Client FAQs

HSBC 100+ Series Emerging Markets Outperformance Investment

Following are answers to some questions you may have about the HSBC 100+ Series Emerging Markets Outperformance Investment. For more details on the Investment please refer to the PDS. Alternatively if you have any further questions please contact your adviser.

What is the HSBC 100+ Series Emerging Markets Outperformance Investment?

The HSBC 100+ Series Emerging Markets Outperformance Investment provides a potential return linked to the growth of the emerging markets equities against developed markets equities. The Investment is for three years and at maturity you will at least receive your initial investment amount.

Why would I want to invest in this Investment?

If you think that over the next three years emerging markets equity markets will perform better than the equity markets of developed countries you should consider this Investment. If you also want the comfort of knowing the Investment is 100% capital protected at maturity[3] you should consider this Investment.

Why invest with HSBC?

HSBC Bank Australia Limited is a member of the HSBC Group one of the largest banking and financial services organisations in the world.

With assets of US$2,412 billion as at 30 June 2010, HSBC Group 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.

How does the strategy work?

The Strategy aims to provide an exposure to the potential outperformance of emerging markets equities compared with developed markets equities.

This is done through a notional borrowing to fund a long (bought) exposure to the HSBC Optimised Global Emerging Markets Total Return Index and short (sold) exposure to a basket of leading developed markets equity index futures.

Additionally there are two risk control mechanisms incorporated in the Strategy. One risk control mechanism involves reducing emerging markets exposure in a down trending market to mitigate the greater downside volatility that has been observed in emerging markets. The second risk control mechanism is a volatility control strategy which aims to optimise the risk/return profile of the Strategy.

How are the returns calculated?

The HSBC 100+ Series Emerging Markets Outperformance Investment return is calculated for the Growth Investment by measuring the gain of the Strategy from its starting index level to the monthly average over the final six months which is then multiplied by the growth participation rate. The averaging over the final six months reduces the exposure to adverse market movements on the last days of the Investment Term. The growth participation rate is set on the Issue Date of the Investment and indicatively (as at the date of the PDS) is currently 100%.[1]

The Income Investment pays the annualised return of the Strategy multiplied by the income participation rate annually. The income participation rate is set on the Issue Date of the Investment and indicatively (as at the date of the PDS) is currently 70%.[2]

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How does the capital protection work?

The HSBC 100+ Series Emerging Markets Outperformance Investment has 100% capital protection at maturity.[3] This means that at maturity you will receive back from HSBC at least 100% of your initial investment amount.

How would this Investment fit into my portfolio?

If you are looking for an investment that offers you exposure to the emerging markets equities with the view that they will outperform developed market equities, and want less risk exposure than a direct investment, then the HSBC 100+ Series Emerging Markets Outperformance Investment may be suitable for you.

What are the risks in this Investment?

There are risks in this Investment and you should read the PDS, which explains the risks, before you make an investment. A key risk is the exposure to the equity markets of emerging market countries. Additionally there is a risk that emerging markets do not outperform developed countries equities resulting in a zero return over the Investment Term.

What happens if I withdraw my Investment early?

There is no early withdrawal fee, however if you do withdraw from the Investment before the Maturity Date, capital protection will not apply and you may receive less than the amount you initially invested.

How do I apply?

Please see your adviser for a PDS and Application Form. Your adviser will mail your completed application, with the application amount to HSBC. If you are paying by cheque (please make it payable to "HSBC Bank Australia Limited"). Alternatively you can complete the Direct Debit Form and send that in with the application.

Why is there a time limit?

Capital protected investments provide capital protection at maturity, as such they require clear start and finish dates. The 3-year investment term begins on the issue date, 31 March 2011 and matures on 31 March 2014.

Act now – offer is open between 7 February and 18 March 2011

For more information on the HSBC 100+ Series Emerging Markets Outperformance Investment and whether it may be a suitable investment for you:

- **Speak** to an HSBC Premier Investment Relationship Manager or an HSBC Financial Planner
- **Call** HSBC on 1300 308 008
- **Visit** hsbc.com.au/100plus

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This brochure does not take into account your individual objectives, financial situation or needs. You should consider the appropriateness of it having regard to your personal circumstances, obtain and consider the Product Disclosure Statement (PDS) or seek personal advice before you make an investment decision. A copy of the PDS is available at our website www.hsbc.com.au, by visiting a branch or by calling us on 1300 308 008. Issued by HSBC Bank Australia Limited ABN 48 006 434 162 AFSL 232595. [1]At the date of the PDS, 10 December 2010 the growth participation rate would have been 100%. The minimum growth participation rate is 75%. If on the issue date the minimum growth participation rate can not be achieved then the investment will not proceed and your Growth Application Amount will be returned to you without interest. [2]At the Date of the PDS, 10 December 2010 the income participation rate would have been 70%. The minimum income participation rate is 50%. If this minimum income participation rate can not be achieved on the issue date, then the investment will not proceed and your Income Application Amount will be returned to you without interest. [3]Capital protection only applies at maturity and provided no Early Termination Event has occurred. Capital protection is also subject to the creditworthiness of the Issuer.