

# Capital Protected Investment Deposits

## Why consider/Why not consider

### Important Risk Warning

- ◆ Structured Investment Deposit is a complex product and investors should exercise caution in relation to the product. This is a structured investment product involving derivatives. The investment decision is yours but you should not invest in Structured Investment Deposit unless the intermediary who sells it to you has explained to you that the product is suitable for you having regard to your financial situation, investment experience and investment objectives.
- ◆ Investors should not make investment decision based on this marketing material alone.
- ◆ Investment involves risk and past performance is not indicative of future performance.
- ◆ The price of structured products may move up or down. Losses may be incurred as well as profits made as a result of buying and selling structured products.
- ◆ This is a structured investment product, which is NOT a protected deposit and is NOT protected by the Deposit Protection Scheme in Hong Kong.

### Consider it if...

- ✓ you look for chance to earn a higher return than a conventional time deposit or periodic interests (subject to type of structured investment deposit that is chosen) based on the performance of the underlying FX exchange (Currency-linked deposit), or Interest Rate Reference Index (Interest rate-linked deposit)
- ✓ you are looking for capital protected investment<sup>^</sup> deposit at maturity
- ✓ you want to capture wealth growth and yield enhancement opportunities
- ✓ you want to build a portfolio to meet your foreign currency needs such as paying children's tuition fees, buying a home abroad, or meet your future retirement needs

### Not consider it if...

- ✗ you are not willing to invest with the minimum amount requirement of HK\$50,000 (or its equivalent in other currencies, subject to the minimum deposit amount of the respective currency)
- ✗ you are looking for a product equivalent to time deposit and you are not prepared to invest for the full investment tenor. Early redemption of Capital Protected Investment Deposits is generally not allowed
- ✗ you are a person who is US citizen/with US nationality, is US resident or US tax payer, or have a US address (e.g. primary mailing, residence or business address in the US)

<sup>^</sup> This product is designed to return your original capital at maturity, however, if the Bank becomes insolvent or default on its obligations under this product, you could suffer a total loss of your deposit amount, please see 'Credit risk of the Bank' under Capital Protected Investment Deposit Risk Disclosure for details

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## Highlights for your best interest

Pre-Investment Cooling-off Period (PICOP) for retail customers at branch: PICOP is a Hong Kong Monetary Authority (HKMA) policy to offer additional protection to certain groups of customers, such as elderly customers and first-time buyers with high asset concentration. It is applicable to each particular dealing of this product via branch. Applicable customers can only subscribe for the product at least 2 calendar days (of which the last day should be a business day) after product discussion with the Bank in order to ensure they have sufficient time to understand/consider the product

There are many types of Capital Protected Investment Deposits (CPI) that vary in their terms. Some examples include the Currency-Linked CPI, and Interest Rate-Linked CPI. Different maturity payout structures are available depending on the rate of the payout and hence the exchange rate or interest rate risks you are prepared to take. You should therefore carefully consider which one is suitable in light of your own financial position and investment objectives

## Risk Disclosure

### 1. For All Capital Protected Investment Deposits

#### ◆ Not a time deposit

– This product is NOT equivalent to, nor should it be treated as a substitute for, time deposit. It is NOT a protected deposit and is NOT protected by the Deposit Protection Scheme in Hong Kong

#### ◆ Credit risk of the Bank

– This product is not secured by any collateral. When you invest in this product, you will be relying on the Bank's creditworthiness. If the Bank becomes insolvent or defaults on its obligations under this product, you can only claim as an unsecured creditor of the Bank. In the worst case, you could suffer a total loss of your deposit amount

#### ◆ Currency risk

– If the deposit currency is not your home currency, and you choose to convert it back to your home currency upon maturity, you may make a gain or loss due to exchange rate fluctuations.

#### ◆ Risk of early termination by the Bank

– The Bank shall have the discretion to uplift a Deposit or any part thereof prior to the Maturity Date (subject to the deduction of such break costs or the addition of such proportion of the return or redemption amount, which may result in a figure less than the original principal amount of the Deposit) if it determines, in its sole discretion, that this is necessary or appropriate to protect any right of the Bank to combine accounts or set-off, or any security interest, or to protect the Customer's interests

### 2. For Currency-Linked Capital Protected Investment Deposits

#### ◆ Derivatives risk

– This product is embedded with FX option(s). Option transactions involve risks. If the exchange rate of the currency pair performs against expectation at the fixing time on the fixing date, you can only earn the minimum payout of the structure for Currency-Linked III, or can only earn zero/the minimum payout of the structure for Currency-Linked V

#### ◆ Limited potential gain

– The maximum potential gain is limited to the higher payout on the deposit less the principal amount for Currency-Linked III or the sum of the coupons of the deposits for Currency-Linked V, when exchange rate of currency pair at fixing moves in line with your anticipated direction

#### ◆ Not the same as buying the linked currency

– Investing in this product is not the same as buying the linked currency directly

#### ◆ Market risk

– The return of this product will depend upon the exchange rates of currency pair against trigger rate at the fixing time on the fixing date. Movements in exchange rates can be unpredictable, sudden and drastic, and affected by complex political and economic factors. You must be prepared to take the risk of earning the lower payout/no return (if exchange rate performs against expectation) on the money invested

#### ◆ Liquidity risk

– This product is designed to be held until maturity. You do not have a right to request early termination of this product before maturity. Under special circumstances, the Bank has the right to accept your early redemption request at its sole discretion and on a case by case basis. The Bank will provide an indication of the redemption price upon such request. Your return upon such early redemption will likely be lower than that if the deposit were held until maturity and may be negative

### 3. For Interest Rate-Linked Capital Protected Investment Deposits

#### ◆ **Derivatives risk**

- This product is embedded with interest rate option(s). Option transactions involve risks
- For Interest Rate Range Accrual, if the Interest Rate Reference Index stays outside of the Accrual Range throughout the whole deposit period, you could earn no interest return
- For Callable Range Accrual, if the interest rate reference index stays outside of the Accrual Range throughout the whole deposit period, you could only earn fixed interest for the predefined period as specified in the Appendix and earn no interest return thereafter

#### ◆ **Limited potential gain**

- For Interest Rate Range Accrual, the maximum potential gain is limited to the interest on the deposit calculated based on the Accrual In Rate
- For Callable Range Accrual, the maximum potential gain is limited to the fixed interest for the predefined period as specified in the Appendix and accrual interest on the deposit calculated based on the number of days that the interest rate reference index stays within the accrual range thereafter

#### ◆ **Market risk**

- The interest return of the Interest Rate Range Accrual will depend upon the Interest Rate Reference Index during the deposit period. Interest rate movements can be unexpected, sudden and drastic, and can be affected by complex political and economic factors. You could earn no interest return if the Interest Rate Reference Index stays outside the accrual range throughout the deposit period. You must be prepared to take the risk of earning a very low return or even no return on the money invested
- The interest return of the Callable Range Accrual will depend upon the interest rate reference index (for example: Hong Kong dollar Hong Kong Interbank Offered Rate or US Dollar London Interbank Offered Rate) during the deposit period. Interest rate movements can be unexpected, sudden and drastic, and can be affected by complex political and economic factors. You could earn no interest return after the predefined period as specified in the Appendix if the interest rate reference index stays outside the accrual range. You must be prepared to take the risk of earning a very low return or even no return after the predefined period as specified in the Appendix on the money invested

#### ◆ **Liquidity risk**

- this product is designed to be held until maturity. You should not use it as a short term investment vehicle. For Interest Rate Range Accrual, you do not have a right to request early termination of this product before maturity. For Callable Range Accrual, early redemption is only offered twice a month after the initial 6 months. Apart from this, under special circumstances, the Bank has the right to accept your ad-hoc early redemption request at its sole discretion and on a case by case basis. The Bank will provide an indication of the redemption price upon such request. Your return upon such early redemption will likely be lower than that if the deposit were held until maturity and may be negative

#### ◆ **Principal protection at maturity only** (Applicable for Callable Range Accrual only)

- The principal protection feature is only applicable if this product is held to maturity. If you redeem the deposit before maturity, you may receive an amount significantly less than the initial investment, even if the level of the linked interest rate has moved in a favourable direction, as the Bank will incur cost in obtaining the funds in the money market for the remainder of the deposit period

#### ◆ **Reinvestment risk** (Applicable for Callable Range Accrual only)

– If you redeem the deposit before maturity, you must be prepared to risk the interest that might otherwise have been earned if the deposit is not early redeemed. Also, you may not be able to enjoy the same rate of return if you re-invest in other investments with similar risk parameters

#### 4. For RMB related Capital Protected Investment Deposits

##### ◆ Risks relating to RMB

– You should note that the value of RMB against other foreign currencies fluctuates and will be affected by, amongst other things, the PRC government's control (for example, the PRC government regulates conversion between RMB and foreign currencies), which may adversely affect your return under this product when you convert RMB into your home currency. The value of your RMB deposit will be subject to the risk of exchange rate fluctuation. If you choose to convert your RMB deposit to other currencies at an exchange rate that is less favourable than that in which you made your original conversion to RMB, you may suffer loss in principal. This product (if denominated in RMB) will be denominated and settled in RMB deliverable in Hong Kong, which is different from that of RMB deliverable in Mainland China

#### Remarks:

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