

What are Dual Currency Deposits (DCDs)?

DCDs are foreign currency linked deposits which enable customers to potentially earn a higher interest rate when compared with normal time deposits. In exchange for this enhanced return, you give the Bank the right to repay your investment in either the base or linked currency at maturity, depending on exchange rate movements in respect of the currency pair. The credit interest will always be in the base currency. Please refer to the scenario analysis below.

**What I agree with HSBC to apply for DCD**

- Base currency, linked currency and deposit period – in this example the base currency is Australian Dollar (AUD) and the linked currency is US Dollar (USD)
- Deposit amount (minimum AUD 5,000)
- The start, fixing and maturity dates
- The conversion rate which is indicative at time of application and will be finalized on the start date
- The minimum interest rate
- Related terms and conditions; including HSBC's right to decide not to proceed the DCD at the start date

**Scenario analysis**

The following scenarios are purely for illustration purposes and are designed to indicate possible outcomes based on assumed movements in currencies.

**Assumptions:**

|                                 |  |
|---------------------------------|--|
| <b>Deposit amount</b>           | AUD 50,000   |
| <b>Base currency</b>            | AUD  |
| <b>Linked currency</b>          | USD  |
| <b>Tenor</b>                    | 1 month  |
| <b>Start date</b>               | 24 May 2012  |
| <b>Fixing date</b>              | 21 June 2012   |
| <b>Maturity date</b>            | 25 June 2012   |
| <b>Conversion rate</b>          | 1.0502 (1.00 AUD = 1.0502 USD)   |
| <b>Interest rate</b>            | 7.75% per year (calculated on 360-day per year basis and accrued daily)  |
| <b>Redemption upon maturity</b> | <ul style="list-style-type: none"> <li>▪ If the AUD/USD exchange rate on Fixing date is <u>at or below</u> the conversion rate 1.0502, the principal and interest will be paid in AUD.</li> <li>▪ If the AUD/USD exchange rate on Fixing date is <u>above</u> the conversion rate 1.0502, the principal will be paid in USD while the interest will be paid in AUD.</li> </ul> |

**Scenarios 1 and 2: Proceeds returned in base currency (AUD)**

|                                    |  |   |
|------------------------------------|--|---|
| <b>FX situation on Fixing date</b> | <b>Scenario 1</b><br>AUD/USD on Fixing date weakens when compared to the Conversion rate (AUD weakens against USD) | <b>Scenario 2</b><br>AUD/USD on Fixing date remains constant when compared to the Conversion rate |
| <b>AUD/USD on Fixing date</b>      | 1.0400 (1.00 AUD = 1.0400 USD)   | 1.0502 (1.00 AUD = 1.0502 USD)  |
| <b>Principal</b>                   | AUD 50,000   |   |
| <b>Interest payment</b>            | AUD 344.44 (AUD 50,000 x 7.75% x 32/360)   |   |
| <b>Total proceeds in AUD</b>       | AUD 50,344.44  |   |

### Scenarios 3 and 4: Proceeds returned in linked currency (USD)

|                                    | <b>Scenario 3</b>   | <b>Scenario 4</b>   |
|------------------------------------|---|---|
| <b>FX situation on Fixing date</b> | AUD/USD on Fixing date strengthens slightly when compared to the Conversion rate (AUD strengthens slightly against USD) | AUD/USD on Fixing date strengthens considerably when compared to the Conversion rate (AUD strengthens considerably against USD) |
| <b>AUD/USD on Fixing date</b>      | 1.0550 (1.00 AUD = 1.0550 USD)  | 1.0800 (1.00 AUD = 1.0800 USD)  |
| <b>Principal</b>                   | USD 52,510.00 (AUD 50,000 at conversion rate 1.0502)  |   |
| <b>Interest payment</b>            | AUD 344.44 (AUD 50,000 x 7.75% x 32/360)  |   |
| <b>Total proceeds in AUD</b>       | AUD 50,116.95<br>(AUD 49,772.51* + AUD 344.44)  | AUD 48,964.81<br>(AUD 48,620.37* + AUD 344.44)  |

\* For illustration purpose, assume the USD proceed is immediately converted back to AUD at market exchange rate = AUD/USD rate on Fixing date

### What I need to know – Risk Explanations

- Where the DCD maturity proceeds are returned in the linked currency and subsequently converted back to the original deposit currency (Base currency), a loss may be experienced depending on the movements in foreign exchange rates on the Fixing date. Such losses may offset the interest earned on the deposit and may even result in losses in the principal amount of the deposit. If the currency received on maturity is not your original deposit currency, and you choose to convert it back to your original deposit currency, you may make a gain or loss due to the exchange rate fluctuations.
- In the event that the interest rates increase during the investment tenor, there is no guarantee that the investment will produce yields in excess of those available on other investments or savings products linked to current market variable interest rates.
- Early withdrawal is not allowed. This investment is not transferable and is intended to be held by the customer to maturity.
- Dual Currency Deposit is a structured product involving derivatives (e.g: option, swap, future etc.). It can be a volatile instrument and may be subject to considerable fluctuations in value and other risks inherent in investing in derivatives.
- Dual Currency Deposit is not equivalent to a time deposit. Prospective investors should be aware that receipt of any sum due at maturity is subject to the credit worthiness of the Bank. Any stated credit rating of the Bank reflects the independent opinion of the referenced rating agency as to the creditworthiness of the rated entity but is not a guarantee of credit quality of the Bank. In the case of an insolvency of the Bank, preferred liabilities of the Bank will have priority over unsecured obligations such as the deposit.

### Is a DCD a good investment for me?

- It is likely to be suitable for you if you acknowledge and accept that potential loss can occur due to risk exposures explained above. Customers should also understand that the investment does not guarantee returns higher than traditional bank deposits and/or other investment products.
- It is likely to be suitable for you if you have a balanced attitude to risk (please refer to the risk profile questionnaire for the definition of “Balanced”).
- You should make sure you have sufficient liquid emergency funds to meet any unforeseen circumstances.
- You should avoid excessive investment in a single type of investment, in regards to its total proportion of your overall portfolio, in order to guard against over-exposure to any investment risks.
- As no early redemption is allowed, you must be happy to invest at least the minimum amount of AUD 5,000 and regard this deposit as an investment that you will not require access to during its tenor.

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