

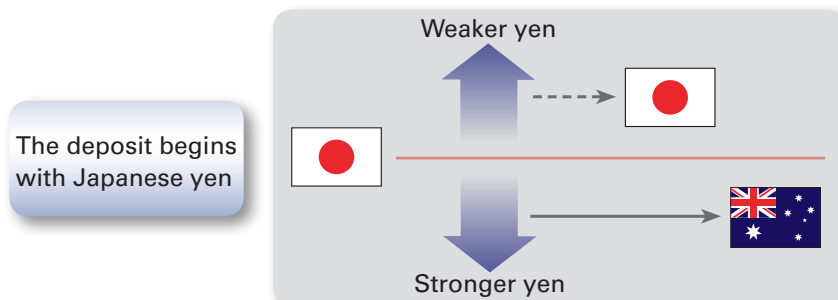
# Kangaroo Deposit

Application period:  
15 March 2011 – 29 March 2011



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

A Kangaroo Deposit is a Structured Deposit established in Japanese yen ("JPY") and the interest rate for the initial 1 year is fixed at 5.0% p.a. (before tax). The applicable interest rates for the subsequent interest periods, respectively, will be determined at either 0.1% p.a. (before tax) or 5.0% p.a. (before tax), depending on the foreign exchange rate between Australian dollar ("AUD") and JPY. The term of the deposit is determined by the foreign exchange rate between AUD and JPY, from the minimum term of 1 year (the deposit is redeemed in JPY in such case), to the maximum term of 4 years (the deposit is redeemed in AUD in such case).

The following chart illustrates repayment currency and period of principal. Please refer to page 2 to 3 for details.



With reference to the foreign exchange rate between AUD and JPY, the principal is redeemed:

- before maturity (with the minimum deposit term of 1 year) in 
- on maturity date (with the maximum deposit term of 4 years) in 

Please read the details below for the applicable rates and conditions offered on this application.

## <The interest rates and conditions on this application>

**Deposit currency : Japanese yen**

**Applicable interest rates :**

Initial interest payment : **5.0% p.a.** (4.00% p.a. after tax)

2<sup>nd</sup> to 4<sup>th</sup> interest payment : **0.1% p.a.** (0.08% p.a. after tax)

or

**5.0% p.a.** (4.00% p.a. after tax)

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

**Differential between two trigger rates**\*: 10 yen

\*Please refer to the Glossary on page 3.

**Deposit period : 4 years**

\*The Bank will determine on each annual evaluation date whether or not to redeem before maturity. The minimum deposit period is 1 year.

Minimum deposit amount : 500,000 yen

**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.

**Date for establishment of conditions : 29 March 2011 (2 pm Tokyo time)**

**Starting date : 31 March 2011**

**Maturity date : 31 March 2015**

**Application period :**

**15 March 2011 (9 am) – 29 March 2011 (10 am)**

**This product has inherent risks. Please read the "Kangaroo Deposit:Pre-Contact Explanation Sheet" carefully to ensure that you fully understand the risks before transacting.**

- ◆ 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 2<sup>nd</sup> interest payment 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 after converted into AUD using the strike rate. Therefore, if the amount 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  
 ( Value in JPY for 1AUD )

## [4 Key Points]

|   |  |   |  |
|---|--|---|--|
| <p><b>Point 1</b></p> <p><b>The Deposit starting</b><br/>The Deposit is starting in .</p> | <p><b>Point 2</b></p> <p><b>Early redemption</b><br/>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 of early redemption, the principal is redeemed in .</p> | <p><b>Point 3</b></p> <p><b>Applicable interest rate</b><br/>The Bank will determine the applicable interest rate by reference to the AUD/JPY rate on the 2<sup>nd</sup> to 4<sup>th</sup> annual evaluation dates. Interest is paid in .</p> | <p><b>Point 4</b></p> <p><b>Maturity date</b><br/>On maturity date after 4 years, the principal is redeemed after converted into  using the strike rate.</p> |
|---|--|---|--|

## [How to decide the applicable interest rates and the early redemption]

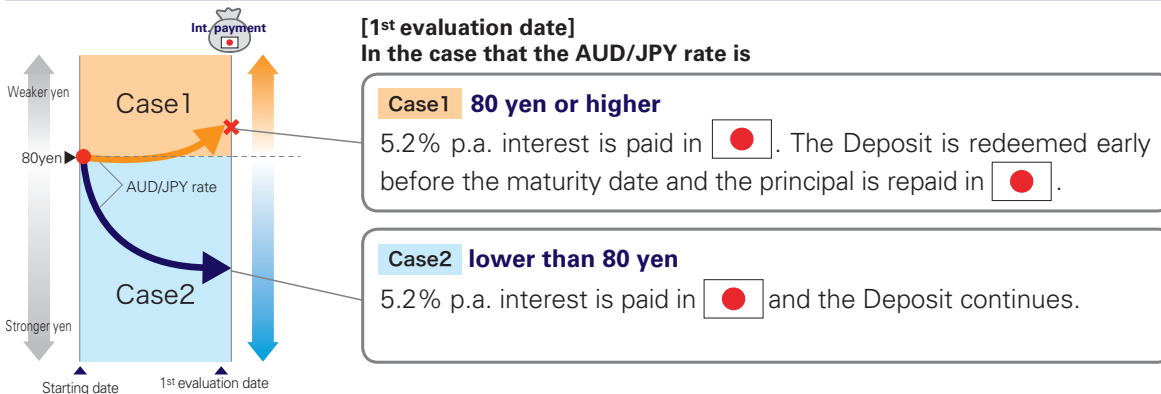
<Please note that FX rates and interest rates shown on this page are examples of the explanation.>

**[Condition]** Strike rate: 80 yen  
 Trigger rate 1: 80 yen  
 Trigger rate 2: 70 yen

**Applicable interest rates:**  
 Initial interest payment ..... 5.2%p.a. (4.16%p.a. after tax)  
 2nd to 4th interest payment ... 0.1%p.a. (0.08%p.a. after tax)  
 or 5.2%p.a. (4.16%p.a. after tax)

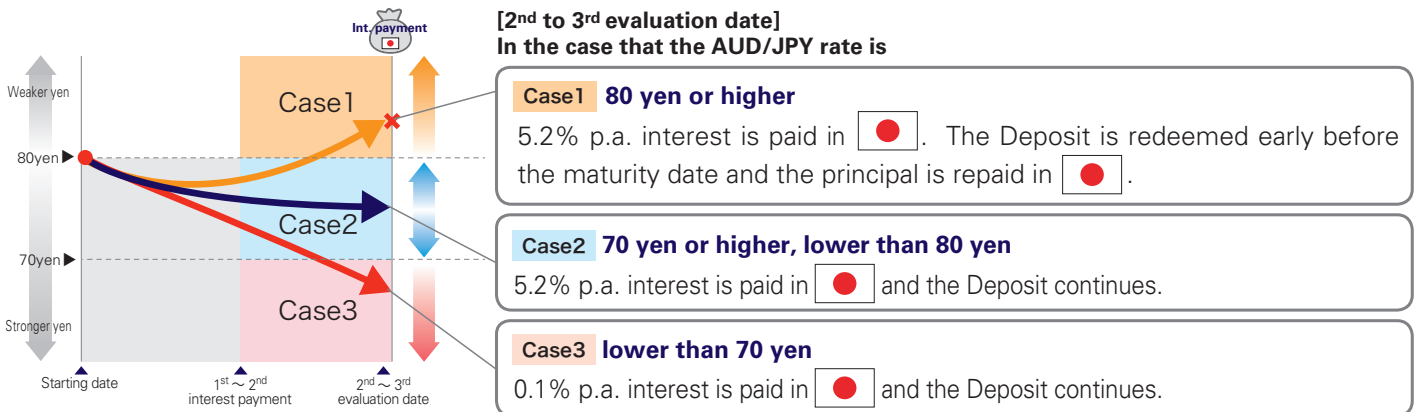
**1<sup>st</sup> evaluation date**

**Applicable interest rate** (for the previous 1 year): **5.2% is applied regardless of AUD/JPY rate on the evaluation date.**  
**Early redemption:** The Bank determines whether or not to continue the Deposit by reference to the AUD/JPY rate on the evaluation date (5 business days prior to the interest payment date).



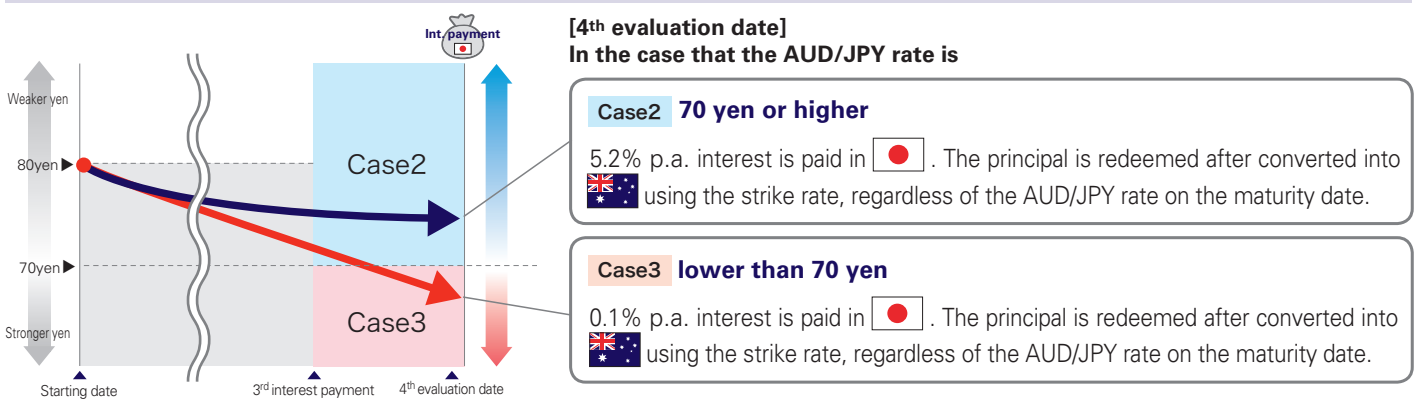
**2<sup>nd</sup> to 3<sup>rd</sup> evaluation date**

**Applicable interest rate** (for the previous 1 year) and **early redemption:** The Bank determines the applicable interest rate and whether or not to continue the Deposit by reference to the AUD/JPY rate on the evaluation date (5 business days prior to the interest payment date).



**4<sup>th</sup> evaluation date**

**Applicable interest rate** (for the previous 1 year): 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).  
**Principal:** The principal is redeemed after converted into AUD at the strike rate (AUD=80 yen).

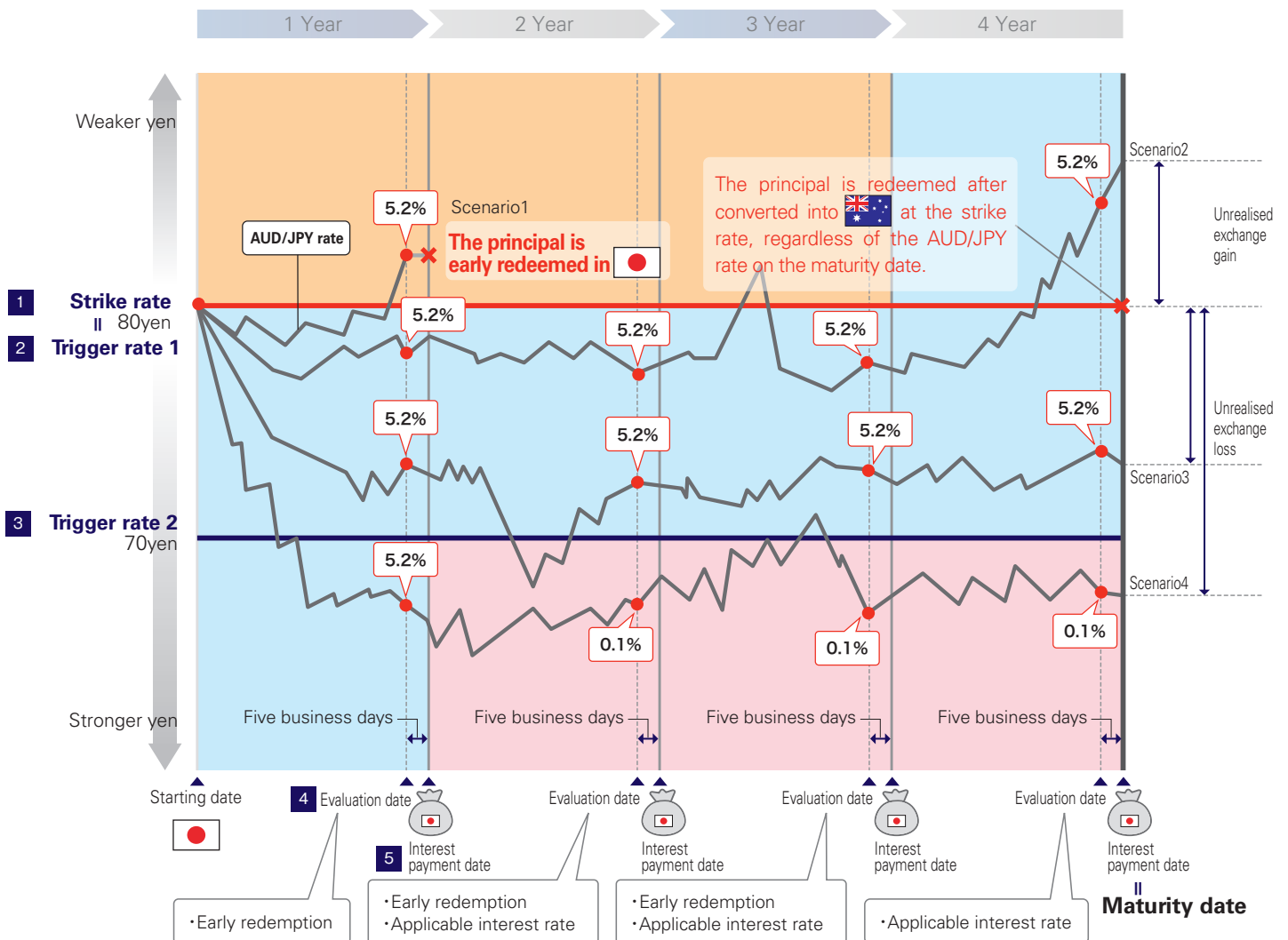


# Glossary

- 1 Strike rate** ..... 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 interest rate for the previous 1 year applied to the interest payments 2<sup>nd</sup> through 4<sup>th</sup>, and is set at the rate which represents stronger JPY (weaker AUD) by a certain degree.
- 4 Evaluation date** ..... The evaluation date is a date which is set 5 business days prior to the interest payment date, when from the 2<sup>nd</sup> interest payment, the applicable interest rate for the previous 1 year is determined by the Bank by reference to the AUD/JPY rate at 3 pm (Tokyo time) on such day. On the 1<sup>st</sup> to the 3<sup>rd</sup> evaluation date, the Bank determines whether or not to redeem before maturity.
- 5 Interest payment date** ... The interest payment date is the annually prescribed date, when the interest\* for the most recent 1 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 of the applicable interest rates

AUD/JPY rate = Exchange rate between Australian dollar and Japanese Yen (Value in JPY for 1AUD)

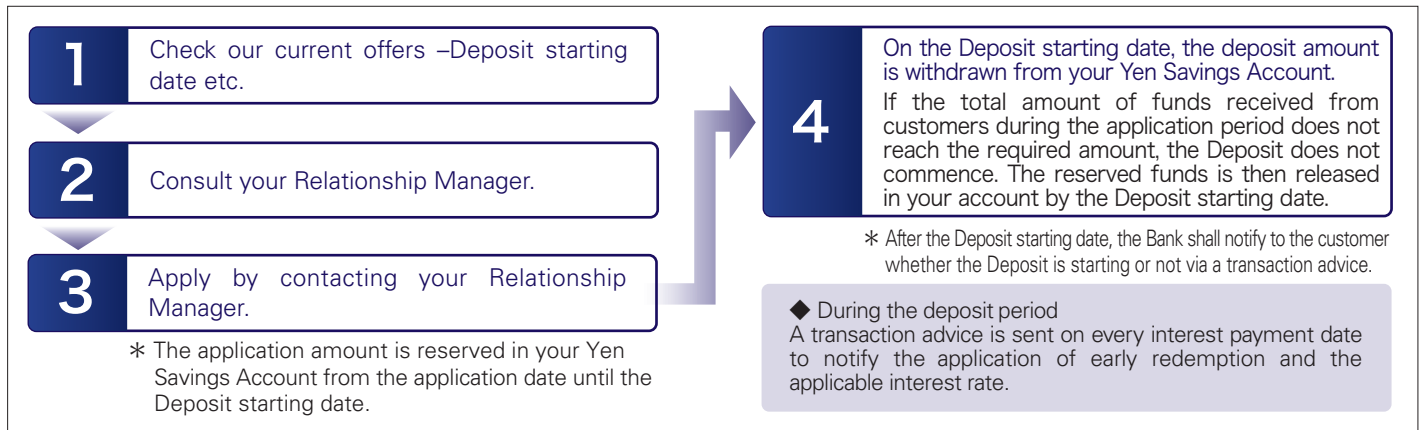


\* Please note that Strike rate, Trigger rate, AUD/JPY rate and interest rates shown on this case are examples.

\* The above 4 Scenarios indicate the following: Scenario 1: The shortest early redemption, Scenario 2: The interest rates are all 5.2%p.a.(4.16%p.a. after tax) and there is an unrealised exchange gain at maturity, Scenario 3: The interest rates are all 5.2%p.a.(4.16%p.a. after tax) and there is an unrealised exchange loss at maturity, Scenario 4: The initial interest rate is 5.2%p.a.(4.16%p.a. after tax) and the interest rate applied to interest payments 2<sup>nd</sup> through 4<sup>th</sup> is 0.1%p.a.(0.08%p.a. after tax), and there is an unrealised exchange loss at maturity.

# Application procedure-Kangaroo Deposit-

Applications are not accepted through the Call Centre or Online.



## 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 you would like to purchase. **Please read "Kangaroo Deposit : Pre-Contract Explanation Sheet", carefully to ensure your full understanding.**
- ◆ If the total amount of funds received from customers during the application period does not reach the amount required for investment in the market by the Bank, or in the case where the financial market is exceptionally unstable, the Deposit may not be established.

### 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 evaluation date. There is a possibility that the lower interest rate of the two as prescribed by the Bank will be continuously applicable from 2nd interest payment until maturity; even in such event, the customer may not cancel the Deposit.

### Foreign Exchange Risk

- ◆ The Deposit incorporates a special clause under which if the Deposit is not early redeemed, but is redeemed at its maturity, the principal amount of the Deposit will be converted into AUD at the foreign exchange rate determined on the Date for establishment of conditions, 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

(AUD: Australian dollar, JPY: Japanese yen, AUD/JPY: Exchange rate between AUD and JPY)

same type 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 after the establishment of conditions.
- ◆ 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 Starting date at anytime once the 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 Japan's Deposit Insurance scheme.
- ◆ 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 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 15 March 2011

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

81-3-5204-5001

(collect call accepted)

www.hsbcpremier.jp

\*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.