

Policy Crediting Interest Rates (for Universal Life insurance products)

What are Universal Life insurance products?

Universal Life insurance products are long-term insurance plans offering a high level of protection with competitive features and flexibility for policyholders' multi-generational planning needs and other insurance needs. For details of the product features and key risks of Universal Life insurance products, please refer to the relevant product materials and policy provisions.

The benefits provided by Universal Life insurance products are impacted by the crediting interest rates as well as applicable charges. The General Crediting Interest Rate is a floating rate determined by HSBC Life (International) Limited ("we" or "us"), subject to a guaranteed minimum floor as set out in the Policy Provisions.

General Crediting Interest Rate Philosophy

The applicable General Crediting Interest Rates vary depending on the policy currency and product series. We review such rates regularly from time to time. We will inform you of any subsequent change of the General Crediting Interest Rates for your policy.

When determining the General Crediting Interest Rate, which applies to each Universal Life insurance policy, we consider the following factors, including but not limited to:

Investment returns: The investment returns on the assets supporting the Universal Life policies include interest earnings as well as losses or gains realized upon the disposal of assets or asset impairments. The investment returns on Universal Life underlying portfolios are not guaranteed.

The expectation of the long-term future investment returns: If the investment returns over the long-term are better than expected, then the General Crediting Interest Rate would increase and if the investment returns are worse than expected, then the General Crediting Interest Rate would decrease.

The claims: The cost of providing the death benefit and other insured benefits under Universal Life insurance policies.

The surrender experience: Total and partial surrenders, and their corresponding impact on investments.

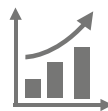
The expenses: The actual amount of expenses incurred and apportioned to the group of policies, e.g. our underwriting and general overhead costs



General Crediting Interest Rate



Claims



Investment Returns



Surrender Experience



Expenses

In order to ensure fairness to all policyholders when defining crediting interest rates, and that any conflicting interests of policyholders with other policyholders and/or shareholders have been properly addressed, a dedicated committee formed from a group of professionals will provide independent advice on the management of the universal life business.

Investment philosophy for Universal Life underlying portfolios

We maintain a prudent approach to investing for the Universal Life underlying portfolios, with the primary goal being the delivery of long-term value to all policyholders.

Each portfolio is invested in fixed income assets (predominately corporate bonds but also government bonds and alternative credit such as infrastructure debt) under pre-determined diversification and rating objectives. The current long-term investment strategy is to invest in diversified long-term fixed income assets with investment grade credit ratings (BBB- or above). Unrated fixed income assets may also be considered if they fit our risk appetite profile. However, the Universal Life underlying portfolios are conservatively positioned to limit the exposure to unrated assets. Assets are held by us with long-term prospects in order to match our long-term liabilities. Subject to our investment policy, derivatives may be utilised to manage the investment risk exposure, for matching between assets and liabilities and for efficient portfolio management.

For the historical crediting interest rates of our Universal Life insurance products, please refer to this [document](#).

