

Gain exposure to the potential
recovery of the Australian
equities market ...

with the peace of mind of
100% capital protection

Researcher Product Spec

for HSBC 100+ Series
S&P/ASX 200 Linked Investment

HSBC100+series

HSBC 
The world's local bank

Overview

The HSBC 100+ Series S&P/ASX 200 Linked Investment (“the Investment”):

- 100% capital protection from HSBC Bank Australia Limited, which has a “AA” S&P rating, “Aa3” from Moody’s
- 100% exposure to the performance S&P/ASX 200 Index (“Index”) up to a maximum cap. The return cap will be set when the Investment commences in December. At the time of finalising the PDS the return cap would have been \$0.70 per \$1 invested. The Investment will not proceed if on the start date investors can not be offered a capped level of at least \$0.60 or above per \$1 invested.
- Investment term is 4.5 years
- The return is the gain of the average of the Index over the final six months against the Index at the start of the Investment
- It is a Deferred Purchase Agreement (“DPA”)

About HSBC

Headquartered in London, HSBC Group is one of the largest banking and financial services organisations in the world. Its international network comprises some 8,500 offices in 86 countries and territories in Europe; Hong Kong; Rest of Asia-Pacific; the Middle East, including Africa; North America and Latin America.

HSBC Group has assets of US\$2,422 billion at 30 June 2009. With a tier one capital ratio of 10.1% and a loan to deposit ratio of 79.5% at 30 June 2009, HSBC is one of the most strongly capitalised and liquid banks in the world.

HSBC Bank Australia Limited started operations in Australia in 1965 and was granted a commercial banking licence in 1986. HSBC Bank Australia Limited is the issuer of this Investment and this PDS. It is one of the principal members of the HSBC Group operating in Australia.

Key Dates

Offer Opens	19 October 2009
Offer Closes	4 December 2009
Issue Date	16 December 2009
Maturity Date	17 June 2014

Proposed Key features

Issuer	HSBC Bank Australia Limited
Tenor	Four and a half years
Capital Protection	100% at maturity
Legal Structure	Deferred purchase agreement
Investment Amount	Minimum AUD 10,000 and then in increments of AUD 1,000
Coupon	None
Underlying	The underlying is the S&P/ASX 200 Index
Return at maturity	<p>Linked to the return of the S&P/ASX 200 Index (referenced from the start of the Investment and averaged monthly over the last 6 months of the Investment term), subject to</p> <ul style="list-style-type: none"> • a minimum of 0% (return cannot be negative), and • capped at the Capped Level
S&P/ ASX 200 return	<p>The S&P/ASX 200 return is the gain from:</p> <ul style="list-style-type: none"> • the Index on the start date to; • the monthly average of the Index over the last six months
Capped Level	<p>The S&P/ASX 200 return is capped at \$0.70 per \$1 invested indicatively. The cap level will be set when the Investment commences. If the Investment were issued on the date of the PDS (22 September 2009), the cap would have been \$0.70 per \$1 invested. The Investment will not proceed if market rates on the issue date do not allow for a cap of at least \$0.60 or above per \$1 invested. In this case, the Application Amount will be returned to the Applicants without interest.</p>
Liquidity	Redemptions will be allowed monthly, market conditions permitting
At maturity	<p>Investors will receive the value of their Investment in units in the SPDR S&P/ASX 200 fund.</p> <p>However, HSBC may determine that the Delivery Assets will be shares or units in one or more of the 50 largest ASX listed entities by market capitalisation</p>

Benefits and Risks

Main Benefits

- **Access to the S&P/ASX 200.** Investors will benefit from the Investment if the average level of the S&P/ASX 200 Index over the last 6 months is higher than the Index level on the Initial Index Observation Date (5 business days before the Investment commences). The return cap will be set when the Investment commences and it will be no lower than \$0.60 per \$1 invested. The cap will depend upon market rates when the Investment commences and at the date of the PDS was \$0.70 per \$1.
- **HSBC is a solid bank.** The past year has focused investors on the likelihood of their money being returned. The HSBC Group is one of the world's largest financial services organisations. With a tier one capital ratio of 10.1% and a loan to deposit ratio of 79.5% at 30 June 2009, the Group remains one of the most strongly capitalised and liquid banks in the world.
- **Capital Protection at maturity of 100%.** If the Investment is held for the Investment Term then at minimum the investor will receive their initial Investment amount back at maturity.
- **Liquidity is monthly** at HSBC discretion. Conditions permitting, it is anticipated investors would be allowed to redeem their Investment monthly.

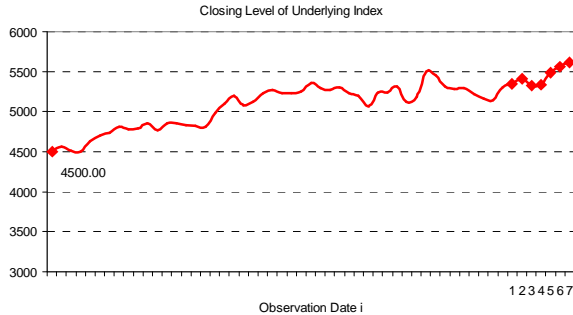
Main Risks

- **Market risk** – the Investment is linked to the performance of the S&P/ASX 200 which may not perform well over the life of the Investment due to poor economic conditions.
- **Capped return risk.** Alternatively if the S&P/ASX 200 performs very well over the life of the Investment the investor could receive the capped return which may be lower than the Index return.
- **Risk on HSBC.** By making the Investment with HSBC the investors take on credit risk of HSBC Bank Australia Limited as an unsecured creditor.
- **Capital protection only applies at maturity** and if investors withdraw their Investment before maturity there is the possibility that they will receive less than the amount they invested.

Scenario examples

Each of the following three examples assumes an Initial Index Level of 4,500.

Example 1



Index Observation Date	Closing Level of Underlying Index
1	5,346.92
2	5,407.93
3	5,329.70
4	5,330.55
5	5,484.10
6	5,556.80
7	5,619.45

In the above example, the Ending Average Index Level is 5,439.35.

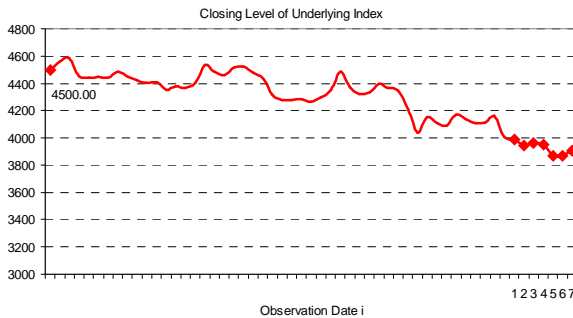
The percentage increase of the Ending Average Index Level over the Initial Index Level is:

$$\$1 \times \left(\frac{\text{Ending Average Index Level} - \text{Initial Index Level}}{\text{Initial Index Level}} \right) = \left(\frac{5439.35 - 4,500.00}{4,500.00} \right) = \$0.2087$$

As this amount is lower than the return cap, the Investment Return payable on the Investment will be \$0.2087 per \$1 invested. The Investment Return is payable at maturity together with the Investment Amount.

On an Investment Amount of \$100,000, this equates to an Investment Return of \$20,870 at maturity.

Example 2

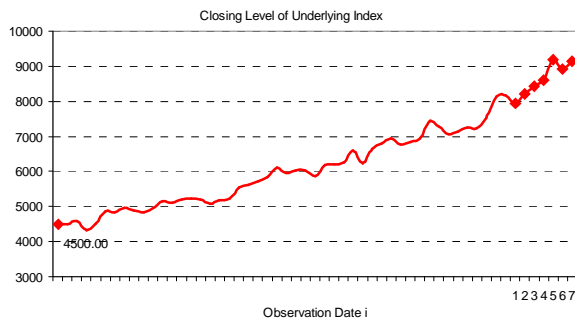


Index Observation Date	Closing Level of Underlying Index
1	3,986.58
2	3,941.90
3	3,960.02
4	3,949.82
5	3,868.59
6	3,868.26
7	3,908.60

In the above example, the Ending Average Index Level is 3,926.25.

As the Ending Average Index Level is lower than the Initial Index Level, no Investment Return is payable and you will receive only your Investment Amount at maturity.

Example 3



Index Observation Date	Closing Level of Underlying Index
1	7,940.22
2	8,203.30
3	8,428.70
4	8,595.04
5	9,190.02
6	8,933.18
7	9,151.74

In the above example, the Ending Average Index Level is 8,634.60.

The percentage increase between the Ending Average Index Level over the Initial Index Level is:

$$\$1 \times \left(\frac{\text{Ending Average Index Level} - \text{Initial Index Level}}{\text{Initial Index Level}} \right) = \left(\frac{8634.60 - 4,500.00}{4,500.00} \right) = \$0.9188$$

If the return cap was the minimum level of \$0.60 then the return cap would apply and investors' Investment Return will equal \$0.60 per \$1 invested. On an Investment Amount of \$100,000 this equates to an Investment Return of \$60,000 at maturity and a Maturity Amount of \$160,000.

If the Investment was issued on the date of the PDS, the return cap level that could be achieved was \$0.70 per \$1 invested. For this scenario this would give the investor a higher return.

Fees and adviser commission

Adviser Fee

The adviser fee is 2.475% (including GST if applicable and disregarding any input tax credits HSBC may claim) upfront

Adviser Administration Fee

The adviser administration fee is 0.825% (including GST if applicable and disregarding any input tax credits HSBC may claim) upfront

Early Withdrawal Fee

There is no Early Withdrawal fee. However, if the investor chooses to withdraw the Investment early, any loss that may be incurred by HSBC for unwinding its position prematurely will have to be borne by the investor. There will not be any other fees or charges imposed by HSBC on the Early Withdrawal other than passing on the losses for unwinding the positions prematurely.

Disclaimer

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