**") with effect from and including 30 November 2002. With effect from that date, all references to IBEU in the Warrants shall be construed as references to the Bank.

Attached hereto as annex 2 is information about the Issuer.

The Issuer accepts responsibility for the information contained in these Listing Particulars. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in these Listing Particulars is in accordance with the facts and does not omit anything likely to affect the import of such information.



KPMG Audit Plc, Chartered Accountants has audited without qualification the Financial Statements contained in the Annual Report and Accounts of the Issuer for the financial years ended 31 December 1999, 2000 and 2001.

Save as disclosed in this document, there has been no significant change in the financial or trading position of the Issuer and its subsidiary undertakings (taken as a whole) since 30 June 2002 nor has there been any material adverse change in the financial position or prospects of the Issuer and its subsidiary undertakings (taken as a whole) since 31 December 2001.

Neither the Issuer nor any of the Issuer's subsidiary undertakings is or has been involved in any legal or arbitration proceedings (nor, so far as the Issuer is aware, are any legal or arbitration proceedings pending or threatened against the Issuer or any of its subsidiary undertakings) which may have or have had during the twelve months preceding the date of this document a significant effect on the financial position of the Issuer and its subsidiary undertakings (taken as a whole).

For so long as any of the Warrants remain outstanding, copies of the following documents shall be available for inspection during normal business hours at the registered office of the Issuer and at the specified office of the Principal Warrant Agent:

- (i) the constitutional documents of the Issuer;
- (ii) the audited consolidated financial statements of the Issuer for the years ended 31 December 2000 and 31 December 2001, together with all other audited consolidated annual financial statements of the Issuer subsequent to 31 December 2001;
- (iii) the unaudited interim financial statements of the Issuer for the half-year ended 30 June 2002;
- (iv) the Information Memorandum; and
- (v) these Supplemental Listing Particulars.

All applicable provisions of the FSMA must be complied with in respect of anything done in relation to the Warrants in, from or otherwise involving the United Kingdom. Any document received in connection with the issue of the Warrants may only be distributed:

- (i) in circumstances in which the restriction in Section 21(1) of the FSMA does not apply; and
- (ii) if the distribution is made by an authorized person under the FSMA, in circumstances where the restriction in Section 238(1) of the FSMA does not apply.

Terms defined in the Information Memorandum shall, unless specified otherwise in this document, have the same meaning when used in this document.

HSBC Bank plc

19 December 2002

ANNEX 1

Series	ISIN	Common Code	Title	Issue Date	Expiry Date
V118	NL0000243475	12620438	5,000,000 Call Warrants in relation to the Common Stock Shares of Total Fina Elf	12 April 2001	28 March 2003

ANNEX 2

HSBC BANK PLC AND ITS SUBSIDIARY UNDERTAKINGS

The following information (except for the information under the heading "Recent Developments") has been extracted from the Annual Report and Accounts of HSBC Bank plc for the year ended 31 December 2001. Unless otherwise stated the information given in such extract is given as at 31 December 2001.

Introduction

HSBC Bank plc (the "**Bank**") and its subsidiaries form a UK-based financial services group providing a wide range of banking, treasury and financial services to personal, commercial and corporate customers mainly in the United Kingdom and Europe. The Bank's strategy is to build long-term relationships and reward customers through value-for-money products and high-quality service.

HSBC Bank plc (formerly Midland Bank plc) was formed in England in 1836 and subsequently registered as a limited company in 1880. In 1923, the company adopted the name of Midland Bank Limited which it held up to 1982 when the name was changed to Midland Bank plc.

During the year ended 31 December 1992, Midland Bank plc became a wholly owned subsidiary undertaking of HSBC Holdings plc ("HSBC Holdings"), whose principal executive office is at 10 Lower Thames Street, London EC3R 6AE.¹ HSBC Bank plc adopted its current name, changing from Midland Bank plc, in the year ended 31 December 1999.

HSBC Holdings, together with its subsidiary undertakings, is referred to as the 'HSBC Group'. The HSBC Group has some 7,000 offices in 81 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. Its total assets at 31 December 2001 were £480 billion. The Bank is the HSBC Group's principal operating subsidiary undertaking in Europe.

Since 1999, the Bank has been following the HSBC Group's 'Managing for Value' strategy, which focuses on the delivery of wealth management services to personal customers and growing commercial business. In response to this, within the UK, the Bank created a unified personal banking operation and integrated the Bank's commercial and corporate banking units.

The group divides its activities into the following business segments: Personal Banking, Commercial Banking and Corporate and Institutional Banking, all within the UK; International Banking; Treasury and Capital Markets; Crédit Commercial de France (CCF); and HSBC Republic.

As at 31 December 2001, the Bank's principal subsidiary undertakings and their principal geographical areas of activity were:

Crédit Commercial de France S.A.	France
HSBC Asset Finance (UK) Limited	United Kingdom

¹ From 1 July 2002, moved to 8 Canada Square, London E14 5HQ.

HSBC Bank A.S.	Turkey
HSBC Bank France S.A.	France
HSBC Bank International Limited	Jersey
HSBC Bank Malta p.l.c.	Malta
HSBC Guyerzeller Bank AG	Switzerland
HSBC Investment Bank Asia Limited	Hong Kong
HSBC Invoice Finance (UK) Limited	United Kingdom
HSBC Life (UK) Limited	United Kingdom
HSBC Private Banking Holdings (Suisse) SA	Switzerland
HSBC Rail (UK) Limited	United Kingdom
HSBC Republic Bank (Guernsey) Limited	Guernsey
HSBC Republic Bank (Suisse) SA	Switzerland
HSBC Trust Company (UK) Limited	United Kingdom

On 2 July 2001, the Bank, through CCF, completed the acquisition of 97.9 per cent. of Banque Hervet having acquired 89.6 per cent. on 3 March 2001. This was for a cash consideration of £330 million. Banque Hervet is a Paris-based specialist commercial and consumer bank with 87 branches and over 100,000 customers.

The reorganisation of the HSBC Group's existing international private banking operations into HSBC Republic was a principal focus of activity during 2001, designed to provide a unified business to market high-quality services and products and to enable cost savings to be realised. In April 2001, HSBC Republic Bank (Suisse) SA formed new branches to acquire the private banking operations of the HSBC Group in the Hong Kong Special Administration Region (SAR), Singapore and Nassau. In June and October 2001, respectively, the CCF private banking operations in Luxembourg and Monaco were merged with their HSBC Republic entities in the same locations. In December 2001, HSBC Private Banking Holdings (Suisse) SA acquired 58.4 per cent. of the Swiss-based HSBC Guyerzeller Bank AG and 100 per cent. of Crédit Commercial de France (Suisse) SA, Handelsfinanz-CCF Bank and Handelsfinanz-CCF International Bank Limited, Nassau.

On 30 October 2001, the Bank completed the purchase of Demirbank TAS from the Turkish Banking Regulator for £248 million. Demirbank TAS was merged with the Bank's existing subsidiary in Turkey, HSBC Bank A.S. on 14 December 2001, creating a combined business with a balance sheet of £1.4 billion and capital of £170 million. The combined business operates through a multi-channel delivery system including the internet, automated teller machines ('ATMs') and call centres under the HSBC name. It has a network of 168 branches and offices in 38 cities providing a comprehensive range of personal, corporate, treasury, capital markets, stockbroking, fund management and investment banking services across the Turkish market.

UK Business

The Bank's strategy is to build long-term customer relationships by listening to customers, understanding their needs and delivering the most effective solutions. In following this

strategy, the Bank is investing in several ways: improving customer relationship management systems, creating more convenient channels, developing innovative and flexible products and building a reputation for fair pricing. Key to this was the further development of a Customer Relationship Management system in 2001. Regarded as a class-leader among UK financial institutions, this system makes relevant customer information available to all customer-facing staff and facilitates highly personalised marketing integrated across all channels. Through its call centre operations, fully integrated with the branch network, the Bank provides customers with a single point of contact, thereby increasing efficiency and service quality. Customers are acknowledging the benefits of this strategy: the commitment to providing long-term value earned the Bank the 'best buy' award from *Which?* magazine for both small and large overdrafts. In 2001, the Bank again won the *What Mortgage* award for Best National Bank over both two and 10 years.

The Bank remains committed to community banking and has a network of 1,666 branches, including 42 outlets in supermarkets. Local branches have experienced managers with authority to provide timely, efficient and flexible service to both personal and business customers. Developments in the branch network focus on creating more time for branch staff to serve customers by removing back office work to central processing sites. Telephone services, working in partnership with the branches, are increasingly popular. Fifty-nine million calls were received, 21 per cent. up on 2000. Direct telephone sales grew by 54 per cent.

The Bank has an extensive network of cash, pay-in and statement machines and provides 3,000 ATM machines for use by customers. They are being upgraded with improved text and screen designs that are easier to read and are being put into convenient locations, such as petrol stations, shopping centres and train stations. Customers also have access to over 36,000 cash machines through the UK LINK network and over 600,000 ATM machines worldwide.

From July 2001, real-time account information has been available to customers at the branch counters, through self-service machines, by telephone and via personal internet banking and TV banking for virtually 24 hours a day and seven days a week. Hexagon, the HSBC Group's electronic banking service for business customers, provides intra-day updates and, from January 2002, business internet banking gives customers access to real-time account information.

Part of the Managing for Value approach is to pursue new ways of working, which are more productive and leverage the Bank's international scope. Relocating processing from high to low cost regions plays an important part. In 2001, the HSBC Group doubled its global processing capacity by supplementing existing sites in China and India with a second processing centre in India. Two more sites under development will increase capacity further in 2002.

The Bank seeks synergies to maximise economic value. In August 2001, in partnership with Securitas UK Limited and Barclays Bank plc, a new cash processing company was formed to handle both banks' cash processing activities. In December 2001, the Bank transferred its cheque processing operations to Intelligent Processing Solutions Limited, known as iPSL, a

joint venture formed in December 2000 between Unisys, Barclays and Lloyds TSB. The Bank has become a 10 per cent. shareholder.

The Bank has a proud record of support for the communities it serves, committed to supporting the environment and education, particularly projects focusing on business, finance and languages for disadvantaged children. A key part of its community support programme is the involvement of staff in voluntary activities; some 1,500 staff participated during 2001 in the Young Enterprise programme as volunteer advisers to school students. Staff were also active in many fund-raising activities during 2001. These included their support for the annual BBC Children in Need appeal, raising around £900,000 from staff and customer donations and once again earning the 'Supporter of the Year' award. In addition, sponsored walks and charity runs raised £150,000 and £180,000 for the mobility charity Whizz-Kidz and the Imperial Cancer Research Fund respectively.

Personal Banking

The Bank's personal banking activities comprise current accounts, savings accounts, loans, mortgages, credit cards and wealth management services. These are delivered to customers through a number of channels under the HSBC and First Direct brands.

The personal banking market has seen further growth in the number of 'direct' (particularly internet) providers and aggressive pricing competition. The Bank continues to broaden and deepen its relationships with personal customers through more personalised relationship management. It has recently introduced a statement, 'Your Personal Financial Summary', to provide customers with a six-monthly summary of all the products and services held with the Bank in the UK. The statement offers personalised suggestions, anticipating financial needs, and access to information on other products and services.

HSBC Holdings plc has recently signed a three-year contract for American Express to supply travellers' cheques through HSBC branches, making this contract the largest international agreement of its type. With effect from 1 January 2002, HSBC customers are able to buy American Express travellers' cheques from any HSBC branch and encash them free at any HSBC branch worldwide.

Internet banking, was successfully launched in 2000. The service allows customers to pay bills, make payments, transfer money, and view and cancel direct debits and standing orders. Customers can also use this service to purchase insurance products and a new sharedealing service was launched in 2001. There are now over 770,000 customers registered for the service and 5.2 million transactions have been undertaken online during 2001. hsbc.co.uk regularly features in the top 10 business and finance websites in the UK. A number of developments are planned for the future.

The HSBC Group is working with Yahoo! Inc., a leading global internet communications, commerce and media company, to deliver a co-branded, person-to-person payments system around the world. Customers will be able to send and receive money via e-mail by linking their credit cards, debit cards or bank accounts to their secure Yahoo!® PayDirect account. It will also be possible to send and receive money electronically and pay for goods at auctions and for shopping.

Current accounts - the core element of a customer relationship remains the current account. The Bank continues to perform well in this market despite increasing competition for 'switchers' (customers moving accounts). At 31 December 2001, the Bank had over six million personal current accounts, with a growth in current account balances of 8 per cent. over 2000. The Bank maintained its market share, despite competition from new entrants, by offering customers both good service and value, as demonstrated by 'best buy' awards for its current account in *Which?* magazine. HSBC Premier is the HSBC Group's premium banking service for personal customers and the Bank now has over 125,000 customers in the UK.

Savings accounts - the Bank offers an extensive range of savings accounts including Individual Savings Accounts (ISAs), High Interest Savings Accounts and High Interest Deposit Bonds. Savings balances increased substantially, with growth of 29 per cent. over 2000. In particular, the tax-free cash ISA featured regularly as 'best buy'.

Personal lending - the Bank provides a wide range of lending products for its customers. Personal loan balances grew by 15 per cent., without sacrificing credit quality, due to enhanced contact management programmes. New initiatives included more directed recruitment mailings and joint mailing with credit cards. Over 30 per cent. of the Bank's personal loans were agreed by telephone.

Mortgages - in 2000, the Bank significantly enhanced its mortgage proposition with the launch of a new 'Home Buyer' variable rate mortgage product. In April 2001, the Bank launched 'HomeStart', an innovative mortgage appealing to first time buyers: for the first three years, the customer pays interest only; the loan then converts to a capital repayment basis. HomeStart customers benefit from the same interest rate, flexibility and long-term value offered to all variable rate mortgage customers. The Bank's competitive pricing has led to growth in mortgage balances of £1.7 billion, 13 per cent. over 2000. The number of mortgages sold by the Bank improved by 43 per cent., with market share of net new mortgages increasing from 3 per cent. in 2000 to 4.4 per cent. in 2001.

Wealth management - this includes pensions, protection, investments, general insurance, private client services, estate planning, executorship and stockbroking activities.

The Bank's combined market share for its principal investment products, Open Ended Investment Companies (OEICs) and ISAs, increased significantly. This was largely driven by strong sales of the UK Growth and Income, European Growth and Corporate Bond funds which together achieved sales of over £600 million in 2001. The UK Growth and Income Fund remains the 'most recommended' fund by independent financial advisors ('IFAs') and its reputation was further enhanced by the award of a prestigious 'AAA' rating from Standard & Poor's Fund Research. The fund has an impressive performance record since its launch three years ago, and is one of only 13 funds in the UK All Companies sector to be awarded an 'AAA' rating.

The Bank introduced the 'Performance Plus ISA' in January 2001 for customers looking to re-invest proceeds from tax-exempt special savings accounts ('Tessas'). This derivative-backed cash ISA offers a capital guarantee and returns related to growth in the FTSE 100 Index. Customers have already invested over £340 million in this product.

Term life and critical illness sales were up 23 per cent. with significant growth derived from the success of the Bank's mortgage strategy. Income protection policy sales increased by 32 per cent., achieving a 14 per cent. market share up to the end of the third quarter and making the Bank the leading writer of this business.

Private client services offer discretionary portfolio management services and independent financial advice to high net worth individuals. New funds increased by 16 per cent. over 2000. Income from the sales of third-party investment and protection products increased by 44 per cent. on 2000.

Within general insurance, a new Home Cover insurance product was launched which won two 'best buy' awards from *Which?* magazine and the Bank joined the General Insurance Standards Council, the new UK general insurance regulator, in April 2001.

Cards - the Bank issues a comprehensive range of credit cards and develops high value customer relationships by providing more tailored, personal credit card solutions to customers as an integral part of the Bank's wealth management strategy. From 1 January 2001, customers were no longer charged for debit card withdrawals of cash from ATM machines in the LINK network. The Bank works closely within the industry to counter card fraud. To date, the Bank has issued 4.9 million chip cards incorporating smart card technology.

First Direct provides personal 24-hour banking, mortgage and wealth management services, 365 days a year by telephone and the internet.

First Direct's banking business continues to grow, attracting 75,000 new customers. It has consistently had the highest level of customer satisfaction and customer recommendation of any bank in the UK. First Direct was rated as the best bank or building society for 'quality, value and meeting customers' needs' in the *Reader's Digest* survey of the 'UK's Most Trusted Brands 2001'. It was voted first overall for quality, compared with companies across all business sectors.

First Direct has the highest ratio of products per customer of any bank in the UK and also has the highest penetration rate of main savings accounts and personal loans amongst its current account base in the UK, according to MORI.

In January 2001, First Direct launched a major new service, 'capital', an independent, direct wealth management service, giving customers access to carefully selected investment and protection products and to independent advice over the telephone and online. Over 250,000 customers have become members of this service.

In July 2001, First Direct launched 'smartmortgage', which links customers' savings, cheque and mortgage accounts in a single price relationship. This product has already resulted in increased sales for mortgages, with over 4,000 drawdowns in the first six months, contributing to growth in mortgage balances of £440 million, in the second half of 2001. For the second successive year, First Direct received an award from *What Mortgage* magazine for 'Best Overall National Lender over 10 years'.

2001 also saw the continued development of First Direct's e-channel services to widen the choice available to customers, including the launch of online travel, motor and home

insurance and share dealing. Customers receive targeted marketing based on perceived needs. Over 40 per cent. of First Direct's customers were online by the end of 2001, with 125,000 customers logging onto its internet banking service for the first time during the year. Over 125,000 customers are now using First Direct's mobile phone banking service, which delivers account information via a short messaging service. By the end of 2001, half of all contacts from customers were made electronically.

Commercial Banking

The Bank's commercial banking business focuses on providing banking products and services to many types of commercial organisations. The Bank's commitment to serving local business communities through its branches remains central to its relationships with commercial customers. In this context, businesses affected by the foot-and-mouth disease outbreak have been supported by the Bank's team of specialist agriculture managers working closely with local branch managers to provide a flexible and sympathetic response.

A new banking guide, launched in the second half of 2001, helps commercial customers move from a broad need for financial services to specific product solutions. The guide is customer-driven, enabling customers to understand the choices available and to make a selection appropriate to their individual requirements.

During 2001, the Bank continued to provide customers with access to a team of product specialists to broaden and deepen the relationship the Bank has with them. By understanding the needs of customers and providing specialist expertise, the Bank and its customers are reaping the benefits. The Bank's share of the start-up market increased; over 67,000 new start-up business accounts were opened in 2001, an increase of more than 8 per cent. over 2000. The number of customers moving accounts to the Bank from other banks grew by 24 per cent. over 2000.

The Bank continues to promote cross-border solutions to its growing commercial customer base, particularly with its presence in continental Europe complemented by CCF in France and another HSBC Group member, HSBC Trinkaus & Burkhardt KGaA in Germany, and other international branches.

Business wealth management - the Bank offers a wide range of expertise to help business owners and directors manage their business and personal wealth efficiently through to retirement and beyond. For business protection, the Bank offers products such as key person insurance and partnership protection. Sales of products such as these have grown significantly, up by 22 per cent. on 2000. In April 2001, the Bank launched a new wealth management product, the Stakeholder pension, which can be applied for and operated entirely on the internet. Customers are able to manage their pension online including increases and decreases, stopping and starting payments, switching funds and obtaining valuations and projections. The Bank is now the fourth largest provider of regular premium Stakeholder pensions in the UK market, with a 7 per cent. market share.

The Bank continues to develop a range of employee services provided through business customers for the benefit of their employees. During the year, the Bank enhanced this package by offering employers death-in-service benefits for groups of five or more employees.

Business current and deposit accounts - the Bank offers an extensive range of business current and deposit accounts, tailored to the needs of all business customers. Products and services are reviewed regularly to ensure they reflect changing market requirements. Growth in commercial savings has been strong throughout 2001.

Lending - business lending remains a core activity for the Bank. Overdraft and term loans are complemented by a range of specialist products such as invoice finance, leasing, hire purchase and trade services. 2001 has seen significant growth in these areas. Invoice finance business has grown by 12 per cent. and 16 per cent. in factored debts and new clients respectively. A significant number of new customers have been attracted by the benefits of Invoice Finance for Smaller Businesses, launched in 2000 through the branch network.

Internet and telephone banking - alongside branch services, other delivery channels are being developed. Internet banking for businesses, introduced in January 2002, offers customers easy access to banking services and products. Registrations for business telephone banking increased significantly, up by 45 per cent. on 2000. The Bank will introduce a new call centre dedicated to business customers in 2002.

Trade services - this is a traditional area of strength for the HSBC Group and the Bank gains competitive advantage from the HSBC Group's international network. Trade services has seen growth of 13 per cent. in balances financed. In 2001, the Bank launched a new Internet DC Advising Service, which allows exporters to receive notification of their documentary credits via the internet. A Credit Insured Import Finance scheme has also been introduced to allow businesses, that do not currently have an account with the Bank, to benefit from the Bank's import facilities. WebForms, the first internet product for trade services, enables customers to complete application forms online for some trade transactions. The software helps customers complete the forms correctly and so minimise errors in documentation, which can be a major hindrance to the finance of international trade.

Payments and cash management - the Bank provides a broad range of payments, cash management and money transmission services to customers. Demand for Hexagon, the HSBC Group's electronic banking service for business customers, remains strong. There are now over 33,000 users in the UK.

Corporate and Institutional Banking

The HSBC Group is ideally placed to serve the global operations of its corporate and institutional clients, whose needs are increasingly complex. The Bank is committed to tailoring its services to meet the needs of this sector. It has been progressively organising resources to support a European proposition within the global context.

The Bank's relationship managers, organised into specialist industry groups, enable the Bank to understand and respond better to the needs of customers, providing 'one-stop-shop' sourcing of products and services from across the HSBC Group. In this way, the Bank has been able to support clients seeking to develop overseas. Clients are also offered advice and guidance on raising capital and are given access to local banking facilities and to the full range of investment banking services. The Bank has aligned its core banking services with investment banking services, resulting in a steady flow of new business opportunities during a period when mergers and acquisition activity was much reduced.

Payments and cash management - the Bank provides a range of domestic and international payments solutions. By working closely with CCF and other European-based operations, an enhanced range of cash management solutions is available across the eurozone. Recent surveys ranked the HSBC Group as one of the leading international cash management banks in the UK. As an industry leader, the Bank has been one of the first to pilot Continuous Linked Settlement services in 2001 that, when fully launched in 2002, will significantly reduce foreign exchange markets risk. The Bank is also developing e-commerce functionality to complement its payment and cash management propositions. Since the launch of the euro in 1999, the Bank has become a leading provider of payment clearing services in the new currency.

Global custody - the Bank offers comprehensive international, European regional, and UK sub-custodian services in 70 markets worldwide. Global Investor Services has over 1,000 customers from the investment industry, with over £715 billion of assets under custody. It offers agency stocklending services for both fixed income and equity instruments, and corporate trust services for the issuing and paying of debt instruments, all of which have performed strongly in 2001.

International Banking

International Banking provides financial services, primarily across Europe, including wealth management (personal and private banking, retail stockbroking and funds management) to local and expatriate customers, and wholesale banking (corporate, small commercial and investment banking, trade finance, payments and cash management and treasury services) to corporate and institutional clients.

During 2001, International Banking significantly enlarged its European operations, primarily in wealth management activities, and at the end of the year, had offices in 25 countries and territories mainly across Europe.

In Turkey, Demirbank TAS was acquired from the Turkish Banking Regulator in October 2001 and then merged with HSBC Bank A.S. The purchase included the acquisition of Demir Yatirim, Demirbank's fund management and stockbroking subsidiary. The combined business, operating under the HSBC name, has a network of 168 branches and offices in 38 cities providing personal, corporate, treasury, capital markets, stockbroking, fund management and investment banking services across the Turkish market, through a multi-channel delivery system including the internet, ATMs and call centres.

In the Channel Islands, HSBC Bank International Limited is the HSBC Group's main provider of offshore financial services and wealth management services for expatriate customers worldwide. As the market leader in an increasingly competitive market, it received two major awards in 2001. It was named 'Best Banking Group, Offshore Services' at the annual International Investment Awards and, for the second successive year, the 'Best Bank' award in the International Financial Adviser Awards for Excellence.

A number of developments have been introduced to the internet banking service including a new outbound secure e-messaging programme, and the launch of a new combined online application form for banking and funds. E-initiatives have been introduced to encourage the transfer of business from traditional delivery channels. The Account Welcome Pack and

Offshore Insight (the customer newsletter) are now sent electronically, improving efficiency and resulting in significant cost savings.

Wealth management sales, including funds, investments, life and pension products and services continue to be a key strategic aim. A total of 59 HSBC Group members in 43 countries and territories distribute the bank's offshore investment funds, with total sales for the year of £850 million.

In Malta, the Bank has a network of over 50 branches and agencies and a 47 per cent. share of the market. Several new products were launched including the first capital protected index fund, a high-value mortgage with interest rate discounts on larger advances and a new equity-linked deposit. HSBC Bank Malta p.l.c. has also been working to develop nominee and sub-registrar services to facilitate the distribution of third-party funds to investors in the Middle East.

Greece - following the acquisition of Barclays Bank's branches, the number of distribution outlets for personal banking services increased to 23 and a new call centre was opened.

Middle East - in Israel, a new branch was opened providing private, corporate, treasury and investment banking services. Elsewhere in the Middle East, a representative office was opened in Dubai, one of several planned for different locations around the world over the coming year, to cater exclusively for the needs of expatriates in the region. The Dubai office offers a full range of offshore services and also provides customers with the convenience of a 24-hour offshore internet and telephone banking service.

In September 2001, the ownership of HSBC Bank Kazakhstan was acquired from another member of the HSBC Group.

Treasury and Capital Markets

The Bank's major dealing room in London serves as the hub for the HSBC Group's European network of treasury and capital markets operations. It delivers a high-quality tailored service to the HSBC Group's commercial, corporate and institutional clients. The major product areas are money markets, foreign exchange and fixed income. These are complemented by activities in exchange traded futures, in precious metals and banknotes.

Money markets - this business is a conduit for personal and corporate deposits in all major currencies. The Bank is a major participant in the professional money markets, taking institutional deposits and managing the Bank's retail bank clearing operations.

Foreign exchange - the HSBC Group is a leading participant in the global foreign exchange markets and continues to rank highly in a number of international polls. The Bank provides its customers with sophisticated, round-the-clock coverage in all of the world's major currencies. Moreover, the geographical reach of the HSBC Group enables the Bank to provide its customers with detailed knowledge and support in less liquid and emerging markets to cater for their execution and hedging needs. Last year, the HSBC Group became a founder member of FX-All, a consortium of leading banks created to offer an electronic foreign exchange dealing platform. This system went live in May 2001 and has won a

number of accolades within the industry, including best multi-bank FX platform, awarded by *Euromoney*.

Fixed income - this area includes the HSBC Group's debt capital markets and interest rate derivatives activities. The HSBC Group is a leading originator and underwriter, having particular strengths in sterling, euro, the US dollar and Hong Kong dollar. It serves a diverse customer base: sovereign governments and agencies, supranational agencies, financial institutions and major corporations. Specialised capital market solutions are provided for project and asset-backed financing. In the secondary markets, the HSBC Group is a major market maker both in the government and non-government bond markets. Risk management advisory services are provided to assist clients in managing their interest rate and currency risks through the use of derivatives products.

Exchange-traded futures and options - Treasury and Capital Markets offers an international execution, research and clearing service for key currency, interest rate, bond and equity futures and options, with innovative and flexible account structures and a sophisticated online interface.

Crédit Commercial de France

The retail and commercial banking operations of Crédit Commercial de France (CCF) comprise the parent company, with 215 branches, and a network of 10 regional banks, with a total of 563 branches. Each regional bank operates in a specific geographical area, under its own brand name, with very strong local market representation. In March and July 2001, CCF acquired 97.9 per cent. of Banque Hervet, a retail bank with 87 branches, from the French state, enhancing its position mainly in the Paris region.

CCF offers retail products and services through a number of complementary distribution channels, including online, telephone and mobile phone banking. CCF's online brokerage service was launched in 1999, providing CCF customers and non-customers alike with trading opportunities on the Paris Bourse and financial information including stock quotes, French and international newswires and research. CCF's online credit company, Netvalor, offers credit for large household purchases directly to consumers through its dedicated consumer credit site, 123credit.com.

CCF networks also offer high-quality products and services to medium-sized French companies and, in the regional subsidiaries, to entrepreneurs. CCF offers its customers a number of online account management products and services, including trade account management, business intelligence, centralised corporate treasury management, electronic payments systems and the judicial recovery of unpaid receivables, all branded under its 'Elys' product line. In addition, CCF provides secure payment facilities that permit merchants to manage order and inventory functions, and conduct bank transactions simultaneously.

CCF provides equipment and finance leasing through Loxxia, which was merged with Slibail, the specialised subsidiary of Crédit Lyonnais, forming a joint venture with approximately 10 per cent. of the French leasing market.

Through its Corporate Banking division, CCF offers account management, credit, cash management and stock custody services to major French institutional and corporate groups,

including all of the 50 largest, and to international clients. The Corporate Banking branch is very active in providing trade financing, export credit facilities and financing backed by public and private sector credit support.

CCF provides equity and corporate finance services, with teams integrated within the HSBC Group. CCF advises on transactions involving French, British and international clients across a wide range of industries including retailing, chemicals, pharmaceuticals, utilities, steel, aerospace, automobiles, banking, finance and insurance, electronics, and entertainment. CCF has been one of the most active French banks advising on privatisations in France and in emerging markets in Africa and Eastern Europe, where it has built a strong reputation. CCF is actively involved in significant debt and equity offerings, including initial public offerings on the Paris Bourse. CCF also actively provides asset financing as well as structured financing for many well-known corporations. Through a specialised subsidiary, CCF provides investment advice and third-party fund management in connection with commercial and residential real estate investment. This subsidiary is involved in the UK Government's public private partnership programme, with specific mandates ranging from hospital to communications services.

CCF provides asset management services primarily through four full-service fund management firms which serve institutional clients, as well as retail networks, with proprietary or non-proprietary products. CCF is particularly strong in providing equity and diversified products and in corporate savings plans.

CCF offers a wide range of insurance products, including comprehensive health insurance, personal property casualty insurance and, through Erisa, its partnership with Swiss Life, homeowners' insurance.

CCF has grown its private banking business both organically and through the selective acquisition of a number of specialist institutions, including Banque du Louvre and Banque Eurofin in Paris and Banque Dewaay in Brussels.

In December 2001, CCF acquired 68.4% of HSBC Guyerzeller Bank AG. Subsequently 58.4% of HSBC Guyerzeller Bank AG and ownership of CCF's private banking operations in Switzerland and Nassau were sold to HSBC Republic Bank (Suisse) in exchange for a shareholding in HSBC Republic Bank (Suisse).

At the end of 2001, CCF's funds under management were £36 billion.

HSBC Republic

Effective 1 January 2000, the Bank acquired a 50.83 per cent. interest in HSBC Republic Holdings (Luxembourg) S.A. from HSBC Holdings plc. In December 2000, as part of the strategic restructuring of the HSBC Group's private banking operations, a new holding company, HSBC Private Banking Holdings (Suisse) SA, was formed in Switzerland and the Bank's indirect ownership in this holding company has now increased to 97.82 per cent.

The reorganisation of the HSBC Group's existing international private banking operations into HSBC Republic was a principal focus of activity during 2001 to provide a unified business to market high-quality services and products and to reduce costs.

In April 2001, HSBC Republic Bank (Suisse) SA formed new branches to acquire the private banking operations of the HSBC Group in the Hong Kong SAR, Singapore and Nassau. This reorganisation will ultimately add over £14 billion in client assets-under-management to HSBC Republic Bank (Suisse) SA.

In June and October 2001, respectively, the CCF private banking operations in Luxembourg and Monaco were combined with their HSBC Republic entities in the same locations. Significant synergies and long-term cost savings are expected from these mergers.

In December 2001, HSBC Private Banking Holdings (Suisse) SA acquired 58.4 per cent. of the Swiss-based HSBC Guyerzeller Bank AG and 100 per cent. of Crédit Commercial de France (Suisse) SA, Handelsfinanz-CCF Bank and Handelsfinanz-CCF International Bank Limited, Nassau. The intention is to merge HSBC Guyerzeller Bank with the two Geneva-based banks, Crédit Commercial de France (Suisse) and Handelsfinanz-CCF Bank in 2002, greatly strengthening HSBC Guyerzeller's presence in Geneva.

The Swiss holding company's subsidiary banks at 31 December 2001 are located in Switzerland, Monaco, Guernsey, the Hong Kong SAR, Luxembourg and Nassau and, together with their respective branches in Guernsey, the Hong Kong SAR, Singapore and Nassau, represent some 73 per cent. of the international HSBC Republic business. HSBC Republic is the principal international private banking division of the HSBC Group. Worldwide, HSBC Republic has operations in 50 locations in the Americas, Asia, Europe and the Middle East and client assets-under-management exceeding £100 billion at 31 December 2001.

Client services include deposits and funds transfer, tax and trustee structures, asset and trust management, mutual funds, currency and securities transactions, lending, letters of credit, and guarantees and other extensions of credit on a collateralised basis.

HSBC Republic continued to build on its international strategy with strategic imperatives closely echoing the HSBC Group's client-focused approach. HSBC Republic's client base requires a highly differentiated service, provided through a combination of geographical presence and specialised bankers. Working in collaboration with other members of the HSBC Group, HSBC Republic is able to provide its clients with private banking, trust and wealth management services, and a comprehensive range of financial services including corporate banking, investment banking and insurance. Global industry practices, such as diamonds and jewellery and sports and media, have been established to channel the delivery of these specialised services to private banking clients.

Key achievements in 2001 include the establishment of an international investment fund management process (advisory and discretionary), a private banking treasury in Asia and Europe, distinctive alternative investment fund management capabilities (including the successful £125 million launch of a fund of hedge funds, HSBC Global Absolute Limited), and an international credit function to support lending for HSBC Republic's distinctive clients. The international tax and trustee business has been strengthened. In parallel, key functional capabilities have been reinforced, particularly those of Operations, Human Resources and Information Technology.

Working with HSBC Asset Management, Investment Banking and Markets, and Group Insurance, HSBC Republic has sought shared initiatives for the benefit of clients. Most

importantly, these have included structured investment products and tax-effective life insurance products with an international trust component.

Recent Developments

On 14 March 2002 the Secretary of State for Trade and Industry published her Department's report on its investigation into the supply of banking services to small and medium sized businesses. The Bank has reviewed its strategy and announced that it will introduce new interest bearing current accounts for these customers on 1 January 2003.

On 1 July 2002 HSBC Germany Holdings GmbH was acquired from a fellow subsidiary undertaking in the HSBC Group for a consideration of €549 million. HSBC Germany Holdings GmbH holds the Group's 73.5 per cent. interest in HSBC Trinkaus & Burkhardt KGaA.

On 1 July 2002 HSBC Republic Bank (UK) Limited was acquired from a fellow subsidiary undertaking in the HSBC Group for a consideration of £256 million. The acquisition was funded by the issue of 1 ordinary share of £1 to HSBC Holdings plc at a premium of £255,999,999.

By operation of the HSBC Investment Banking Act 2002 given Royal Assent on 7 November 2002, the investment banking business of HSBC Investment Bank plc was transferred to the Bank with effect from and including 30 November 2002.

DIRECTORS OF HSBC BANK PLC

At the date of this document, the Directors of the Bank, their functions and their principal outside activities (if any) of significance to the Bank, are as follows:

Name	Function within the Bank	Principal Outside Activity
Sir John Bond	Chairman	Group Chairman HSBC Holdings plc
K R Whitson	Deputy Chairman	Group Chief Executive HSBC Holdings plc
W R P Dalton	Chief Executive	
D W Baker	Chief Operating Officer	
C F W de Croisset	Director	Chairman and Chief Executive Officer Crédit Commercial de France S.A.
R Emerson*	Director	Senior Vice President Tax & Treasury GlaxoSmithKline plc
C-H Filippi	Director	Global Head of Corporate and Institutional Banking for the HSBC Group
S K Green	Director	Executive Director Corporate, Investment Banking and Markets HSBC Holdings plc
C M S Jones*	Director	Chairman and Managing Director James Beattie PLC
A C Reed (Mrs)*	Director	Finance Director Marks & Spencer plc
H A Rose*	Director	
J Singh*	Director	Chairman and Chief Executive Officer Edwardian Group Limited

Note:

* Independent Non-Executive Director

The business address for all the Directors of the Bank is 8 Canada Square, London E14 5HQ.

CONSOLIDATED CAPITALISATION AND INDEBTEDNESS OF HSBC BANK PLC

The following shows the unaudited consolidated capitalisation and indebtedness of HSBC Bank plc as at 30 September 2002.

		Authorised £m	Authorised US\$m	Issued and fully paid £m
Ordinary Share Capital of HSBC Bank plc				
	Ordinary shares (of nominal value £1 each)	1,000	—	797
				Proceeds of Issue £m
Preference Share Capital of HSBC Bank plc				
	Sterling preference shares (of nominal value £1 each)	150	—	—
	U.S. Dollar preference shares (of nominal value US\$0.01 each)	—	2	557
				Amount Outstanding £m
€	1,900m			1,196
Minority Interests - Non Equity				
Capital contribution				
Consolidated Loan Capital				
Undated subordinated loan capital of HSBC Bank plc				
US\$	750m			477
US\$	500m			318
US\$	300m			191
£	150m			150
£	150m			150
				1,286
Undated subordinated loan capital of subsidiary undertakings				
JPY	10,000m			52
				Other undated subordinated liabilities less than £50 million
				60
				112
Dated subordinated loan capital of HSBC Bank plc				
US\$	400m			254
£	200m			200
US\$	500m			318
US\$	375m			238
US\$	300m			191
£	350m			350
£	300m			298
US\$	300m			190
£	225m			223
				2,262
Dated subordinated loan capital of subsidiary undertakings				
US\$	81m			51
£	152m			96
US\$	300m			191
				Other dated subordinated liabilities less than £50 million
				387
				725
				Total Consolidated Loan Capital
				4,385

Notes:

- (1) The authorised share capital of HSBC Bank plc comprises 999,999,999 ordinary shares of nominal value £1 each; 150,000,000 Sterling preference shares of nominal value £1 each; 244,000,000 US Dollar preference shares of nominal value US\$0.01 each; and one preferred ordinary share of nominal value £1.
- (2) The issued, allotted and fully paid share capital of HSBC Bank plc comprises 796,969,095 ordinary shares of nominal value £1 each; 35,000,000 non-cumulative US Dollar preference shares of nominal value US\$0.01 each; and one preferred ordinary share of nominal value £1, all of which are beneficially owned by HSBC Holdings plc.
- (3) The proceeds of the capital contribution were on-lent by HSBC Capital Funding 1 (UK) Limited Partnership (a subsidiary undertaking of the Bank) to the Bank's Paris branch by issue of EUR 900 million 7.75% Non-Cumulative Subordinated Notes 2040 and €1,000 million Floating Rate Subordinated Loan 2012.
- (4) None of the above Consolidated Loan Capital is secured or guaranteed.
- (5) US\$300 million Term Subordinated Debt 2011 was redeemed on 1 November 2002.
- (6) On 29 November 2002, HSBC Holdings plc made a €250 million Floating Rate Subordinated Loan 2010/2015 to HSBC Bank plc.

As at 30 September 2002, HSBC Bank plc had other indebtedness of £202,317 million (including deposits by banks of £32,779 million, customer accounts of £130,491 million, debt securities in issue of £9,253 million and other liabilities of £29,794 million) and contingent liabilities of £14,751 million (comprising acceptances and endorsements of £569 million and guarantees and assets pledged as collateral security of £14,182 million). In addition, as at 30 September 2002, HSBC Bank plc had pledged assets of £12,340 million as security for liabilities of £2,808 million.

SUPPLEMENTAL INFORMATION MEMORANDUM

HSBC Investment Bank plc

(A company incorporated with limited liability in England with registered no. 976092)

Issue of 5,000,000 Call Warrants in relation to the Common Stock Shares of Total Fina Elf

This supplemental information memorandum, including annexes 1 and 2, (the "**Supplemental Information Memorandum**") is prepared in connection with the warrants listed in annex 1 below (the "**Warrants**") originally issued by HSBC Investment Bank (Netherlands) N.V. (the "**Original Issuer**" or "**IBNL**") under its Programme for the Issuance of Warrants and guaranteed by HSBC Investment Bank plc in its capacity as guarantor (the "**Guarantor**"). The Warrants are admitted to the Official List of the Financial Services Authority (the "**UK Listing Authority**"), in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (the "**FSMA**") and to trading on the London Stock Exchange plc (the "**London Stock Exchange**").

This Supplemental Information Memorandum is supplemental to and must be read in conjunction with the Information Memorandum dated 10 April 2001 (the "**Information Memorandum**") relating to the Programme and the Pricing Supplement dated 28 June 2001 relating to the Warrants (the "**Supplement**"). This Supplemental Information Memorandum, the Information Memorandum and the Supplement together comprise Listing Particulars.

Application has been made for the Warrants to be admitted to the UK Listing Authority, in its capacity as competent authority for the purposes of Part VI of the FSMA and to trading on the London Stock Exchange. A copy of the Listing Particulars has been delivered for registration to the Registrar of Companies in England and Wales as required by Section 83 of the FSMA.

Pursuant to Condition 15 of the terms and conditions of the Warrants, the Original Issuer and Guarantor are entitled, without the consent of the Warrantholders, to substitute the Guarantor in place of the Original Issuer as obligor under the Warrants.

Pursuant to an issuer substitution supplemental agreement dated 7 October 2002, between the Original Issuer, HSBC Investment Bank plc in its capacity as substitute issuer (the "**Issuer**" or "**IBEU**"), the Principal Warrant Agent, the Warrant Agents, the Calculation Agent and the Guarantor (the "**Supplemental Warrant Agency Agreement**") and with effect from and including 7 October 2002, (i) IBEU will assume all the obligations of IBNL as issuer under the Warrants to the same extent as if IBEU had originally been the issuer of the Warrants in place of IBNL, and (ii) IBNL will be released from all its obligations as issuer under the

Warrants, and (iii) IBEU will be released from all its obligations as guarantor of the Warrants.

All references in the Information Memorandum and the Supplement to the Original Issuer shall be construed as references to IBEU.

The Issuer accepts responsibility for the information contained in these Listing Particulars. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in these Listing Particulars is in accordance with the facts and does not omit anything likely to affect the import of such information.

Attached hereto as annex 2 is information about the Issuer.

The auditors of the Issuer are KPMG Audit Plc who have audited the Issuer's accounts, in accordance with generally accepted auditing standards in the United Kingdom for each of the financial periods ended 31 December 1999, 31 December 2000 and 31 December 2001.

Statutory accounts have been delivered to the Registrar of Companies for each of the three financial years ended 31 December 1999, 31 December 2000 and 31 December 2001 on which the auditors have issued unqualified reports without any statement under section 237 of the Companies Act 1985.

Save as disclosed in this document, there has been no significant change in the financial or trading position nor any material adverse change in the financial position or prospects of the Issuer and its subsidiaries, taken as a whole (the "**Group**") since 31 December 2001.

Neither the Issuer nor its subsidiaries nor the Group is or has been involved in any legal or arbitration proceedings (nor, so far as the Issuer is aware, are any legal or arbitration proceedings pending or threatened) which may have or have had during the twelve months preceding the date of this document a significant effect on the financial position of the Issuer, its subsidiaries or the Group.

So long as any of the Warrants remain outstanding, copies of the following documents shall be available for inspection during usual business hours at the registered office of the Issuer and at the specified office of the Principal Warrant Agent:

- (i) Annual Report and Accounts of the Issuer for the financial years ended 31 December 2000 and 31 December 2001 (and the auditors report for each of these years);
- (ii) Interim financial statements of the Issuer for the half-year ended 30 June 2002;
- (iii) the Memorandum and Articles of Association of the Issuer;
- (iv) the Information Memorandum;
- (v) this Supplemental Information Memorandum;
- (vi) the Supplement;
- (vii) the Supplemental Warrant Agency Agreement; and

(viii) the Supplemental Master Warrant Issuance Agreement dated 7 October 2002.

Terms defined in the Information Memorandum shall, unless specified otherwise in this document, have the same meaning when used in this document.

HSBC

7 October 2002

ANNEX 1

Series	ISIN	Common Code	Title	Issue Date	Expiry Date
NV118	NL0000243475	12620438	5,000,000 Call Warrants in relation to the Common Stock Shares of Total Fina Elf	12 April 2001	28 March 2003

ANNEX 2

DESCRIPTION OF THE ISSUER

Principal Activities, Objects and Principal Place of Business

HSBC Investment Bank plc (the "Issuer") is an integrated investment bank and international securities house based in London providing a wide range of stockbroking and other services. It is an indirect, wholly owned subsidiary of HSBC Holdings plc. Its issued share capital of 280,000,000 ordinary shares of £1.00 each is beneficially owned by HSBC Investment Bank Holdings plc. HSBC Investment Bank Holdings plc is a wholly owned subsidiary of HSBC Holdings plc. The business of the Issuer was established in 1775. The Issuer was incorporated as an unlimited company in England and Wales on 2 April 1970 (with registered number 976092), became a limited liability company under the Companies Act 1985 on 5 December 1988 (with registered number 976092) and became a public limited company on 1 April 1996 (with the same company number). The Issuer is authorised as a bank under the Financial Services and Markets Act 2000 and regulated by the Financial Services Authority.

The Issuer's registered office is 42nd Floor, 8 Canada Square, London E14 5HQ United Kingdom and its principal place of business is Thames Exchange, 10 Queen Street Place, London EC4R 1BL.

The Issuer's direct subsidiaries are:

Allblack Investments Limited (Jersey)	James Capel (Second Nominees) Limited
Antrobus (Nominees) Limited	James Capel (Taiwan) Nominees Limited
Bride Investments (Portsmouth) Limited	James Capel (Third Nominees) Limited
Bury Street (Nominees) Limited	James Capel Investments Limited
Cedar (Nominees) Limited	James Capel Services Limited
Cowslip Estates	Lakeside (Nominees) Limited
Crewfleet Limited	Legend Estates Limited
Devonshire (Nominees) Limited	London Bridge (Nominees) Limited
Euston (Nominees) Limited	London Mortgage Trust, Limited, The
Fleet (Nominees) Limited	Midsummer Lodge Investments*
Hilaga Investments Limited	Montagu Trust Limited
HSBC Financial Products Limited	Paul (Nominees) Limited
HSBC Funding Services Limited	Samuel Montagu & Co. Limited
HSBC Intermediate Leasing (UK) Limited	Spark Development Limited
HSBC Precision Trading Limited (Jersey)	Specfin Nominees Limited
HSBC Private Equity Limited	Speedcalm Limited
HSBC Vintners Place Limited	Spring (Nominees) Limited
Inveraray Investments Limited	Stockwatch Limited
James Capel & Co. Limited	Tawnyport Estates
James Capel (Custodian) Nominees Limited	The Thames Fund Limited*
James Capel (Nominees) Limited	Totalflag

* jointly owned by more than one group company

The Issuer's Structure and Activities and Future Developments

The business of the Issuer was established in 1775. The Issuer's business as at present composed, was established on 1 April 1996 when the operations of the international securities house James Capel & Co. Limited and the merchant banking activities of Samuel Montagu & Co. Limited were brought together. The Issuer offers a wide range of financial products and services to governments, corporations, institutions and individuals around the world. It has a network of offices, branches and affiliates in 42 countries including an office in Edinburgh, and branches in London, Seoul, Stockholm and Madrid. The Issuer and its related companies have membership of all major stock exchanges around the world.

On the equities side, the Issuer's core business consists of research-driven stockbroking for both institutional investors and private clients, complemented by related activities such as equity trading and market-making and derivatives broking and trading. It is one of the largest private client stockbrokers in the UK, managing funds in excess of £5.5 billion.

On the investment banking side, the Issuer offers such products as corporate finance advice, equity capital market origination, project and export finance, loan syndication, corporate broking, private equity and privatisation advice. It is a leader in the UK new issue business and broker to over 160 companies.

The Issuer is part of HSBC Investment Banking and Markets, which is responsible within HSBC for the advice and financing, equity securities, asset management and private banking activities of HSBC Holdings plc and its subsidiary undertakings ("HSBC"). HSBC is one of the largest banking and financial services organisations in the world.

On 27 November 2001, a Petition was deposited with Parliament for a Bill to provide for the transfer of the investment banking business of the Issuer to HSBC Bank plc and the transfer of the private banking business of the Issuer to HSBC Republic Bank (UK) Limited.

Board of directors

The following is a current list of the directors of the Issuer:

Name	Function within the Issuer	Principal outside activities
S.K. Green	Chairman	None
A. J. Stewart-Jones	Director	None
I.C. Cotterill	Chief Operating Officer	None
K. Patel	Director	None

The business address for each director is Thames Exchange, 10 Queen Street Place, London EC4R 1BL.

CAPITALISATION OF THE ISSUER

The following table shows the audited authorised and issued share capital and loan capital of the Issuer as at the close of business on 30 June 2002.

	Authorised £'000	Issued and fully-paid £'000
Ordinary shares of £1 each	400,000	280,000
<hr/>		
Loans from ultimate parent company:		
Undated subordinated loan capital:		
£64,000,000 perpetual variable rate subordinated loan		64,000
<hr/>		
Dated subordinated loan capital:		
US\$50,000,000 variable rate subordinated loan maturing 2002		32,711
£70,000,000 variable rate subordinated loan maturing 2007		70,000
Loans from a related company:		
Dated subordinated loan capital:		
£50,000,000 variable rate subordinated loan maturing 2007		50,000
		<hr/>
		152,711
		<hr/>
Total (all unguaranteed and unsecured)		496,711

There has been no material change in the authorised and issued share capital or the loan capital of the Issuer since 30 June 2002.

CONTINGENT LIABILITIES AND GUARANTEES OF THE ISSUER

The following table shows the contingent liabilities and guarantees of the Issuer as at 31 December 2001.

Contingent liabilities	£'million
<i>Guaranteed and irrevocable letters of credit</i>	
Total	110,955
Commitments - Undrawn	
Total	438,717
Guarantees	
In addition to the above commitments, the Issuer has entered into guarantees on behalf of other Group undertakings in the normal course of business.	
Total	30,396
Total	580,068

**INTERIM FINANCIAL STATEMENTS OF THE ISSUER FOR THE HALF-YEAR
ENDED 30 JUNE 2002**

HSBC Investment Bank plc
Profit and Loss account

	Half-year to 30 June 2002 £'000	Half-year to 31 December 2001 £'000	Half-year to 30 June 2001 £'000
Net interest income	20,049	9,572	842
Net fees and commissions receivable	79,883	79,419	130,709
Other operating income	48,068	122,855	43,372
Operating income	<u>148,000</u>	<u>211,846</u>	<u>174,923</u>
Operating expenses	<u>(246,779)</u>	<u>(275,336)</u>	<u>(239,184)</u>
Operating loss before provisions	(98,779)	(63,940)	(64,261)
Provisions			
- provisions for bad and doubtful debts	(2,561)	(3,523)	391
- provisions for contingent liabilities and commitments	1,568	(1,568)	-
Amounts written off fixed asset investments	<u>(3,770)</u>	<u>(7,982)</u>	<u>(3,245)</u>
Operating loss	(103,542)	(76,563)	(67,115)
Gains on disposal of fixed assets and investments	13,379	671	415
Loss on ordinary activities before tax	(90,163)	(75,892)	(66,700)
Tax on loss on ordinary activities	27,028	39,559	17,094
Loss on ordinary activities after tax	(63,135)	(36,333)	(49,606)
Interim dividends	-	-	-
Retained loss for the period	<u>(63,135)</u>	<u>(36,333)</u>	<u>(49,606)</u>

HSBC Investment Bank plc
Balance Sheet

	At 30 June 2002 £'000	At 31 December 2001 £'000	At 30 June 2001 £'000
Assets			
Cash and balances at central banks	164	230	131
Loans and advances to banks	3,289,671	3,349,890	2,425,833
Loans and advances to customers	2,478,262	2,527,468	4,794,002
Debt securities	558,367	702,224	1,188,668
Equity shares	886,161	1,095,315	1,141,632
Shares in group undertakings	390,387	369,311	400,846
Tangible fixed assets	20,850	22,403	23,514
Other assets	341,794	411,344	556,502
Prepayments and accrued income	107,585	146,583	126,415
Total assets	8,073,241	8,624,768	10,657,543
Liabilities			
Deposits by banks	2,642,922	2,585,906	3,020,773
Customer accounts	2,719,189	3,003,038	5,225,250
Debt securities in issue	25,000	10,000	5,000
Other liabilities	2,087,397	2,305,407	1,757,930
Accruals and deferred income	99,594	152,495	140,557
Provisions for liabilities and charges	43,777	53,861	31,880
Subordinated liabilities:			
- undated loan capital	64,000	64,000	64,000
- dated loan capital	152,711	154,499	155,589
Called up share capital	280,000	280,000	205,000
Profit and loss account	(41,349)	15,562	51,564
Shareholders' funds - equity	238,651	295,562	256,564
Total liabilities	8,073,241	8,624,768	10,657,543

(1) Basis of preparation

The individual financial statements of the Issuer set out above are unaudited and do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985 ('the Act'). The statutory accounts for the year ended 31 December 2001 have been delivered to the Registrar of Companies in England and Wales in accordance with section 242 of the Act. The auditor has reported on those accounts; its report was unqualified and did not contain a statement under section 237 (2) or (3) of the Act.

PRICING SUPPLEMENT

Series Number: NV118

HSBC Investment Bank (Netherlands) N.V.

guaranteed by

HSBC Investment Bank plc

Programme for Issuance of Warrants

**Issue of 5,000,000 Call Warrants in relation to the Common Stock Shares
Of Total Fina Elf (the "Relevant Company")**

This Supplement is prepared in connection with HSBC Investment Bank (Netherlands) N.V.'s (the "**Issuer**") Programme for the Issuance of Warrants and is supplemental to, and should be read in conjunction with, the Information Memorandum dated 10 April 2001 (the "**Information Memorandum**"). Save as disclosed herein, there has been no significant change and no significant new matter has arisen since the publication of the Information Memorandum. Terms defined in the Information Memorandum shall, unless specified otherwise in this Supplement, have the same meaning when used in this Supplement.

Subject as set out below, the Issuer and HSBC Investment Bank plc (the "**Guarantor**") accept responsibility for the information contained in this Supplement. To the best of the knowledge and belief of the Issuer and the Guarantor (which have taken all reasonable care to ensure that such is the case), the information contained in this Supplement is (subject as mentioned herein) in accordance with the facts and does not omit anything likely to affect the import of such information.

The information contained herein concerning the Relevant Company and the Shares consists of extracts from or summaries of information released publicly by the Relevant Company and the information contained herein concerning Share prices of each Relevant Company is taken from information published by Bloomberg L.P. ("**Bloomberg**").

The Issuer and the Guarantor accept responsibility for reproducing accurately such extracts or summaries and such information. The Issuer and the Guarantor accept no further or other responsibility in respect of such information contained herein.

The Shares (as defined herein) are more particularly described in the Annex hereto (which forms part of this Supplement).

28 June 2001

Series No: NV118

**Issue of 5,000,000 Call Warrants in relation to the Common Stock
Shares of Total Fina Elf**

The particulars to be specified in relation to the above Series are as follows:

- | | | |
|-----|---|--|
| 1. | Issuer: | HSBC Investment Bank (Netherlands) N.V. |
| 2. | Guarantor: | HSBC Investment Bank plc |
| 3. | Principal Warrant Agent: | HSBC Bank plc |
| 4. | Calculation and Warrant Agent: | HSBC Investment Bank plc |
| 5. | Aggregate Number of Warrants in the Series: | 5,000,000 |
| 6. | Issue Date: | 12 April 2001 |
| 7. | Issue Price: | EUR 29.54 per Warrant |
| 8. | Strike Price: | EUR 152.8 |
| 9. | Listing of Warrants: | Application has been made to the UK Listing Authority for admission to the Official List.

Application has been made to the London Stock Exchange for trading. |
| 10. | Type of Warrants: | Share Warrant |
| 11. | Series represented by: | Global Warrant. Warrants in definitive form will not be issued. |
| 12. | Style of Warrants: | The Global Warrant is an European Style Call Warrant. [Condition 3(a)] |
| 13. | (i) Expiry Date: | Close of trading on the Exchange on 28 March 2003 or if such day is not a Business Day, the preceding Business Day. |
| | (ii) Expiry Period: | Condition 4 is applicable. |
| | (iii) Exercise Procedure: | Any day which is a Business Day from and (and including) the Issue Date to (and including) the Expiry Date. Condition 3(g) is applicable. |
| 14. | (i) Minimum Exercise Number: | 10,000 Warrants |

- (ii) Permitted Multiple: 1,000 Warrant
15. Settlement: Condition 3(d) (Physical Settlement) and 3(f) (Optional Cash Settlement) applicable.
16. Cash Settlement: Optional Cash Settlement applicable
- (i) Cash Settlement Amount: Each Warrant entitles the Warrantholder, upon exercise, to receive from the Issuer an amount in the Settlement Currency calculated by the Calculation Agent as the Settlement Price of the Shares on the Expiry Date.
- (ii) Settlement Currency: **EURO**. The expressions "**EURO**" and "**EUR**" refer to the lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Communities, as amended by the Treaty on European Union.
- (iii) Cash Settlement Payment Date: 01 May 2003
- (iv) Settlement Price: In respect of each Warrant, an amount in the Settlement Currency equal to the official closing price of a Share as reported on the Exchange on the Expiry Date and as determined by the Calculation Agent.
- (v) Averaging Dates: Not applicable
17. Physical Settlement: Physical Settlement applicable if Settlement Price (as defined in 17(iv) above) is less than the Cap Price on the Expiry Date.
- One Total Fina Elf Ordinary Share for every one Warrant will be transferred through SICOVAM following exercise. Stamp duty is not presently payable by the Warrantholder on Share delivery. There are no restrictions on the transferability of Shares.
- Share price information is published on Reuters and quoted by the Paris Bourse.
- Dividends will not be paid to Warrantholders as a result of holding the Warrants.

Dividends following physical settlement as a result of the exercise of the Warrants receive treatment as follows:

Dividends paid by Total Fina Elf may carry tax credits depending on the resident status and tax circumstances of individual Warrantholders. No withholding taxes are levied on dividends paid.

- | | | |
|-----|--|--|
| 18. | Index Warrant or Index BasketWarrant: | Not applicable |
| 19. | Share Warrant or Share Basket Warrant: | Share Warrant is applicable |
| | (i) Shares: | Common Stock shares of par value EUR 10 of Total Fina Elf and "Share" means any one of them . |
| | | The Shares are registered and are held in uncertificated form in SICOVAM. |
| | (ii) Exchange(s): | Paris Bourse |
| | (iii) Related Exchange: | Not Applicable |
| | (iv) Relevant Company/
Companies: | Total Fina Elf (see Annex) |
| 20. | Market Disruption Event: | Condition 6(a)(i), (ii), (iii) (c) and (d) applies |
| 21. | Business Day: | As in the Conditions |
| 22. | Common Code: | 12620438 |
| 23. | ISIN: | NL0000243475 |
| 24. | Valoren Number : | 1205207 |
| 25. | Clearing System(s): | Euroclear/Clearstream Banking |
| 26. | Application of Proceeds: | The cash proceeds from each Warrant sold at the Issue Price will be EUR 29.54 per Warrant. The net proceeds receivable, if all Warrants are sold at the Issue Price is EUR 147,700,000 |

27. Selling Restrictions:

In addition to "**Purchase and Selling Restrictions**" contained in the Information Memorandum:

Any Warrant (including rights representing an interest in a Global Warrants) shall only be offered to individuals or legal entities situated anywhere in the world who or which trade or invest in securities in the conduct of a business or profession (which includes banks, securities firms, insurance companies, pension funds, investment institutions, central governments, large international and supranational organisations, other institutional investors and other parties, including treasury departments of commercial enterprises, which are regularly active in the financial markets in a professional manner). Any offer of such Warrants is exclusively made to the said individuals or legal entities.

No person (other than a person permitted to do so under the securities laws of Hong Kong) may issue or have in its possession for the purpose of issue, in Hong Kong any advertisement, invitation or document relating to the Warrants, other than with respect to Warrants intended to be disposed of to persons outside Hong Kong or to be disposed of in Hong Kong only to persons whose business involves the acquisition, disposal, or the holding of securities, whether as principal or as agent.

The Warrants have not been and will not be registered under the securities and exchange laws of Japan. Each purchaser has represented that the Warrants that it subscribes for will be subscribed for by it as principal and has agreed that, in connection with the initial offering of the Warrants, it will not, directly or indirectly, offer or sell any Warrants in Japan, or to, or for the benefit of any resident of Japan except in accordance with the securities and exchange law of Japan and other applicable laws and regulations of Japan.

For a period of not less than 14 days from the date of this Supplement, the most recently published annual accounts (as at the date of this Supplement) or, as the case may be, the most recently published consolidated annual accounts (as at the date of this Supplement) of the Relevant Company (the English translation thereof), together with any interim financial statements (if any), published subsequently, will be available for inspection at the registered office of the Guarantor in London at Thames Exchange, 10 Queen Street Place, London, EC4R 1BL.

Signed on behalf of HSBC Investment Bank (Netherlands) N.V. :

By By
Authorised Signatory Authorised Signatory

Signed on behalf of HSBC Investment Bank plc :

By By
Authorised Signatory Authorised Signatory

ANNEX

Total Fina Elf

General

Total Fina Elf S.A. explores for, produces, refines, transports, and markets oil and natural gas. The Company also operates a chemical division which produces rubber, paint, ink, adhesives, and resins. Total Elf Fina operates Total gasoline filling stations in Europe, the United States, and Africa. The Company operates in over 100 countries. Total Elf Fina is incorporated in France and their registered office is 2 Place de la Coupole, La Defense 6, 92400 Courbevoie, FRANCE.

Shares Listing

The Common Stock PAR EUR 10 shares of Total Elf Fina (the "Shares") are listed on the Paris Bourse.

Share Price Information

The following table sets out a range of prices for the Shares of Total Fina Elf on the Paris Bourse for each of the periods set out below:

Year Ended 31 December	High Price (EUR)	Low Price (EUR)
1998	123.48	82.93
1999	141.00	85.95
2000	189.00	118.50
2001 (27.06.01)	179.80	145.00

INFORMATION MEMORANDUM

HSBC Investment Bank (Netherlands) N.V.

(A company incorporated with limited liability in The Netherlands,
having its domicile in Amsterdam)

Programme for the Issuance of Warrants

Issues under the Programme may be unguaranteed or,
where so specified, guaranteed unconditionally and irrevocably by

HSBC Investment Bank plc

(A company incorporated with limited liability in England with registered no. 976092)

or such other guarantor as is specified in the supplement relating to such issue

HSBC Investment Bank (Netherlands) N.V. (the "**Issuer**") may from time to time issue warrants (the "**Warrants**") on an unguaranteed basis or, where so specified in the relevant Supplement, with the benefit of a guarantee (the "**Guarantee**") either from HSBC Investment Bank plc (the "**Initial Guarantor**") pursuant to a guarantee dated 10 April 2001 or from such other guarantor and pursuant to such guarantee, as may be specified in relevant Supplement (each of such other guarantor and the Initial Guarantor being a "**Guarantor**") under the programme (the "**Programme**") described in this document upon the terms and conditions of the Warrants described herein as supplemented, in the case of each issue of Warrants, by a supplement (each a "**Supplement**"). Warrants of any series (each a "**Series**") will give the holder thereof certain rights against the Issuer as described herein and in the relevant Supplement, which rights may include the right to receive a cash amount from the Issuer or the right to receive delivery of Shares (as defined herein) against payment of a specified sum. Warrants may be issued with an issue price and a Strike Price (as defined herein) denominated in such currency or currencies as may be specified in the relevant Supplement, subject to all applicable consents being obtained and to compliance with all applicable legal and/or regulatory requirements.

Application has been made for Warrants issued under the Programme during the period of twelve months from the date hereof to be admitted to the Official List of the Financial Services Authority (in its capacity as competent authority for the purposes of Part IV of the Financial Services Act 1986, the "**UK Listing Authority**") and to trading on the London Stock Exchange plc (the "**London Stock Exchange**"). It is also expected that application will be made to admit Warrants issued under the Programme to listing on the JSE Securities Exchange South Africa. Application may be made to admit Warrants issued under the Programme to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system. Warrants issued under the Programme may also be unlisted.

The Warrants have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and the securities issued upon their exercise may not be registered under the Securities Act. The Warrants are being initially offered either (A) outside the United States in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold, pledged or otherwise transferred in the United States or to U.S. persons, or (B) within the United States in a transaction that is

exempt from the registration requirements of the Securities Act and may not be offered, sold, pledged or otherwise transferred in the United States or to U.S. persons except in a transaction is exempt from the registration requirements of the Securities Act and in compliance with any applicable state securities laws. The Warrants may not be exercised by or on behalf of a U.S. person unless registered under the Securities Act or an exemption from such registration is available. The terms "United States" and "U.S. person" used in this paragraph have the meaning given to them in Regulation S. In addition, trading in the Warrants has not been and will not be approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act.

Transfers of the Warrants may be conditional upon delivery of certain certifications and are subject to significant restrictions as described under "Purchase and Selling Restrictions," including the right of the Issuer to refuse the recognition of transfers of the Warrants. Exercise of a Warrant offered in reliance on Regulation S will be conditional upon delivery of certain certifications as described under "Exercising Procedure."

With respect to Physical Settlement Warrants in relation to which the Shares to be delivered are an investment falling within paragraph 1 or 2 of Schedule 1 to the Financial Services Act 1986 (as applied for the purposes of the Public Offer of Securities Regulations 1995), the Issuer has not authorised any offer of such Warrants to the public in the United Kingdom within the meaning of such Regulations. Such Warrants may not lawfully be offered or sold to persons in the United Kingdom except in circumstances which do not result in an offer to the public in the United Kingdom within the meaning of such Regulations or otherwise in compliance with all applicable provisions of such Regulations.

10 April 2001

HSBC

The Issuer and the Initial Guarantor accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Issuer and the Initial Guarantor (which have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This document comprises particulars issued in compliance with the listing rules made by the UK Listing Authority (the "**Listing Rules**") for the purpose of giving information with regard to the issue of Warrants under the Programme during the period of twelve months from the date of this document. The Supplement prepared in connection with any issue of Warrants admitted to listing on the UK Listing Authority and to trading on the London Stock Exchange will comprise supplementary particulars issued for such purpose.

This Information Memorandum is to be read and construed with any amendment or supplement hereto (this document, as amended or supplemented, the "**Information Memorandum**"), with any Supplement and with all documents incorporated by reference, provided that any such amendment or supplement and any such document incorporated by reference shall not form part of the particulars as approved by the UK Listing Authority provided for the purpose of the listing of the Warrants contained in this document unless contained in supplementary particulars issued for such purpose. Any material changes to the information contained in this Information Memorandum shall be contained in future supplementary particulars in accordance with the Listing Rules.

No person has been authorised to give any information or to make any representation regarding the Issuer, the Initial Guarantor or the Warrants not contained in or consistent with this Information Memorandum, any documents incorporated by reference in this Information Memorandum, in any other document prepared in connection with the Programme or any Supplement or as expressly approved for such purpose by the Issuer. Any such information or representation must not be relied upon as having been authorised by or on behalf of the Issuer, the Initial Guarantor or HSBC Bank plc in its capacity as principal warrant agent (the "**Principal Warrant Agent**"). Neither the delivery of this Information Memorandum nor the delivery of any Supplement nor any sale made in connection with the offering of Warrants shall under any circumstances imply that there has been no change in the affairs of the Issuer or the Initial Guarantor, or that the information contained in the Information Memorandum is true, since the date hereof or, as the case may be, the date upon which this Information Memorandum has been most recently amended or supplemented or the balance sheet date of the most recent financial statements which are deemed to be incorporated into this Information Memorandum by reference.

Neither the Information Memorandum nor any Supplement constitutes an offer of or an invitation by or on behalf of the Issuer, the relevant Guarantor or the Principal Warrant Agent to subscribe for or purchase any of the Warrants in any jurisdiction or to any person to whom it is unlawful to make such offer or invitation in such jurisdiction. The distribution of this Information Memorandum and the offering of Warrants in certain jurisdictions may be restricted by law. Persons into whose possessions this Information Memorandum comes are required by the Issuer, the relevant Guarantor and the Principal Warrant Agent to inform themselves about, and to observe, any such restrictions. For a further description of certain restrictions on offers and sale of Warrants and on distribution of this document, see "**Purchase and Selling Restrictions**" below.

In this Information Memorandum, unless otherwise specified or the context otherwise requires, references to "**Sterling**" or "**£**" are references to the lawful currency of the United Kingdom and references to "**Dollars**", "**\$**", "**U.S. Dollars**", "**U.S.\$**" and "**cents**" are references to the lawful currency of the United States of America. Any other currency referred to in any Supplement will have the meaning specified in the relevant Supplement.

All applicable provisions of the Financial Services Act 1986 must be complied with in respect of anything done in relation to the Warrants in, from or otherwise involving the United Kingdom. Any document received in connection with the issue of the Warrants may be issued or passed on only to persons (other than persons to whom such document may otherwise lawfully be issued) of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended).

Physical Settlement Warrants in relation to which any securities to be delivered are an investment falling within paragraph 1 or 2 of Schedule 1 to the Financial Services Act 1986 (as applied for the purposes of the Public Offer of Securities Regulations 1995 (the "**Regulations**")) may not be offered or sold to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal

or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Regulations.

This Information Memorandum is issued by the Issuer and the Initial Guarantor. The Initial Guarantor is regulated by the Securities and Futures Authority.

Neither this Information Memorandum nor any other information supplied in connection with any Warrants is intended to provide the basis of any credit or other evaluation and should not be considered as recommendations by the Issuer, the relevant Guarantor or the Principal Warrant Agent that any recipient of this Information Memorandum or any other information supplied in connection with any Warrants should purchase any Warrants.

The treatment for taxation purposes of the acquisition, holding or disposal of, or other dealings with, Warrants may differ according to the jurisdiction in which the person acquiring, holding, disposing or dealing is subject to taxation. Any person intending to acquire, hold, dispose of or otherwise deal with a Warrant should inform himself as to the treatment for taxation purposes applicable to him.

TABLE OF CONTENTS

Documents Incorporated by Reference	6
Terms and Conditions of the Warrants	7
Use of Proceeds	35
HSBC Investment Bank (Netherlands) N.V.	36
Capitalisation of the Issuer	38
Auditors Report	39
Issuer's Accounts for Financial Year Ending 31 December 2000	40
HSBC Investment Bank plc	55
Capitalisation of the Initial Guarantor	57
Initial Guarantor Accounts for Financial Year Ending 31 December 1998	60
Purchase and Selling Restrictions	105
Offers and Sales	107
Taxation	108
General Information	109

DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Information Memorandum:

- (1) the most recent Annual Report and Accounts of the Issuer and of each Guarantor published from time to time by it; and
- (2) all amendments and supplements to this Information Memorandum prepared from time to time by the Issuer,

save that (i) any statement contained herein or in any Annual Report and Accounts of the Issuer or the relevant Guarantor shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any subsequently published Annual Report and Accounts expressly or impliedly modifies or supersedes such earlier statement provided that any modifying or superseding statement does not form part of the particulars as approved by the UK Listing Authority provided for the purpose of the listing of Warrants contained in this document unless contained in supplementary particulars issued for such purpose and (ii) any documents incorporated by reference do not form part of the particulars as approved by the UK Listing Authority provided for the purpose of the listing of Warrants contained in this document unless contained in supplementary particulars issued for such purpose.

The Initial Guarantor will provide a copy of any or all the documents incorporated herein by reference, without charge, to any person holding a copy of this Information Memorandum at the request of such person either in person or in writing at the Initial Guarantor's registered office.

TERMS AND CONDITIONS OF THE WARRANTS

The following are the terms and conditions of the Warrants which (subject to completion and minor amendment) will be applicable to each Series of Warrants, provided that the relevant Supplement in relation to any Warrants may supplement these terms and conditions and/or may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following terms and conditions, replace the following terms and conditions for the purposes of such Warrants.

This Warrant is one of a series (each, a "**Series**") of warrants (the "**Warrants**") issued by HSBC Investment Bank (Netherlands) N.V. in its capacity as issuer (the "**Issuer**") pursuant to a warrant agency agreement 24 February 1999 as amended and restated by Amendment and Restatement Agreements dated 3 March 2000 and 10 April 2001 (as further modified and/or amended from time to time, the "**Warrant Agency Agreement**") made between the Issuer and HSBC Investment Bank plc in its capacity as Initial Guarantor (as defined below), as warrant agent (the "**Warrant Agent**") and as calculation agent (the "**Calculation Agent**", which expression shall include any successor calculation agent appointed in accordance with the Warrant Agency Agreement or, in respect of any Series of Warrants, such other calculation agent as may be specified in the relevant Supplement (as defined below), and HSBC Bank plc as principal warrant agent (the "**Principal Warrant Agent**" which expression includes any successor or substitute principal warrant agent appointed in accordance with the Warrant Agency Agreement). As used herein, the expression "**Warrant Agents**" shall include the Principal Warrant Agent and any other warrant agents appointed in accordance with the Warrant Agency Agreement. The Warrants will, if specified in the relevant Supplement as having the benefit of a Guarantee (as defined below), be guaranteed by HSBC Investment Bank plc (in such capacity, the "**Initial Guarantor**") or, as the case may be, by such other guarantor as may be specified in the relevant Supplement (the relevant guarantor whether the Initial Guarantor or another guarantor specified in the relevant Supplement being a "**Guarantor**"). Pursuant to the terms of a deed of guarantee dated 10 April 2001* (the "**Guarantee**", which expression includes any amendments or supplements thereto), the Initial Guarantor has unconditionally and irrevocably guaranteed the obligations of the Issuer with respect to Physical Settlement (if applicable) and/or the payment of the amounts payable by the Issuer under the Global Warrant (as defined below), the Warrants and the Warrant Agency Agreement in the case of each Series of Warrants in respect of which it is specified in the relevant Supplement that such Series is to have the benefit of such Guarantee. The following terms and conditions (the "**Conditions**") include brief summaries of, and are subject to, certain provisions of the Warrant Agency Agreement, a copy of which will be available for inspection at the specified office of the Principal Warrant Agent. The Warrantholders (as defined in Condition 1) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions (including the form of Exercise Notice referred to in Condition 4) of the Warrant Agency Agreement.

Each Series of Warrants may comprise one or more tranches ("**Tranches**" and each, a "**Tranche**") of Warrants. Each Tranche will be the subject of a supplement hereto (each, a "**Supplement**"), a copy of which will, in the case of a Tranche in relation to which application has been made for

* To be replaced by references to the relevant Guarantor and its Guarantee where the Initial Guarantor is not participating.

admission to the Official List of the Financial Services Authority (in its capacity as competent authority for the purposes of Part IV of the Financial Services Act 1986, the ("**UK Listing Authority**") and to trading on the London Stock Exchange plc (the "**London Stock Exchange**"), be lodged with the UK Listing Authority and the London Stock Exchange and will be available for inspection at the specified office of the Warrant Agent. In the case of a Tranche of Warrants in relation to which application has not been made for admission to the Official List of the UK Listing Authority and to trading on the London Stock Exchange or for admission to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system, copies of the relevant Supplement will only be available for inspection by a Holder (as defined in Condition 1) of such Warrants.

References in the Conditions to Warrants are to the Warrants of the relevant Series and references to the Issuer, a Warrant Agent, the Calculation Agent, any Holder or the Warrantholders are to those persons in relation to the Warrants of the relevant Series. Capitalised terms used but not defined in these Conditions will have the meanings given to them in the relevant Supplement, the absence of any such meaning indicating that such term is not applicable to the Warrants of the relevant Series.

As used in these Conditions and in relation to any Series of Warrants, subject as otherwise provided herein:

"Basket" means, in respect of an Index Basket Warrant, a basket composed of each Index specified in the relevant Supplement in the relative proportions indicated in the Supplement and, in the case of a Share Basket Warrant, a basket composed of Shares of each Relevant Company specified in the relevant Supplement in the relative proportions and numbers of Shares of each Relevant Company indicated in the Supplement;

"Bloomberg" means Bloomberg L.P.;

"Business Day" means, unless otherwise specified in the relevant Supplement, a day (other than a Saturday or a Sunday) on which banks are open for business and carrying on foreign exchange transactions in London and the principal financial centre of the Settlement Currency and on which the relevant Clearing System is open for business;

"Call Warrant" means a Warrant entitling, but not obligating, the Warrantholder upon exercise (i) to receive the relevant Cash Settlement Amount or (ii) to purchase the relevant Shares, in each case subject to and in accordance with these Conditions;

"Cash Settlement" has the meaning ascribed thereto in Condition 3;

"Cash Settlement Amount" has the meaning ascribed thereto in Condition 3;

"Cash Settlement Payment Date" has the meaning ascribed thereto in the relevant Supplement;

"CEA" means the United States Commodity Exchange Act, as amended;

"Clearing System" means Euroclear, Clearstream, Luxembourg and/or any other clearing system located outside the United States specified in the relevant Supplement in which Warrants of the

relevant Series are held, or in relation to an individual Warrant, that Warrant is held, for the time being;

"Clearance System Business Day" means, in respect of a Clearing System, any day on which such Clearing System is open for the acceptance and execution of settlement instructions;

"Clearstream, Luxembourg" means Clearstream Banking, société anonyme, Luxembourg;

"Currency Business Day" means any day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre for the relevant currency;

"Determination Date" means a day on which the Issuer notifies the Clearing System that it has elected for Physical Settlement or Cash Settlement in accordance with Condition 4(d), as specified in the relevant Supplement;

"Euroclear" means Euroclear Bank S.A./N.V., as operator of the Euroclear System;

"Euro", "euro" "EUR", "€" each mean the lawful currency of the member states of the European Union that have adopted or adopt the single currency in accordance with the Treaty establishing the European Communities, as amended by the Treaty on European Union (the **"Treaty"**);

"Exchange" means each exchange or quotation system specified as such in the relevant Supplement or any successor to such exchange or quotation system; provided that, in the case Share Warrants and Share Basket Warrants, if the specified Exchange ceases to list or otherwise include any Share, the Calculation Agent will select another exchange or quotation system (if any) in relation to the relevant Share;

"Exchange Business Day" means any day that is (or, but for the occurrence of a Market Disruption Event, would have been) a trading day on each Exchange and each Related Exchange other than a day on which trading on any such Exchange or Related Exchange is scheduled to close prior to its regular weekday closing time;

"Exercise Date" means, in respect of any Warrant, the day on which an Exercise Notice relating to that Warrant is delivered in accordance with the provisions of Condition 4(a) provided that:

- (i) if the Exercise Notice is delivered (A) on any day which is not a Business Day or (B) after 10.00 a.m. (local time in the place where the Clearing System through which such Warrants are exercised is located) on any Business Day, then, in either such case, the Exercise Date shall be the next succeeding day which is a Business Day; and
- (ii) the Exercise Date may not be later than the Expiry Date;

"Exercise Notice" means any notice in the form scheduled to the Warrant Agency Agreement or such other form as may from time to time be agreed by the Issuer and the Principal Warrant Agent which is delivered by a Warrantholder in accordance with Condition 4(a);

"Exercise Period" means the period beginning on (and including) such date as may be specified in the relevant Supplement and ending on (and including) the Expiry Date;

"Expiry Date" has the meaning ascribed thereto in the relevant Supplement;

"Holder" has the meaning ascribed thereto in Condition 1;

"Index" has the meaning ascribed thereto in the relevant Supplement;

"Index Basket Warrant" means that such Warrants relate to a basket of Indices, as specified in the relevant Supplement;

"Index Sponsor" has the meaning ascribed thereto in the relevant Supplement;

"Index Warrant" means that such Warrants relate to a single Index, as specified in the relevant Supplement;

"Issue Date" has the meaning ascribed thereto in Condition 1;

"Market Disruption Event" has the meaning ascribed thereto in Condition 6;

"Minimum Exercise Number" has the meaning ascribed thereto in Condition 5;

"New Guarantor" has the meaning ascribed thereto in Condition 15;

"New Issuer" has the meaning ascribed thereto in Condition 15;

"Permitted Multiple" has the meaning ascribed thereto in Condition 5;

"Physical Settlement" has the meaning ascribed thereto in Condition 3;

"Put Warrant" means a Warrant entitling, but not obligating, the Warrantholder upon exercise (i) to receive the relevant Cash Settlement Amount or (ii) to sell the relevant Shares, in each case subject to and in accordance with these Conditions;

"Related Exchange" means, in respect of an Index relating to an Index Warrant or an Index Basket Warrant or a Share relating to a Share Warrant or a Share Basket Warrant, each exchange or quotation system specified as such for such Index or Share in the relevant Supplement or any successor to such exchange or quotation system;

"Relevant Company" has the meaning ascribed thereto in the relevant Supplement;

"Relevant Price" has the meaning ascribed thereto in the relevant Supplement;

"Reuters Screen" means, when used in connection with any designated page and any designated information, the display page so designated on the Reuter Monitor Money Rates Service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor for the purpose of displaying comparable information);

"Securities Act" means the United States Securities Act of 1933, as amended;

"Settlement Currency" has the meaning ascribed thereto in Condition 3;

"Settlement Date" means, in relation to Shares to be delivered in respect of an Exercise Date and unless otherwise specified in the relevant Supplement, the first day on which settlement of a sale of

such Shares executed on that Exercise Date customarily would take place through the relevant Clearing System, unless a Settlement Disruption Event prevents delivery of such Shares on that day;

"**Settlement Disruption Event**" has the meaning ascribed thereto in Condition 6;

"**Settlement Price**" has the meaning ascribed thereto in the relevant Supplement;

"**Shares**" means shares, other securities or other property specified as such in the relevant Supplement including any adjustments made pursuant to Conditions 6(c) and 6(d);

"**Share Basket Warrant**" means that such Warrant relates to a basket of Shares, as specified in the relevant Supplement;

"**Share Warrant**" means that such Warrant relates to a single Share, as specified in the relevant Supplement;

"**Strike Price**" has the meaning ascribed thereto in the relevant Supplement;

"**Strike Price Payment Date**" has the meaning ascribed thereto in the relevant Supplement;

"**Taxes**" has the meaning ascribed thereto in Condition 4(a)(vi);

"**Telerate**" means, when used in connection with any designated page and any designated information, the display page so designated on the Dow Jones Telerate Service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying comparable information); and

"**Warrantholder**" has the meaning ascribed thereto in Condition 1.

1. Form and Transfer

(a) Form

Each Tranche of Warrants will (unless so specified in the relevant Supplement) at all times be represented by a global warrant (the "**Global Warrant**") in bearer form. The Global Warrant will be deposited on the issue date (the "**Issue Date**") specified in the relevant Supplement with a common depositary for the relevant Clearing System(s). Warrants in definitive bearer form will be issued only if so specified in the relevant Supplement. The person for the time being appearing in the books of the relevant Clearing System(s) as the holder of a Warrant shall be treated for all purposes by the Issuer, the Warrant Agent, the relevant Clearing System(s) and all other persons dealing with such person as the holder thereof (a "**Warrantholder**" or a "**Holder**") and as the person entitled to exercise the rights represented thereby, notwithstanding any notice to the contrary, except that (i) Euroclear shall not be treated as the Holder of any Warrant held in an account with Clearstream, Luxembourg on behalf of Euroclear's accountholders and (ii) Clearstream, Luxembourg shall not be treated as the Holder of any Warrant held in an account with Euroclear on behalf of Clearstream, Luxembourg's accountholders.

(b) *Transfer*

All transactions in (including transfers of) Warrants, in the open market or otherwise, shall be effected only through the Clearing System(s) in which the Warrants to be transferred are held or are to be held. Title to the Warrants shall pass upon registration of the transfer in accordance with the rules and procedures for the time being of the relevant Clearing System(s).

The Warrants have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and the securities issued upon their exercise may not be registered under the Securities Act. The Warrants are being initially offered either (A) outside the United States in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold, pledged or otherwise transferred in the United States or to U.S. persons, or (B) within the United States in a transaction that is exempt from the registration requirements of the Securities Act and may not be offered, sold, pledged or otherwise transferred in the United States or to U.S. persons except in a transaction which is exempt from the registration requirements of the Securities Act and in compliance with any applicable state securities laws. The Warrants may not be exercised by or on behalf of a U.S. person unless registered under the Securities Act or an exemption from such registration is available. The terms "United States" and "U.S. person" used in this paragraph have the meaning given to them in Regulation S. In addition, trading in the Warrants has not been and will not be approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act.

Transfers of the Warrants may be conditional upon delivery of certain certifications and are subject to significant restrictions as described under "Purchase and Selling Restrictions," including the right of the Issuer to refuse the recognition of transfers of the Warrants. Exercise of a Warrant offered in reliance on Regulation S will be conditional upon delivery of certain certifications as described under "Purchase and Selling Restrictions."

2. **Status and Guarantee of the Warrants**

(a) *Status*

The Warrants of each Series constitute direct unsubordinated, unconditional and unsecured obligations of the Issuer and will rank pari passu and without any preference among themselves and, at their date of issue, with all other unsecured and unsubordinated obligations of the Issuer (other than any such obligations preferred by law).

(b) *Guarantee*

If, in respect of the Warrants of a Series, the relevant Supplement specifies that such Series is to have the benefit of a Guarantee, then the relevant Guarantor unconditionally and irrevocably guarantees the obligations of the Issuer with respect to Physical Settlement (if applicable) and/or the payment of amounts payable by the Issuer under the Global Warrant, the Warrants and the Warrant Agency Agreement pursuant to the terms of the relevant Guarantee. In the case of a Series having the benefit of a Guarantee, claims in respect of the relevant Guarantee rank, at the date of issue of the Warrants, pari passu with all other unsecured and unsubordinated obligations of the relevant Guarantor (other than any such obligations preferred by law).

3. **Rights on Exercise**

(a) *"American Style" Exercise*

If the Warrants are specified in the relevant Supplement as being American Style Warrants, then this Condition 3(a) is applicable and the Warrants are exercisable on any Exchange Business Day during the Exercise Period, subject to Condition 3(g) and to prior termination of the Warrants as provided in Conditions 6 and 10.

(b) *"European Style" Exercise*

If the Warrants are specified in the relevant Supplement as being European Style Warrants, then this Condition 3(b) is applicable and the Warrants are exercisable only on the Expiry Date, or if that is not an Exchange Business Day, the next succeeding or preceding Exchange Business Day as specified in the relevant Supplement, subject to Condition 3(g) and to prior termination of the Warrants as provided in Conditions 6 and 10.

(c) *Cash Settlement*

If the Warrants are specified in the relevant Supplement as being Cash Settlement Warrants, then, subject to Condition 3(e) if applicable, each such Warrant, upon exercise, entitles the Holder thereof to receive from the Issuer on the Cash Settlement Payment Date (as specified in the relevant Supplement) an amount ("**Cash Settlement**") calculated in accordance with the relevant Supplement (the "**Cash Settlement Amount**") in the currency (the "**Settlement Currency**") specified in the relevant Supplement. The Cash Settlement Amount will be rounded down to the nearest minimum unit of the Settlement Currency, with Warrants exercised at the same time by the same Warrantholder being aggregated for the purpose of determining the aggregate Cash Settlement Amount payable in respect of such Warrants.

(d) *Physical Settlement*

If the Warrants are specified in the relevant Supplement as being Physical Settlement Warrants, then, subject to Condition 3(f) if applicable, upon the exercise of a Warrant by a Warrantholder:

- (i) in the case of a Call Warrant, the Issuer will, on the Settlement Date in respect of such Warrant, procure the credit of the Shares to which such Warrant relates to the account with the relevant Clearing System specified, or as may otherwise be specified, for that purpose by the Warrantholder in the relevant Exercise Notice, following payment by the Warrantholder to or to the order of the Issuer on or before the Strike Price Payment Date of the Strike Price; and
- (ii) in the case of a Put Warrant, the Issuer will, on the Settlement Date in respect of such Warrant, procure the credit of the Strike Price in respect of the Warrant so exercised to the account with the relevant Clearing System specified, or as may otherwise be specified for that purpose by the Warrantholder in the relevant Exercise Notice, following the debit of the relevant Shares to which such Warrant relates to the account of the Warrantholder with the relevant Clearing System and the credit thereof to the account of the Principal Warrant

Agent (in favour of the Issuer) as aforesaid on or before the Settlement Date in respect of such Warrant;

all as more fully described in Condition 4. In each case, the number of Shares so debited and credited will be rounded down to the nearest whole number of such Shares that may be separately transferred, with Warrants exercised at the same time by the same Warrantholder being aggregated for the purpose of determining the aggregate number of Shares applicable.

(e) *Optional Physical Settlement*

If this Condition 3(e) is specified in the relevant Supplement as being applicable, then, upon the exercise of a Warrant by a Warrantholder, the Issuer may elect Physical Settlement in accordance with Condition 3(d) instead of Cash Settlement in accordance with Condition 3(c). The Warrants do not confer on the Holder any right to acquire Shares and the Issuer is not obliged to purchase or hold Shares. By exercising a Warrant, the Warrantholder shall be deemed to have agreed to such form of settlement as the Issuer shall elect.

(f) *Optional Cash Settlement*

If this Condition 3(f) is specified in the relevant Supplement as being applicable, then, upon the exercise of a Warrant by a Warrantholder, the Issuer may elect Cash Settlement in accordance with Condition 3(c) instead of Physical Settlement in accordance with Condition 3(d). By exercising a Warrant, the Warrantholder shall be deemed to have agreed to such form of settlement as the Issuer shall elect.

(g) *Warrants Void on Expiry*

Warrants with respect to which an Exercise Notice has not been duly completed and delivered to the relevant Clearing System and to the Principal Warrant Agent, in the manner set out in Condition 4, before 10.00 a.m. (local time in the place where the Clearing System through which such Warrants are exercised is located) on the Expiry Date, shall become void.

(h) *Settlement within the United States*

Notwithstanding the foregoing, with respect to any Warrants offered and sold in reliance on Regulation S, no cash, securities or other property shall be delivered in the United States (as this term is defined in Regulation S) in connection with the settlement of the Warrants.

4. **Exercise Procedure**

(a) *Exercise Notice*

Subject to prior termination of the Warrants as provided in Conditions 6 and 9, Warrants may be exercised on the Exercise Date by the sending of a tested telex confirmed in writing of a duly completed Exercise Notice (copies of which may be obtained from the relevant Clearing System, or the Principal Warrant Agent) to (i) the relevant agent and (ii) the Principal Warrant Agent, not later than 10.00 a.m. (local time in the place where the Clearing System through which such Warrants are exercised is located):

- (A) in the case of Warrants specified in the relevant Supplement as being American Style Warrants, on any Business Day during the Exercise Period; or
- (B) in the case of Warrants specified in the relevant Supplement as being European Style Warrants, on the Expiry Date, subject to Condition 3(b).

Subject to Condition 3(g), any Exercise Notice delivered after 10.00 a.m. (local time in the place where the Clearing System through which such Warrants are exercised) shall (a) in the case of European Style Warrants, be null and void and (b) in the case of American Style Warrants, be deemed to have been delivered on the next succeeding Business Day.

Each Exercise Notice shall:

- (i) specify the name, address, telephone, facsimile and telex details of the Warrantholder in respect of the Warrants being exercised;
- (ii) specify the number of Warrants of each Tranche being exercised (which must be not less than the Minimum Exercise Number (as defined in Condition 5));
- (iii) specify the number of the Warrantholder's account at the relevant Clearing System to be debited with the Warrants being exercised and irrevocably instruct, or, as the case may be, confirm that the Warrantholder has irrevocably instructed, the relevant Clearing System to debit the Warrantholder's account with the Warrants being exercised and to credit the same to the account of the Principal Warrant Agent; ;
- (iv) where applicable, specify the number of the Warrantholder's account at the relevant Clearing System to be credited with the Cash Settlement Amount for the Warrants being exercised;
- (v) in the case of Warrants offered and sold in reliance on Regulation S, certify that each person exercising such Warrants is not a U.S. person, that such Warrants are not beneficially owned by or on behalf of U.S. persons or persons within the United States, that such Warrants are not being exercised within the U.S. or by or on behalf of U.S. persons or persons within the United States, and that no cash, securities or other property have been or will be delivered within the United States or to or for the account or benefit of a U.S. person in connection with the exercise of the Warrants and authorize the production of such certification in applicable administrative or legal proceedings (the terms "United States" and "U.S. person" used in this paragraph having the meaning given to them in Regulation S); and
- (vi) include an irrevocable undertaking to pay any applicable stamp duty, stamp duty reserve tax and/or other taxes or duties ("Taxes") due by reason of the exercise of the Warrants and an authority to the Issuer and the relevant Clearing System to deduct an amount in respect thereof from any Cash Settlement Amount due to such Warrantholder or otherwise (on, or at any time after, the Cash Settlement Payment Date) to debit a specified account of the Warrantholder at the relevant Clearing System with an amount or amounts in respect thereof, all as provided in the Warrant Agency Agreement.

In addition, if the Warrants are specified in the relevant Supplement as being Physical Settlement Warrants or if Condition 3(e) is specified in the relevant Supplement as being applicable, the Exercise Notice shall also:

- (aa) irrevocably instruct the relevant Clearing System to debit on the Strike Price Payment Date a specified account of the Warrantholder with the aggregate Strike Price in respect of the Warrants being exercised (together with any applicable Taxes) and to transfer such amount to such account as shall have been specified by the Issuer to the relevant Clearing System for that purpose;
- (bb) include an irrevocable undertaking to pay any applicable Taxes due by reason of the transfer (if any) of the Shares to the account at the relevant Clearing System specified, or as otherwise specified, by the Warrantholder and an authority to the Issuer and the relevant Clearing System to debit a specified account of the Warrantholder with an amount in respect thereof; and
- (cc) specify the number of the Warrantholder's account with the relevant Clearing System to be credited with the relevant Shares or, as the case may be, the delivery details for such Shares.

(b) *Verification of Warrantholder*

To exercise Warrants, the Holder must duly complete an Exercise Notice and must have Warrants in the amount being exercised in its securities account with the relevant Clearing System on the Exercise Date. The relevant Clearing System will, in accordance with its normal operating procedures, verify that each person exercising Warrants is the Holder thereof according to the records of such Clearing System and that such Holder has an account at the relevant Clearing System which contains an amount equal to the aggregate Strike Price (if any) in respect of the Warrants being exercised. If the Exercise Notice is, in the determination of the relevant Clearing System, improperly completed, or sufficient Warrants or sufficient funds equal to the aggregate Strike Price are not available in the specified account(s) with the relevant Clearing System on the Exercise Date, the Exercise Notice will be treated as null and void and a new duly completed Exercise Notice must be submitted if exercise of the Holder's Warrants is still desired.

On or prior to the Cash Settlement Payment Date or the Settlement Date, as the case may be, the relevant Clearing System will debit the Warrantholder's account with the Warrants being exercised.

(c) *Notification to Principal Warrant Agent*

The relevant Clearing System shall notify the Principal Warrant Agent in writing (with a copy to the Issuer) not later than 11.00 a.m. (local time in the place where the Clearing System through which such Warrants are exercised is located) on the Business Day immediately following the Exercise Date of the number of the account with such Clearing System to which the Cash Settlement Amount or, in the case of Physical Settlement, the Shares are to be credited for the benefit of the Warrantholder.

(d) *Debit of Warrantholder's Account*

The relevant Clearing System will on or before the Cash Settlement Payment Date or the Settlement Date, as the case may be, debit the relevant account of the Warrantholder and credit the relevant account of the Principal Warrant Agent (in favour of the Issuer) with the Warrants being exercised and, if the Warrants are specified in the relevant Supplement as being Physical Settlement Warrants or if the Issuer has elected for optional Physical Settlement in accordance with Condition 3(e), with the aggregate Strike Price, in the case of a Call Warrant, or the relevant number of Shares, in the case of a Put Warrant, in respect of the Warrants being exercised together in each case with any applicable Taxes. If the Warrants are specified in the relevant Supplement as being Physical Settlement Warrants or if the Issuer has elected for optional Physical Settlement in accordance with Condition 3(e) and the aggregate Strike Price, in the case of a Call Warrant, or the relevant number of Shares, in the case of a Put Warrant, in respect of the Warrants being exercised together in each case with any applicable Taxes is not so credited, then the Issuer shall be under no obligation to transfer Shares or make payment of any nature to the relevant Warrantholder in respect of the Warrants being exercised, and the Exercise Notice delivered in respect of such Warrants shall thereafter be null and void for all purposes.

If Condition 3(e) or Condition 3(f) is specified in the relevant Supplement as being applicable, the Issuer will, by the close of business (London time) on the Business Day following the relevant Determination Date, notify the relevant Clearing System, the Principal Warrant Agent and the relevant Warrantholder, if it has elected for Cash Settlement or Physical Settlement, as the case may be. Notice to the relevant Warrantholder shall be given by facsimile or telex to the number specified in the relevant Exercise Notice and any notice so sent shall be deemed received by the relevant Warrantholder.

(e) *Payment*

In respect of Warrants which have been exercised, the Calculation Agent shall by close of business or such other time as is specified in the relevant Supplement on the date specified therefor in the relevant Supplement determine the Cash Settlement Amount (if any) to be paid on the relevant Cash Settlement Payment Date in respect of the relevant Warrants provided that the Calculation Agent has received a tested telex from the relevant Clearing System specifying the number of Warrants which have been exercised in accordance with Condition 4(a) and, shall notify the Issuer and the Principal Warrant Agent of such amounts on the Business Day following the date so specified.

Unless the Warrants are specified in the relevant Supplement as being Physical Settlement Warrants (and the Issuer has not elected for optional Cash Settlement in accordance with Condition 3(f)) or the Issuer shall have elected for optional Physical Settlement in accordance with Condition 3(e), the Issuer will transfer to the Principal Warrant Agent the Cash Settlement Amount in respect of the Warrants being exercised, less any amount in respect of Taxes which the Issuer is authorised to deduct therefrom, for value on the Cash Settlement Payment Date, and the Principal Warrant Agent will cause the Warrantholder's account with the relevant Clearing System to be credited with such amount for value on the Cash Settlement Payment Date.

If, however, the Warrants are specified in the relevant Supplement as being Physical Settlement Warrants (and the Issuer has not elected for optional Cash Settlement in accordance with Condition 3(f)) or if the Issuer elects for optional Physical Settlement in accordance with Condition 3(e), then:

- (i) in the case of a Call Warrant, subject to the debit of the relevant account of the Warrantholder with the Strike Price and any applicable Taxes and the credit thereof to the relevant account of the Principal Warrant Agent (in favour of the Issuer) as aforesaid, the Issuer will, on the relevant Settlement Date, procure the credit of the relevant Shares to the account specified, or as may otherwise be specified, in the relevant Exercise Notice; and
- (ii) in the case of a Put Warrant, the Issuer will, on the Settlement Date in respect of such Warrant, procure the transfer for value to the Principal Warrant Agent of the Strike Price in respect of the Warrant being exercised, less any amount in respect of Taxes which the Issuer is authorised to deduct therefrom, and the Principal Warrant Agent will, on the relevant Settlement Date, procure the credit of the relevant Strike Price to the account specified, or as may otherwise be specified, in the relevant Exercise Notice.

Exercise of the Warrants, payment by the Issuer and the Principal Warrant Agent and any transfer of Shares by the Issuer or the Principal Warrant Agent, will be subject in all cases to all applicable fiscal and other laws, regulations and practices in force at the relevant time (including, without limitation, any relevant exchange control laws or regulations and the rules and procedures of the relevant Clearing System) and neither the Issuer nor the Principal Warrant Agent shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, regulations and practices. Neither the Issuer nor the Principal Warrant Agent shall under any circumstances be liable for any acts or defaults of any Clearing System in the performance of its duties in relation to the Warrants.

(f) *Determinations*

Any determination as to whether an Exercise Notice is duly completed and in proper form shall be made by the relevant Clearing System, in consultation with the Principal Warrant Agent, and shall be conclusive and binding on the Issuer, the Warrant Agents and the relevant Warrantholder. Any Exercise Notice so determined to be incomplete or not in proper form or which is not copied to the Principal Warrant Agent immediately after being sent to the relevant Clearing System, shall be null and void. If such Exercise Notice is subsequently corrected to the satisfaction of the relevant Clearing System it shall be deemed to be a new Exercise Notice submitted at the time such correction is delivered to the relevant Clearing System.

(g) *Effect of Exercise Notice*

Delivery of an Exercise Notice shall constitute an irrevocable election and undertaking by the Warrantholder to exercise the Warrants specified therein, provided that the person exercising and delivering such Exercise Notice is the person then appearing in the books of the relevant Clearing System as the Holder of the relevant Warrants. If the person exercising and delivering the Exercise Notice is not the person so appearing, such Exercise Notice shall for all purposes become null and void and shall be deemed not to have been so delivered.

After the delivery of an Exercise Notice (other than an Exercise Notice which shall become void pursuant to Condition 4(a)), the Warrantholder specified in such Exercise Notice may not otherwise transfer such Warrants. Notwithstanding this, if any Warrantholder does so transfer or attempt to transfer such Warrants, the Warrantholder will be liable to the Issuer for any losses, costs and expenses suffered or incurred by the Issuer including those suffered or incurred as a consequence of it having terminated any related hedging operations in reliance on the relevant Exercise Notice and subsequently (i) entering into replacement hedging operations in respect of such Warrants or (ii) paying any amount on the subsequent exercise of such Warrants without having entered into any replacement hedging operations.

(h) *Fractions*

No fraction of any Shares will be transferred on exercise of any Warrant pursuant to Conditions 3(d) or (e), provided that all Warrants exercised at the same time by the same Warrantholder shall be aggregated for the purpose of determining whether any (and if so what) fraction of any Shares arises. Instead the Issuer shall make a cash refund of the corresponding fraction (rounded down to the nearest minimum unit of the Settlement Currency) of the aggregate Strike Price in respect of the relevant Warrants. Such refund shall be made by transfer by the Issuer to the account of the Principal Warrant Agent whereupon the Principal Warrant Agent shall transfer such amount to the account at the relevant Clearing System specified in the relevant Exercise Notice as the account to be credited with the relevant Cash Settlement Amount or, if none, then to the relevant Clearing System for credit by it to the account of the relevant Warrantholder with that Clearing System from which the Strike Price was originally debited.

5. **Minimum Number of Warrants Exercisable**

The Warrants are exercisable in the minimum number (the "**Minimum Exercise Number**") specified in the relevant Supplement and integral multiples thereof (or, if a "Permitted Multiple" is specified in the relevant Supplement, integral multiples of the Permitted Multiple) on any particular occasion or such lesser Minimum Exercise Number or other Permitted Multiple as the Issuer may from time to time notify to the Warrantholders in accordance with Condition 10.

6. **Valuation, Adjustments and Extraordinary Events affecting Shares**

(a) **Valuation, Market Disruption and Averaging Dates**

- (i) "**Valuation Time**" means the time specified as such in the relevant Supplement or, if no such time is specified, the close of trading on the relevant Exchange in relation to each Index or Share to be valued.
- (ii) "**Valuation Date**" means, unless otherwise specified in the relevant Supplement, each Exercise Date (or, if such date is not an Exchange Business Day, the next following Exchange Business Day), unless there is a Market Disruption Event in respect of any relevant Index or Share on that day. If there is a Market Disruption Event on that day, then:
 - (A) in the case of an Index Warrant or a Share Warrant, the Valuation Date shall be the first succeeding Exchange Business Day on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Exchange

Business Days immediately following the original date that, but for the Market Disruption Event, would have been the Valuation Date (the "Scheduled Valuation Date"). In that case:

- (1) in respect of an Index Warrant, the Calculation Agent shall determine in its absolute discretion that either:
 - (aa) that fifth Exchange Business Day shall be deemed to be the Valuation Date, notwithstanding the Market Disruption Event; or
 - (bb) the Valuation Date shall be the first succeeding Exchange Business Day on which there is no Market Disruption Event, unless no such day has occurred by the thirtieth Exchange Business Day following the Scheduled Valuation Date, in which case that thirtieth Exchange Business Day shall be deemed to be the Valuation Date, notwithstanding the Market Disruption Event,

and, in each case, the Calculation Agent shall determine the level of the Index as of the Valuation Time on that fifth or (as the case may be) thirtieth Exchange Business Day determined in accordance with the formula for and method of calculating the Index last in effect prior to the commencement of the Market Disruption Event using the Exchange traded price (or, if trading in the relevant security or other property has been materially suspended or materially limited, its good faith estimate of the Exchange traded price that would have prevailed but for that suspension or limitation) as of the Valuation Time on that fifth or (as the case may be) thirtieth Exchange Business Day of each security or other property comprised in the Index; and

- (2) in respect of a Share Warrant, that fifth Exchange Business Day shall be deemed to be the Valuation Date, notwithstanding the Market Disruption Event and the Principal Warrant Agent shall determine its good faith estimate of the Exchange traded price for the relevant Share that would have prevailed but for that Market Disruption Event as of the Valuation Time on that fifth Exchange Business Day;
- (B) in the case of an Index Basket Warrant, the Valuation Date for each Index not affected by a Market Disruption Event shall be the Scheduled Valuation Date and the Valuation Date for each Index affected by a Market Disruption Event shall be the first succeeding Exchange Business Day on which there is no Market Disruption Event relating to that Index, unless there is a Market Disruption Event relating to that Index on each of the five Exchange Business Days immediately following the Scheduled Valuation Date. In that case, the Calculation Agent shall determine in its absolute discretion that either:
- (1) that fifth Exchange Business Day shall be deemed to be the Valuation Date for the relevant Index notwithstanding the Market Disruption Event; or

- (2) the Valuation Date for the relevant Index shall be the first succeeding Exchange Business Day on which there is no Market Disruption Event relating to that Index, unless no such day has occurred by the thirtieth Exchange Business Day following the Scheduled Valuation Date, in which case that thirtieth Exchange Business Day shall be deemed to be the Valuation Date, notwithstanding the Market Disruption Event,

and, in each case, the Calculation Agent shall determine the level of that Index, as of the Valuation Time on that fifth or (as the case may be) thirtieth Exchange Business Day in accordance with the formula for and method of calculating that Index last in effect prior to the commencement of the Market Disruption Event using the Exchange traded price (or, if trading in the relevant security or other property has been materially suspended or materially limited, its good faith estimate of the Exchange traded price that would have prevailed but for that suspension or limitation) as of the Valuation Time on that fifth or (as the case may be) thirtieth Exchange Business Day of each security or other property comprised in that Index; and

- (C) in the case of a Share Basket Warrant, the Valuation Date for each Share not affected by a Market Disruption Event shall be the Scheduled Valuation Date and the Valuation Date for each Share affected by a Market Disruption Event shall be the first succeeding Exchange Business Day on which there is no Market Disruption Event relating to that Share, unless there is a Market Disruption Event relating to that Share on each of the five Exchange Business Days immediately following the Scheduled Valuation Date. In that case, (1) that fifth Exchange Business Day shall be deemed to be the Valuation Date for the relevant Share notwithstanding the Market Disruption Event, and (2) the Calculation Agent shall determine its good faith estimate of the Exchange traded price for that Share that would have prevailed but for that Market Disruption Event as of the Valuation Time on that fifth Exchange Business Day.

(iii) **"Market Disruption Event"** in relation to Cash Settlement Warrants means:

- (A) in respect of an Index relating to an Index Warrant or an Index Basket Warrant, the occurrence or existence on any Exchange Business Day during the one-half hour period that ends at the relevant Valuation Time of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the relevant exchange or otherwise), (aa) on the relevant Exchange(s) in securities or other property that comprise 20 per cent. or more of the level of the relevant Index, or (bb) in options contracts or future contracts on the relevant Index on any Related Exchange if, in any such case, such suspension or limitation is, in the determination of the Calculation Agent, material. For the purpose of determining whether a Market Disruption Event exists at any time, if trading in a security or other property included in the Index is materially suspended or materially limited at that time, then the relevant percentage contribution of that security or other property to the level of the Index shall be based on a comparison of (x) the portion

of the level of the Index attributable to that security or other property relative to (y) the overall level of the Index, in each case immediately before that suspension or limitation; and

- (B) in respect of a Share relating to a Share Warrant or a Share Basket Warrant, the occurrence or existence on any Exchange Business Day during the one-half hour period that ends at the relevant Valuation Time of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the relevant Exchange or otherwise) in (aa) the Share on the Exchange or (bb) any options contracts or futures contracts relating to the Share on any Related Exchange if, in any such case, that suspension or limitation is, in the determination of the Calculation Agent, material.
- (iv) If Averaging Dates are specified as applicable in the relevant Supplement, then notwithstanding any other provisions of these Conditions, the following provisions will apply to the valuation of the relevant Index, Share or Basket in relation to a Valuation Date:
- (A) "Averaging Date" means, in respect of each Valuation Date, each date specified or otherwise determined as provided in the relevant Supplement (or, if such date is not an Exchange Business Day, the next following Exchange Business Day).
 - (B) For purposes of determining the Settlement Price in relation to a Valuation Date, the Settlement Price will be:
 - (aa) in respect of an Index Warrant or Cash Settlement Share Warrant, the arithmetic mean of the Relevant Prices of the Index or the Shares on each Averaging Date;
 - (bb) in respect of an Index Basket Warrant, the arithmetic mean of the amounts for the Basket determined by the Calculation Agent as provided in the relevant Supplement at the relevant Valuation Time on each Averaging Date or, if no means for determining the Settlement Price is so provided, the arithmetic mean of the amounts for the Basket calculated on each Averaging Date as the sum of the Relevant Prices of each Index comprised in the Basket (weighted or adjusted in relation to each Index as provided in the relevant Supplement); and
 - (cc) in respect of a Cash Settlement Share Basket Warrant, the arithmetic mean of the prices for the Basket determined by the Calculation Agent as provided in the relevant Supplement at the relevant Valuation Time on each Averaging Date or, if no means for determining the Settlement Price is so provided, the arithmetic mean of the prices for the Basket calculated on each Averaging Date as the sum of the values calculated for the Shares of each Relevant

Company as the product of (1) the Relevant Price of such Share and (2) the number of such Shares comprised in the Basket.

(C) In the case of a Market Disruption Event occurring on an Averaging Date, if, in relation to "**Averaging Date Market Disruption**", the consequence specified in the relevant Supplement is:

(aa) "**Omission**", then such Averaging Date will be deemed not to be a relevant Averaging Date for purposes of determining the relevant Settlement Price provided that, if through the operation of this provision there would not be an Averaging Date with respect to the relevant Valuation Date, then Condition 6(a)(ii) will apply for purposes of determining the relevant level, price or amount on the final Averaging Date with respect to that Valuation Date as if such Averaging Date were a Valuation Date on which a Market Disruption Event has occurred. If any Averaging Dates in relation to a Valuation Date occur after that Valuation Date as a result of a Market Disruption Event, then the relevant Cash Settlement Payment Date or the occurrence of a Merger Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date;

(bb) "**Postponement**", then Condition 6(a)(ii) will apply for purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date on which a Market Disruption Event has occurred irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that already is or is deemed to be an Averaging Date for the Warrant. If any Averaging Dates in relation to a Valuation Date occur after that Valuation Date as a result of a Market Disruption Event, then the relevant Cash Settlement Payment Date or the occurrence of a Merger Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date; or

(cc) "**Modified Postponement**", then:

(1) in the case of an Index Warrant or a Share Warrant, the Averaging Date shall be the first succeeding Valid Date. If the first succeeding Valid Date has not occurred as of the Valuation Time on the fifth Exchange Business Day immediately following the original date that, but for the occurrence of another Averaging Date or Market Disruption Event, would have been the final Averaging Date (the "**Scheduled Final Averaging Date**") in relation to the relevant Valuation Date, then

(AA) in respect of an Index Warrant, the Calculation Agent shall determine in its absolute discretion that either:

- (x) that fifth Exchange Business Day shall be deemed to be the Averaging Date, (irrespective of whether that fifth Exchange Business Day is already an Averaging Date); or
- (y) the Averaging Date shall be the first succeeding Valid Date, unless no such day has occurred by the thirtieth Exchange Business Day following the Scheduled Final Averaging Date, in which case that thirtieth Exchange Business Day shall be deemed to be the Averaging Date (irrespective of whether that fifth Exchange Business Day is already an Averaging Date),

and, in each case, the Calculation Agent shall determine the relevant level for that Averaging Date in accordance with Condition 6(a)(ii)(A)(1); and

(BB) in respect of a Share Warrant, that fifth Exchange Business Day shall be deemed the Averaging Date (irrespective of whether that fifth Exchange Business Day is already an Averaging Date), and the Calculation Agent shall determine the relevant price for that Averaging Date in accordance with Condition 6(a)(ii)(A)(2); and

- (2) in the case of an Index Basket Warrant or a Share Basket Warrant, the Averaging Date for each Index or Share not affected by a Market Disruption Event shall be the day specified in the relevant Supplement as an Averaging Date in relation to the relevant Valuation Date (the "**Scheduled Averaging Date**") and the Averaging Date for an Index or Share affected by the Market Disruption Event shall be the first succeeding Valid Date in relation to such Index or Share. If the first succeeding Valid Date in relation to such Index or Share has not occurred as of the Valuation Time on the final Exchange Business Day immediately following the Scheduled final Averaging Date, then:

(AA) in respect of an Index Basket Warrant, the Calculation Agent shall determine that either:

- (x) that fifth Exchange Business Day shall be deemed to be the Averaging Date, (irrespective of whether that fifth Exchange Business Day is already an Averaging Date) in relation to such Index; or

- (y) the Averaging Date shall be the first succeeding Valid Date, unless no such day has occurred by the thirtieth Exchange Business Day following the Scheduled Final Averaging Date, in which case that thirtieth Exchange Business Day shall be deemed to be the Averaging Date (irrespective of whether that fifth Exchange Business Day is already an Averaging Date) in relation to such Index,

and, in each case, the Calculation Agent shall determine the relevant level for that Averaging Date in accordance with Condition 6(a)(ii)(B); and

- (BB) in respect of a Share Basket Warrant, that fifth Exchange Business Day shall be deemed the Averaging Date (irrespective of whether that fifth Exchange Business Day is already an Averaging Date) in relation to such Share, and the Principal Warrant Agent shall determine the relevant amount for that Averaging Date in accordance with Condition 6(a)(ii)(C)(2).

"Valid Date" means an Exchange Business Day on which there is no Market Disruption Event and on which another Averaging Date in relation to the relevant Valuation Date does not or is not deemed to occur.

If any Averaging Dates in relation to a Valuation Date occur after that Valuation Date as a result of a Market Disruption Event, then the relevant Cash Settlement Payment Date or the occurrence of a Merger Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date.

- (v) If (A) on or prior to any Averaging Date in respect of an Index Warrant or Index Basket Warrant, a relevant Index Sponsor makes a material change in the formula for or the method of calculating that Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent stock or other property and capitalisation and other routine events) or (B) on any Averaging Date in respect of an Index Warrant or Index Basket Warrant, the sponsor fails to calculate and announce a relevant Index, then the Calculation Agent shall calculate the relevant Settlement Price using in lieu of a published level for that Index, the level for that Index as at that Averaging Date as determined by the Calculation Agent in accordance with the formula for and method of calculating that Index last in effect prior to that change or failure, but using only those securities or other property that comprised that Index immediately prior to that change or failure (other than those securities or other property that have since ceased to be listed on any relevant Exchange).

(b) *Adjustments to Index*

This Condition 6(b) is applicable only in relation to Warrants specified in the relevant Supplement as being Index Warrants or Index Basket Warrants.

If the relevant Index is (i) not calculated and announced by the Index Sponsor, but is calculated and announced by a successor sponsor acceptable to the Calculation Agent, or (ii) is replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of that Index, then that Index will be deemed to be the index so calculated and announced by that successor sponsor or that successor index, as the case may be.

If (i) on or prior to any Valuation Date, the relevant Index Sponsor makes a material change in the formula for or the method of calculating that Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain such index in the event of changes in constituent stock or other property and capitalisation and other routine events) or (ii) on any Valuation Date the Index Sponsor fails to calculate and announce the level of a relevant Index, then the Calculation Agent shall calculate the relevant Settlement Price using, in lieu of a published level for that Index, the level for that Index as at such Valuation Date as determined by the Calculation Agent in accordance with the formula for and method of calculating that Index last in effect prior to that change or failure, but using only those securities or other property that comprised that Index immediately prior to that change or failure (other than those securities or other property that have since ceased to be listed on any relevant Exchange).

If, in respect of an Index Warrant or an Index Basket Warrant, the level of an Index published on a given day and used or to be used by the Calculation Agent to determine the Cash Settlement Amount is subsequently corrected and the correction published by that Index Sponsor or a successor sponsor within 30 days of the original publication, the Calculation Agent may notify the parties of (i) that correction and (ii) the amount that is payable as a result of that correction. If not later than 30 days after publication of that correction notice is given by the Calculation Agent that an amount is so payable, the party that originally either received or retained such amount shall, not later than three Currency Business Days after the effectiveness of that notice, pay to the other party that amount, together with interest on that amount at a rate per annum equal to the cost (without proof or evidence of any actual cost) to the other party (as certified by it) of funding that amount for the period from and including the day on which a payment originally was (or was not) made, to but excluding the day of payment of the refund or payment resulting from that correction.

(c) *Settlement Disruption of Physical Settlement Warrants*

This Condition 6(c) is applicable only in relation to Warrants specified in the relevant Supplement as being Physical Settlement Warrants and to Warrants in relation to which the Issuer has elected for optional Physical Settlement in accordance with Condition 3(e).

The Calculation Agent shall determine whether or not at any time a Settlement Disruption Event has occurred and where it determines such an event has occurred and so has prevented delivery of Shares on the original day that but for such Settlement Disruption Event would have been the Settlement Date, then the Settlement Date will be the first succeeding day on which delivery of

such Shares can take place through the relevant Clearing System unless a Settlement Disruption Event prevents settlement on each of the 10 relevant Clearance System Business Days immediately following the original date that, but for the Settlement Disruption Event, would have been the Settlement Date. In that case, (i) if such Shares can be delivered in any other commercially reasonable manner, then the Settlement Date will be the first day on which settlement of a sale of Shares executed on that 10th relevant Clearance System Business Day customarily would take place using such other commercially reasonable manner of delivery (which other manner of delivery will be deemed the relevant Clearing System for the purposes of delivery of the relevant Shares), and (ii) if such Shares cannot be delivered in any other commercially reasonable manner, then the Settlement Date will be postponed until delivery can be effected through the relevant Clearing System or in any other commercially reasonable manner. For the avoidance of doubt, where a Settlement Disruption Event affects some but not all of the Shares comprised in a Basket, the Settlement Date for Shares not affected by the Settlement Disruption Event will be the original day that but for such Settlement Disruption Event would have been the Settlement Date. In the event that a Settlement Disruption Event will result in the delivery on a Settlement Date of some but not all of the Shares comprised in a Basket, the Calculation Agent shall determine in its discretion the appropriate pro rata portion of the Strike Price to be paid by the Warrantholder in respect of that partial settlement.

For the purposes hereof:

"Settlement Disruption Event" in relation to a Share means an event as determined by the Calculation Agent as being beyond the control of the Issuer or relevant obligor and as a result of which the relevant Clearing System cannot clear the transfer of such Share or the transfer of such Share cannot be effected.

(d) *Adjustments and Extraordinary Events affecting Shares*

This Condition 6(d) is applicable only in relation to Warrants specified in the relevant Supplement as being Share Warrants or Share Basket Warrants.

- (i) The Calculation Agent shall determine whether or not at any time a Potential Adjustment Event has occurred and where it determines such an event has occurred, the Calculation Agent will, in its sole and absolute discretion, determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Shares and, if so will make such adjustment as it in its sole and absolute discretion considers appropriate, if any, to the Strike Price, the number of Shares to which each Warrant relates, and to any other exercise, settlement, payment or other term of the relevant Warrants including, without limitation, the amount, number or type of cash, shares, other securities or other property which may be transferred under such Warrants and determine the effective date(s) of such adjustments.

For the purposes hereof:

"Potential Adjustment Event" means any of the following:

- (A) a subdivision, consolidation or reclassification of relevant Shares (unless a Merger Event) or a free distribution or dividend of any securities to existing holders by

way of bonus, capitalisation or similar issue (including, without limitation by virtue of any demerger); or

- (B) a distribution or dividend to existing holders of the relevant Shares of (aa) such Shares or (bb) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Relevant Company equally or proportionately with such payments to holders of any such Shares or (cc) any other type of securities, rights or warrants or other assets, in any case for payment (cash or otherwise) at less than the prevailing market price as determined by the Principal Warrant Agent; or
 - (C) an extraordinary dividend;
 - (D) a call by the Relevant Company in respect of relevant Shares that are not fully paid;
 - (E) a repurchase by the Relevant Company of relevant Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
 - (F) any other similar event that may have a diluting or concentrative effect on the theoretical value of the relevant Shares; or
 - (G) any other event specified in the relevant Supplement.
- (ii) Following the occurrence of any Merger Event (as defined below), the Calculation Agent will, in its sole and absolute discretion, determine whether or not the Warrants shall continue and, if so, any adjustments to be made. If the Calculation Agent determines that the Warrants shall be continued, it may, in its sole and absolute discretion, make any change or adjustment to the amount, number or type of shares, other property or securities which may be transferred under the Warrants, including, without limitation, the Strike Price, the formula for the Cash Settlement Amount set out in the relevant Supplement and/or any other adjustment which change or adjustment shall be effective as soon as practical after the date upon which all holders of the Shares (other than, in the case of a takeover offer, Shares owned or controlled by the offeror) become bound to transfer the Shares held by them. If, in the opinion of the Calculation Agent, the Warrants shall be terminated, then the Warrants shall cease to be exercisable (or, in the case of any Warrants which have been exercised, the entitlements of the respective exercising Warrantholders to receive Shares or the Cash Settlement Amount, as the case may be, pursuant to such exercise shall cease) and the Issuer's obligations under the Warrants shall be satisfied in full upon payment of the Merger Event Settlement Amount (as defined below).

For the purposes hereof:

"Merger Event" means in respect of any relevant Shares, any:

- (A) reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding;

- (B) consolidation, amalgamation or merger of the Relevant Company with or into another entity (other than a consolidation, amalgamation or merger in which such Relevant Company is the continuing entity and which does not result in any such reclassification or change of such Shares outstanding); or
- (C) other takeover offer for such Shares that results in a transfer of or irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by the offeror),

in each case if the Merger Date is on or before, in the case of a Physical Settlement Warrant, the Expiry Date or, in any other case, the final Valuation Date.

"Merger Event Settlement Amount" means an amount, as determined by the Calculation Agent in its sole and absolute discretion, which represents the fair value of a Warrant that would preserve for the Warrantholder the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Warrantholder would have been entitled under the Warrant after that date but for the occurrence of the Merger Event.

"Merger Date" means, in respect of a Merger Event, the date upon which all holders of the relevant Shares (other than, in the case of a takeover offer, Shares owned or controlled by the offeror) have agreed to or have irrevocably become obliged to transfer their Shares.

(iii) If:

- (A) all the Shares or all the assets or substantially all the assets of the Relevant Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority or entity; or
- (B) by reason of the voluntary or involuntary liquidation, bankruptcy or insolvency of or any analogous proceeding affecting the Relevant Company (a) all the Shares are required to be transferred to any trustee, liquidator or other similar official or (b) holders of the Shares become legally prohibited from transferring them,

then, the Issuer may determine that, in lieu of delivery of the Shares or payment of the Cash Settlement Amount, as the case may be, it shall pay an amount, as determined by the Calculation Agent in its sole and absolute discretion, which represents the fair value of a Warrant that would preserve for the Warrantholder the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Warrantholder would have been entitled under the Warrant but for the occurrence of such nationalisation or insolvency, in which event the Warrants shall cease to be exercisable (or, in the case of any Warrants which have been exercised, the entitlements of the respective exercising Warrantholders to receive Shares or payment of the Cash Settlement Amount, as the case may be, pursuant to such exercise shall cease) and the Issuer's obligations under the Warrants shall be satisfied in full upon payment of such amount.

(e) *Other Adjustments*

Upon the occurrence of any event the Calculation Agent determines (in its discretion, but acting reasonably) affects or could potentially affect the value of the Warrants, the Calculation Agent may (in its discretion, but acting reasonably) make any adjustments to the Strike Price, the number or type of Shares or Indices to which such Warrants relate, or to any exercise, settlement, payment or other term of such Warrants, including, without limitation, the amount, number or type of cash, shares, other securities or property which may be transferred under such Warrants, which it considers appropriate and it shall determine the effective date(s) of such adjustments.

7. Effects of European Economic and Monetary Union

(a) *Continuity of Contract*

The occurrence or non-occurrence of an event associated with economic and monetary union in the European Community will not have the effect, except as provided in Condition 7(b), of altering any term of or discharging or excusing performance under any Warrant, or give any of the Issuer, the Guarantor or any Warrantholder the right unilaterally to alter or terminate its obligations under the Programme or any Warrant or, in and of itself, give rise to a Force Majeure or Illegality.

"An event associated with economic and monetary union in the European Community" includes, without limitation, each (and any combination) of the following:

- (i) the fixing of conversion rates between a member state's currency and the euro or between the currencies of member states;
- (ii) the introduction of the euro as lawful currency in the member state;
- (iii) the withdrawal from legal tender of any currency that, before the introduction of the euro, was lawful currency in one of the member states; or
- (iv) the disappearance or replacement of a relevant rate option or other price source for the national currency of any member state, or the failure of the agreed sponsor (or a successor sponsor) to publish or display a relevant rate, index, price, page or screen.

(b) *Adjustments by Calculation Agent*

If the Calculation Agent determines that by reason of:

- (i) the redenomination of any Shares into euro;
- (ii) the change by any organised market, exchange or clearing, payment or settlement system in the unit of account of its operating procedures to the euro;
- (iii) any change in the currency of denomination of any Index;
- (iv) any change in the currency in which some or all of the Shares comprising any Index is denominated,

there would be a material effect on the economic result for the Issuer, the relevant Guarantor (if applicable) or the Warrantholder under any relevant Warrants, then the Calculation Agent may

make such adjustments as it, in its sole and absolute discretion, considers appropriate, if any, to: (i) the Strike Price; (ii) the formula for the Cash Settlement Amount and/or Settlement Price set out in the relevant Supplement; (iii) the formula for and method of calculating the relevant Index and/or the Shares comprising the relevant Index; (iv) the number of Shares to which each Warrant relates; (v) the number of Shares comprised in a Basket; (v) the amount, the number of, or type of Shares which may be delivered under such Warrants; and (vi) any other variable relevant to the exercise, settlement or payment terms of such Warrants.

Without prejudice to the generality of the foregoing, the Calculation Agent shall be entitled to make such conversions between amounts denominated in the national currency units of the participating member states and the euro, and the euro and the national currency units of the participating member states, in each case, in accordance with the conversion rates and rounding rules in Regulation (EC) No. 1103/97 as it, in its sole and absolute discretion, considers appropriate.

8. Warrant Agents and Calculation Agent

(a) *Appointment of Agents*

The Issuer and the relevant Guarantor reserve the right at any time to vary or terminate the appointment of any Warrant Agent or the Calculation Agent and to appoint other or additional Warrant Agents or a substitute Calculation Agent, provided that (i) so long as any Warrant is outstanding, the Issuer will maintain a Principal Warrant Agent and a Calculation Agent and (ii) so long as the Warrants have been admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange (or any other stock exchange), there will be a Warrant Agent with a specified office in London (or in such other place as may be required by such other stock exchange). Notice of any termination of appointment and of any change in the specified office of a Warrant Agent or a Calculation Agent and of any appointment of a Warrant Agent or a Calculation Agent will be given to Warrantholders in accordance with Condition 11. In acting under the Warrant Agency Agreement, each Warrant Agent acts solely as agent of the Issuer and the relevant Guarantor (if applicable) and does not assume any obligation or duty to, or any relationship of agency or trust for or with, the Warrantholders.

(b) *Calculation Agent*

The Calculation Agent shall not act as an agent for the Warrantholders but shall be the agent of the Issuer and the relevant Guarantor (if applicable). All calculation functions required of the Calculation Agent under these Conditions may be delegated to any such person as the Calculation Agent, in its absolute discretion, may decide.

None of the Issuer, the relevant Guarantor and the Calculation Agent shall have any responsibility for any errors or omissions in the calculation and dissemination of any variables used in any calculation made pursuant to these Conditions or in the calculation of any Cash Settlement Amount or of any entitlement to Physical Settlement arising from such errors or omissions.

(c) *Notifications*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the Warrants by the Principal Warrant Agent or the Calculation Agent shall (in the absence of manifest error or wilful misconduct) be binding on the Issuer, the relevant Guarantor and the Warrantholders and (subject as aforesaid) no liability to the Warrantholders (or any of them) shall attach to the Principal Warrant Agent or the Calculation Agent in connection with the exercise or non-exercise by either of them of their powers, duties and discretions for such purposes.

(d) *Process Agent*

The Issuer has irrevocably appointed HSBC Investment Bank plc as agent in the United Kingdom to accept service on its behalf at

c/o HSBC Investment Bank plc
Thames Exchange, 10 Queen Street Place
London EC4R 1BL

Or at such other address in London as the Issuer may notify the Warrantholder in accordance with Condition 11.

9. **Taxes**

A Warrantholder subscribing for, purchasing or exercising a Warrant shall pay all Taxes and securities transfer taxes and any other charges, if any, payable in connection with the subscription, purchase or exercise of such Warrant and the delivery of the Cash Settlement Amount and/or any Shares as a result of such exercise. The Issuer and the relevant Guarantor shall have the right, but not the duty, to withhold or deduct from any amounts otherwise payable to a Warrantholder such amount as is necessary for the payment of any such taxes, duties or charges or for effecting reimbursement in accordance with the next sentence.

In any case where the Issuer or the relevant Guarantor, as the case may be, is obliged to pay any such tax, duty or charge referred to in the previous paragraph, the relevant Warrantholder shall promptly reimburse the Issuer therefor.

Neither the Issuer nor the relevant Guarantor shall be liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer or exercise of any Warrants.

10. **Force Majeure and Illegality**

(a) **Force Majeure**

The Issuer shall have the right to terminate its obligations under the Warrants, subject to the following sentence, if the Calculation Agent shall have determined in its absolute discretion, that the performance of such obligations shall have become impracticable in whole or in part, in particular as a result of compliance with any applicable present or future law, rule, regulation, judgment, order or directive or with any requirement or request of any governmental, administrative, legislative or judicial authority or power. In such circumstances the Issuer will, however, pay to each Warrantholder in respect of each Warrant held by it an amount determined

by the Calculation Agent after consultation with a merchant bank of international repute as representing the fair market value of such Warrant immediately after such termination. Payment will be made in such manner as shall be notified to the Warrantholders in accordance with Condition 11.

(b) *Illegality*

In the event that any one or more of the provisions contained in these terms should be held to be invalid, illegal or unenforceable in any respect, the Issuer will endeavour in good faith to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which is not detrimental on either the Issuer or the Warrantholder, and which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

11. Notices

All notices to Warrantholders will, save where another means of communication has been specified in the relevant Supplement, be deemed to have been duly given if notified to the relevant Clearing System and, in the case of Warrants admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange (or any other stock exchange), if copies of such notifications are forwarded in final form to the UK Listing Authority no later than the date of dispatch (or, in the case of Warrants admitted to listing, trading and/or quotation by any other listing authority stock exchange, and/or quotation system published in any publication required by such other listing authority stock exchange and/or quotation system). Any such notice shall be deemed to have been given on the date of such notification or, in the case of any of Warrants listed on any other listing authority stock exchange and/or quotation system, the date of such publication or, if notified or published more than once or on different dates, on the date of the first such notification or publication.

12. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Warrantholders to create and issue further warrants of any particular series so as to form a single series with the Warrants, pursuant to an agreement supplemental to the Warrant Agency Agreement.

13. Purchase by the Issuer or the relevant Guarantor

The Issuer or the relevant Guarantor may at any time purchase Warrants at any price in the open market or by tender or private treaty. Any Warrants so purchased may, at the discretion of the Issuer or the relevant Guarantor, as the case may be, be held, resold, reissued or surrendered for cancellation, and Warrants so reissued or resold shall for all purposes be deemed to form part of the original series of the Warrants.

14. Modification

The Issuer may modify the Conditions and the Warrant Agency Agreement (subject in the case of the Warrant Agency Agreement to the agreement of the other parties thereto) without the consent of the Warrantholders for purposes of curing any ambiguity or correcting or supplementing any provision contained therein in any manner which the Issuer may deem necessary or desirable

provided that such modification is not materially prejudicial to the interests of the Warrantheolders. Notice of any such modification will be given to the Warrantheolders but failure to give, or non-receipt of, such notice will not affect the validity of such modification.

15. Substitution

The Issuer and the relevant Guarantor shall be entitled at any time and from time to time, without the consent of the Warrantheolders, to substitute any holding company of the Issuer or any wholly-owned, direct or indirect subsidiary of HSBC Holdings plc (the "New Issuer") in place of the Issuer, as obligor under the Warrants, provided that the New Issuer shall assume all obligations of the Issuer in relation to the Warrantheolders under or in relation to the Warrants and provided further that the relevant Guarantor shall irrevocably and unconditionally guarantee all such obligations. Further the relevant Guarantor shall be entitled at any time and from time to time, without the consent of the Warrantheolders, to substitute any holding company of the relevant Guarantor or any wholly-owned, direct or indirect subsidiary of the relevant Guarantor or any wholly-owned, direct or indirect subsidiary of HSBC Holdings plc (the "New Guarantor") in place of the relevant Guarantor as guarantor under such Warrants. In the event of any such substitution, any reference in these Conditions to the Issuer shall be construed as a reference to the New Issuer and any reference to the Guarantor shall be construed as a reference to the New Guarantor. Any such substitution shall be promptly notified to the Warrantheolders in accordance with Condition 11. In connection with such right of substitution neither the Issuer nor the relevant Guarantor shall be obliged to have regard to the consequences of the exercise of such right for individual Warrantheolders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory, and no Warrantheolder shall be entitled to claim from the Issuer or the relevant Guarantor any indemnification or payment in respect of any tax consequence of any such substitution upon such Warrantheolder.

16. Governing Law

Unless otherwise specified in the relevant Supplement, the Warrants shall be governed by and construed in accordance with English law. The High Court of Justice in London shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in conjunction with any Warrants.

17. Rights of Third Parties

No person shall have any right to enforce any term or condition of the Warrants under the Contracts (Rights of Third Parties) Act 1999.

USE OF PROCEEDS

The net proceeds from the issue of each Tranche of Warrants will be used to maintain hedging positions relating to such Warrants or will otherwise be used as part of the general funds of the Issuer.

HSBC INVESTMENT BANK (NETHERLANDS) N.V.

Description of the Issuer

The Issuer was founded in 1844 in The Netherlands under the name Effectenbank Van Meer, was registered under the Register of Patents for the city of Amsterdam in the county of North Holland on 3 June 1848 as a firm dealing in stocks and was registered with the Chamber of Commerce on 1 April 1897.

The Issuer changed its name to Van Meer James Capel N.V. on 19 September 1988, to HSBC Van Meer James Capel N.V. on 15 July 1996, to HSBC Investment Bank N.V. on 2 June 1998 and to HSBC Investment Bank (Netherlands) N.V. on 20 August 1999.

The Issuer is among the top equity firms in the Dutch market. The Issuer services its clients with research, advise and execution regarding all European markets. Clients are both domestic and international and both institutional and private.

The Issuer is part of the Investment Banking Division of the HSBC Group. Headquartered in London, the HSBC Group is one of the largest banking and financial services organisations in the world. The HSBC Group's international network comprises more than 5,000 offices in 82 countries and territories. On 30 June 2000 the HSBC Group had total assets of US \$ 580 billion, a total capital ratio of 14.1 per cent and a tier one capital ratio of 9.6 per cent. Attributable profit in the first half 2000 amounted to US \$ 3.5 billion.

The Issuer a securities credit institution within the meaning of the Act governing the supervision of credit institutions (Wet Toezicht Kredietwezen) and as such is under the supervision of Dutch Central Bank (De Nederlandsche Bank N.V.) and the STE (Stichting Toezicht Effectenverkeer).

Business

The Issuer is a direct, wholly owned subsidiary of HSBC Investment Bank Holdings B.V. which is beneficially owned by HSBC Holdings B.V. which is beneficially owned by HSBC Finance (Netherlands) which is beneficially owned by HSBC Holdings plc the ultimate parent company of the Issuer. The Issuer has full power and authority to carry out any object not prohibited

by any law.

Share Capital

- (a) The Issuer's authorised capital amounts to NLG10,000,000 (EUR4,537,802) in 10,000 ordinary registered shares of NLG1,000 (equivalent to EUR4,538) par value each, of which 2,000 shares have been issued and fully paid up.
- (b) The Issuer's principal subsidiary companies are Premie-en Effectenkantoor Van den Broek B.V. and VMJC Custody B.V. both domiciled in Amsterdam. The combined total net assets value of the Issuer's subsidiaries is EUR471,931. The issued shares of the Issuer are not listed on the Luxembourg Stock Exchange or on any other stock exchange and are not dealt in on any other recognised market. The Issuer is listed in the Amsterdam Trade Register under number 33.02.021.

- (c) As at the date hereof, no capital of the Issuer is under option or is agreed conditionally or unconditionally to be put under option.

Directors

The Directors of the Issuer, their function and their principal outside activities (if any) of significance to the Issuer, are as follows:

Management Board

Name	Function within the Issuer	Principal outside activities
D. de Jong	Managing Director	None
R. M. Gooskens	Director	None
R. A. Korinth	Finance Director	None

Supervisory Board

Name	Function within the Issuer	Principal outside activities
G.J.Dumbell	Chairman of Supervisory Board, Supervisory Director	None
J A L McNeilage	Supervisory Director	None
J.P. Botley	Supervisory Director	None

The business address for Mr McNeilage is c/o Thames Exchange, 10 Queen Street Place, London, EC4R 1BL, UK and for each of the other Directors is c/o HSBC Investment Bank (Netherlands) N.V., Herengracht 466, 1017 CA Amsterdam, The Netherlands.

CAPITALISATION OF THE ISSUER

The following table shows the audited authorised and issued share capital and other liabilities of the Issuer as at the close of business on 31 December 2000.

	Authorised EUR	Issued and Fully- paid EUR
Ordinary share capital		
Ordinary shares (of nominal value EUR 453.78 each)		907,560
		Amount Outstanding EUR
Reserves		19,031,888
Shareholders Equity		19,939,448
Loans		
Bank loans and overdrafts		20,247,163
Including amounts owed to affiliated companies 3 months or shorter		<u>20,000,000</u>
Amounts owed to customers		23,479,719
Accruals and deferred income		20,642,293
Notes		482,676,187
Provisions		1,200,598
Total Liabilities		568,185,408

There has been no material change in the capitalisation, indebtedness, contingent liabilities or guarantees of the Issuer since 31 December 2000.

AUDITORS' REPORT

Introduction

We have audited the financial statements 2000 of HSBC Investment Bank (Netherlands) N.V., Amsterdam. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in The Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 December 2000 and of the result for the year then ended in accordance with accounting principles generally accepted in The Netherlands and comply with the financial reporting requirements included in Part 9, Book 2, of the Netherlands Civil Code.

Amsterdam, 19 February 2001

KPMG Accountants N.V.

The references to the accounts in this report are to the statutory accounts of the Issuer audited by KPMG N.V.. The Financial Statements described herein have been extracted without material adjustment from the statutory accounts of the Issuer and are reproduced on the following 15 pages of the Information Memorandum. References therein to "Bank" are references to the Issuer.

ISSUER'S ACCOUNTS FOR FINANCIAL YEAR ENDING 31 DECEMBER 2000

Company Balance sheet as at 31 December 2000

(after proposed appropriation of results)

(in Euro)	2000	1999
Assets		
Cash	901,319	1,205,186*
Banks	59,323,134	33,476,617*
Short term government paper	--	14,883,610
Loans and advances to customers	15,937,331	21,335,516
Fixed income securities	3,500,000	3,180,000
Shares	486,100,117	288,587,905
Shares in affiliated companies	471,931	471,931
Fixed assets	1,020,175	1,061,632
Prepayments and accrued income	931,401	912,476
	<u>568,185,408</u>	<u>365,114,873</u>
Liabilities		
Banks	20,247,163	18,393,060
Amounts owed to customers	23,479,719	29,238,172
Accruals and deferred income	20,642,293	14,758,359
Notes	482,676,187	286,989,945
Provisions	1,200,598	830,247
Shareholder's Equity:		
Share capital, issued and fully paid up	907,560	907,560
Reserves	<u>19,031,888</u>	<u>13,997,530</u>
	<u>19,939,448</u>	<u>14,905,090</u>
	<u>568,185,408</u>	<u>365,114,873</u>

* Adjusted for purposes of comparison

Company Profit and Loss Account for the year 2000

<i>(in Euro)</i>	2000	1999
Interest income	3.054.491	2,187,453
Interest expense	<u>(1,996,805)</u>	<u>(1,694,924)</u>
	1,057,686	492,529
Income from participating interests	1,053,572	1,823,170
Commission income	32,296,173	23,530,079
Commission expenses	<u>(2,066,559)</u>	<u>(996,856)</u>
	30,229,614	22,533,223
Results on financial operations	34,921	38,393
Other operating income	<u>1,092,606</u>	<u>311,841</u>
Total operating income	<u>33,468,399</u>	<u>25,199,156</u>
Administrative expenses:		
- Staff costs	7,192,621	7,423,460
- Other administrative expenses	3,640,468	4,059,529
Depreciation	401,613	452,828
Additions to and releases from provisions		
In respect of loans and advances	<u>396,000</u>	<u>--</u>
Total operating expenses	<u>11,630,702</u>	<u>11,935,817</u>
Operating result before tax	21,837,697	13,263,339
Taxation	<u>7,298,769</u>	<u>4,028,150</u>
Operating result after tax	<u>14,538,928</u>	<u>9,235,189</u>

Cash Flow Statement

<i>(in Euro)</i>	2000	1999
Result after tax	14,538,928	9,235,189
Depreciation	<u>401,613</u>	<u>452,828</u>
	14,940,541	9,688,017
Short term government paper	14,883,610	9,949,268
Amounts owed to customers	--	2,388,973
Accruals and deferred income	5,883,934	5,141,718
Shares	9,450	1,908
Provisions	370,351	231,472
Loans and advances to customers	<u>5,398,185</u>	<u>--</u>
	41,486,071	27,401,356
Corporate tax	339,990	--
Dividend	11,000,000	6,500,000
Loans and advances to customers	--	5,197,996
Fixed income securities	320,000	3,539
Fixed assets	360,156	412,544
Prepayments	18,925	220,347
Amounts owed to customers	<u>5,758,453</u>	<u>--</u>
	17,797,524	12,334,426
	<u>23,688,547</u>	<u>15,066,930</u>
Cash and Banks		
1 January	16,288,743	1,221,813
31 December	<u>39,977,290</u>	<u>16,288,743</u>
	<u>23,688,547</u>	<u>15,066,930</u>

Notes to the Company annual accounts for the year 2000

The annual accounts are prepared in accordance with the legal requirements for the annual accounts of banks contained in Chapter 14, Part 9, Book 2 of the Dutch Civil Code.

The shares of the company are held by HSBC Investment Bank Holdings B.V. The company's ultimate parent company is HSBC Holdings plc.

Summary of significant accounting policies

General

Unless stated otherwise, assets and liabilities are reflected at face value, applying the historical cost convention.

Principles of consolidation

Since the company's subsidiaries balance sheets and income statement are insignificant compared with these of the company, no consolidated accounts have been prepared.

Foreign currencies

Amounts receivable and payable denominated in foreign currencies are translated at the exchange rates prevailing at the balance sheet date. All differences on exchanges from converting such assets and liabilities at the balance sheet date are included in the profit and loss account.

Transactions in foreign currencies are converted at the exchange rates approximating those prevailing at transaction date. Exchange results arising thereon are taken into account in the profit and loss account.

Loans and advances to banks/customers

These are stated at nominal value, less a provision for doubtful debts.

Investment portfolio

The investment portfolio comprises all investments which are intended to be held on a permanent basis or to maturity.

Trading Portfolio

The trading portfolio comprises securities that are held for a short term.

Fixed income securities

Securities belonging to the investment portfolio are stated at redemption value which is in essence the nominal value.

Shares

Shares and options held in the investment portfolio are stated at market value. Changes in value net of corporate income tax will be transferred to a revaluation reserve. In so far the revaluation reserve is insufficient to absorb diminutions in value, these value changes will be charged to the profit and loss account. Realised and unrealised profits and losses on the investment portfolio, being the difference between cost price and selling price, will be recorded in the profit and loss account under income from participating interests.

Shares and options held in the trade portfolio are stated at market value. Realised and unrealised profits and losses are recorded in the profit and loss account.

Fixed assets

The leasehold improvements, office equipment, furniture and motor vehicles are stated at historical cost less depreciation.

Rates of depreciation, based on the estimated useful lives of the assets, are as follows:

Leasehold improvements	20 %
Office equipment	20 % / 33 ¹ / ₃ %
Motor vehicles	25 %

Notes

Notes and warrants issued being part of the trading portfolio are stated at market value.

Provisions

Provisions have been formed to cover the risk of future additional funding to finance pension rights and risks arising from claims.

Offsetting

Receivables and liabilities in relation to securities transactions to be settled shortly after the balance sheet date are offset in the balance sheet.

Recognition of income and expenses

Substantially all income is derived from commissions and premiums on securities trading and interest on lending. Such income is recognised on a trade-date basis. Expenses are included in the accounts when incurred.

Notes to the Company balance sheet as at 31 December 2000

<i>(in Euro)</i>	2000	1999
Assets		
Cash		
This item includes amongst others the cash reserve with The Dutch Central Bank	901,319	1,205,186*
Banks		
On demand	59,290,044	33,447,831*
Others	33,090	28,786
	<u>59,323,134</u>	<u>33,476,617</u>
The residual maturity of the other items is as 3 months or shorter	<u>33,090</u>	<u>28,786</u>
Short term government paper		
This item relates to Dutch Treasury Certificates that are collateralised in respect of covering settlement transactions with Dutch Central Bank and margin requirement of AEX Effectenclearing.	<u>--</u>	<u>14,883,610</u>
Loans and advances to customers		
These include the loans and advances, after deduction of specific provisions. The residual maturity of this item is as follows:		
3 months or shorter	1,594,804	--
Unspecified, mainly relating to client current accounts.	14,342,527	21,335,516
	<u>15,937,331</u>	<u>21,335,516</u>

* Adjusted for purposes of comparison

<i>(in Euro)</i>	2000	1999
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Fixed income securities

This item relates to Dutch Government bonds forming part of the investment portfolio. These bonds are pledged as collateral for covering settlement transactions with Dutch Central Bank and margin requirement of AEX Effectenclearing.

3,500,000	3,180,000
-----------	-----------

Movements in the portfolio are as follows:

Balance sheet value as at 1 January	3,180,000	3,176,461
Purchases	<u>3,500,000</u>	<u>3,180,000</u>
	6,680,000	6,356,461
Redemptions	<u>(3,180,000)</u>	<u>(3,176,461)</u>
Balance as 31 December	<u>3,500,000</u>	<u>3,180,000</u>

Shares

Shares AEX, profit certificates AEX, and shares Kas-Associatie N.V., stated at market value, all belonging to the investment portfolio. Shares AEX and profit certificates have been converted into shares Euronext N.V. in 2000

3,423,930	1,597,960
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Trading portfolio:

Represents the market value of Over The Counter options written by HSBC Investment Bank plc in connection with notes and warrants issued by the company. The market risk of these options is fully hedged by the notes and warrants issued.

<u>482,676,187</u>	<u>286,989,945</u>
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<u>486,100,117</u>	<u>288,587,905</u>
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SHARES IN AFFILIATED COMPANIES

The total net asset value as at 31 December 2000 of the Issuer's subsidiaries, Premie- en Effectenkantoor Van den Broek B.V. and HSBC Custody B.V., both domiciled in Amsterdam are as follows:

471,931	471,931
---------	---------

There have been no changes in the net asset value of the Issuer's subsidiaries during 2000.

<i>(in Euro)</i>	Leasehold Improvements	Office equipment	Motor vehicles	Total
Fixed assets				
Cost				
Balance as at 1 January	182,343	2,286,532	503,409	2,972,284
Additions	--	180,126	250,442	430,568
Disposals	--	--	(218,300)	(218,300)
Balance as at 31 December	<u>182,343</u>	<u>2,466,658</u>	<u>535,551</u>	<u>3,184,552</u>
Accumulated depreciation				
Balance as at 1 January	182,343	1,527,375	200,934	1,910,652
Charge for the year	--	277,308	124,305	401,613
Disposals	--	--	(147,888)	(147,888)
Balance as at 31 December	<u>182,343</u>	<u>1,804,683</u>	<u>177,351</u>	<u>2,164,377</u>
Net book value				
31 December 2000	--	661,975	358,200	1,020,175
31 December 1999	--	759,157	302,475	1,061,632
Prepayments and accrued income			<u>2000</u>	<u>1999</u>
This item includes prepayments, income and other amounts still to be received.			<u>931,401</u>	<u>912,476</u>

<i>(in Euro)</i>	2000	1999
Liabilities		
Banks		
The amounts owed to bankers are:		
On demand	247,163	3,393,060
Others	<u>20,000,000</u>	<u>15,000,000</u>
	<u>20,247,163</u>	<u>18,393,060</u>
Residual maturity of others:		
3 months or shorter	<u>20,000,000</u>	<u>15,000,000</u>
Affiliated companies	20,000,000	15,000,000
Amounts owed to customers		
Savings accounts	33,052	28,786
Other liabilities	<u>23,446,667</u>	<u>29,209,386</u>
	<u>23,479,719</u>	<u>29,238,172</u>
Residual maturity of the savings accounts:		
3 months or shorter	<u>33,052</u>	<u>28,786</u>
Residual maturity of the other liabilities:		
3 months or shorter	--	6,274,697
Unspecified	<u>23,446,667</u>	<u>22,934,689</u>
	<u>23,446,667</u>	<u>29,209,386</u>
The amounts owed to customers include payables to affiliated companies.	975,341	3,555,115
Accruals and deferred income	<u>20,642,293</u>	<u>14,758,359</u>
Included under this item are amounts still to be paid such as accrued interest, wage tax, corporate income tax, social insurance premiums, pension premiums and dividend.		

<i>(in Euro)</i>	2000	1999
Notes		
Represent the liabilities of the company resulting from the issuance of equity linked notes and equity linked warrants to third parties.	<u>482,676,187</u>	<u>286,989,945</u>
Provisions	<u>1,200,598</u>	<u>830,247</u>

Specified as follows:

	Balance 1 January 2000	Additions	Utilised	Balance 31 December 2000
Pension commitment	686,011	81,681	82,372	685,320
Claims and Litigations	<u>144,236</u>	<u>396,000</u>	<u>24,958</u>	<u>515,278</u>
	<u>830,247</u>	<u>477,681</u>	<u>107,330</u>	<u>1,200,598</u>

Except for some pension commitments, these provisions are expected to be of a short term nature.

Shareholders' equity

The authorised capital amounts to EUR 4,537,802 divided into 10,000 registered shares of EUR 453,78 each, of which 2,000 shares have been issued and fully paid up. Changes in the component parts of shareholder's equity are as follows:

<i>(in Euro)</i>	Share Capital	Share premium reserve	Revaluation Reserve	Retained earnings	Total
Balance as at 1 January 1999	907,560	1,057,308	3,052,937	8,238,943	13,256,748
Movements	--	--	(1,086,847)		(1,086,847)
1999 net results	--	--		9,235,189	9,235,189
Proposed dividend 1999	--	--		<u>(6,500,000)</u>	<u>(6,500,000)</u>
Balance as at					
31 December 1999	<u>907,560</u>	<u>1,057,308</u>	<u>1,966,090</u>	<u>10,974,132</u>	<u>14,905,090</u>

<i>(in Euro)</i>	Share Capital	Share premium reserve	Revaluation reserve	Retained earnings	Total
Balance as at 1 January 2000	907,560	1,057,308	1,966,090	10,974,132	14,905,090
Movements	--	--	1,495,430*		1,495,430
2000 net results	--	--		14,538,928	14,538,928
Proposed dividend 2000	--	--		(11,000,000)	(11,000,000)
Balance as at 31 December 2000	907,560	1,057,308	3,461,520	14,513,060	19,939,448

* Movements in the revaluation reserve comprise the net revaluation of shares belonging to the investment portfolio.

Off balance sheet items

Unsettled securities transactions

Receivables and liabilities in relation to securities transactions with a settlement date shortly after balance sheet date for an amount of EUR 30,285,368 (1999: EUR 58,850,777) have been offset in the balance sheet.

Commitments

Rental commitments until September 2004 amount to EUR 873,900 (1999: EUR 1,112,200).

Concentration of credit risks

Nearly all amounts receivable from customers are related to securities transactions with domestic and foreign clients. There are no large exposures to individual customers, except for group companies.

MARKET AND INTEREST RISK

The company's net position in financial instruments is not significant.

Currency risks

There are no significant risk in foreign currencies at year end.

HSBC Investment Services (Africa) (Proprietary) Limited

The company has acted as fiduciary for the parent company taking legal ownership of the participation in HSBC Investment Services (Africa) (Proprietary) Limited (previously Simpson McKie James Capel (pty) Limited). Given that all risks relating to ownership have been transferred to the parent company, this asset with a cost of EUR 793,661 has been offset against funding provided by the parent company.

Guarantees

During 1998 and 1999 HSBC Investment (Netherlands) Bank N.V. received cash and shares in Kas-Associatie N.V. as a result of the liquidation of the Vereniging voor de Effectenhandel. At the same time the company entered into an agreement to pay a share in possible future losses of the Vereniging voor de Effectenhandel's liquidation. This potential future obligation at this moment is EUR 2,631,925.

Collateral Depot Dutch Central Bank

5.5% Dutch Government Bonds at nominal value EUR 16,000,000, market value EUR 16,960,000 are borrowed from third parties and subsequently pledged as collateral for covering settlement transactions.

Notes to the Company Profit and Loss Account for the year 2000

<i>(in Euro)</i>	2000	1999
Interest income		
Interest income can be specified as follows:		
Fixed income securities	92,447	113,915
Treasury bills	730,136	686,031
Others	<u>2,231,908</u>	<u>1,387,507</u>
	<u>3,054,491</u>	<u>2,187,453</u>
Interest expense		
Interest expense on funds drawn by and entrusted to the bank.	<u>(1,996,805)</u>	<u>(1,694,924)</u>
Income from participating interests		
Payments out of liquidation of the former stock exchange.	--	1,060,168
Dividends received from investments in shares AEX, profit certificates AEX and shares Kas-Associatie	355,437	560,180
Profit on sale of shares AEX and shares Kas-Associatie N.V.	<u>698,135</u>	<u>202,822</u>
	<u>1,053,572</u>	<u>1,823,170</u>
Commission Income		
Brokerage fees on securities transactions and Revenues from new issues	21,728,913	20,291,519
Fees equity linked notes issue	<u>10,567,260</u>	<u>3,238,560</u>
	<u>32,296,173</u>	<u>23,530,079</u>
Commission expense		
Expenses paid in respect of brokerage fees and other securities trading fees.	<u>(2,066,559)</u>	<u>(996,856)</u>

<i>(in Euro)</i>	2000	1999
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Results on financial operations

Include results on the sale of securities belonging to the trading portfolio and other financial instruments.

34,921	38,393
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Other operating income

Service and advisory fees
Other

1,199,451	548,803
(106,845)	(236,962)

<u>1,092,606</u>	<u>311,841</u>
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Service and advisory fees comprise amongst others the outperformance fee on the asset management portfolios.

Staff costs

Salaries and bonuses
Pension charges
Social insurance contributions
Other expenses

6,074,275	6,172,662
500,839	505,466
295,479	286,890
322,028	458,442

<u>7,192,621</u>	<u>7,423,460</u>
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The average number of employees in 2000 was 59 (1999: 56).

The amount referred to in article 383, section 1 of Title 9 Book 2 of the Dutch Civil Code was EUR 1,820,000 (1999: EUR 1,685,750). The Supervisory Directors received no remuneration in 2000 (1999: nil).

Other administrative expenses

This item includes settlement, dealing, accommodation and communication expenses.

<u>3,640,468</u>	<u>4,059,529</u>
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Depreciation

An analysis is provided under notes to the Company balance sheet on page 11.

<u>401,613</u>	<u>452,828</u>
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Taxation

HSBC Investment Bank (Netherlands) N.V., together with its subsidiaries Premie- en Effectenkantoor Van den Broek B.V. and HSBC Custody B.V., constitutes a single fiscal unity. The corporate income tax charge for 2000 was EUR 7,298,769 (1999: 4,028,150).

Amsterdam, 19 February 2001

Supervisory Board

G J Dumbell

J P Botley

J A L McNeilage

Management Board

D de Jong

R A Korinth

R M Gooskens

Supplementary Information

Statutory rules as to appropriation of results

Profits are at the disposal of the General Meeting of Shareholders, according to Article 13 of the Bank's Articles of Association.

Proposed Appropriation of Results

Subject to the approval of the General Meeting of Shareholders, the net profit of the year, EUR 14,538,928 is distributed as follows:

Dividend	EUR 11,000,000
Retained profit	EUR 3,538,928

The proposed profit distribution has already been included in these financial statements.

HSBC INVESTMENT BANK PLC

Principal Activities, Objects and Principal Place of Business

HSBC Investment Bank plc (the "Initial Guarantor") is an investment bank and international securities house providing a wide range of stockbroking and other services. It is an indirect, wholly owned subsidiary of HSBC Holdings plc. Its issued share capital of 205,000,000 ordinary shares of £1.00 each is owned by HSBC Investment Bank Holdings plc. HSBC Investment Bank Holdings plc is a wholly owned subsidiary of HSBC Holdings plc. The business of the Initial Guarantor was established in 1775. The Initial Guarantor was incorporated as an unlimited company in England and Wales on 2 April 1970 (with registered number 976092), became a limited liability company under the Companies Act 1985 on 5 December 1988 (with registered number 976092) and became a public limited company on 1 April 1996. The Initial Guarantor was authorised by the Bank of England to carry on a deposit taking business on 1 April 1996.

The Initial Guarantor's principal place of business is Thames Exchange, 10 Queen Street Place, London EC4R 1BL, United Kingdom.

The Initial Guarantor's direct subsidiaries are:

Antrobus (Nominees) Limited	Knockhead Investments Limited
Austin Property Limited	Lakeside (Nominees) Limited
Beehythe Estates Limited	Legend Estates Limited
Bride Investments (Hythe) Limited	London Bridge (Nominees) Limited
Bride Investments (Portsmouth) Limited	London Mortgage Trust, Limited, The
Bury Street (Nominees) Limited	Midsummer Lodge Investments
Cedar (Nominees) Limited	Montagu Trust Limited
Cowslip Estates Limited	Paul (Nominees) Limited
Crewfleet Limited	Pegosity Limited
Devonshire (Nominees) Limited	Plug Investments Limited
Equator Holdings Limited	Samuel Montagu & Co. Limited
Euston (Nominees) Limited	Samuel Montagu Leasing Services Limited
Fleet (Nominees) Limited	Spark Development Limited
Hilaga Investments Limited	Specfin Nominees Limited
HSBC Bank (Suisse) SA	Speedcalm Limited
HSBC Financial Products Limited	Spring (Nominees) Limited
HSBC Funding (UK) plc	Stockwatch Limited
HSBC Private Equity Limited	Tawnyport Estates Limited*
HSBC Republic Bank (UK) Limited	Totalflag Limited
HSBC Vintners Place Limited	Unipoly SA
Inveraray Investments Limited	Winter Lodge Investments Limited
James Capel & Co. Limited	
James Capel (Custodian) Nominees Limited	
James Capel Investments Limited	
James Capel (Nominees) Limited	
James Capel (Second Nominees) Limited	
James Capel (Taiwan) Nominees Limited	
James Capel (Third Nominees) Limited	
James Capel Services Limited	

* jointly owned by more than one group company

The Initial Guarantor's Structure and Activities and Future Developments

The business of the Initial Guarantor was established in 1775. The Initial Guarantor's business as at present composed, was established on 1 April 1996 when the operations of the international securities house James Capel & Co. Limited and the merchant banking activities of Samuel Montagu & Co. Limited were brought together. It has a network of offices, branches and affiliates in 42 countries. The Initial Guarantor and its related companies have membership of all major stock exchanges around the world.

On the equities side, the Initial Guarantor's core business consists of research-driven stockbroking for both institutional investors and private clients, complemented by related activities such as equity trading and market-making and derivatives broking and trading. It is one of the largest private client stockbrokers in the UK, managing funds in excess of £5.5 billion.

On the investment banking side, the Initial Guarantor offers such products as corporate finance advice, equity capital market origination, project and export finance, loan syndication, corporate broking, private equity and privatisation advice. It is a leader in the UK new issue business and broker to over 160 companies.

The Initial Guarantor is part of HSBC Investment Banking and Markets, which is responsible within HSBC for the advice and financing, equity securities, asset management and private banking activities of HSBC Holdings plc and its subsidiary undertakings ("HSBC"). HSBC is one of the largest banking and financial services organisations in the world.

Board of directors

The following is a current list of the directors of the Initial Guarantor:

Name	Function within the Initial Guarantor	Principal outside activities
S.K. Green	Chairman	None
A. J. Stewart-Jones	Director	None
I.C. Cotterill	Finance Director	None
K. Patel	Director	None
D.G.P. Stoessel	Director	Non-executive director, DHL Worldwide Express B.V.,

The business address for each director is Thames Exchange, 10 Queen Street Place, London, EC4R 1BL.

CAPITALISATION OF THE INITIAL GUARANTOR

The following table shows the audited authorised and issued share capital and loan capital of the Initial Guarantor as at the close of business on 31 December 2000.

	Authorised £'000	Issued and fully-paid £'000
Ordinary share capital		
Ordinary shares (of nominal value £1 each)	250,000	205,000
		Amount outstanding £'000
Loans from ultimate parent company:		
Undated subordinated loan capital:		
Perpetual variable rate subordinated loan		64,000
Dated subordinated loan capital:		
Variable rate subordinated loan maturing 2001		33,514
Dated subordinated loan capital:		
Variable rate subordinated loan maturing 2006		70,000
Loans from subsidiary undertaking:		
Dated subordinated loan capital:		
Variable rate subordinated loan maturing 2006		50,000
		<hr/> 217,514
Dated subordinated loan capital is repayable:		
- over 5 years		<hr/> 120,000

There has been no material change in the capitalisation, indebtedness, contingent liabilities or guarantees of the Initial Guarantor since 31 December 2000.

REPORT OF THE AUDITORS OF THE INITIAL GUARANTOR

HSBC Investment Bank plc
Report of the Auditors, KPMG Audit Plc,
to the Members of HSBC Investment Bank plc

We have audited the financial statements on pages 6 to 41.¹

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

¹ The references to the accounts on the pages referred to in this report are to statutory accounts of the Initial Guarantor. The financial statements described herein have been extracted from the statutory accounts of the Initial Guarantor and are reproduced on the following pages of this Information Memorandum.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

21 February 2001

HSBC Investment Bank plc

Profit and Loss Account for the Year Ended 31 December 2000

		2000	1999
	Notes	£000	£000
Interest receivable			
- interest receivable and similar income arising from debt securities		34,558	33,928
- other interest receivable and similar income		295,374	185,763
Interest payable	3	(350,876)	(259,586)
Net interest expense		(20,944)	(39,895)
Dividend income from			
- other equity investments		31,220	30,940
- subsidiary undertakings		62,904	64,972
Fees and commissions receivable		397,136	339,525
Fees and commissions payable		(79,371)	(63,166)
Dealing profits	4	129,583	100,035
Other operating income		35,166	15,358
Operating income		555,694	447,769
Administrative expenses	5	(522,976)	(420,740)
Depreciation and amortisation	19	(12,399)	(11,484)
Operating profit before provisions		20,319	15,545
Provisions			
- provisions for bad and doubtful debts	14	(4,331)	(7,157)
- provisions for contingent liabilities and commitments		-	(537)
Amounts written off fixed asset investments		(10,135)	(2,568)
Operating profit		5,853	5,283
Gains on disposal of- investments		15,490	13,274
- tangible fixed assets		303	34
Profit on ordinary activities before tax	6	21,646	18,591
Tax on profit on ordinary activities	7	(6,236)	8,011
Profit on ordinary activities after tax		15,410	26,602
Dividends	8	(15,000)	(17,000)
Retained profit for the year	28	410	9,602

Continuing operations: none of the Company's activities were acquired or discontinued during the year.

The notes on pages 9 to 41 form part of the financial statements.

HSBC Investment Bank plc
Balance Sheet at 31 December 2000

	Notes	2000 £000	1999 £000
Assets			
Cash and balances at central banks		112	116
Treasury bills and other eligible bills	9	-	9,970
Loans and advances to banks	11	2,197,223	1,710,378
Loans and advances to customers	13	3,977,716	2,141,786
Debt securities	16	775,771	808,920
Equity shares	17	1,390,948	1,318,541
Shares in Group undertakings	18	216,966	264,762
Tangible fixed assets	19	24,648	27,544
Other assets	20	468,447	347,465
Prepayments and accrued income		186,560	120,803
Total assets		<u>9,238,391</u>	<u>6,750,285</u>
Liabilities			
Deposits by banks	21	2,870,895	1,405,822
Customer accounts	22	3,819,158	3,522,501
Debt securities in issue	23	50,000	-
Other liabilities	24	1,598,089	1,013,126
Accruals and deferred income		343,362	262,750
Provisions for liabilities and charges	25		
- deferred taxation		558	260
- other provisions for liabilities and charges		31,815	30,031
Subordinated liabilities	26		
- undated loan capital		64,000	64,000
- dated loan capital		153,514	170,935
Called up share capital	27	205,000	180,000
Profit and loss account	28	102,000	100,860
Shareholders' funds - equity		307,000	280,860
Total liabilities		<u>9,238,391</u>	<u>6,750,285</u>
Memorandum items			
	30		
Contingent liabilities			
- guarantees and assets pledged as collateral security		92,905	77,062
Commitments:		<u>585,825</u>	<u>549,706</u>

The notes on pages 9 to 41 form part of the financial statements.

Approved by the Board and signed on its behalf on 21 February 2001.

S K Green - *Chairman*

HSBC Investment Bank plc

**Statement of Total Recognised Gains and Losses for the Year Ended
31 December 2000**

	2000	1999
	£000	£000
Profit for the financial year attributable to shareholders	15,410	26,602
Exchange and other movements	730	983
	<hr/>	<hr/>
Total recognised gains and losses for the financial year	<u>16,140</u>	<u>27,585</u>

Reconciliation of Movements in Shareholders' Funds for the Year Ended 31 December 2000

	2000	1999
	£000	£000
Profit for the financial year attributable to shareholders	15,410	26,602
Dividends	(15,000)	(17,000)
	<hr/>	<hr/>
Retained profit for the year	410	9,602
 New share capital subscribed (Note 27)	25,000	-
Other recognised gains and losses relating to the year	730	983
	<hr/>	<hr/>
Net addition to shareholders' funds	26,140	10,585
Shareholders' funds at 1 January	280,860	270,275
	<hr/>	<hr/>
Shareholders' funds at 31 December	<u>307,000</u>	<u>280,860</u>

No note of historical cost profits and losses has been presented as there is no material difference between the Company's results as disclosed in the profit and loss account and the results on an unmodified historical cost basis.

The notes on pages 9 to 41 form part of the financial statements.

HSBC Investment Bank plc
Notes to the Financial Statements for the Year Ended
31 December 2000

1. Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain investments, and in accordance with applicable accounting standards.

These financial statements have been prepared in accordance with the special provisions of Part VII Chapter II of the Companies Act 1985 relating to banking companies.

The Company is not required to prepare consolidated financial statements by virtue of the exemption conferred by section 228 of the Companies Act 1985. The results of the Company are included within the consolidated financial statements of HSBC Holdings plc.

These financial statements present information about the undertaking as an individual undertaking and not about its Group.

As the cash flow statement included in the consolidated financial statements for the ultimate parent undertaking complies with the conditions of FRS 1 (revised 1996) "Cash Flow Statements" the Company is exempt under FRS 1 from the requirement to prepare a separate cash flow statement.

The Company has taken advantage of the exemption under FRS 8 "Related Party Disclosures" not to disclose details of transactions with HSBC Holdings plc or other Group subsidiaries, as it is a wholly-owned subsidiary undertaking of HSBC Investment Bank Holdings plc which is a wholly-owned subsidiary of HSBC Holdings plc.

2. Principal accounting policies

a *Income recognition*

Interest income is recognised in the profit and loss account as it accrues, except in the case of doubtful debts (Note 2b).

Fee and commission income is accounted for in the period when receivable, except where it is charged to cover the costs of a continuing service to, or risk borne for, the customer, or is interest in nature. In these cases, it is recognised on an appropriate basis over the relevant period.

2. Principal accounting policies (continued)

b *Loans and advances and doubtful debts*

Specific provision is made for doubtful debts as and when they are so considered and, in addition, amounts have been set aside as general provisions for doubtful debts. The specific element relates to individual banking relationships; the general element relates to other exposures not separately identified but known from experience to exist in any portfolio of banking relationships. When there is no longer any realistic prospect of recovery, the outstanding debt is written off.

Interest on doubtful debts is credited to a suspense account which is netted in the balance sheet against the relevant balances.

Assets acquired in exchange for advances in order to achieve an orderly realisation continue to be reported as advances. The asset acquired is recorded at the carrying value of the advance disposed of at the date of the exchange, and provisions are based on any subsequent deterioration in its value.

c *Debt securities and equity shares*

Debt securities and equity shares intended to be held on a continuing basis are disclosed as investment securities and are included in the balance sheet at cost less provision for any permanent diminution in value.

Where dated investment securities have been purchased at a premium or discount, these premiums and discounts are amortised through the profit and loss account over the period from the date of purchase to the date of maturity. If the maturity is at the borrowers' option within a specified range of years, the maturity date which gives the more conservative result is adopted. These securities are included in the balance sheet at cost adjusted for the amortisation of premiums and discounts arising on acquisition. The amortisation of premiums and discounts is included in "Interest receivable". Any profit or loss on realisation of these securities is recognised in the profit and loss account as it arises and included in "Gains on disposal of investments".

Debt securities held for the purpose of hedging are valued on the same basis as the liabilities which are being hedged.

Other debt securities and equity shares are included in the balance sheet at market value. Changes in the market value of such assets are recognised in the profit and loss account as "Dealing profits" as they arise.

HSBC Investment Bank plc
Notes to the Financial Statements for the Year Ended
31 December 2000 (continued)

2. Principal accounting policies (continued)

Where securities are sold subject to a commitment to repurchase them at a predetermined price, they remain on the balance sheet and a liability is recorded in respect of the consideration received. Conversely, securities purchased under analogous commitments to resell are not recognised on the balance sheet and the consideration paid is recorded in "Loans and advances to banks" or "Loans and advances to customers".

d *Subsidiary undertakings*

The Company's investments in subsidiary and associated undertakings are stated at cost less provisions for permanent diminution in value.

e *Tangible fixed assets*

Tangible fixed assets are stated at cost less depreciation calculated on the straight-line basis to write off the assets over their estimated useful lives, which are generally between 3 years and 20 years.

f *Finance and operating leases*

i Assets leased to customers under agreements which transfer substantially all the risks and rewards associated with ownership, other than legal title, are classified as finance leases. Where the Company is a lessor under finance leases, the amounts due under the leases, after deduction of unearned charges, are included in "Loans and advances to banks" or "Loans and advances to customers". Finance charges receivable are recognised over the periods of the leases in proportion to the funds invested.

ii Rentals payable under operating leases are accounted for on the straight-line basis over the periods of the leases and are included in "Administrative expenses".

g *Deferred taxation*

Deferred taxation is provided on timing differences, using the liability method, between the accounting and taxation treatment of income and expenditure. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

HSBC Investment Bank plc
Notes to the Financial Statements for the Year Ended
31 December 2000 (continued)

h *Pension and other post-retirement benefits*

For defined benefit schemes annual contributions are made, on the advice of qualified actuaries, for funding of retirement benefits in order to build up reserves for each scheme member during the employee's working life and pay a pension to the employee or dependant after retirement. The costs of providing these benefits are charged to the profit and loss account on a regular basis.

The cost of providing post-retirement health care benefits, which is assessed in accordance with the advice of qualified actuaries, is recognised on a systematic basis over employees' service lives.

i *Foreign currencies*

i Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the year-end. The results of overseas branches are translated into sterling at the average rates of exchange for the year.

ii Exchange differences arising from the re-translation of the opening foreign currency net investments and the related cost of hedging and exchange differences arising from re-translation of the result for the year from the average rate to the exchange rate ruling at the year-end are accounted for in reserves.

iii Other exchange differences are recognised in the profit and loss account.

j *Off-balance-sheet financial instruments*

Off-balance-sheet financial instruments arise from futures, forward, swap and option transactions undertaken by the Company in the foreign exchange, interest rate and equity markets.

Accounting for these instruments is dependent upon whether the transactions are undertaken for trading or non-trading purposes.

Trading transactions

Trading transactions include transactions undertaken for market-making, to service customers' needs and for proprietary purposes, as well as any related hedges.

HSBC Investment Bank plc
Notes to the Financial Statements for the Year Ended
31 December 2000 (continued)

2. Principal accounting policies (continued)

j *Off-balance-sheet financial instruments (continued)*

Transactions undertaken for trading purposes are marked to market value and the net present value of any gain or loss arising is recognised in the profit and loss account as "Dealing profits", after appropriate deferrals for unearned credit margins and future servicing costs.

Assets, including gains, resulting from off-balance-sheet exchange rate, interest rate and equities contracts which are marked to market are included in "Other assets". Liabilities, including losses, resulting from such contracts, are included in "Other liabilities".

Non-trading transactions

Non-trading transactions are those which are held for hedging purposes as part of the Company's risk management strategy against assets, liabilities, positions or cash flows measured on an accruals basis. Non-trading transactions include qualifying hedges and positions that synthetically alter the characteristics of specified financial instruments.

Non-trading transactions are accounted for on an equivalent basis to the underlying assets, liabilities or net positions. Any profit or loss arising is recognised on the same basis as that arising from the related assets, liabilities or positions.

To qualify as a hedge, the derivative must effectively reduce the price or interest rate risk of the asset, liability or anticipated transaction to which it is linked and be designated as a hedge at inception of the derivative contract. Accordingly, changes in the market value of the derivative must be highly correlated with changes in the market value of the underlying hedged item at inception of the hedge and over the life of the hedge contract. If these criteria are met, the derivative is accounted for on the same basis as the underlying hedged item. Derivatives used for hedging include swaps, forwards and futures.

Interest rate swaps are also used to synthetically alter the interest rate characteristics of financial instruments. In order to qualify for synthetic alteration, a derivative instrument must be linked to specific individual, or pools of similar, assets or liabilities by the notional principal and interest rate risks of the associated instruments, and must achieve a result that is consistent with defined risk management objectives. If these criteria are met, accrual-based accounting is applied i.e. income or expense is recognised and accrued to the next settlement date in accordance with the contractual terms of the agreement.

HSBC Investment Bank plc
Notes to the Financial Statements for the Year Ended
31 December 2000 (continued)

Any profit or loss arising on the termination of a qualifying derivative is deferred and amortised to earnings over the original life of the terminated contract. Where the underlying asset, liability or position is sold or terminated, the qualifying derivative is immediately marked to market through the profit and loss account.

Derivatives that do not qualify as hedges or synthetic alterations at inception are marked to market through the profit and loss account, with profits and losses included within "Dealing profits".

3. Interest payable

Interest payable includes £17,384,000 (1999 - £15,498,000) in respect of payments related to subordinated liabilities.

4. Dealing profits

	2000	1999
	£000	£000
Foreign exchange	4,656	4,499
Interest rate derivatives	16	70
Debt securities	16,406	(4,605)
Equities and other trading	108,505	100,071
	<u>129,583</u>	<u>100,035</u>

5. Administrative expenses

a General

	2000	1999
	£000	£000
Staff costs		
- wages and salaries	354,191	272,208
- social security costs	15,137	12,736
- other pension costs (Note 5b below)	12,506	16,371
	<u>381,834</u>	<u>301,315</u>
Premises and equipment (excluding depreciation)	27,287	21,862
Other administrative expenses	113,855	97,563
	<u>522,976</u>	<u>420,740</u>

The average number of persons employed by the Company during the year was 2,456 (1999 – 2,330).

The Company employs staff seconded to various other Group undertakings and makes a management charge to such other undertakings to cover the cost of employment and certain other administrative expenses. The staff costs relating to such persons are included above.

b *Retirement benefits*

- i Until 17 January 2000, the Company operated or participated in a number of pension schemes. On this date, certain schemes were merged with the HSBC Bank (UK) Pension Scheme.

In the UK, the HSBC Bank (UK) Pension Scheme covers employees of HSBC Bank plc and certain other employees of the HSBC Group. This scheme comprises a funded defined benefit scheme ('the Principal Scheme') and a defined contribution scheme which was established on 1 July 1996 for new employees. The latest valuation of the Principal Scheme was made at 31 December 1999 by C G Singer, Fellow of the Institute of Actuaries, of Watson Wyatt Partners. At that date, the market value of the Principal Scheme's assets was £7,298 million. The actuarial value of the assets represented 104% of the benefits accrued to members, after allowing for expected future increases in earnings, and the resulting surplus amounted to £232 million. The method adopted for this valuation was the projected unit method and the main assumptions used were a long-term investment return of 6.85% per annum, salary increases of 4.0% per annum, equity dividend increases and rental growth of 3.5% per annum, and post-retirement pension increases of 2.5% per annum.

In consultation with the actuary, the surplus has been used to reduce the employers' long-term contribution rate of 19.9% to 16.9% of pensionable salaries (1999 - 16.1%). This is based on spreading the surplus over the expected future working lifetimes of current members. The next actuarial valuation is due at 31 December 2002.

HSBC Investment Bank plc
Notes to the Financial Statements for the Year Ended
31 December 2000 (continued)

5. Administrative expenses (continued)

b Retirement benefits (continued)

- ii The Company participates in the HSBC Group Defined Contribution Retirement Benefit Scheme ("the DCS Scheme"), which is a contributory defined contribution scheme and applies to all eligible employees who joined the Company after 1 October 1996.

The assets of the DCS Scheme are held separately from those of the Company in a separately administered fund. Contributions are payable by the Company in accordance with a scale dependent on the age of each individual eligible member. The pension cost charge represents contributions payable by the Company to the DCS Scheme and amounted to £1,586,434 (1999 - £316,623).

- iii The Company also makes contributions on behalf of employees to other schemes, including other schemes operated for HSBC Group employees.

- iv The Company also provides post-retirement health-care benefits. No charge relating to this scheme, which is unfunded, was made for the year. (1999 - nil). The latest actuarial review as at 31 December 2000 estimated the present value of the accumulated post-retirement benefit obligation at £7,600,000, which is fully provided. The main financial assumptions used in preparing the actuarial valuation at 31 December 2000 were price inflation at 2.5% per annum, health-care claims cost escalation of 7.5% per annum and a discount rate of 6.0% per annum.

c Directors' emoluments

The aggregate emoluments of the directors of the Company, computed in accordance with Part I of Schedule 6 of the Act were:

	2000	1999
	£000	£000
Directors' emoluments	6,087	3,307
Amounts receivable under long-term incentive schemes	1,675	-
	<u>7,762</u>	<u>3,307</u>
Excess of retirement benefits of directors over the amount to which they were originally entitled	<u>-</u>	<u>2,057</u>

HSBC Investment Bank plc
Notes to the Financial Statements for the Year Ended
31 December 2000 (continued)

5. Administrative expenses (continued)

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid director were £5,280,936 (1999 - £2,241,922). The director is a member of a defined benefit scheme, under which the accrued pension at the year-end was £105,631 (1999 - £95,123) and an accrued lump sum of £238,286 (1999 - £211,095).

c Directors' emoluments (continued)

During the year, the highest paid director exercised share options and received shares under the long term incentive scheme.

The comparative figures for 1999 have been restated in order to present them on a consistent basis with the current year.

	Number of directors	
	2000	1999
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	<u>4</u>	<u>6</u>
The number of directors who exercised share options over HSBC Holdings plc ordinary shares was	<u>2</u>	<u>1</u>
The number of directors in respect of whose qualifying services shares were received or receivable under long-term incentive schemes was	<u>4</u>	<u>3</u>

d Auditors' remuneration

Auditors' remuneration amounted to £758,000 (1999 - £787,000). In addition £195,000 (1999 - £477,000) was paid to the Company's auditors and their associates for non-audit work as analysed below:

	2000	1999
	£000	£000
Regulatory work	112	423
Tax services	12	4
Consultancy	3	-
Other	<u>68</u>	<u>50</u>
	<u>195</u>	<u>477</u>

HSBC Investment Bank plc
Notes to the Financial Statements for the Year Ended
31 December 2000 (continued)

6. Profit on ordinary activities before tax

	2000	1999
	£000	£000
Profit on ordinary activities before tax is stated after:		
<i>i Income</i>		
Income from listed investments	34,498	32,945
Profits less losses on debt securities and equities dealing	83,881	80,747
Gains on disposal of investment securities	15,490	13,274
<i>ii Charges</i>		
Rentals payable on premises held under operating leases	5,761	5,753
Hire of plant and machinery	65	117

7. Tax on profit on ordinary activities

	2000	1999
	£000	£000
The (charge)/credit for taxation comprises:		
United Kingdom corporation tax (charge)/credit:		
Group relief (payable)/receivable	(13,900)	13,455
Adjustment in respect of prior years	(24,582)	(67)
	<u>(38,482)</u>	<u>13,388</u>
Overseas taxation	(7,250)	(5,378)
Deferred taxation	<u>39,496</u>	<u>1</u>
	<u>(6,236)</u>	<u>8,011</u>

The (charge)/credit for tax on the profit for the year is based on a UK corporation tax rate of 30% (1999: 30.25%).

	2000	1999
	£000	£000
The credit for deferred taxation comprises:		
Included in "Other assets" (Note 20)	39,688	-
Included in "Provisions for liabilities and charges (Note 25a)	(192)	1
	<u>39,496</u>	<u>1</u>

HSBC Investment Bank plc
Notes to the Financial Statements for the Year Ended
31 December 2000 (continued)

8. Dividends

	2000 £000	1999 £000
First interim	15,000	8,000
Second interim	-	9,000
	<u>15,000</u>	<u>17,000</u>

9. Treasury bills and other eligible bills

	2000 £000	1999 £000
Other eligible bills	-	9,970
	<u>-</u>	<u>9,970</u>

10. Credit and risk management

Credit risk is the risk that a customer or counterparty of the Company will be unable or unwilling to meet a commitment that it has entered into with the Company. It is managed within limits approved by the board and delegated to individuals as appropriate. Credit & Risk, an independent unit, develops procedures for the control and monitoring of all such risk.

11. Loans and advances to banks

	2000 £000	1999 £000
Remaining maturity:		
- repayable on demand	118,806	101,712
- 3 months or less but not repayable on demand	1,934,995	1,429,087
- 1 year or less but over 3 months	139,563	114,582
- 5 years or less but over 1 year	340	64,997
- over 5 years	3,519	-
	<u>2,197,223</u>	<u>1,710,378</u>

HSBC Investment Bank plc
Notes to the Financial Statements for the Year Ended
31 December 2000 (continued)

Amounts include:

Due from subsidiary undertakings

- subordinated	3,519	3,380
- unsubordinated	21,357	31,030

	<u>24,876</u>	<u>34,410</u>
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Due from Group and
fellow subsidiary undertakings

- unsubordinated	391,243	289,849
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	<u>391,243</u>	<u>289,849</u>
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12. Client segregated money

The Company holds funds and overdrafts on behalf of its stockbroking clients in segregated trust accounts with other banks. At 31 December 2000, these funds amounted to £480,209,000 (1999 - £405,804,000) and there were no overdrafts (1999 - £30,000). The funds and overdrafts are not shown as the Company's assets or liabilities respectively as they are held on behalf of clients.

13. Loans and advances to customers

	2000 £000	1999 £000
Remaining maturity		
- repayable on demand or at short notice	307,523	134,486
- 3 months or less but not repayable on demand or at short notice (including settlement accounts)	3,023,592	1,542,232
- 1 year or less but over 3 months	146,403	61,000
- 5 years or less but over 1 year	351,130	288,851
- over 5 years	170,140	135,434
General and specific bad and doubtful debt provisions (Note 14)	(21,072)	(20,217)
	<u>3,977,716</u>	<u>2,141,786</u>

HSBC Investment Bank plc
Notes to the Financial Statements for the Year Ended
31 December 2000 (continued)

Amounts include:

Due from subsidiary undertakings

- unsubordinated	102,281	24,961
Due from Group and fellow subsidiary undertakings		
- subordinated	-	15,467
- unsubordinated	777,245	293,507
	777,245	308,974

14. Provisions for bad and doubtful debts

Provisions against advances

	<i>Specific</i> £000	<i>General</i> £000	<i>Total</i> £000	<i>Suspended interest</i> £000
At 1 January 2000	8,190	12,027	20,217	97
Amounts written off	(3,580)	-	(3,580)	-
Charge to profit and loss account	2,843	1,488	4,331	-
Interest suspended during the year	-	-	-	49
Exchange and other movements	65	39	104	3
At 31 December 2000	7,518	13,554	21,072	149

HSBC Investment Bank plc
Notes to the Financial Statements for the Year Ended
31 December 2000 (continued)

14. Provisions for bad and doubtful debts (continued)

<i>Provisions against advances</i>				
	Specific £000	General £000	Total £000	Suspended interest £000
At 1 January 1999	3,989	11,316	15,305	-
Amounts written off	(2,366)	-	(2,366)	-
Recoveries of advances written off previous years	97	-	97	-
Charge to profit and loss account	6,461	696	7,157	-
Interest suspended during the year	-	-	-	95
Exchange and other movements	9	15	24	2
	<u>8,190</u>	<u>12,027</u>	<u>20,217</u>	<u>97</u>
At 31 December 1999	<u>8,190</u>	<u>12,027</u>	<u>20,217</u>	<u>97</u>

All the above provisions relate to advances to customers.

The total of advances, net of suspended interest, on which interest is being placed in suspense, is as follows:

	<i>2000</i> <i>£000</i>	<i>1999</i> <i>£000</i>
Gross	933	1,445
Net of specific provisions	<u>102</u>	<u>644</u>

15. Concentrations of exposure

Loans and advances to customers are well diversified between economic sectors mainly in the United Kingdom.

HSBC Investment Bank plc
Notes to the Financial Statements for the Year Ended
31 December 2000 (continued)

16. Debt securities

	2000		1999	
	Book value £000	Market valuation £000	Book value £000	Market valuation £000
Issued by public bodies				
Other securities				
- government securities	-		1,598	
	-		1,598	
Issued by other bodies				
Investment securities				
- bank and building society certificates of deposit	460,369	458,636	340,563	340,617
- other debt securities	89,518	89,508	85,514	85,418
	549,887	548,144	426,077	426,035
Other securities				
- bank and building society certificates of deposit	24,302		15,063	
- other securities	201,582		366,182	
	775,771		807,322	
	775,771		808,920	
Due within 1 year	584,289		438,314	
Due 1 year and over	191,482		370,606	
	775,771		808,920	
Investment securities				
- listed on a recognised UK exchange	13,441	13,441	12,995	12,982
- listed elsewhere	7,292	7,283	6,675	6,592
- unlisted	529,154	527,420	406,407	406,461
	549,887	548,144	426,077	426,035
Other securities				
- listed on a recognised UK exchange	99,693		192,138	
- listed elsewhere	109,611		186,817	
- unlisted	16,580		3,888	
	775,771		808,920	

HSBC Investment Bank plc
Notes to the Financial Statements for the Year Ended
31 December 2000 (continued)

16. Debt securities *(continued)*

Movements in debt securities which are held as investment securities were as follows:

	Cost £000	Provisions £000	Book value £000
At 1 January 2000	426,077	-	426,077
Additions	1,508,033	-	1,508,033
Disposals	(1,385,283)	-	(1,385,283)
Amortisation of discounts and premiums	823	-	823
Exchange and other movements	237	-	237
	<hr/>	<hr/>	<hr/>
At 31 December 2000	549,887	-	549,887
	<hr/>	<hr/>	<hr/>

17. Equity shares

	2000		1999	
	<i>Book value £000</i>	<i>Market valuation £000</i>	<i>Book value £000</i>	<i>Market valuation £000</i>
Investment securities				
- listed on a recognised UK exchange	9,423	17,386	12,909	21,660
- listed elsewhere	5,038	6,207	4,352	10,719
- unlisted	82,984	87,495	52,176	56,998
	<hr/>	<hr/>	<hr/>	<hr/>
	97,445	111,088	69,437	89,377
		<hr/>		<hr/>
Other securities				
- listed on a recognised UK exchange	717,683		936,758	
- listed elsewhere	575,820		312,346	
	<hr/>		<hr/>	
	1,390,948		1,318,541	
	<hr/>		<hr/>	

Where other securities are carried at market value, and the market value is higher than cost, the difference between cost and market value is not disclosed as it cannot be determined without unreasonable expense.

HSBC Investment Bank plc
Notes to the Financial Statements for the Year Ended
31 December 2000 (continued)

17. Equity shares (continued)

Movements in equity shares which are held as investment securities were as follows:

	Cost £000	Provisions £000	Book value £000
At 1 January 2000	82,963	(13,526)	69,437
Additions	47,644	-	47,644
Disposals	(15,755)	1,291	(14,464)
Provisions made	-	(10,935)	(10,935)
Provisions written off	-	800	800
Exchange movements	5,429	(466)	4,963
	<hr/>	<hr/>	<hr/>
At 31 December 2000	<u>120,281</u>	<u>(22,836)</u>	<u>97,445</u>

18. Shares in Group undertakings

	Cost £000	Provisions £000	Book value £000
At 1 January 2000	265,662	(900)	264,762
Additions	13,383	-	13,383
Disposals	(61,584)	-	(61,584)
Exchange adjustments	405	-	405
	<hr/>	<hr/>	<hr/>
At 31 December 2000	<u>217,866</u>	<u>(900)</u>	<u>216,966</u>

Additions and disposals were from and to Group undertakings at net book value. Profits on disposal of £439,000 are included within "Gains on disposal of investments".

Included within the above were holdings of £129,803,000 relating to banks. All holdings are unlisted.

HSBC Investment Bank plc
Notes to the Financial Statements for the Year Ended
31 December 2000 (continued)

Details of the Company's principal subsidiary undertakings at 31 December 2000 are as follows:

	Principal activity	Proportion held %	Class of shares held
HSBC Private Equity Limited	Investment company	100	Ordinary
HSBC Republic Bank (UK) Limited (formerly Samuel Montagu & Co. Limited)	Private banking	100	Ordinary
HSBC Equator Bank plc (indirectly held)	Merchant banking	60	Ordinary

The Company owns 60% of the ordinary share capital of Equator Holdings Limited which owns HSBC Equator Bank plc.

All holdings of principal subsidiary undertakings comprise ordinary share capital. Details of all subsidiary undertakings will be annexed to the next Annual Return of the Company.

All the Company's principal subsidiary undertakings are incorporated in England.

In the opinion of the directors the value of investments in subsidiary undertakings is not less than the amount stated in the balance sheet.

HSBC Investment Bank plc
Notes to the Financial Statements for the Year Ended
31 December 2000 (continued)

19. Tangible fixed assets

	Leasehold improvements £000	Furniture, fittings, motor vehicles and equipment £000	Total £000
Cost at 1 January 2000	13,467	74,411	87,878
Additions	-	10,016	10,016
Disposals	-	(3,169)	(3,169)
Exchange and other movements	-	28	28
Cost at 31 December 2000	13,467	81,286	94,753
Accumulated depreciation at 1 January 2000	7,989	52,345	60,334
Disposals	-	(2,691)	(2,691)
Charge to the profit and loss account	2,713	9,686	12,399
Exchange and other movements	(4)	67	63
Accumulated depreciation at 31 December 2000	10,698	59,407	70,105
Net book value at 31 December 2000	2,769	21,879	24,648
Net book value at 31 December 1999	5,478	22,066	27,544

All tangible fixed assets are for use in the Company's own business.

HSBC Investment Bank plc
Notes to the Financial Statements for the Year Ended
31 December 2000 (continued)

20. Other assets

	2000 £000	1999 £000
Assets, including gains, resulting from off-balance-sheet interest rate, exchange rate and equities contracts which are marked to market	259,384	186,142
Current taxation recoverable	-	17,586
Deferred taxation (Note 7)	39,688	153
Dividends receivable from subsidiary undertakings	30,105	54,973
Other accounts	139,270	88,611
	<u>468,447</u>	<u>347,465</u>

Deferred tax asset is in respect of allowable expenditure charged to the profit and loss but not yet allowed for tax.

21. Deposits by banks

	2000 £000	1999 £000
Repayable on demand	204,960	123,529
With agreed maturity dates or periods of notice, by remaining maturity:		
- 3 months or less but not repayable on demand	2,635,107	1,268,466
- 1 year or less but over 3 months	30,828	13,827
	<u>2,870,895</u>	<u>1,405,822</u>
Amounts include:		
Due to subsidiary undertakings	<u>216,584</u>	<u>201,518</u>
Due to fellow subsidiary and Group undertakings	<u>1,467,782</u>	<u>647,943</u>

HSBC Investment Bank plc
Notes to the Financial Statements for the Year Ended
31 December 2000 (continued)

22. Customer accounts

	2000 £000	1999 £000
Repayable on demand	235,499	174,606
With agreed maturity dates or periods of notice, by remaining maturity:		
- 3 months or less but not repayable on demand (including settlement accounts)	3,205,017	2,672,351
- 1 year or less but over 3 months	254,735	394,137
- 5 years or less but over 1 year	96,925	281,407
- over 5 years	26,982	-
	<u>3,819,158</u>	<u>3,522,501</u>

Amounts include:

Due to subsidiary undertakings	<u>74,136</u>	<u>155,439</u>
Due to fellow subsidiary and Group undertakings	<u>263,249</u>	<u>181,258</u>

23. Debt securities in issue

	2000 £000	1999 £000
Other debt securities in issue, by remaining maturity:		
- 3 months or less	<u>50,000</u>	<u>-</u>

HSBC Investment Bank plc
Notes to the Financial Statements for the Year Ended
31 December 2000 (continued)

24. Other liabilities

	2000 £000	1999 £000
Short positions in securities:		
- other debt securities	184,808	137,889
- equity shares	932,588	444,625
	<u>1,117,396</u>	<u>582,514</u>
Liabilities, including losses, resulting from off-balance sheet interest rate, exchange rate and equities contracts which are marked to market	402,755	387,863
Current taxation	37,464	-
Dividend payable	-	9,000
Other liabilities	<u>40,474</u>	<u>33,749</u>
	<u>1,598,089</u>	<u>1,013,126</u>

25. Provisions for liabilities and charges

a Deferred taxation

Deferred taxation is provided for in accordance with the accounting policy in Note 2g.

Movements on deferred tax provisions were as follows:

	£000
At 1 January 2000	107
Charge to the profit and loss account (Note 7)	192
Other movements (including exchange)	<u>259</u>
At 31 December 2000	<u>558</u>

At 31 December 2000, there were potential future tax benefits of approximately £30,488,000 (1999 - £29,627,000) in respect of allowable expenditure charged to the profit and loss account but not yet allowed for tax and provision for bad and doubtful debts which have not been recognised because recoverability of the potential benefits is not considered remote.

HSBC Investment Bank plc
Notes to the Financial Statements for the Year Ended
31 December 2000 (continued)

b *Other provisions for liabilities and charges*

	Provisions for pensions and other post retirement obligations £000	Provisions for contingent liabilities and commitment s £000	Other provisions £000	Total £000
At 1 January 2000	272	537	29,222	30,031
Additional provisions/increase in provisions*	135	-	2,079	2,214
Provisions utilised	(203)	(38)	-	(241)
Exchange and other movements	(4)	1	(186)	(189)
At 31 December 2000	<u>200</u>	<u>500</u>	<u>31,115</u>	<u>31,815</u>

Other provisions comprise provisions for the discounted future costs associated with certain short leasehold properties, which will become vacant as a consequence of the planned move of London-based staff to Canary Wharf in 2002.

* The increase in "Other provisions" includes unwinding of discounts of £1,643,000 in relation to vacant space provisions.

HSBC Investment Bank plc
Notes to the Financial Statements for the Year Ended
31 December 2000 (continued)

26. Subordinated liabilities

	2000	1999
	£000	£000
Loans from ultimate parent company:		
Undated subordinated loan capital:		
£64,000,000 perpetual variable rate subordinated loan	64,000	64,000
Dated subordinated loan capital:		
US\$50,000,000 variable rate subordinated loan maturing 2001	33,514	30,935
£70,000,000 variable rate subordinated loan maturing 2006	70,000	70,000
Loans from subsidiary undertaking:		
Dated subordinated loan capital:		
£50,000,000 variable rate subordinated loan maturing 2006	50,000	70,000
	<u>217,514</u>	<u>234,935</u>
Dated subordinated loan capital is repayable:		
- over 5 years	<u>120,000</u>	<u>140,000</u>

Subordinated loan capital is repayable at par on maturity. Interest rates are related to interbank offered rates.

27. Called up share capital

	2000	1999
	£000	£000
Authorised:		
Ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>
Issued, allotted and fully paid:		
Ordinary shares of £1 each	<u>205,000</u>	<u>180,000</u>

The Company issued 25 million ordinary shares of £1 each at par value on 20 November 2000 to provide sufficient share capital to support the Company's business. The shares were issued and allotted to, and were fully paid for in cash by the Company's holding company.

HSBC Investment Bank plc
Notes to the Financial Statements for the Year Ended
31 December 2000 (continued)

28. Profit and loss account

	£000
At 1 January 2000	100,860
Retained profit for the year	410
Exchange and other movements	730
	<hr/>
At 31 December 2000	<u>102,000</u>

29. Financial Instruments

a Derivatives

Off-balance-sheet financial instruments, commonly referred to as derivatives, are contracts the characteristics of which are derived from those of underlying assets, interest and exchange rates or indices. They include futures, forwards, swap and option transactions in the foreign exchange, interest rate and equity markets. Transactions are negotiated directly with customers, with the Company acting as a counterparty, or can be dealt through exchanges.

Users of derivatives typically want to convert an unwanted risk generated by their business to a more acceptable risk, or cash. Derivatives provide an effective tool for companies to manage the financial risks associated with their business and, as a consequence, there has been a significant growth in derivatives transactions in recent years.

Derivative instruments are subject to both market risk and credit risk.

The market risk associated with derivatives can be significant since large positions can be accumulated with a substantially smaller initial outlay than required in cash markets. Recognising this, only certain offices with sufficient derivative product expertise and appropriate control systems are authorised to trade derivatives products. The management of market risk arising from derivatives business is monitored by Traded Markets Development and Risk, in combination with market risks arising from on-balance-sheet instruments.

HSBC Investment Bank plc
Notes to the Financial Statements for the Year Ended
31 December 2000 (continued)

Unlike assets recorded on the balance sheet, where the credit risk is typically the full amount of the principal value, together with any unrealised interest accrued or mark-to-market gain, the credit risk relative to a derivative is principally the replacement cost of any contract with a positive mark-to-market gain and an estimate for the potential future change in value, reflecting the volatilities affecting the contract. Credit risk on contracts having a negative mark-to-market value is restricted to the potential future change in value. Credit risk on derivatives is, therefore, small in relation to a comparable balance sheet risk. In addition, credit exposure with individual counterparties can be reduced by close-out netting agreements which allow for positive and negative mark-to-market values on different transactions to be offset and settled by a single payment in the event of default by either party. Such agreements are enforceable in the jurisdictions of the major market makers.

i Derivatives held for trading purposes

The following tables summarise the contract amount, replacement cost and mark-to-market values of third-party and internal trading derivatives by product type. The replacement cost shown is the positive mark-to-market value and represents the accounting loss the Company would incur if the counterparty to a derivative contract failed to perform according to the terms of the contract and the collateral, if any, for the amount due proved to be of no value.

The notional or contractual amounts of these instruments indicate the volume of transactions outstanding at the balance sheet date; they do not represent amounts at risk.

HSBC Investment Bank plc

Notes to the Financial Statements for the Year Ended

31 December 2000 (continued)

Because all derivative instruments used for trading purposes are marked to market, carrying values are equal to mark-to-market values. Mark-to-market values are determined by reference to market rates prevailing on the date of valuation or by discounting future cash flows. Mark-to-market assets and liabilities are netted where a legal right of set-off exists.

	2000		1999	
	<i>Contract amount £000</i>	<i>Replacement cost £000</i>	<i>Contract amount £000</i>	<i>Replacement cost £000</i>
Spot and forward foreign exchange	622,316	1,083	81,904	4
Currency swaps, futures and options purchased	186,077	4,687	29,948	101
Currency options written	183,556	-	30,278	-
Total exchange rate contracts	991,949	5,770	142,130	105
Interest rate swaps	15,717	-	69,562	-
Interest rate futures, forward rate agreements and options purchased	461,751	-	100,813	5
Interest rate options written	-	-	929	-
Total interest rate contracts	477,468	-	171,304	5
Equity futures and options purchased	5,247,126	232,054	1,721,529	182,665
Equity options written	3,761,580	-	1,118,897	-
Other contracts	1,097,783	21,560	858,891	3,367
Total equities contracts	10,106,489	253,614	3,699,317	186,032

HSBC Investment Bank plc
Notes to the Financial Statements for the Year Ended
31 December 2000 (continued)

29. Financial Instruments (Continued)

a *Derivatives (continued)*

i Derivatives held for trading purposes (continued)

		<i>Mark-to-market values</i>	
		2000	1999
		£000	£000
Exchange rate	- assets	5,770	105
	- liabilities	(5,883)	(3,230)
		<hr/>	<hr/>
Interest rate	- assets	-	5
	- liabilities	(112)	(10,192)
		<hr/>	<hr/>
Equities	- assets	253,614	186,032
	- liabilities	(396,810)	(374,441)
		<hr/>	<hr/>

ii Derivatives used for risk management purposes

The following table summarises the contract amount and replacement cost of derivatives used for risk management purposes by product type. The replacement cost shown represents the accounting loss the Company would incur if the counterparty to a derivative contract failed to perform according to the terms of the contract and the collateral, if any, for the amount due proved to be of no value.

HSBC Investment Bank plc
Notes to the Financial Statements for the Year Ended
31 December 2000 (continued)

	2000		1999	
	<i>Contract amount £000</i>	<i>Replacement cost £000</i>	<i>Contract amount £000</i>	<i>Replacement cost £000</i>
Spot and forward foreign exchange	1,540,390	24,148	813,649	4,844
Total exchange rate contracts	1,540,390	24,148	813,649	4,844
Interest rate swaps	663,939	102,121	690,515	53,404
Interest rate futures, forward rate agreements and options purchased	1,520	5	1,520	29
Total interest rate contracts	665,459	102,126	692,035	53,433
Equity futures and options purchased	284,755	54,116	279,256	82,143
Equity options written	284,755	-	279,256	-
Total equities contracts	569,510	54,116	558,512	82,143

The table below summarises the carrying value and mark-to-market value of derivative contracts held for risk management purposes. Mark-to-market values for asset and liabilities arising from derivatives held for non-trading purposes are determined in the same way as those set out for trading derivatives above.

HSBC Investment Bank plc
Notes to the Financial Statements for the Year Ended
31 December 2000 (continued)

a *Derivatives (continued)*

ii Derivatives used for risk management purposes (continued)

		2000		1999	
		<i>Carrying value</i>	<i>Mark-to- market values</i>	<i>Carrying value</i>	<i>Mark-to- market values</i>
		£000	£000	£000	£000
Exchange rate	- assets	18,850	24,148	4,897	4,844
	- liabilities	(3,921)	(4,135)	(4,923)	(4,759)
Interest rate	- assets	101,511	102,126	51,287	53,433
	- liabilities	(525)	(2,660)	-	(1,343)
Equities	- assets	20,694	54,116	20,226	82,143
	- liabilities	-	-	-	-

b *Other financial instruments*

i Financial instruments held for trading purposes

		<i>Mark-to-market values</i>	
		2000	1999
		£000	£000
Assets:			
Loans and advances to banks		1,080,796	530,599
Loans and advances to customers		2,689,932	1,226,430
Debt securities		225,884	382,843
Equity shares		1,293,503	1,249,104
Other assets		352,401	251,462
		<u>5,642,516</u>	<u>3,640,438</u>
Liabilities:			
Deposits by banks		1,364,149	617,064
Customer accounts		1,006,359	621,724
Other liabilities		1,520,147	970,251
		<u>3,890,655</u>	<u>2,209,039</u>

The net trading assets above are funded by liabilities whose fair value is not materially different from their carrying value.

- ii Financial instruments not held for trading purposes and for which a liquid and active market exists

	2000		1999	
	<i>Carrying value</i>	<i>Mark-to- market values</i>	<i>Carrying value</i>	<i>Mark-to- market values</i>
	£000	£000	£000	£000
Assets:				
Debt securities	549,887	548,144	426,077	426,035
Equity shares	97,445	111,088	69,437	89,377
	<u>647,332</u>	<u>659,232</u>	<u>495,514</u>	<u>515,412</u>
Liabilities:				
Subordinated liabilities	217,514	217,514	234,935	234,935

Where possible, mark-to-market values have been estimated using market prices for these financial instruments. Where market prices are not available, values have been estimated using quoted prices for financial instruments with similar characteristics, or otherwise using a suitable valuation technique where practicable to do so.

The valuation techniques used are:

- *Debt securities and equity shares*

Listed securities are valued at middle-market prices and unlisted securities at management's valuation which takes into consideration future earning streams, valuations of equivalent quoted securities and other relevant techniques.

- *Subordinated liabilities*

Mark-to-market values are estimated using quoted market prices at the balance sheet date.

HSBC Investment Bank plc
Notes to the Financial Statements for the Year Ended
31 December 2000 (continued)

c Gains and losses on hedges

i Unrecognised gains and losses

Gains and losses on instruments used for hedging are recognised in line with the underlying items which are being hedged. The unrecognised gains on instruments used for hedging as at 31 December 2000 were £39,335,000 (1999 - £89,133,000) and the unrecognised losses were £2,349,000 (1999 - £6,102,000).

Unrecognised gains of £39,288,000 and unrecognised losses of £369,000 are expected to be recognised in 2001.

Of the gains and losses included in the profit and loss account in 2000, £6,480,000 gains and £3,649,000 losses were unrecognised at 1 January 2000.

ii Deferred gains and losses

There were no deferred gains or losses on instruments used for hedging as at 31 December 2000 (1999 - nil).

No deferred gains or losses are expected to be recognised in 2001 (2000 - nil).

There were no gains or losses included in the profit and loss account in 2000 which were carried forward in the balance sheet at 1 January 2000 (1999 - nil).

30. Memorandum items

The following table gives the nominal principal amounts, credit equivalent amounts and risk-weighted amounts of off-balance-sheet transactions. The credit equivalent amounts are calculated for the purpose of deriving the risk-weighted amounts. These are assessed in accordance with the Financial Services Authority's guidelines which implement the 1988 Basel Capital Accord on capital adequacy and depend on the status of the counterparty and the maturity characteristics.

Contingent liabilities and commitments are credit-related instruments which include acceptances, letters of credit, guarantees and commitments to extend credit. The contractual amounts represent the amounts at risk should the contract be fully drawn upon and the client default. Since a significant portion of guarantees and commitments are expected to expire without being drawn upon, the total of the contract amounts is not representative of future liquidity requirements.

HSBC Investment Bank plc

Notes to the Financial Statements for the Year Ended

31 December 2000 (continued)

In arriving at the figures below no netting has taken place.

	2000			1999		
	<i>Contract</i>	<i>Credit</i>	<i>Risk-</i>	<i>Contract</i>	<i>Credit</i>	<i>Risk-</i>
	<i>amount</i>	<i>equivalent</i>	<i>weighted</i>	<i>amount</i>	<i>equivalent</i>	<i>weighted</i>
	<i>amount</i>	<i>amount</i>	<i>amount</i>	<i>amount</i>	<i>amount</i>	<i>amount</i>
	£000	£000	£000	£000	£000	£000
Contingent liabilities:						
Guarantees and assets pledged as collateral security:						
- guarantees and irrevocable letters of credit	92,905	92,905	82,752	77,062	77,062	72,404

HSBC Investment Bank plc
Notes to the Financial Statements for the Year Ended
31 December 2000 (continued)

30. Memorandum items (continued)

	2000			1999		
	<i>Contract</i>	<i>Credit</i>	<i>Risk-</i>	<i>Contract</i>	<i>Credit</i>	<i>Risk-</i>
	<i>amount</i>	<i>equivalent</i>	<i>weighted</i>	<i>amount</i>	<i>equivalent</i>	<i>weighted</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Commitments:						
Undrawn note issuing and revolving underwriting facilities	7,063	3,532	3,532	10,983	5,492	5,492
Undrawn formal standby facilities, credit lines and other commitments to lend:						
- 1 year and under	482,617	-	-	462,893	-	-
- over 1 year	96,145	47,681	47,535	75,830	28,656	27,887
	<u>585,825</u>	<u>51,213</u>	<u>51,067</u>	<u>549,706</u>	<u>34,148</u>	<u>33,379</u>

In addition to the above, the Company has entered into guarantees on behalf of other Group undertakings in the normal course of business.

The Company has granted facilities of £44,453,000 to fellow subsidiary undertakings.

31. **Market risk management**

Market risk is the risk that foreign exchange rates, interest rates or equity and commodity prices will move and result in profits or losses to the Company. Market risk arises on financial instruments which are valued at current market prices (mark-to-market basis) and those valued at cost plus any accrued interest (accruals basis).

The Company principally makes markets in equity and equity derivative instruments.

The Company manages market risk through risk limits approved by the Group Executive Committee. An independent risk unit develops risk management policies and measurement techniques, and reviews limit utilisation on a daily basis.

Risk limits are determined for each location and, within location, for each portfolio. Limits are set by product and risk type, with market liquidity being a principal factor in determining the level of limits set. Only those offices with sufficient derivative product expertise and appropriate control systems are authorised to trade derivative products. Limits are set using a combination of risk measurement techniques, including position limits, sensitivity limits, as well as value at risk (VAR) limits at a portfolio level. Similarly, option risks are controlled through full revaluation limits in conjunction with limits on the underlying variables that determine the option's value.

a *Trading VAR*

VAR is a technique which estimates the potential losses that could occur on risk positions taken due to movements in market rates and prices over a specified time horizon and to a given level of confidence. The Company VAR uses historical 1 day movements in market rates and prices, a 99% confidence level, a 10 day holding period and generally takes account of correlations between different markets and rates.

The Company VAR should not be viewed as a maximum amount that the Company can lose on its market risk positions. The Company recognises its limitations by augmenting the VAR limits with other position and sensitivity limit structures, as well as with stress testing, both on individual portfolios and on a consolidated basis. The Company's stress testing regime provides senior management with an assessment of the impact of extreme events on the market risk exposures of the Company.

HSBC Investment Bank plc
Notes to the Financial Statements for the Year Ended
31 December 2000 (continued)

Assuming a 99% confidence level and a 10 day holding period, the VAR for the Company's trading book as at 31 December 2000 was £10,795,719 (1999 - £8,355,967). The increase is due to the positions being reduced at 31 December 1999 in preparation for Year 2000. The average, highest and lowest VARs for the trading book during 2000 were £9,736,618, £14,966,893 and £5,737,320 respectively. This means, inter alia, that, on the basis of the risks in the trading book at 31 December 2000, the Company expected to incur a loss on its trading book of not more than £10,795,719 in any ten days more than 1% of the time.

Although the Company is satisfied that the package of controls it uses to manage the market price risk in its trading book is an effective means of controlling that risk, it recognises that all measures of market price risk, when considered in isolation, have limitations. The VAR figures disclosed above, for example, have the following main limitations.

- The historical data on which the calculations have been based may not reflect all the factors that are relevant to the estimation of VAR, give the correct weight to these factors, or be the best estimate of risk factor changes that will occur in the future.
- Using a 10 day time horizon does not fully capture the market price risk of positions that cannot be closed off within ten days. Similarly, focusing on the maximum loss that is expected to be incurred 99% of the time says little about the, admittedly smaller, losses that are expected to be incurred more frequently or the size of the losses in excess of the VAR that are expected to be incurred 1% of the time.
- The highest, lowest and average figures disclosed are based on calculations performed at the end of each month and the balance sheet date figure is also an end-of-month figure. The VAR during the course of a month may change substantially and there is no reason why the end-of-month figure should be representative of the figure at other times of the month.

b *Interest rate sensitivity gap table*

In accordance with FRS 13, the table below discloses the mismatching of the dates on which interest receivable on assets and interest payable on liabilities are next reset to market rate on a contractual basis or, if earlier, the dates on which the instruments mature. Actual reset dates may differ from contractual dates owing to prepayments and the exercise of options. In addition, contractual terms may not be representative of the behaviour of assets and liabilities. For these reasons, the Company manages its interest rate risk on a different basis from that presented below.

HSBC Investment Bank plc
Notes to the Financial Statements for the Year Ended
31 December 2000 (continued)

The presentation of the interest rate sensitivity gap has been changed to disclose trading balances to facilitate reconciliation with the balance sheet. Balances representing internal funding of trading activities have been moved from "Other assets" and "Other liabilities" to form a single line "Internal funding of the trading book".

	<i>Not more than three months</i>	<i>More than three months but not more than six months</i>	<i>More than six months but not more than one year</i>	<i>More than one year but not more than five years</i>	<i>More than five years</i>	<i>Non- interest bearing</i>	<i>Banking total</i>	<i>Trading total</i>	<i>Total</i>
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Assets									
Loans and advances to banks	932,186	159,047	15,112	336	-	9,746	1,116,427	1,080,796	2,197,223
Loans and advances to customers	1,103,040	63,692	5,252	61,216	2,016	52,568	1,287,784	2,689,932	3,977,716
Debt securities and Equity shares	395,441	106,848	31,804	15,669	-	97,570	647,332	1,519,387	2,166,719
Other assets	-	-	-	-	-	544,332	544,332	352,401	896,733
Total assets	2,430,667	329,587	52,168	77,221	2,016	704,216	3,595,875	5,642,516	9,238,391
Liabilities									
Deposits by banks	1,471,785	24,641	5,670	-	-	4,650	1,506,746	1,364,149	2,870,895
Customer accounts	2,504,370	141,286	64,639	80,888	-	21,616	2,812,799	1,006,359	3,819,158
Debt securities in issue	50,000	-	-	-	-	-	50,000	-	50,000
Other liabilities	-	-	-	-	-	453,677	453,677	1,520,147	1,973,824
Loan capital and Other subordinated Liabilities	217,514	-	-	-	-	-	217,514	-	217,514
Minority interests and Shareholders' funds	-	-	-	-	-	307,000	307,000	-	307,000
Internal funding of the trading book	(1,764,292)	1,640	(2,657)	1,845	-	11,603	(1,751,861)	1,751,861	-
Total liabilities	2,479,377	167,567	67,652	82,733	-	798,546	3,595,875	5,642,516	9,238,391
Off-balance-sheet Items	(148,159)	81,979	62,969	5,168	(1,957)	-	-	-	-
Interest rate sensitivity gap	(196,869)	243,999	47,485	(344)	59	(94,330)	-	-	-
Cumulative interest rate sensitivity gap	(196,869)	47,130	94,615	94,271	94,330	-	-	-	-

HSBC Investment Bank plc

Notes to the Financial Statements for the Year Ended

31 December 2000 (continued)

A positive interest rate sensitivity gap exists where more assets than liabilities re-price during a given period. Although a positive gap position tends to benefit net interest income in a rising interest rate environment, the actual effect will depend on a number of factors, including the extent to which repayments are made earlier or later than the contracted date and variations in interest rates within re-pricing periods and among currencies. Similarly, a negative interest rate sensitivity gap exists where more liabilities than assets re-price during a given period. In this case, a negative gap position tends to benefit net interest income in a declining interest rate environment, but again the actual effect will depend on the same factors as for positive interest rate gaps, as described above.

c *Assets and liabilities denominated in foreign currency*

	2000 £000	1999 £000
Denominated in sterling	4,474,630	3,290,706
Denominated in currencies other than sterling	<u>4,763,761</u>	<u>3,459,579</u>
Total assets	<u>9,238,391</u>	<u>6,750,285</u>
Denominated in sterling	4,499,496	3,408,852
Denominated in currencies other than sterling	<u>4,738,895</u>	<u>3,341,433</u>
Total liabilities	<u>9,238,391</u>	<u>6,750,285</u>

d *Structural currency exposure*

The Company's structural foreign currency exposure is represented by the net asset value of its foreign currency investment in branches. Gains or losses on structural foreign currency exposures are taken to reserves.

The Company's main operations are in the United Kingdom, Madrid, Seoul, Singapore and Stockholm. The main operating (or "functional") currencies of its operations are therefore sterling, Euro, Korean won, Singapore dollar and Swedish krona.

HSBC Investment Bank plc

Notes to the Financial Statements for the Year Ended

31 December 2000 (continued)

Since the currency in which the Company prepares its financial statements is sterling, the Company's balance sheet is affected by movements in the exchange rates between these functional currencies and sterling. These currency exposures are referred to as structural currency exposures. Translation gains and losses arising from these exposures are recognised in the statement of total recognised gains and losses.

HSBC Investment Bank plc
Notes to the Financial Statements for the Year Ended
31 December 2000 (continued)

The Company's structural currency exposures as at the year-end were as follows:

<i>Currency of structural exposure</i>	<i>Net investments in overseas operations £000</i>	<i>Borrowings taken out in the functional currencies of the overseas operations in order to hedge the net investments in such operations £000</i>	<i>Remaining structural currency exposures £000</i>
Euro	3,087	-	3,087
Korean won	5,279	-	5,279
Singapore dollar	5,010	-	5,010
Swedish krona	2,783	-	2,783
Total	16,159	-	16,159

32. Litigation

The Company is named in and is defending legal actions in various jurisdictions arising from its normal business. No material adverse impact on the financial position of the Company is expected to arise from these proceedings.

33. Capital commitments

There were no capital commitments at 31 December 2000 (1999 - nil).

34. Segmental analysis

The Company has one main activity, investment banking, which is carried out predominantly in the United Kingdom.

HSBC Investment Bank plc
Notes to the Financial Statements for the Year Ended
31 December 2000 (continued)

35. Lease commitments

At the year-end, annual commitments under non-cancellable operating leases were:

	2000	1999
	£000	£000
Leasehold land and buildings		
Operating leases which expire:		
after 5 years	<u>8,908</u>	<u>8,908</u>

36. Related party transactions

Particulars of transactions, arrangements and agreements entered into by the Company with directors and connected persons and companies controlled by them and with officers of the Company disclosed pursuant to section 232 of the Companies Act 1985 are as follows:

	2000		1999	
	Number	£000	Number	£000
Loans (including housing loans and quasi-loans) to, and guarantees on behalf of:				
Directors and connected persons and companies controlled by them:	<u>-</u>	<u>-</u>	<u>1</u>	<u>342</u>
Officers:	<u>3</u>	<u>746</u>	<u>3</u>	<u>500</u>

Particulars of directors' transactions are recorded in a register held at the registered office of the Company.

Transactions or balances with entities which form part of the HSBC Group are not disclosed in accordance with the exemption contained in Financial Reporting Standard 8 "Related Party Disclosures" described in Note 1.

37. Ultimate and immediate parent undertaking

The Company's immediate parent undertaking is HSBC Investment Bank Holdings. The Company's ultimate parent undertaking is HSBC Holdings plc.

The Company's ultimate controlling party, as defined under Financial Reporting Standard 8 "Related Party Disclosures" ("FRS 8"), is HSBC Holdings plc. The Company is controlled, as defined in FRS 8, by its immediate parent undertaking, HSBC Investment Bank Holdings plc.

The largest and smallest group in which the financial statements of the Company are consolidated is that headed by HSBC Holdings plc. The consolidated financial statements of HSBC Holdings plc are available to the public and may be obtained from Group Corporate Affairs, HSBC Holdings plc, 10 Lower Thames Street, London EC3R 6AE.

PURCHASE AND SELLING RESTRICTIONS

Other than with respect to the listing of the Warrants on the relevant stock exchange, no action has been or will be taken in any jurisdiction by the Issuer that would permit a public offering of the Warrants, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. No offers, sales or deliveries of any Warrants or any securities to be issued or delivered upon their exercise, or distribution of any offering material relating to the Warrants or such securities, may be made in or from any jurisdiction, except in circumstances which will result in compliance with any applicable laws and regulations and will not impose any obligation on the Issuer.

The Warrants have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States and the securities issued upon their exercise may not be registered under the Securities Act. In addition, trading in the Warrants has not been and will not be approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act (the "CEA"). Terms used in this paragraph have the meanings given to them by Regulation S and by the CEA and the regulations and interpretations thereunder.

The Warrants initially offered outside the United States in accordance with Regulation S may not, at any time, be offered, sold, delivered, traded or exercised, directly or indirectly in the United States or to, or for the account or benefit of, U.S. persons and a U.S. person may not, at any time, directly or indirectly maintain a position in such Warrants. At or prior to settlement of any sale of such Warrants, the Issuer may require each purchaser thereof to certify it is located outside the United States, is not a U.S. person, is not purchasing the Warrants for the account or benefit of a U.S. person and agrees to resell such Warrants only outside the United States to a person that is not a U.S. person in accordance with the provisions of Regulation S, in addition to any other matters that the Issuer may require in order to comply with applicable law. In addition, such Warrants will be exercisable only upon written certification by each person exercising a Warrant to the effect that such person is not a U.S. person, the Warrant is not being exercised within the United States or on behalf of a U.S. person and no cash, securities or other property have been or will be delivered within the United States or to or for the account or benefit of a U.S. person in connection with any exercise thereof.

The Warrants initially offered within the United States in reliance on an exemption from the registration requirements of the Securities Act may not, at any time, be offered, sold, pledged or otherwise transferred in the United States or to U.S. persons except in a transaction which is exempt from the registration requirements of the Securities Act and in compliance with any applicable state securities laws and such additional transfer requirements as set forth in the relevant Information Memorandum Addendum. At or prior to settlement of any sale of such Warrants, the Issuer may require each purchaser thereof to certify to any matters that the Issuer may require in order to comply with applicable law and any transfer restrictions contained in the relevant Information Memorandum Addendum. The Warrants may not be exercised by or on behalf of a U.S. person unless registered under the Securities Act or an exemption from such registration is available. The terms "United States" and "U.S. person" used in this paragraph have the meanings given to them in Regulation S.

All applicable provisions of the Financial Services Act 1986 must be complied with in respect of anything done in relation to the Warrants in, from or otherwise involving the United Kingdom. Any document received in connection with the issue of the Warrants may be issued or passed on in the United Kingdom only to persons (other than persons to whom such document may otherwise lawfully be issued or passed on) of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended).

Physical Settlement Warrants in relation to which the Underlying Security is an investment falling within paragraph 1 or 2 of Schedule 1 to the Financial Services Act 1986 (as applied for the purposes of the Public Offer of Securities Regulations 1995 (the "**Regulations**")) may not be offered or sold to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Regulations.

In relation to any Tranche of Warrants, the relevant Supplement may specify other or additional restrictions on offers or sales of such Warrants or possession or distribution of offering material relating to such Warrants or otherwise.

The Netherlands

Any Warrants (including rights representing an interest in a Global Warrant) issued under the Programme shall only be offered to individuals or legal entities situated anywhere in the world who or which trade or invest in securities in the conduct of a business or profession (which includes banks, securities firms, insurance companies, pension funds, investment institutions, central governments, large international and supranational organisations, other institutional investors and other parties, including treasury departments of commercial enterprises, which are regularly active in the financial markets in a professional manner). In connection with any such offer of Warrants:

- (a) it will be made clear both upon making the offer and in any documents or advertisements in which a forthcoming offering of such Warrants is publicly announced (whether electronically or otherwise) that such offer is exclusively made to the said individuals or legal entities; and
- (b) a copy of this Information Memorandum and the applicable Pricing Supplement will be submitted to the Stichting Toezicht Effectenverkeer ("STE") prior to the issue date.

OFFERS AND SALES

In respect of each Tranche of Warrants, the Issuer may retain some of the Warrants which it may sell, cancel or otherwise dispose of from time to time, as the case may be, as it may determine. The Issuer is entitled, at any time before the expiry of the Warrants of any Tranche, to purchase or sell such Warrants in the open market or through private transactions.

The issue price of any Warrant specified in the relevant Supplement is an indicative value set by the Issuer as at the date of the relevant Supplement. The Issuer reserves the right to offer such Warrants at any other price or prices as conclusively determined by it and no Warrantholder shall have a claim against the Issuer by reason of the price offered to it or any other Warrantholder.

TAXATION

Transactions involving Warrants may have tax consequences for potential purchasers which may depend, amongst other things, upon the status of the potential purchaser and laws relating to transfer and registration taxes. Potential purchasers who are in any doubt about the tax position of any aspect of transactions involving Warrants should consult their own tax advisers.

GENERAL INFORMATION

Application has been made for Warrants issued under the Programme to be admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange. It is expected that the admission of the Programme to listing by the UK Listing Authority and to trading on the London Stock Exchange will be granted on or around 12 April 2001. Any Tranche of Warrants intended to be admitted to listing by the UK Listing Authority and to trading on the London Stock Exchange will be so admitted upon submission to the UK Listing Authority and the London Stock Exchange of the relevant Supplement and any other information required by the UK Listing Authority and the London Stock Exchange, subject only to the issue of the relevant Global Warrant. Prior to official listing however dealings in Warrants will be permitted by the London Stock Exchange in accordance with its rules. Settlement arrangements will be agreed between the Issuer and the Warrant Agent in relation to each issue of Warrants.

Warrants may be issued pursuant to the Programme which will not be admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system.

From the date of this document and throughout the life of the Programme, copies of the following documents shall be available for inspection during usual business hours at the registered office of the Issuer and the Initial Guarantor and at the office of the Principal Warrant Agent:

- (i) Annual Report and Accounts of the Issuer for the financial years ended 31 December 1999 and 31 December 2000 (and the auditors report for each of these years);
- (ii) The Annual Report and Accounts of the Initial Guarantor for the financial years ended 31 December 1999 and 31 December 2000 (and the auditors report for each of these years);
- (iii) the Memorandum and Articles of Association of the Issuer and the Initial Guarantor;
- (iv) all future Annual Report and Accounts of the Issuer and the Initial Guarantor;
- (v) this Information Memorandum;
- (vi) the Warrant Agency Agreement (to which is scheduled the form of Global Warrant);
- (vii) the Initial Guarantee and;
- (viii) all future Supplements thereto (subject to the next paragraph).

Copies of the Supplement in relation to each Series of Warrants which is admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange will be available at the specified office of the Principal Warrant Agent. In the case of a Tranche of Warrants which is not admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, copies of the relevant Supplement will only be available for inspection by a Holder of Warrants of that Tranche.

The Warrants have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and International Securities Identification Number in relation to the

Warrants of each Series and any other clearing system as shall have accepted the relevant Warrants for clearance will be specified in the Supplement relating thereto.

The establishment of the Programme was authorised by written resolutions of the board of directors of the Issuer passed on 23 February 1999 and the giving by the Initial Guarantor of its Guarantee was authorised by the directors of the Initial Guarantor on 24 February 1999.

Save as disclosed herein, since 31 December 2000 there has been no significant change in the financial or trading position nor any material adverse change in the financial position or prospects of the Issuer and its subsidiaries taken as a whole (the "Group").

Save as disclosed herein, since 31 December 2000 there has been no significant change in the financial or trading position nor any material adverse change in the financial position or prospects of the Initial Guarantor and its subsidiaries, taken as a whole (the "Group").

The financial information contained in this Information Memorandum does not constitute statutory accounts within the meaning of Section 240(5) of the Companies Act 1985.

The auditors of the Issuer are KPMG N.V., Registered Auditors Burgemeester Rijnderslaan 10, 1185 MC Amstelveen, The Netherlands who have audited the Issuer's accounts, without qualification, in accordance with the generally accepted auditing standards in the Netherlands for each of the financial periods ended 31 December 1998, 31 December 1999 and 31 December 2000 and have given, and have not withdrawn, their consent to the inclusion herein of their report dated 19 February 2001 in the form and context in which it is included in this Information Memorandum and have authorised the contents of that part of the Information Memorandum for the purposes of Section 152(1)(e) of the Financial Services Act 1986.

The auditors of the Initial Guarantor are KPMG Audit Plc, Chartered Accountants 8 Salisbury Square, Blackfriars, London EC4Y 8BB who have audited the Initial Guarantor's accounts, in accordance with the generally accepted auditing standards in the United Kingdom for each of the financial periods ended 31 December 1998, 31 December 1999 and 31 December 2000 and have given, and have not withdrawn, their consent to the inclusion herein of its report dated 21 February 2001 in the form and context in which it is included in this Information Memorandum and have authorised the contents of that part of the Information Memorandum for the purposes of Section 152(1)(e) of the Financial Services Act 1986. Statutory accounts of the Initial Guarantor have been delivered to the Registrar of Companies for each of the three financial years ended 31 December 1998, 31 December 1999 and 31 December 2000 on which the auditors have issued unqualified reports without any statement under Section 237 of the Companies Act 1985.

Neither the Issuer nor its subsidiaries nor the Group is or has been involved in any legal or arbitration proceedings (nor, so far as the Issuer is aware, are any legal or arbitration proceedings pending or threatened) which may have or have had during the previous twelve months a significant effect on the Issuer, its subsidiaries or the Group's financial position.

Neither the Initial Guarantor nor its subsidiaries nor the Group is or has been involved in any legal or arbitration proceedings (nor, so far as the Initial Guarantor is aware, are any legal or arbitration proceedings pending or threatened) which may have or have had during the previous twelve

months a significant effect on the Initial Guarantor, its subsidiaries or the Group's financial position.

Any instrument effecting or evidencing the transfer of a Warrant and executed in the United Kingdom will be inadmissible as evidence in United Kingdom civil proceedings unless duly stamped. An instrument of transfer executed outside the United Kingdom may also be inadmissible in United Kingdom civil proceedings unless duly stamped after it has been first received in the United Kingdom.

REGISTERED AND HEAD OFFICE OF THE ISSUER

HSBC Investment Bank (Netherlands) N.V.

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1017 CA Amsterdam
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to the Guarantor

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