

HSBC Smart Investment Mortgage Loan/ Product Outline	
as of 1 June 2010	
ELIGIBLE APPLICANT	<p>To qualify for the HSBC Smart Investment Mortgage, the applicant must:</p> <ul style="list-style-type: none"> • Be an existing HSBC Premier Account Holder or a prospective applicant who will open an HSBC Premier Account by the Contract Date of the Mortgage; • Be of age 20 to 60 (both inclusive) and will be of age 80 or under at the time of the final and full repayment; • Have stable income; • Be able to attend the contract signing at the HSBC Premier Centres; and Meet other criteria set by the Bank.
PURPOSE OF THE LOAN	<p>The Mortgage Loan must be used in relation to the real estate (located in Japan only) of the customer, which is purchased for residence of the customer or his/her family or for lease, for any of the following purposes:</p> <ul style="list-style-type: none"> • Construction of a house; • Purchase of a built-for-sale house (including a condominium); • Purchase of a pre-owned house (including a condominium); and • Repayment of an outstanding investment mortgage or home mortgage (excluding the Bank's loan) and payment of related expenses.
LOAN TYPE	<ul style="list-style-type: none"> • The Bank offers two types of loan for HSBC Smart Investment Mortgage: <ul style="list-style-type: none"> • "Balance Offset Mortgage Loan" = The interest of the Mortgage Loan will be calculated according to the method prescribed by the Bank, whereby the balance of the designated savings account will be deducted from the outstanding Loan amount for interest calculation purposes (Balance Offset Function) • "Non-Balance Offset Mortgage Loan" = Regular loan without Balance Offset Function <p>Non-Balance Offset Mortgage Loan can be changed to the Balance Offset Mortgage Loan, under the conditions set by the Bank. However, the prescribed charge is required to make such change.</p>
LOAN AMOUNT	<p>Balance Offset Mortgage Loan = JPY 35 Million or above Non-Balance Offset Mortgage Loan = JPY 10 Million or above (in units of JPY 100,000 for both types). However, the maximum amount is 70% of the assessed value of the collateral as determined by the Bank ("Assessed Collateral Value") or, if the customer purchases the property, 70% of the lower of the Assessed Collateral Value or the purchase price of the property.</p>
LOAN PERIOD	1 year - 25 years (in units of 1 year)
APPLICABLE INTEREST RATE	<p>《Overview》</p> <ul style="list-style-type: none"> • Applicable Interest Rate will be the total of the Base Interest Rate and the Additional Interest Rate. • The Base Interest Rate consists of two types: (1) Daily Floating Interest Rate Type and (2) Fixed Interest Rate Type. Each of these types has (a) General Base Interest Rate and (b) Smart Base Interest Rate. Accordingly, there are 4 types of Applicable Base Interest Rate, as the combination of the above. • The Additional Interest Rate will be a fixed rate determined based on the proportion of the outstanding loan against the Assessed Mortgage Value. <p>《Base Interest Rate》</p> <ul style="list-style-type: none"> • The Bank reviews and renews the Base Interest Rate (Daily Floating Interest Rate Type) on a daily basis based on the short-term money market interest rate; and the interest rate after the review is applicable for that day.

- The Bank determines the Base Interest Rate (Fixed Interest Rate Type) based on the money market interest rate corresponding to the Fixed Period and such Base Interest Rate (Fixed Interest Rate Type) will be applicable daily throughout such Fixed Period. The “Fixed Period” is the period for which such Base Interest Rate will be applicable and must be either 6 months, 3 years, 5 years or 10 years.
- The Smart Base Interest Rate is set at 1% per annum less than the General Base Interest Rate. The Smart Base Interest Rate will apply at the initial stage after the drawdown.
- For this Mortgage Loan, the Smart Base Interest Rate shall apply in principle. However, if the customer fails to meet the conditions set by the Bank, the General Base Interest Rate will apply.
- Each Base Interest Rate will be displayed at the HSBC Premier Centres or on the Bank's website.

《Applicable Base Interest Rate》

- The Base Interest Rate for Balance Offset Mortgage Loan is the Daily Floating Interest Rate Type. The Fixed Interest Rate Type is unavailable.
- The Base Interest Rate for Non-Balance Offset Mortgage Loan will be selected by the customer from the following five types: Daily Floating Interest Rate Type, 6-Month Fixed Interest Rate Type, 3-Year Fixed Interest Rate Type, 5-Year Fixed Interest Rate Type or 10-Year Fixed Interest Rate Type.
- The Applicable Base Interest Rate will be determined on the drawdown date and not on the application date.
- When the new Fixed Period begins during the term of the Loan, the Base Interest Rate applicable as of the start date of the new Fixed Period will apply daily throughout such Fixed Period.

《Application of Smart Base Interest Rate》

- The Smart Base Interest Rate will be applied for the Loan of the customer (the customer must be the holder of the Repayment Account) who holds equal to or more than 10 Million Yen of “Monthly Total Average Balance of Designated Assets” in the HSBC Premier Account in Japan.
- The Monthly Total Average Balance of Designated Assets is calculated for the following accounts. Please note that the outstanding balance of Insurance Product that was purchased through HSBC Premier in Japan, the outstanding balance of bond product that was purchased through intermediary service of HSBC Premier Japan, and the outstanding balance of the overseas HSBC Premier Account will not be included for the calculation.
 - Yen Savings Account
 - Multi Currency Savings Account (foreign currencies and JPY)
 - Time Deposit Account
 - Structured Deposit Account
 - Integrated Investment Trust Account

* Please refer to the Supplementary Explanation Document and the Terms and Conditions of the Mortgage products for the details about “Monthly Total Average Balance of Designated Assets”.

《Additional Interest Rate》

Depending on the initial loan amount, the Additional Interest Rate equal to 0.3 % p.a. - 0.6 % p.a. may be added to the Base Interest Rate. Additional Interest Rate over the Base Interest Rate is determined as follows:

If percentage of the loan amount against the Assessed Collateral Value of the property to be purchased is:

- 60% or below: N/A
- over 60% and up to 80%: 0.30 % p.a.
- over 80% 0.60 % p.a.

	<p>《Change of Base Interest Rate》</p> <ul style="list-style-type: none"> • With respect to the Non-Balance Offset Mortgage Loan, the following change in the Base Interest Rate can be made: <ul style="list-style-type: none"> ➢ Change from the Daily Floating Interest Rate Type to the Fixed Interest Rate Type; ➢ Change from the Fixed Interest Rate Type to the Daily Floating Interest Rate Type; and ➢ Change in the Fixed Period within the Fixed Interest Rate Type. • When the customer wishes to change the Base Interest Rate, the customer is required to make an application at the relevant branch of the Bank: for the change from the Daily Floating Interest Rate Type to the Fixed Interest Rate Type, at least 3 business days before the business day which is the requested effective date for the change; and for the change from the Fixed Interest Rate Type to the Daily Floating Interest Rate Type or for the change in the Fixed Period within the Fixed Interest Rate Type, at least 3 business days before the last day of the then current Fixed Period. • The customer will be required to pay the fees as prescribed by the Bank for the Base Interest Rate change. * For the Balance Offset Mortgage Loan, no Base Interest Rate change is available; only the Daily Floating Interest Rate Type is available. * When the Base Interest Rate is changed, only the Base Interest Rate is changed; if the Additional Interest Rate is applicable, such Additional Interest Rate will not be changed.
<p>OFFSET CALCULATION CONCERNING INTEREST</p>	<p>The calculation of interest for the Balance Offset Mortgage Loan is made as follows:</p> <ul style="list-style-type: none"> • The interest is calculated on the daily outstanding balance of the Loan after deducting from it the daily aggregate amount of the Offset Deposits (Yen Savings only). • The customer needs to designate the account for the Offset Deposits (Yen Savings only) separately from the Repayment Account (Yen Savings). Notwithstanding the Terms and Conditions for Yen Savings Account or the fluctuations in the interest rates, the Offset Deposits will accrue no interest (zero interest). * The repayment amount will vary significantly depending both on the Applicable Interest Rate and the customer's savings plan. The customer should request and confirm an estimate of the repayment amount at the branch of the Bank. <ul style="list-style-type: none"> * For the details about the Offset Calculation, please refer to the Supplementary Explanation Document.
<p>REPAYMENT METHOD</p>	<ul style="list-style-type: none"> • Monthly payment with equal principle amortisation • Up to 40% of the loan amount may be designated as semi-annual repayment portion. • The monthly interest payment amount for the Daily Floating Interest Rate Type will vary depending on the fluctuation in the Base Interest For both Daily Floating Interest Rate Type and the Fixed Interest Rate Type, the monthly interest payment amount will vary depending on whether the applicable interest rate is the Base Interest Rate or the Smart Base Interest Rate. • For the Balance Offset Mortgage Loan, the interest payment amount will vary in line with the balance of Offset Deposits. * An estimate of the repayment amount will be available upon request at the branch of the Bank.
<p>COLLATERAL</p>	<p>The first rank mortgage on the subject property of the Loan in favour of the Bank must be established. Please note that the customer must retain, at his/her own cost, a judicial scrivener designated by the Bank for registration of the mortgage and other procedures.</p>

JOINT GUARANTOR	In general, a guarantee by a guaranty company or a third party guarantor is unnecessary.
GROUP CREDIT LIFE INSURANCE	<ul style="list-style-type: none"> The Bank recommends the customer to enroll in the Group Credit Life Insurance offered by the insurance company with which the Bank has contractual relationship. However, the customer is eligible for the Mortgage Loan without such enrollment. The amount equivalent to the insurance premium will be debited monthly from the customer's HSBC Premier Account. <p>* The customer may withdraw from the enrollment in the Group Credit Life Insurance at any time. However, in such case, the customer will be required appoint a joint guarantor (<i>rentai hoshonin</i>) approved by the Bank.</p>
FIRE INSURANCE	The customer is required to subscribe and maintain a fire insurance approved by the Bank throughout the term of the Loan.
HANDLING FEE	JPY 105,000 (tax included) and other actual costs (registration fees, stamp duties, etc.) will be charged separately.
TRANSLATION FEE	JPY 105,000 (tax included) * For non-Japanese borrower, if he or she has any difficulties to understand Japanese language contract document, this translation fee will be charged in addition to the handling fee.
FEE FOR CHANGE TO BALANCE OFFSET TYPE	JPY 31,500 (tax included) * Charged when the customer, who initially chooses the Non-Balance Offset Mortgage Loan, later changes to the Balance Offset Mortgage Loan. * Such change is only allowed on the date when the Base Interest Rate may be changed. * The Balance Offset Mortgage Loan cannot be changed to the Non-Balance Offset Mortgage Loan.
FEE FOR CHANGE IN BASE INTEREST RATE	JPY 10,500 (tax included) per Loan per event * If the customer requests to change the Base Interest Rate, the fee is charged on the date when the Base Interest Rate changes . * If the customer designates, as the new Fixed Period for the Loan of the Fixed Interest Rate Type, the same Fixed Period as the then applicable Fixed Period (including the case where such new Fixed Period is deemed to be designated, as a result of the customer not requesting for any change in the Base Interest Rate), then it will not be considered as the change in the Base Interest Rate and this fee will not be required.
PREPAYMENT FEE	<ul style="list-style-type: none"> Prepayment may be made in the amount of JPY 1 Million or above (in units of JPY100,000). Upon prepayment, a prepayment fee equivalent to 1.05 % (including tax) of the amount prepaid will be charged. <p>(e.g.) JPY 10,500 will be charged for prepayment of JPY 1 Million</p>
GUARANTEE FEE	Unnecessary

NOTES:

- Please refer to the separately prepared Supplementary Explanation Document in addition to this Product Outline.
- The Bank will review the application for the Loan, after it is submitted to the Bank. Please be advised in advance that as a result of such review, there may be a case that the Bank can not meet the applicant's request.

[Bank Name , Address in Japan, Where to call](#)

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For any inquiry, please contact our branches or HSBC Premier Call Centre (English 0120-777-268)