



Kangaroo Deposit

4-Year JPY denominated Structured Deposit with an annual Early Redemption clause and with conversion to AUD if reaching the Maturity Date after 4 years (Non-principal protected)

HSBC  **PREMIER**
The world's local bank

HSBC Premier offers a Structured Deposit product; Kangaroo Deposit for a limited application period.

The Deposit is a Structured Deposit with a term of 4 years, whose interest rate for the initial year is fixed at 4.2%, and thereafter, an applicable interest rate and early redemption will be annually determined by reference to the foreign exchange rate between Australian Dollar ("AUD") and Japanese Yen ("JPY"). If the Deposit is not early redeemed but is redeemed at its maturity, on the maturity date, the principal is redeemed and converted into Australian Dollars. Hence, the Deposit is recommended to those who fully understand the particular risk of Kangaroo Deposit and are expecting medium to long term investment.

Minimum Deposit amount : 500,000 yen

Deposit Currency : Japanese yen

Applicable interest rates :

Initial year : **4.2%p.a.**
(3.36% after tax)

2nd to 4th year:
0.1%p.a. or 4.2%p.a.
(0.08% after tax) (3.36% after tax)

*The Bank determines the applicable interest rate by reference to AUD/JPY rate on the annual evaluation date (5 days prior to the interest payment date).

Differential between two trigger rates*: 8 yen

※Please refer to the Glossary on the inside page.

Deposit period : 4 years

*The Deposit may be redeemed annually before maturity date in as short as one year after the Deposit starting date.

Redemption currency : Early redemption ▶ in JPY
Maturity ▶ in AUD

*Interest is paid in JPY.

*Redemption proceeds will be credited to the Savings Account in the redemption currency and interest will accrue thereafter at the interest rate applicable to such Savings Account.

Starting date : 26th February 2009

Maturity date : 26th February 2013

Application period :

12th February 2009 (9 am)–24th February 2009 (10 am)

Features

- ◆The Kangaroo Deposit is a **Structured Deposit established in JPY for the term of four years**, with an annual interest payment in JPY.
- ◆Fixed interest rate is applied for the first year. On the other hand, by reference to the AUD/JPY rate on the evaluation date of the 2nd to the 4th year, **an applicable interest rate to the previous one year is determined** by the Bank.
- ◆By reference to the AUD/JPY rate on the evaluation date, **the principal may be early redeemed in JPY** before maturity date.
- ◆**On maturity date, the principal is redeemed and converted into AUD using the strike rate, which is the AUD/JPY rate level at the time of deposit.**

[Notice]

- ◆In the case that the JPY becomes stronger against AUD by more than a certain degree, the lower interest rate of the two as prescribed by the Bank may continuously be applied from the 2nd year until maturity.
- ◆In principle, the Deposit may not be cancelled by the customer. If the Bank considers and accepts it unavoidable and agrees to the cancellation before maturity by the customer, the cancellation proceeds may fall substantially short of the principal amount of the Deposit.
- ◆On maturity date, the principal of the Deposit is redeemed in AUD using the AUD/JPY rate at the time of deposit. Therefore, if the amount equivalent to the principal amount of the Deposit redeemed in AUD at its maturity is converted directly into JPY at the actual foreign exchange rate as at the time of its maturity, there is a risk of principal loss in terms of JPY.

Structure

JPY or = Japanese Yen AUD or = Australian Dollar
AUD/JPY rate = Exchange rate between Australian Dollar and Japanese Yen

[4 Key Points]

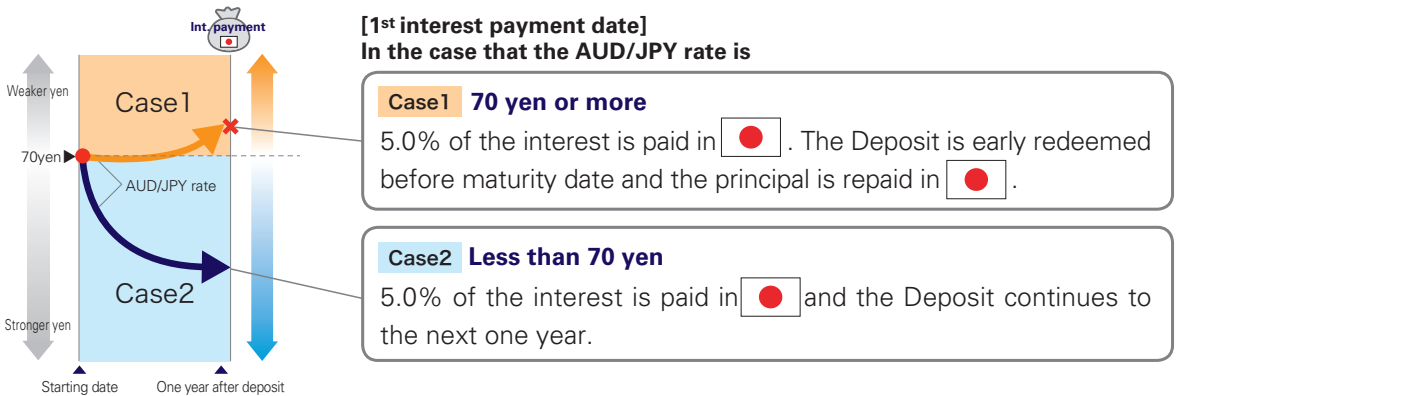
<p>Point 1</p> <p>The Deposit starting The Deposit is starting in .</p>	<p>Point 2</p> <p>Early redemption The Bank will determine whether or not to early redeem the principal before maturity by reference to the AUD/JPY rate on the annual evaluation date. In the event, the principal is redeemed in .</p>	<p>Point 3</p> <p>Applicable interest rate The Bank will determine the applicable interest rate by reference to the AUD/JPY rate on the 2nd to the 4th annual evaluation date. Interest is paid in .</p>	<p>Point 4</p> <p>Maturity date On maturity date after four years, the principal is redeemed and converted into using the "strike rate" which is the AUD/JPY rate level at the time of deposit.</p>
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[Condition] Strike rate: 70 yen Applicable interest rates:
Trigger rate 1: 70 yen Initial year 5.0%p.a. (4.0% after tax)
Trigger rate 2: 60 yen 2nd to 4th year ... 0.1%p.a. (0.08% after tax)
or 5.0%p.a. (4.0% after tax)

[How to evaluate the applicable interest rates and the early redemption]

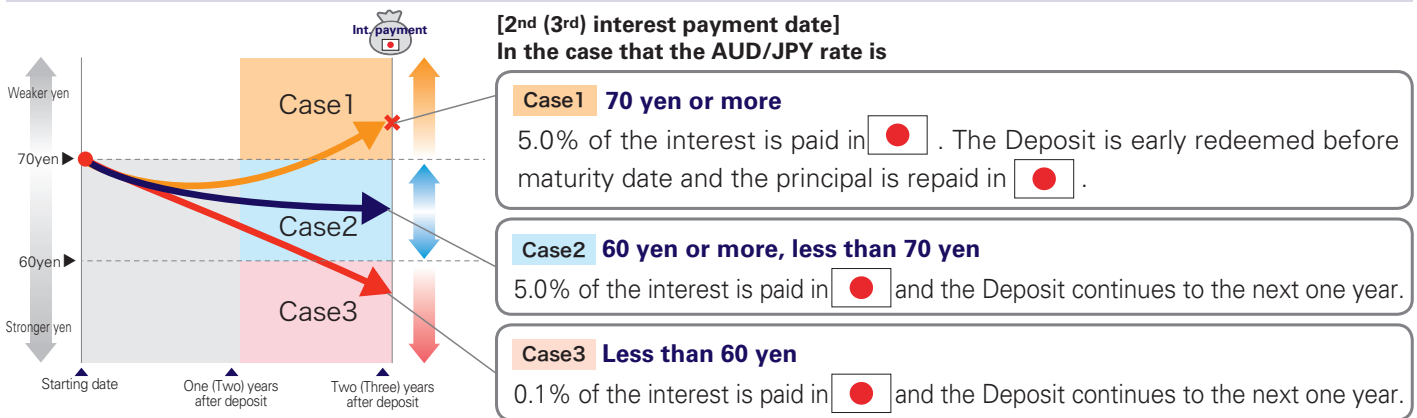
One year after deposit

Applicable interest rate (for the previous 12 months): **5.0% is applied regardless of AUD/JPY rate on the evaluation date.**
Early redemption: The Bank determines to continue the Deposit by reference to the AUD/JPY rate on the evaluation date (5 days prior to the interest payment date).



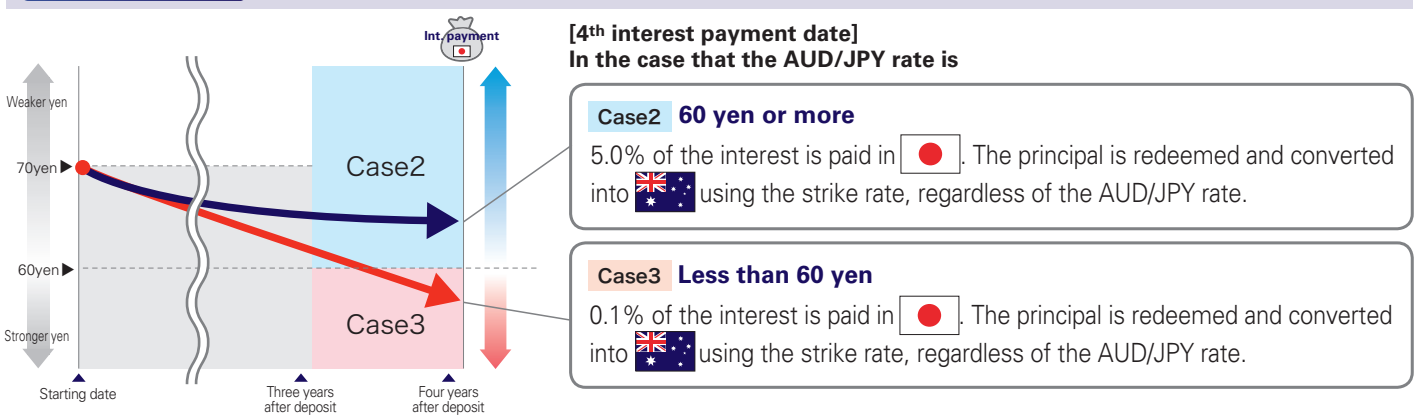
Two (Three) years after deposit

Applicable interest rate (for the previous 12 months) and **early redemption:**
The Bank determines the applicable interest rate and to continue the Deposit by reference to the AUD/JPY rate on the evaluation date (5 days prior to the interest payment date).



Four years after deposit (Maturity date)

Applicable interest rate (for the previous 12 months): The Bank determines the applicable interest rate by reference to the AUD/JPY rate on the evaluation date (5 days prior to the interest payment date).
The principal: The principal is redeemed and converted into AUD at the strike rate (AUD=70 yen).



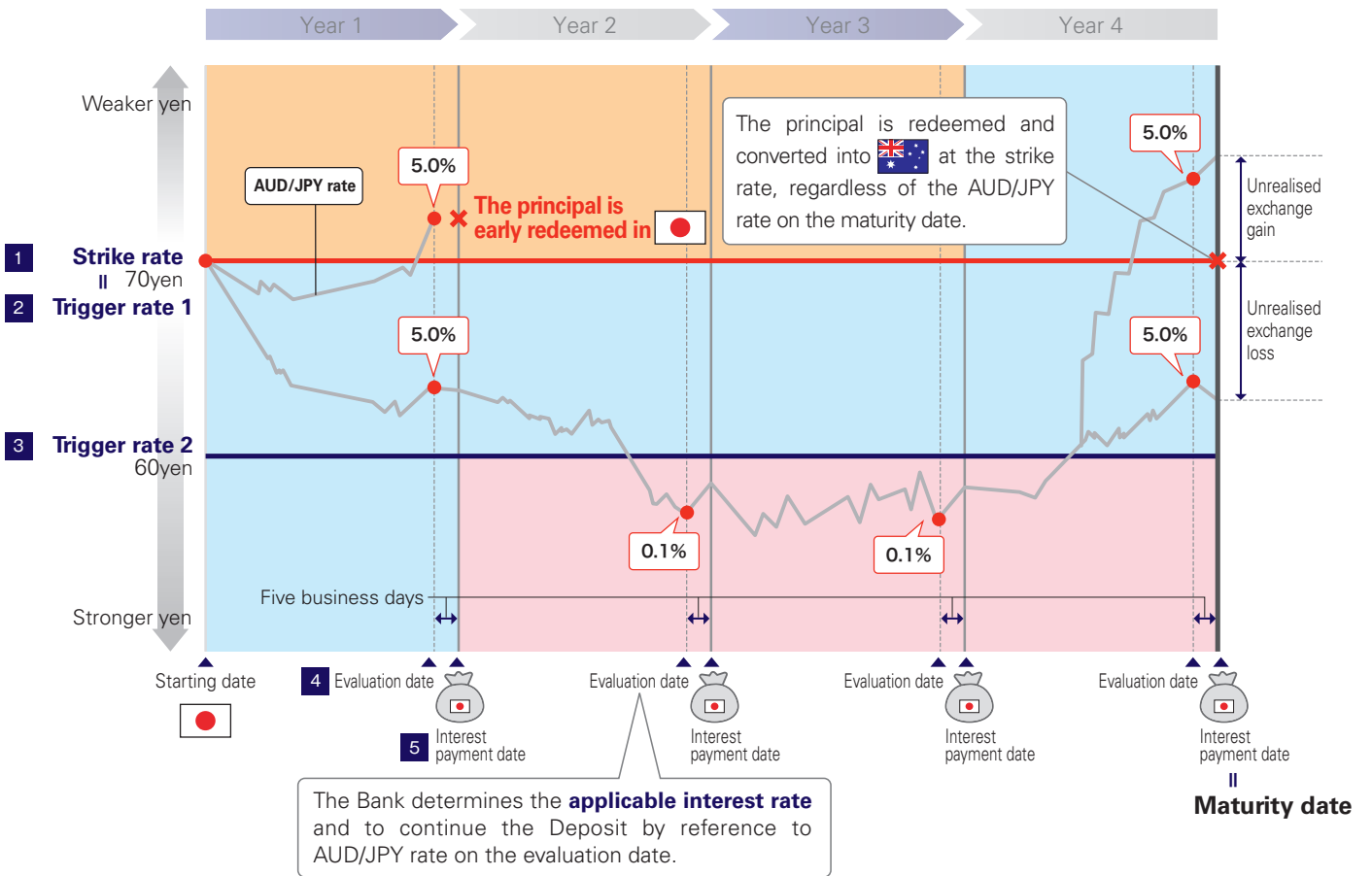
*Please note that FX rates and interest rates shown on this page are examples of the explanation.

Glossary

- 1 **Strike rate** Strike rate is the start rate and the conversion rate of the principal into AUD at maturity. The rate is determined by the Bank by reference to AUD/JPY rate at 2 pm (Tokyo time) on the last day of an application period (Date for establishment of conditions).
- 2 **Trigger rate 1** Trigger rate 1 is used as the benchmark in determining the early redemption, and is set at the same level as strike rate.
- 3 **Trigger rate 2** Trigger rate 2 is used as the benchmark in determining the applicable interest rate for the previous 12 months on the evaluation date, and is set at the rate which represents stronger JPY (weaker AUD) by a certain degree.
- 4 **Evaluation date** Evaluation date is a date which is set five business days prior to the interest payment date, where, after the 2nd year, the applicable interest rate for the previous 12 months is determined by the Bank by reference to the AUD/JPY rate at 3 pm (Tokyo time). As for the 1st to the 3rd year, early redemption is determined by the Bank on the respective evaluation date.
- 5 **Interest payment date (=Early redemption date)** Interest payment date is the annual date, where the interest* for the latest one year is paid.
 *Interest is calculated by the applicable interest rate which is determined by the Bank on the evaluation date. In the event of early redemption, the principal is redeemed on the same day.

Case study

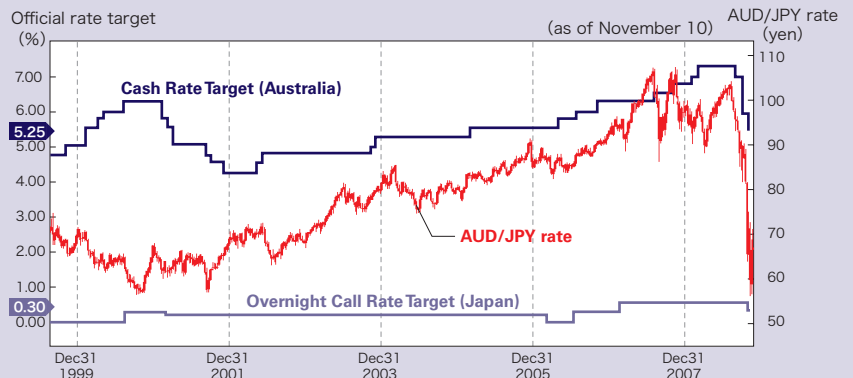
AUD/JPY rate = Exchange rate between Australian Dollar and Japanese Yen



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Column AUD/JPY rates and official rate targets for the past 10 years

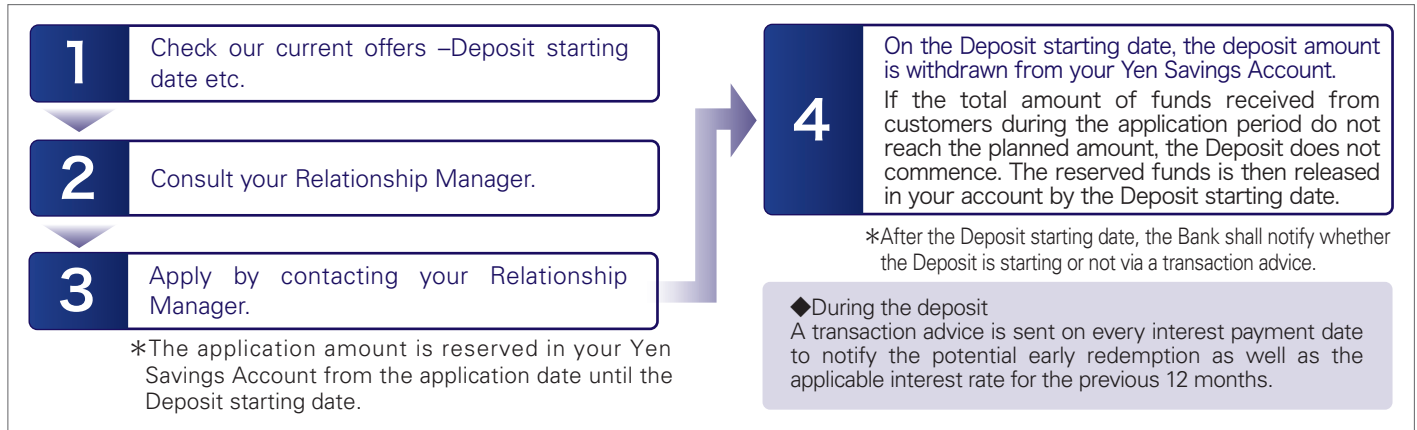
The Australian Dollar is one of the representative currencies of Oceania, along with the New Zealand Dollar. As Australia abounds in mineral resources, the Australian Dollar is also well known as a "commodity currency". The currency is therefore characterised as being correlated with the commodity prices. Backed by an ongoing robust economy and soaring commodity prices in recent years, Australia's policy interest rate has remained one of the highest among major countries. Accordingly, the Australian Dollar has often been invested as the target currency of carry trades (a transaction method to borrow low-interest rate currencies such as yen, and invest in high-interest rate currencies).



*Based on the information from Bloomberg. Based on daily closing price. The above description is not indicative of future trends.

Application procedure-Kangaroo Deposit-

Call Centre or Online applications are not accepted.



Important notice

- ◆HSBC Premier provides investment products that do not guarantee the principal. Relationship Managers conduct consultations for the purpose of suggesting products that match each customer needs. As a result, we may not be able to offer products that do not meet your risk profile or objective. **Please read Structured Deposit : Pre-Account Opening Risk Explanation Form carefully to ensure your full understanding.**
- ◆If the total amount of funds received from customers during the application period do not reach the amount planned for investment in the market by the Bank, or it's under the situation of unstable financial market, applications will not be accepted.

Early Redemption Clause and applicable Interest Rate

- ◆The Deposit incorporates a special clause under which the Bank will determine whether or not to early redeem it before maturity by reference to the AUD/JPY rate as of certain evaluation dates (the "Early Redemption Clause"); if the Deposit is early redeemed, interest on the Deposit will not be paid thereafter. Depending on the interest rates as at the time of early redemption of the Deposit, the aggregate of the return on the Deposit and the return on the reinvestment may be less than the return on the time deposit of the same duration which can be established as at the time of establishment of the Deposit.
- ◆If the Deposit is not early redeemed, the Bank will determine the interest rate of the Deposit applicable to the second and subsequent interest payment among the two interest rates prescribed at the time of contract, by reference to the AUD/JPY rate as of the immediately preceding Interest Rate Evaluation Date. There is a possibility that the lower interest rate of the two as prescribed by the Bank will be continuously applicable from year 2 until maturity; even in such event, the customer may not cancel the Deposit.

FX Risk

- ◆The Deposit incorporates a special clause under which the Deposit is not early redeemed, but is redeemed at its maturity, the principal amount of the Deposit, and will be converted into AUD at the foreign exchange rate determined at the time of establishment of the Deposit, and will be redeemed in AUD (the "AUD Maturity Redemption Clause"), and therefore the principal of the Deposit will be redeemed in AUD at its maturity. If the amount equivalent to the principal amount of the Deposit redeemed in AUD at its maturity is converted into JPY at the actual foreign exchange rate as at the time of its maturity, there is a risk of principal loss in terms of JPY. Please note, further, that the duration of the Deposit is 4 years, and the risk will be relatively higher than the risk associated with the same type

(AUD: Australian Dollar, JPY: Japanese Yen, AUD/JPY: Exchange rate between AUD and JPY)

of deposit with shorter duration.

- ◆The early redemption of the Deposit will take place if the AUD/JPY Rate as of the evaluation date is equal to, or higher than (i.e., AUD has strengthened against JPY beyond) the Trigger Rate 1. In case of early redemption, the Deposit will be redeemed in the initial currency of the Deposit (JPY), and therefore the customer will not obtain the foreign exchange gains which can be enjoyed if the customer has established a deposit in AUD at the time of the establishment of the Deposit.

Cancellation

- ◆In principle, the Deposit may not be cancelled by the customer.
- ◆If the Bank considers and accepts it unavoidable and agrees to the cancellation before maturity by the customer, the interest rate on the Deposit will be reduced to zero percent(0%). Further, the customer may be required to pay the Cancellation Damages(It may be estimated about 7-12% of the principal, even if the market is stable. It can be more depending on the market. In general, the stronger the JPY at the time of cancellation against AUD, or the shorter the deposit period, the bigger the Cancellation Damages.) even before the Deposit Start Date at anytime once the Deposit Application Period has finished. The Damage calculation will use the calculation method as prescribed by the Bank. As a result, the cancellation proceeds may fall substantially short of the principal amount of the Deposit.

Fees

- ◆No transaction fees will be charged for the establishment of the Deposit; however, in order to exchange the AUD funds (equivalent to the principal amount of the Deposit to be paid in AUD at the maturity of the Deposit) into JPY, the one-way foreign exchange fees as prescribed by the Bank (2.00 yen per 1 Australian Dollar) will be charged.

Others

- ◆Deposits in HSBC are not covered by Deposit Insurance.
- ◆To qualify for HSBC Premier, you need to maintain a Monthly Average Balance with HSBC Premier Account in Japan of 10 million yen or equivalent in combined Deposits and others. In principle, a Monthly Below Balance Fee of 5,000 yen inclusive of tax will be charged and/or any of the services may be suspended or canceled if the Monthly Average Balance requirements are not met in the previous month.
- ◎Product fact sheet is available at HSBC Premier Centres (branches) or on our website.
- ◎Contents in this brochure may change without prior notice.

As of 10th November, 2008

Please feel free to contact us for any enquiries.

HSBC Premier Call Centre
(24 hours/365 days, toll free)
Available from mobile
phone and PHS.

HSBC Premier customers

0120-777-268

81-3-6254-6777

(collect call accepted)

www.hsbcpremier.jp

The Hongkong and Shanghai Banking Corporation Limited

*HSBC Premier offers services in Japan through The Hongkong and Shanghai Banking Corporation Limited, which is the founding member of the HSBC Group, headquartered in London UK.

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