

# Important Facts

Premium Account

**Citibank, N.A.**

(organized under the laws of U.S.A. with limited liability)

**Citibank (Hong Kong) Limited**

Type: Currency-linked investment

Updated as of September 15, 2023

**This is a structured investment product which is NOT protected by the Deposit Protection Scheme in Hong Kong.**

**This product is NOT principal protected.**

The contents of this statement supplement the Bank's Terms and Conditions for Accounts and Services and have not been reviewed by any regulatory or other authority in Hong Kong or elsewhere. You are advised to exercise caution before investing in this product. **This statement is a part of the offering documents for this product. You should not invest in this product based on this statement alone.** If you are in any doubt or have any questions, you should obtain independent professional advice prior to investing in this product.

**If English is not your preferred language, you may request for the Chinese version of this statement from our staff.** 倘若英文並非您屬意的語言，您可向本行職員索取本概要的中文版本。

This is a structured investment product involving derivatives. The investment decision is yours but you should not invest in this product 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.

The Premium Account is governed by the law of Hong Kong.

## Quick facts

|                                       |   |
|---------------------------------------|---|
| Bank:                                 | Citibank (Hong Kong) Limited / Citibank, N.A.<br>(the "Bank" or "we")   |
| Product type:                         | <b>Currency-linked investment</b>   |
| Minimum investment:                   | USD 5,000 (or its equivalent)   |
| Tenor:                                | 1 week – 6 months   |
| Available base currencies:            | HKD, USD, AUD, CAD, CHF, EUR, GBP, JPY, NZD, SGD & RMB*   |
| Available alternate currencies:       | HKD, USD, AUD, CAD, CHF, EUR, GBP, JPY, NZD, SGD & RMB*   |
| Interest rate, tenor & maturity date: | Refer to the order form / phone order conversation /online order confirmation page /physical transaction advice for each transaction. |
| Principal protection at maturity:     | No  |
| Callable by the Bank:                 | No  |
| Early termination right by you:       | No  |
| Embedded derivatives:                 | Yes. Investor sells a put option on the alternate currency  |

|                         |  |
|-------------------------|--|
| Maximum potential gain: | Amount of interest – please refer to "What are the key features?" section for the interest payment calculation method.   |
| Maximum potential loss: | 100% of principal amount invested  |
| Benefit to the Bank:    | The Bank is acting as a principal in providing you with the product. The Bank and/or its affiliates may receive benefit from the origination and distribution of the product. The Bank is NOT an independent intermediary because it receives fees, commissions, or other monetary benefits from other parties in relation to our distribution of investment products to you. For details, you should refer to the disclosure on monetary benefits which the Bank is required to deliver to you prior to or at the point of entering any transaction in investment products. You may receive a discount of fees and charges from the Bank at the Bank's sole discretion basis. |
| External Quote:         | The sole Issuer of Premium Account is Citibank (Hong Kong) Limited. External quotes are not available and cannot be obtained for these transactions.   |

\* When the base currency or the alternate currency is RMB, the Bank will use the applicable offshore Renminbi ("CNH") exchange rate.

## What is this product and how does it work?

This is a structured investment product that involves a fixed-term investment (in the base currency) and is embedded with a put option sold on the alternate currency of your choice. When the base currency or the alternate currency is RMB, the Bank will use the applicable CNH exchange rates.

When placing an order for this product, you select the base currency, alternate currency and tenor, then subsequently select the exchange rate at which you are willing to buy the alternate currency ("Strike Price") and the interest rate as quoted by the Bank. Upon maturity of this product, you will be paid the principal and the interest (the "maturity proceeds") in the weaker of the base currency or the alternate currency (depending on the exchange rate on the Notification Date\* and subject to the Bank's total discretion).

For example:

- If the exchange rate on the Notification Date is the same as or higher than the Strike Price, you will receive the maturity proceeds in the base currency. Your gain will be the interest amount.
- If the exchange rate on the Notification Date is lower than the Strike price, the maturity proceeds will be converted into the alternate currency at the Strike Price. Assuming you convert such proceeds received from the alternate currency to the base currency immediately on the Maturity Date, your loss incurred will be the difference between the Spot Price and the Strike Price, less the interest received.

If you invest in this Premium Account product involving RMB as the base currency or alternate currency, such product is deemed an RMB Service for the purpose of the Terms and Conditions for Accounts and Services.

Please refer to "Scenario Analysis" section for different scenarios.

\* Notification Date is a date that will be determined and confirmed by the Bank. All other dates that will be determined and confirmed by the Bank include Transaction Date, Value Date and Maturity Date.

## What are the key risks?

- **Not a time deposit** – Premium Account is NOT equivalent to, nor should it be treated as a substitute for, a time deposit. It is NOT a protected deposit and is NOT protected by the Deposit Protection Scheme in Hong Kong.
- **Derivatives risk** – Premium Account is a structured investment product with an embedded foreign exchange option. Option transactions involve foreign exchange and other risks, including the possible loss of the principal amount invested. Although the premium received from selling an option is fixed, you may sustain a loss well in excess of such premium amount, and your loss could be substantial.
- **Limited potential gain** – Even if your view on the market movement of the base currency and/or the alternate

currency is correct, the maximum potential return is limited to the total interest amount for the principal amount invested.

- **Maximum potential loss** – Premium Account is not principal protected. You could lose the principal amount invested. For example, you could lose the principal amount invested if the Bank defaults on its obligations under Premium Account. You could also lose the principal amount invested if the value of the base currency or the alternate currency repayable by the Bank to you is zero on the maturity date and/or if there is any exchange control or other monetary measures imposed by a government or regulator significantly impacts on the convertibility, utilisation or transferability of a currency,
- **Not the same as buying the alternate currency** – Investing in Premium Account is not the same as buying or investing in the alternate currency directly. The maturity proceeds may be repayable to you by the Bank in the weaker of the base currency or the alternate currency (depending on the exchange rate on the Notification Date and subject to the Bank's total discretion).
- **Foreign exchange and market risk** – The return on Premium Account is linked to the exchange rate of the base currency against the alternate currency. Movements in exchange rates can be unpredictable, sudden and drastic, and affected by complex political and economic factors. For example, a government or regulator may impose exchange control or other monetary measures with little or no warning and this may impact significantly on the convertibility, utilisation or transferability and exchange rate of one currency against another. You may also be exposed to a risk of loss arising from exchange rate fluctuations. In addition, if the base currency and/or the alternate currency is/are not your home currency, and you choose to convert either back to your home currency upon maturity, you may make a gain or loss due to exchange rate fluctuations.
- **Liquidity risk** – Premium Account is designed to be held till maturity. You do not have the right to request early termination of this product before maturity or adjust the transaction terms of this product.
- **Credit risk of the Bank** – Premium Account is not secured by any collateral or guarantee. When you invest in this product, you will be relying on the Bank's creditworthiness. If the Bank becomes insolvent or goes into liquidation or defaults on its obligations under this product while your principal amount invested is still outstanding, you will rank as an unsecured creditor of the Bank and could, in the worst case, lose the principal amount invested irrespective of the performance of the foreign currency market and the terms of the Premium Account.
- **Exchange control risk** – For currencies subject to exchange controls imposed by a government or regulator, such as RMB, the exchange rates may be easily affected by change in government policies or regulations. Such currencies may have different exchange rates quoted in different markets. For example, exchange rates of RMB are quoted in onshore and offshore markets; the onshore exchange rate of RMB is being referred as "CNY" and the offshore exchange rate (i.e. when traded in Hong Kong) is being referred as "CNH". Although CNY and CNH represent the same currency, they do not necessarily have the same exchange rate and may not move in the same direction.
- **Risk of early termination by the Bank** – The Bank has the right (but not the obligation) to terminate this product early upon occurrence of certain events. If this product is terminated by the Bank early, you may suffer a substantial loss under this product.
- **Risk relating to RMB** – If you choose RMB as the base currency or the alternate currency, you should also note the following:

RMB is currently not freely convertible through banks in Hong Kong. Due to exchange controls and/or restrictions imposed on the convertibility, utilisation or transferability of RMB (if any) which in turn is affected by, amongst other things, the PRC government's control, there is no guarantee that disruption in the transferability, convertibility or liquidity of RMB will not occur. There is thus a likelihood that you may not be able to convert RMB received into other freely convertible currencies.

CNH exchange rates and CNY exchange rates are currently quoted in different markets with different exchange rates, whereby their exchange rate movements may not be in the same direction or magnitude. Therefore, the CNH exchange rate may be different from the CNY exchange rate.

RMB products may suffer significant losses in liquidating the underlying investments, especially if such investments do not have an active secondary market and their prices have large bid/offer spread.

You may not receive the full amount in RMB upon maturity. This may be the case if the Bank is not able to obtain sufficient amount of RMB in a timely manner due to the exchange controls and restrictions applicable to the currency.

## What are the key features?

Premium Account is a short-term structured investment product which has an embedded put option over the alternate currency.

### To invest in Premium Account:

1. Choose a base currency to start with and an alternate currency based on your own forecast for the foreign exchange market over a defined period of time (i.e. the tenor).
2. Select an exchange rate at which you are willing to buy the alternate currency (i.e. the Strike Price), as well as the interest rate quoted by the Bank.
3. Upon maturity of the Premium Account, you will be paid the interest and principal in the weaker of the base currency or the alternate currency (depending on the exchange rate on the Notification Date and subject to the Bank's total discretion). For details, please refer to the scenario analysis.

### Tenor range:

From 1 week to 6 months (once the tenor is confirmed, no early termination is allowed).

### Currency choices:

HKD, USD, AUD, CAD, CHF, EUR, GBP, JPY, NZD, SGD & RMB\*

\* When the base currency or the alternate currency is RMB, the Bank will use the applicable CNH exchange rate

### Interest payment calculation:

$$\text{Investment amount} \times \text{Interest rate} \times \frac{\text{No. of days in the tenor}}{\text{Year basis **}}$$

\*\* Year basis of GBP, HKD, RMB and SGD is 365, year basis of other currencies is 360

## Scenario analysis

|                   |                    |                               |              |
|-------------------|--------------------|-------------------------------|--------------|
| Base currency     | : HKD              | Alternate currency            | : AUD        |
| Strike Price      | : 5.5633 (AUD/HKD) | Premium Account interest rate | : 7.2% p.a.* |
| Investment amount | : HKD100,000       | Tenor                         | : 1 month    |

\* Indicative PA interest rate as of September 1, 2015. Interest rates change daily.

### **Scenario 1: Best case - Exchange rate on Notification Date remains unchanged or higher than the Strike Price**

|                                     |                   |
|-------------------------------------|-------------------|
| Exchange rate on Notification Date  | : 5.6500(AUD/HKD) |
| Total payout (Principal + Interest) | : HKD100,592      |
| Annualized Return                   | : 7.2% p.a.       |

Since the exchange rate on the Notification Date is the same as or **higher** than the Strike Price (AUD/HKD: 5.5633), you will receive the maturity proceeds (Principal + Interest) in the base currency, HKD.

### **Scenario 2: Profit - Exchange rate on Notification Date is slightly lower than the Strike Price**

|   |                    |
|---|--------------------|
| Exchange rate on Notification Date              | : 5.5400 (AUD/HKD) |
| Total payout (Principal + Interest)             | : AUD18,081        |
| HKD equivalent of the total payout <sup>^</sup> | : HKD100,169       |
| Annualized Return <sup>^</sup>                  | : 2.03% p.a.       |

Since the exchange rate on the Notification Date is slightly **lower** than the Strike Price (AUD/HKD: 5.5633), you will receive the maturity proceeds (Principal + Interest) in the alternate currency, AUD, at the Strike Price.

<sup>^</sup> Assuming you convert the AUD received to the HKD at the exchange rate of 5.5400 (AUD/HKD) on the maturity date.

### **Scenario 3 : Loss - Exchange rate on Notification Date is lower than the Strike Price**

|                                     |                    |
|-------------------------------------|--------------------|
| Exchange rate on Notification Date  | : 5.4900 (AUD/HKD) |
| Total payout (Principal + Interest) | : AUD18,081        |

HKD equivalent of the total payout# : HKD 99,265  
 Annualized Return# : -8.82%

Since the exchange rate on the Notification Date is **lower** than the Strike Price (AUD/HKD: 5.5633), you will receive the maturity proceeds (Principal + Interest) in the alternate currency, AUD, at the Strike Price.

# Assuming you convert the AUD received to the HKD at the exchange rate of 5.4900 (AUD/HKD) on the maturity date.

#### **Scenario 4 : Worst case - The Bank becomes insolvent or defaults on its obligations**

Assuming that the Bank becomes insolvent during the tenor of this product or defaults on its obligations under this product, you may get nothing back and suffer a total loss of the principal amount invested by you (in this scenario, it would be HKD100,000).

#### **Scenario Summary and Potential Return Analysis**

The table below summarizes Scenarios 1- 4 above. All figures are for illustration purposes only. The losses calculated in these illustrative examples are unrealized losses determined by reference to the exchange rate on notification date.

| <b>Scenario</b> | <b>Exchange rate on Notification Date</b> | <b>Total payout (Principal + Interest)</b>                         | <b>Total payout (Principal + Interest) in HKD</b> | <b>Annualized Return</b> |
|-----------------|---|--|---|--------------------------|
| 1: Best case    | 5.6500                                    | HKD100,000 + HKD 100,000 x 7.2% x 30/365<br>= HKD 100,592          | HKD100,592  | 7.20%                    |
| 2: Profit       | 5.5400                                    | (HKD100,000 + HKD 100,000 x 7.2% x 30/365) / 5.5633<br>= AUD18,081 | AUD18,081 x 5.5400<br>HKD100,169                  | 2.03%                    |
| 3. Loss         | 5.4900                                    | (HKD100,000 + HKD 100,000 x 7.2% x 30/365) / 5.5633<br>= AUD18,081 | AUD18,081 x 5.4900<br>HKD 99,265                  | -8.82%                   |
| 4: Worst case   | N.A.                                      | Nil  | HKD 0   | -100%                    |

For reference, if HKD100,000 was placed in a one-month time deposit on September 1, 2015, the interest rate would be 0.01% p.a.

All figures and examples above are hypothetical and provided for illustrative purposes only. The return is not guaranteed. The scenarios are not based on the past performance or indicative of the actual or future performance of any foreign currency. The Bank is not making any prediction of future movements in the foreign currency by virtue of providing the illustrative examples. It does not represent all possible outcomes or describe all possible factors that may affect the payout of an investment in the Premium Account. You should not rely on these illustrative examples when making an investment decision.

#### **How can you buy this product?**

- You can purchase this product by visiting our branches, internet banking, calling your Relationship Manager or our Investment Service Hotline (852) 2860 0333.
- When placing an order for this product, select the base currency, alternate currency and tenor, then subsequently select the Strike Price and the interest rate as quoted by the Bank.

#### **Fees and charges**

There are no fees and charges for placing an order for a Premium Account with the Bank. All related charges incurred by the Bank are already inherently absorbed in and subsumed into the calculation of the interest rates and other variables.

## Can you request for early termination before maturity?

You hold the Premium Account to maturity. Termination before maturity is NOT allowed.

## Pre-Investment Cooling-off Period for retail customers

Pre-Investment Cooling-off Period ("PICOP") is applicable to each particular dealing of this product if you are one of the following retail customer types:

1. An elderly customer aged 65 or above, unless you are not a first-time buyer of currency linked structured investment products AND your asset concentration<sup>1</sup> is below 20% AND you opt out from the PICOP arrangement; or
2. A non-elderly customer who is a first time buyer of currency linked structured investment products AND your asset concentration is 20% or above.

## Offering documents for this product

The following documents for this product ("**Offering Documents**") contain detailed information about the Bank and the terms of this product. You should read and understand all of the Offering Documents before deciding whether to invest in this product:

- Citibank Accounts & Services Opening Application
- Terms & Conditions for Accounts and Services
- Premium Account product leaflet

## Disclaimer

This document is being provided for your information only and does not constitute any offer, an invitation or a solicitation for an application or offer to invest in a Premium Account or enter into any transaction by any person, or a recommendation to invest in a Premium Account or enter into any transaction. The minimum transaction amount for a Premium Account is USD 5,000 or equivalent. A Premium Account is a structured investment product. Unlike traditional deposits, a Premium Account has an investment element and returns may vary. It is subject to a number of risks. A Premium Account is in substance a foreign currency investment. It is subject to exchange rate fluctuations which may create both opportunities and risks. A Premium Account is: (i) not insured by any government agency; (ii) not a deposit or other obligation of, or guaranteed by, the depository institution; and (iii) subject to investment risks, including the possible loss of the principal amount invested. This means investors may effectively incur a loss on the principal amount invested. The maturity proceeds in respect of a Premium Account will be repaid in the currency that is the weaker of the base currency or the alternate currency (depending on the exchange rate on the Notification Date and subject to the Bank's total discretion). This means investors may effectively incur a loss on the principal amount of the Premium Account, because the amount repaid at maturity, when converted back into the base currency at the prevailing foreign exchange rate, may be lower than the amount of the base currency that investors initially invested. The higher rate of interest investors earn under the Premium Account may not compensate them for this foreign exchange loss. Investors should also note that a Premium Account is an investment product that should be held to maturity. Termination before maturity is not allowed. When the base currency or the alternate currency is RMB, the Bank will use the applicable CNH exchange rates. The CNH exchange rate may be different from the CNY exchange rate. RMB is currently not freely convertible and the conversion of RMB is subject to certain restrictions and it may not have an active secondary market. Investors may not receive the full amount in RMB upon maturity. Investors may therefore wish to seek independent professional advice before making a commitment to enter into a Premium Account. In the event that investors choose not to seek independent professional advice, they should carefully consider whether a Premium Account is suitable in the light of their own investment objectives, financial position and risk profile. All obligations herein are payable solely at and by Citibank (Hong Kong) Limited and/or Citibank, N.A., subject to the Laws of Hong Kong (including governmental actions, orders, decrees and regulations). Investment products are not available for U.S. persons and might only be applicable to limited jurisdiction. If there is any inconsistency between the English version and Chinese version, the English version will prevail. You acknowledge that you have reviewed your circumstances and information that were communicated to the Bank before submitting your investment instruction and confirm that the relevant circumstances and information are accurate and up-to-date; if there is any change, you should notify the Bank immediately.

<sup>1</sup> For the purpose of determining whether PICOP is applicable, asset concentration refers to the percentage of total net worth (excluding real estate properties) to be invested in this product.

**INVESTMENT PRODUCTS: NOT GOVERNMENT INSURED • NO BANK GUARANTEE • MAY LOSE VALUE**