

Product Fact Sheet (Pre-Contract Explanation Sheet)

“Step-Up Callable GBP”

GBP denominated Structured Deposit with Early Redemption Clause

(This is a “Pre-Contract Explanation Sheet” that is required to be delivered pursuant to applicable laws and regulations.)

PLEASE READ THIS DOCUMENT CAREFULLY.

- “Step-Up Callable GBP” (GBP denominated Structured Deposit with Early Redemption Clause) (the “Deposit”) is a deposit in Pound Sterling (“GBP”), with a special clause (the “Early Redemption Clause”) under which the Bank will determine whether or not to early redeem it before maturity. If the Bank determines to employ the Early Redemption Clause, the Deposit will be redeemed on the next Early Redemption Date and interest on the Deposit will not be paid thereafter.
- In principle, the Deposit may not be cancelled by the customer. If the Bank considers and accepts that cancelling the Deposit by the customer is unavoidable and agrees to the cancellation before maturity, the cancellation proceeds may fall substantially short of the principal amount of the Deposit.
- The Deposit carries a foreign exchange fluctuation risk. Due to possible fluctuations, the Yen equivalent amount of the amount actually received in GBP could be smaller than the original amount in JPY paid at the time of deposit contract (or, in case if the Deposit is established with the GBP funds, smaller than the Yen equivalent amount of such GBP funds converted at the foreign exchange rate prevailing at the time of deposit contract) (i.e., there is a risk of loss of principal on a JPY basis).

【Early Redemption Clause and Investment Yield】

- With regard to the Deposit, the Bank will determine whether or not to employ the Early Redemption Clause on each Early Redemption Evaluation Date which is set at five (5) business days prior to each Interest Payment Date (that is set semi-annually from the Deposit Start Date (Deposit Date)). If the Bank determines to employ the Early Redemption Clause, the Deposit will be early redeemed on the immediately subsequent Early Redemption Date. In that event, the interest on the Deposit will not be paid thereafter.
- Early Redemption Clause tends to be employed at the time when the market interest rate would generally be lower than the Interest Rate of the Deposit. Therefore, depending on the interest rates as at the time of early redemption of the Deposit, there is a risk that the aggregate of the return on the Deposit and the

return on 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.

- In the event of Early Redemption Clause being not employed, the Interest Rate, which is determined at the time of establishment of the Deposit and which will change as scheduled, will be applied until the maturity. Therefore, the customer could miss the opportunity to invest his/her funds with a higher interest rate if the interest rate in the market becomes higher after the establishment of the Deposit.

【Foreign Exchange Risk】

- The Deposit carries a foreign exchange fluctuation risk. Due to possible fluctuations, the Yen equivalent amount of the amount actually received in GBP could be smaller than the original amount in JPY at the time of deposit contract. (or, in case if the Deposit is established with the GBP funds, smaller than the Yen equivalent amount of such GBP funds converted at the foreign exchange rate prevailing at the time of deposit contract) (i.e., there is a risk of loss of principal on a JPY basis).

【Cancellation】

- In principle, the Deposit may not be cancelled by the customer after the establishment.
- If the Bank considers and accepts it unavoidable and agrees to the cancellation before maturity, the interest rate on the Deposit will be reduced to zero percent (0%). Further, the customer may be required to pay the Cancellation Damages calculated as per the Bank's prescribed formula at anytime once the Application Period has finished, even before the Deposit Start Date (Deposit Date). 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, if the customer elects to exchange the JPY funds into GBP when applying for the Deposit and/or to exchange the GBP funds received upon early redemption or maturity redemption of the Deposit into JPY, the foreign exchange fees (up to JPY 4.00 per GBP 1.00) as prescribed by the Bank will be charged.

Trade Name/Address

The Hongkong and Shanghai Banking Corporation Limited

HSBC building, 11-1 Nihonbashi 3-chome, Chuo-ku, Tokyo

For any enquiry, please contact our branches or HSBC Premier Call Centre.

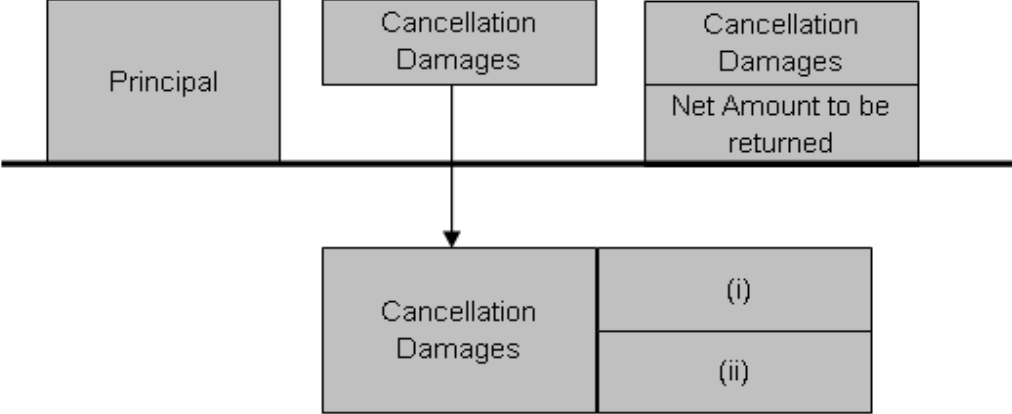
(English 0120-777-268)

Product Name	Step-Up Callable GBP (GBP denominated Structured Deposit with Early Redemption Clause)
Deposit Currency	Pound Sterling (GBP)
Brief Description of Product	<ul style="list-style-type: none"> ● The Deposit is a structured deposit with step-up interest features, in which the Early Redemption Clause is incorporated. <ul style="list-style-type: none"> ➤ By virtue of the Early Redemption Clause, the Deposit may be redeemed before the Maturity Date. ➤ On each Early Redemption Evaluation Date, the Bank will determine whether or not to employ the Early Redemption Clause at its discretion. ➤ If the Early Redemption Clause were not applied on any of the Early Redemption Evaluation Dates, the Deposit will be redeemed on the Maturity Date as specified in the “Confirmation of Risks/Application Form” separately provided to the customer, though in the shortest case, if the decision to employ the Early Redemption Clause shall be made on the first Early Redemption Evaluation Date, the Deposit will be redeemed after six months from the Deposit Start Date (Deposit Date). ➤ The applicable rate of interest (the “Interest Rate”) will change during the Deposit Term in some stages. For details, please refer to the “Confirmation of Risks/Application Form”. ➤ Interest will be paid semi-annually on the respective Interest Payment Dates. ➤ In the event of the Deposit being early redeemed, interest on the Deposit will not be paid thereafter. ● In principle, the Deposit is offered as Limited Application Period Type. <ul style="list-style-type: none"> ➤ Depending on the market conditions and the application status, etc. during the Application Period, the Bank may determine that the Deposit will not be established. ➤ The application amount will be held in the customer’s Multi Currency Savings Account (GBP) from the Application Date until the Deposit Start Date (Deposit Date), and will not be made available for withdrawal or for other transactions. ➤ In case of the Limited Application Period Type, limited during the Bank’s prescribed period, cancellation request after the application for the Deposit can be accepted at the Bank’s domestic branch (HSBC Premier Centre) or HSBC Premier Call Centre. ● In principle, the Deposit may not be cancelled by the customer after the establishment. <ul style="list-style-type: none"> ➤ If the Bank considers and accepts it unavoidable and agrees to the cancellation before maturity, the interest rate from the preceding Interest Payment Date (or the Deposit Start Date (Deposit Date), if before the first Interest Payment Date) until the cancellation date will be reduced to zero percent (0%).

		<p>➤ The customer may be required to pay the Cancellation Damages calculated as per the Bank's prescribed formula at anytime once the Application Period has finished, even before the Deposit Start Date (Deposit Date). Therefore, the cancellation proceeds may fall substantially short of the principal amount of the Deposit.</p>
Deposit	(i) Minimum Deposit Amount	To be determined for each offer of the Deposit of the Limited Application Period Type. For details, please refer to the "Confirmation of Risks/Application Form".
	(ii) Deposit Unit	GBP 0.01
	(iii) Deposit Method	A lump sum deposit from Multi Currency Savings Account (GBP)
	(iv) Deposit Term	<p>Within 6 Years</p> <p>* For details on Deposit Term, please refer to the "Confirmation of Risks/Application Form".</p> <p>* However, if the Bank determines to employ the Early Redemption Clause on an Early Redemption Evaluation Date, the Deposit will be redeemed on the Early Redemption Date immediately subsequent to such Early Redemption Evaluation Date. For details, please refer to "Early Redemption Clause" described below.</p>
Interest	(i) Applicable Interest Rate	<p>The Interest Rate which is determined at the time of establishment of the Deposit for each Interest Calculation Period will be applied during such period.</p> <p>* For details on Applicable Interest Rate, please refer to the "Confirmation of Risks/Application Form" which will be provided separately.</p>
	(ii) Interest Payment Method	<p>Interest calculated at the Applicable Interest Rate as mentioned in (i) above will be paid semiannually in GBP by means of crediting it to the customer's Multi Currency Savings Account (GBP) of the HSBC Premier Account on the Interest Payment Date.</p> <p>* For details on Interest Payment Date, please refer to the "Confirmation of Risks/Application Form".</p>
	(iii) Interest Calculation Method	Interest will be calculated in units of GBP 0.01, on a daily prorated basis over a 365-day year.
Fees	<p>No transaction fees will be charged for the establishment of the Deposit.</p> <p>* However, if the customer elects to exchange the JPY funds into GBP in order to apply for the Deposit, and/or to exchange the GBP funds that will be received upon early redemption or maturity redemption of the Deposit into JPY, the one-way foreign exchange fees as prescribed by the Bank will be charged (up to JPY 4.00 per GBP 1.00)</p>	

	for each such exchange.	
Eligible Customer	An individual HSBC Premier customer who resides in Japan. (Limited only to customers to whom the Bank considers the Deposit is suitable in perspective of investment risk)	
Application Method	<p>Application is accepted at our HSBC Premier Centre in Japan.</p> <p>(1) For order of GBP 3,000,000 or more, the Deposit may be established upon application.</p> <ul style="list-style-type: none"> * Please confirm at the HSBC Premier Centre or the Relationship Manager for details. * In case of the Deposit individually established, cancellation after the application will not be allowed in principle. <p>(2) For any order below GBP 3,000,000, the application will be handled as Limited Application Period Type.</p> <ul style="list-style-type: none"> * The customer can apply for the Deposit in accordance with the application schedule and method as specified in the “Confirmation of Risks/ Application Form”. * In case of the application for the Deposit of Limited Application Period Type, the customer may cancel such application only within the cancellation period as prescribed by the Bank. 	
Date for Establishment of Conditions (Contract Date)	In principle, the Date for Establishment of Conditions (Contract Date) is set on the same day with the last day of the Application Period.	
Deposit Start Date (Deposit Date)	<p>In principle, the Deposit Start Date (Deposit Date) will be the date set two (2) business days after the Date for Establishment of Conditions.</p> <ul style="list-style-type: none"> * Please refer to the separate ‘Confirmation of Risks/Application Form’ for details of Deposit Start Date (Deposit Date). * The application amount will be held in the customer’s Multi Currency Savings Account (GBP) from the Application Date until the Deposit Start Date (Deposit Date), and will not be made available for withdrawal or for other transactions. 	
Early Redemption Clause	General Description of the Clause	The Bank will determine whether or not to employ the Early Redemption Clause on each Early Redemption Evaluation Date. If the Early Redemption Clause is employed, the Deposit will be redeemed in GBP on the immediately subsequent Early Redemption Date and interest on the Deposit will not be paid thereafter.
	Early Redemption Date	The “Early Redemption Date” means a redemption date of the Deposit before the Maturity Date, if the Early Redemption Clause is employed. The Early Redemption Dates shall be the same dates as the semiannual Interest Payment Dates (excepting the Maturity Date) which are the semiannual corresponding dates from the Deposit Start Date (Deposit Date).

	Employment of Early Redemption Clause	<ul style="list-style-type: none"> ● The “Early Redemption Evaluation Date” means each of the days that is five (5) business days prior to each Early Redemption Date. The Bank will determine, in its discretion, whether or not to employ the Early Redemption Clause on each Early Redemption Evaluation Date. ● If the Bank determines to employ the Early Redemption Clause, the Deposit will be redeemed on the Early Redemption Date immediately subsequent to such Early Redemption Evaluation Date. ● In the event of Early Redemption, interest on the Deposit will not be paid thereafter.
Handling at Early Redemption		<ul style="list-style-type: none"> ● If the Bank determines to employ the Early Redemption Clause, the principal and interest of the Deposit will be redeemed in GBP on the Early Redemption Date (which is immediately subsequent to the Early Redemption Evaluation Date when such determination is made) by means of crediting it to the customer’s Multi Currency Savings Account (GBP). There will not be any automatic renewal for the Deposit. <ul style="list-style-type: none"> ➢ After the early redemption proceeds being credited to the Multi Currency Savings Account (GBP), the applicable savings account interest rate will be applied. ➢ The Bank will send a notice via post about the details of the early redemption.
Handling at Maturity		<ul style="list-style-type: none"> ● In case of maturity redemption, the principal and interest of the Deposit will be redeemed in GBP by means of crediting it to the Multi Currency Savings Account (GBP) on the Maturity Date. There will not be any automatic renewal for the Deposit. <ul style="list-style-type: none"> ➢ After the maturity redemption proceeds being credited to the Multi Currency Savings Account (GBP), the applicable savings account interest rate will be applied. ➢ The Bank will send a notice via post about the details of the maturity redemption.
Deposit Insurance Protection		Deposits with the Bank in Japan are not protected by the Deposit Insurance scheme in Japan.
Cancellation		<ul style="list-style-type: none"> ● In principle, the application as well as the Deposit may not be cancelled by the customer after the time prescribed by the Bank on the last date of the Application Period even if it is before Deposit Start Date (Deposit Date). <ul style="list-style-type: none"> ➢ If the Bank considers and accepts it unavoidable and agrees to the cancellation of the application or the cancellation of the Deposit before maturity, the interest rate from the preceding Interest Payment Date (or the Deposit Start Date (Deposit Date), if before the first Interest Payment Date) until the Cancellation Date will be reduced to zero percent (0%). ➢ The customer may be required to pay the Cancellation Damages calculated as per the Bank’s prescribed formula at anytime once the Application Period has finished, even before the Deposit Start Date (Deposit Date). As a result, the cancellation proceeds may fall substantially short of the principal amount of the Deposit. ➢ It will require a few business days to complete the procedure after the cancellation

	request.
Cancellation Damages	<p>● The Bank will calculate, as per the Bank’s prescribed formula, the amount needed for the restructuring for the derivative transaction etc. incorporated in the Deposit, for the period between the Cancellation Date and the Maturity Date (the “Remaining Period”). The customer will be required to pay such amount as “Cancellation Damages” by means of deduction from the principal amount of the Deposit.</p> <p>➤ Consequently, the amount of Cancellation Damages cannot be fixed at the time the Deposit is established. The amount of Cancellation Damages may change depending on the market conditions, the number of days of the Remaining Period, etc.</p> <p>➤ The amount of the Cancellation Damages, that will be calculated as per the Bank’s prescribed formula using the market rates that the Bank deems reasonable, tends to become greater if the interest rate in the market becomes higher and the period from the establishment of the Deposit is shorter (the Remaining Period is longer).</p> <p>➤ Even when the markets do not change at all, the Cancellation Damages equivalent to 2-6 % of the principal may be incurred. (Such amount may vary depending on such factors as the amount of deposit, period, etc.)</p> <p>* For the specific amount of Cancellation Damages, please confirm at the HSBC Premier Centre or the Relationship Manager.</p> <p><u>Cancellation Damages Image</u></p>  <p>(i) Evaluation of Difference between the Deposit Rate and Market Interest Rate (ii) Value of Early Redemption Clause</p>
Tax	<p>➤ Interest received is subject to the 20% withholding tax (national tax 15% and local tax 5%). The tax percentages might vary depending on the other factors such as the customer’s residency or special tax treatment; please note that the customer should consult with independent professionals, such as tax accountant, for advice.</p> <p>➤ The tax-free small-sum savings system (“Maruyu”) is not applicable for interest on the</p>

	Deposit.
Other Special Conditions that may be added	None
Authorized investor protection body which the Bank is subject to	Nil.
Designated Dispute Resolution Body which the Bank has concluded an agreement with	一般社団法人全国銀行協会(Japanese Bankers Association) Contact information JBA Customer Relations Center Phone 0570-017109 or 03-5252-3772
Notice	<ul style="list-style-type: none"> ➤ If any of the Maturity Date, Interest Payment Date or Early Redemption Date falls on a Saturday, Sunday, Holiday or a day which is set legally as a non-business day for banks in Japan, Hong Kong or London, the Maturity Date, Interest Payment Date and Early Redemption Date shall be the immediately following business day thereto (or the immediately preceding business day thereto, if such immediately following business day falls in the next calendar month). ➤ The Deposit is subject to the Terms and Conditions for Structured Deposit (Section 5). ➤ The Japanese version of the documents pertaining to the Deposit shall be the legally controlling version. Should there be any discrepancy between the Japanese version and the English version, the Japanese version shall always prevail. ➤ Prior to applying for the Deposit, please read this document carefully, and should you have any question, please enquire it with the Relation Manager; please apply for the Deposit with full understanding of the contents of this document.
The application amount will be held in the customer's Multi Currency Savings Account (GBP) from the application date until the Deposit Start Date (Deposit Date), which funds will not be made available for withdrawal or for other transactions. Please also note that the amount will be displayed in both customer's Multi Currency Savings Account (GBP) and Structured Deposit Account on the HSBC Internet Banking during the period.	

<Appendix> Step-Up Callable GBP - Simulation of Loss

<Estimated Loss of Principal – in case of Maturity Redemption>

- Unrealised loss becomes larger if the GBP/JPY Rate as of Maturity Date is lower (or, JPY becomes stronger against GBP). (Actual loss will not realise if not converted to JPY.)
- Based on the past performance data (*1), the Deposit could have been redeemed in GBP after 4 years with c.a. 48% unrealised capital loss. However, please note that the past performance data do not guarantee the future results. The loss for a particular Deposit, in actuality, could be larger than that.
- For example, in case that Deposit amount was JPY1,000,000 and GBP/JPY Rate as of the Deposit Date was JPY 140.00 per GBP 1.00, if the GBP/JPY Rate as of the Maturity Date is JPY 73.00 per GBP 1.00, the maturity proceeds in GBP of the Deposit (GBP 7,143) will be converted to approximately JPY 521,440; resulting in a loss of approximately 48% of the Deposit Amount.

(*1) Based on the monthly high-low GBP/JPY Rates from March 2001 to March 2011. Percentages of unrealised loss of the Deposits at maturity have been estimated on the assumption that, during such period, the Deposits started on each month with the applicable monthly high GBP/JPY Rate, which rate is compared with the monthly low GBP/JPY Rate as of 4 years thereafter.

<Estimated Loss – in case of Cancellation before Maturity>

- The cancellation before maturity of the Deposit is allowed only when the Bank accepts it as unavoidable.
- Depending on the market conditions (*2), the Cancellation Damages can be as much as 20% of the Deposit Amount in GBP base, if the Deposit is cancelled immediately after its establishment.
- Based on the past performance data (*3), GBP/JPY Rates dropped by 37% within a month. Combined with the Cancellation Damages 20% of the Deposit Amount in GBP base, the Cancellation Damages can be as much as 50% of the Deposit Amount in JPY base, if the Deposit is cancelled immediately after its establishment.
- The actual losses might be larger than those shown in the above simulations, if the actual market conditions are different from the premises of such simulations.

(*2) GBP swap interest rate for the period equal to the period of the Deposit (4-year) increased by 4.75% p.a.. (Based on the 4-year GBP swap interest rates from March 2001 to March 2011, the biggest increase by 4.75 % p.a. was the difference in light of the highest rate of 6.41% p.a. and the lowest rate of 1.66% p.a..)

(*3) Based on the monthly high-low GBP/JPY Rates from March 2001 to March 2011, the biggest drop in percentage was 37%. (October 2008 monthly-high: JPY 191 per GBP monthly-low: JPY 139 per GBP)

<Notes>

- The above simulations were conducted based on the simplified means. The results might be different, depending on premises/ methods of simulations.

As of May 2011