

IPO loan

How does it work?

What is Initial Public Offer (IPO) and IPO loan?

An initial public offering (IPO) is an organisation's first sale of stocks in a specific market, bonds or Certificates of Deposit (CDs) to raise funds for the issuer. IPO loan offers financing to customers to leverage the buying power of IPO application. Hence, applying IPO loan increases the subscription capabilities. The IPO loan amount is a portion of the value for shares/bonds subscribed.

How does IPO loan work?

IPO loan is offered typically upon closing of IPO period till the allotment (typically 1 day before trading/ listing date). Here is a simple example to show how you can increase your buying power on IPO subscription.

Assume customer applies IPO with capital of \$10,000,

	Application <u>without</u> loan	Application with loan (max 90% loan ratio, with interest rate at 0.9% p.a. as an example)
Capital of customer	\$10,000	\$10,000
IPO subscription amount	\$10,000	\$100,000
Loan amount	N/A	\$90,000
Interest charge*	N/A	\$27 (assuming 12 days interest, \$90,000 x 0.9% x 12 days / 365 days = \$27)
Allotment	Assume 100% allotment \$10,000	Assume 50% allotment \$50,000
Potential gain or loss† after interest cost (if any)	<p>Net gain \$300 / +3% [\$10,000 x 3% = \$300] [\$300 / \$10,000 = 3%]</p> <p>Net loss \$300 / -3% [\$10,000 x (-3%) = -\$300] [-\$300 / \$10,000 = -3%]</p>	<p>Net gain \$1,473 / +14.7% [\$50,000 x 3% - \$27 = \$1,473] [\$1,473 / (\$10,000+\$27) = 14.7%]</p> <p>Net loss \$1,527 / -15.2% [\$50,000 x (-3%) - \$27 = -\$1,527] [-\$1,527 / (\$10,000+\$27) = -15.2%]</p>
Breakeven price on Issue date (=Subscription price + Interest cost (if any) / Allotment, assuming subscription price at 100%,) (i.e. Above this price, customer makes profit; Below this price, customer makes loss)	100% [100% + \$0 / \$10,000 = 100%]	100.05% [100% + \$27 / \$50,000 = 100.05%]

Start getting IPO loan with HSBC now

* Interest rate in the example below is illustrative only.

† Fees and charges of stock/bond trading services are not included in this calculation.

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If you have sole name HSBC Premier / HSBC One / Personal Integrated Account investment services account, you can apply for IPO loan through HSBC Internet Banking, HSBC HK Easy Invest App, HSBC Mobile Banking App or our phonebanking service*, subject to eligibility criteria. Terms and conditions apply.

* IPO loan services can be applied via EasyInvest App, HSBC branch and phonebanking services for Stock IPO only. For Bond IPO loan, please apply via HSBC Internet Banking or HSBC Mobile Banking App.

For more information:

- ◆ Visit our website at www.hsbc.com.hk/ipo
- ◆ Download HSBC HK Easy Invest App or HSBC Mobile Banking App
- ◆ Call 2269 2121
- ◆ Visit any HSBC Branch

General risk disclosure

Investment involves risk. You should carefully consider whether any investment products or services mentioned herein are appropriate for you in view of your investment experience, objectives, financial resources and relevant circumstances. The price of securities may move up or down. Losses may be incurred as well as profits made as a result of buying and selling securities.

Bonds specific risk disclosure

- ◆ Bonds are mainly medium to long term fixed income products, not for short term speculation. You should be prepared to hold your funds in bonds for the full tenor; you could lose part or all of your principal if you choose to sell your bonds prior to maturity.
- ◆ It is the issuer to pay interest and repay principal of bonds. If the issuer defaults, the holder of bonds may not be able to receive back the interest and principal. The holder of bonds bears the credit risk of the issuer and has no recourse to HSBC unless HSBC is the issuer itself.
- ◆ Indicative price of bonds are available and the bonds' prices do fluctuate when market changes. Factors affecting market price of bonds include, and are not limited to, fluctuations in interest rates, credit spreads, and liquidity premiums. The fluctuation in yield generally has a greater effect on prices of longer tenor bonds. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling bonds.
- ◆ If you wish to sell bonds, HSBC may repurchase them based on the prevailing market price under normal market circumstances, but the selling price may differ from the original buying price due to changes in market conditions.
- ◆ There may be exchange rate risks if you choose to convert payments made on the bond to your home currency.
- ◆ The secondary market for bonds may not provide significant liquidity or may trade at prices based on the prevailing market conditions and may not be in line with the expectations of bonds' holders.
- ◆ If bonds are early redeemed, you may not be able to enjoy the same rates of return when you use the funds to purchase other products.
- ◆ Do not purchase the bonds unless you fully understand and are willing to assume the risks associated with it.

IPO loan specific risk disclosure

- ◆ The high degree of leverage in connection with IPO loan can lead to large losses (e.g. in the event the Bank have to force sell your investment) as well as gains. The higher your leverage is, the bigger your losses can be in adverse market conditions.
- ◆ To borrow or not to borrow? Borrow only if you can repay!

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