

Wealth Portfolio Lending Product Factsheet

7 Feb 2024

Introduction

Wealth Portfolio Lending is a line of credit secured against assets held in your HSBC accounts.

It allows you to borrow funds at competitive interest rates for any purpose, giving you added flexibility to cover personal expenses or take advantage of investment opportunities without needing to sell existing holdings and disrupt long-term strategies.

Terms used here have the same meaning as those defined in the Wealth Portfolio Lending Facility Terms and Conditions which must be read together with the Integrated Account Terms and Conditions.

Product Summary

- Wealth Portfolio Lending is a secured revolving credit with margin calling mechanism.
- The advance ratio of eligible assets may be changed at our discretion. The credit limit we grant you is uncommitted, and will be subject to various factors, including market volatility, cross currency risk, portfolio concentration, etc.
- We may amend the interest rate spread at our absolute discretion at any time by giving you prior notice in writing to this effect.

Eligibility Requirements

- HSBC Premier Elite / Premier Customers
- Aged 18 or above
- Sufficient knowledge of the risks involved with secured borrowing, including the impact of margin calls, forced liquidation and interest rates

Application Channel

HSBC Branches / Personal Internet Banking / Mobile Banking

Loan Currency

HKD Only

Annual Interest Rate

Please refer to the Wealth Portfolio Lending Key Facts Statement for details

How Much You Can Borrow

Your Credit Limit fluctuates daily based upon the market value of your assets, the advance ratio we have assigned to them, as well as the portfolio risk margins (i.e. cross currency risk margin and non-standard risk margin) which reduce your initial collateral value. We may amend the advance ratio of specific assets at our discretion without prior notice. Your account is also further subject to a maximum credit limit, which is determined at the time your application is approved and will be reviewed periodically.

Advance Ratio (AR)

The Advance Ratio (AR) is the percentage you can borrow against the market value of an eligible asset. Please refer to Appendix 1 for a list of eligible assets and the maximum ARs we assign to them. Your portfolio AR is impacted by the diversification of your portfolio and our internal risk assessment. AR may change from time to time at our discretion.

Collateral Value (CV)

Collateral Value (CV) represents the amount of funds you can borrow against an eligible asset or a portfolio of eligible assets. The CV of an eligible asset is based on its market value multiplied by its advance ratio.

Portfolio Risk Margins

- Cross Currency Risk Margin

Additional margin that must be held in your account due to added risk that exists when the currency of your eligible assets is not the same as that of your loan. This reduces your initial CV and is automatically reflected in your Credit Limit and your account's margin status. Please refer to Appendix 2 for further details of cross currency risk margin.

- Non-Standard Risk Margin

Additional margin that must be held in your account due to added risk that exists when your portfolio has a high concentration of eligible assets in certain risk categories such as non-investment grade debt. This will reduce your initial CV and will automatically be reflected in your available limit and your account's margin status.

Safety Buffer

A portion of your portfolio CV set aside to help lower the likelihood of a Margin Call during adverse market conditions. We set or adjust this safety buffer based on your knowledge and experience of secured borrowing, as well as your attitude and behavior towards dealing with margin calls.

Turn Your Savings Account into a Loan Account

Your credit facility will typically be set up on your Integrated HKD Savings Account¹.

Note: The existing associated cash account / default settlement account for Investment Services (if applicable) will be aligned to the Loan Account².

- To utilise the facility, you simply overdraw this account (which will appear as negative account balance), up to your credit limit.
- You always use the cash balance in this account before any loan is drawn, and no interest charges will be incurred unless this account is overdrawn and carries a negative balance.
- All sell transactions and maturity instructions need to be settled to this account. If the aforementioned transaction is in a foreign currency, then it will be settled to the corresponding Integrated Foreign Currency Savings Account.

¹If you prefer, the facility may also be set up on your Integrated HKD Current Account. Once set up, your Loan Account cannot be changed.

²You should carefully consider and decide which account, Integrated HKD Savings Account or Integrated HKD Current Account, will be set up as your Loan Account. For example, assuming your existing associated cash account / default settlement account for Investment Services (if applicable) has been set up on your Integrated HKD Current Account, if you want to remain as it is, you should choose Integrated HKD Current Account as your Loan Account, or if you choose Integrated HKD Savings Account as your Loan Account, your associated cash account / default settlement account for Investment Services (if applicable) will be forcibly changed from Integrated HKD Current Account to Integrated HK Savings Account.

Net Margin Ratio (NMR)

Net Margin Ratio (NMR), calculated at least daily, determines your margin status and represents the adequacy of your eligible assets in covering your loan balance.

$$\text{NMR} = \frac{\text{Available Margin}}{\text{Required Margin}}$$

Where
Available Margin = Market Value* – Loan Balance[^]
Required Margin = Market Value* – Portfolio Collateral Value[#]

Investments which are being transferred out of the account (if applicable) will still be included in calculations of NMR on the settlement date due to the time lag for processing the transfer. These will be reflected on the next business day.

* Market value refers to the market value of eligible assets with a non-zero advance ratio.

[^] Loan balance used in the calculation of NMR takes into account the in-progress transactions (e.g. investment products transactions pending settlement and cheques pending clearance, if any), despite which may not have been reflected in the ledger balance available on mobile banking or personal internet banking due to the time and arrangement required for settlement or clearance.

[#] Please refer to Illustration 1 under How Wealth Portfolio Lending Works to understand the definition of portfolio collateral value.

Margin Status Definitions

When your loan balance exceeds the portfolio collateral value, you will not have any remaining credit limit available for utilisation. Additionally, you will need to closely monitor the margin status of your account, which is determined by your NMR according to the table below.

Please be aware that volatile markets may lead to margin calls which need to be rectified at short notice.

Over-collateralised	Your margin status is in Over-collateralised if: <ul style="list-style-type: none">the NMR is 100% or above. Your margin level is sufficient and you can continue to draw down any available amount. Remember to check your margin status regularly.
Shortfall	Your margin status is in Shortfall if <ul style="list-style-type: none">the NMR is 80% to below 100%. You cannot further draw down loans until you bring your NMR back to 100% or above. To increase your NMR, you can transfer in additional funds or eligible assets, or sell* assets from your portfolio to pay down your loan balance.
Margin Call	Your margin status is in Margin Call if: <ul style="list-style-type: none">the NMR is 60% to below 80%. You must satisfy the Margin Call within 5 business days by bringing the NMR back to 100% or above. To increase your NMR, you can transfer in additional funds or eligible assets, or sell* assets from your portfolio in order to pay down your loan balance. If the Margin Call is not satisfied within 5 business days, or the NMR further drops to below 60%, your margin status will change to Forced Liquidation and we will have the rights described immediately below.
Forced Liquidation	Your margin status is in Forced Liquidation if: <ul style="list-style-type: none">the NMR is below 60%; oryou do not satisfy a Margin Call within 5 business days; orwe consider, in good faith, that the market conditions are likely to expose you to unacceptable risk or heavy losses, including unstable, unfavourable, and abnormal market conditions (as known as adverse market conditions) during which the NMR may not be updated timely. Without prior notice to you, we can sell any of your Secured Assets and use the proceeds of the sale or funds in any of your accounts to pay down your loan balance and bring the NMR back to 100% or above. If any shortfall remains, you will need to pay us.

*Please note that the sale of every dollar from an Eligible Asset would also mean a corresponding reduction in collateral value and credit limit.

Notification of Shortfall, Margin Call and Forced Liquidation

We may give you a Shortfall notice, Margin Call notice or Forced Liquidation notice but we don't have to. If we do, we can send you an SMS notification and/or give you a phone call.

If we give you a Margin Call notice or Forced Liquidation notice, we'll tell you to take steps to maintain your Net Margin Ratio to 100% or more and ensure what you owe us does not exceed your Credit Limit.

If you hold any overseas listed equities or overseas exchange traded funds under your Portfolio, we may also contact you during non-business days in Hong Kong when it is a trading day in the relevant overseas stock market (e.g. during Chinese New Year holiday).

How to Monitor the Margin Status

You can monitor your credit limit, collateral value and margin status in the following ways:

- using HSBC HK Mobile Banking app
- using Personal Internet Banking
- contacting your relationship manager

How Wealth Portfolio Lending Works

Below are a few illustrative examples to help you understand how Wealth Portfolio Lending works, along with some of the key risks involved. They do not cover all possible scenarios and are not intended to be taken as advice on how to use the facility.

Illustration 1: How Much You Can Borrow

Assuming you hold the following eligible assets in the portfolio, which we consider well-diversified based on the internal assessment, with a maximum credit limit of HKD 10,000,000 approved:

- Your initial collateral value would be HKD 9,040,000.
- HKD 17,000 would be deducted from your initial collateral value to account for Cross Currency Risk Margin³.
- Considering your knowledge of secured borrowing and attitude for dealing with margin calls, a Safety Buffer⁶ of 10% (i.e. HKD 1,340,000 in this example) would be set aside from your portfolio collateral value.
- Therefore, your Credit Limit would be HKD 7,683,000.

Your credit limit would be adjusted at least daily.

Eligible Assets	Market Value (HKD Equivalent)	Advance Ratio	Collateral Value (HKD Equivalent)
Time Deposit (in HKD)	300,000	100%	300,000
Government Bond (in USD)	400,000	85%	340,000
HK Listed Equity (in HKD)	10,000,000	60%	6,000,000
Unit Trust (in HKD)	3,000,000	80%	2,400,000
Initial Collateral Value			\$9,040,000
▪ Cross Currency Risk Margin ³			(\$17,000)
▪ Non-Standard Risk Margin ⁴			(\$0)
Portfolio Collateral Value ⁵			\$9,023,000
▪ Safety Buffer ⁶			(\$1,340,000)
Credit Limit			\$7,683,000

³ Cross currency risk margin is HKD 17,000 calculated by HKD 340,000 x 5% in this example, where the HKD 340,000 represents the collateral value of the Government Bond (in USD), and the 5% represents the AR reduction due to the difference between the currency of the Government Bond (in USD) and the currency of the loan (in HKD).

⁴ Non-standard risk margin is zero in this example because it is a well-diversified portfolio.

⁵ Portfolio collateral value is the remaining of your initial collateral value after deducting all relevant portfolio risk margins, and is not affected by your knowledge and experience towards secured lending with margin calling mechanism.

⁶ Safety buffer is the percentage we assign to you based on the Knowledge and Experience questionnaire that you completed at the point of application. Safety buffer is calculated based on the percentage we assign multiplies by the market value of your eligible investment holdings. In this illustration, safety buffer is HKD 1,340,000 calculated based on eligible investment holdings (HKD 400,000 + HKD 10,000,000 + HKD 3,000,000) x 10% in this example, where the HKD 400,000 + HKD 10,000,000 + HKD 3,000,000 represents the market value of the eligible investment holdings including the Government Bond, the HK Listed Equity, and the Unit Trust, and the 10% represents the safety buffer set based on your knowledge and experience.

Illustration 2: How Your Margin Status and Net Margin Ratio (NMR) are Determined

Assuming you have drawn down HKD 8,000,000 from your facility secured by eligible assets with market value of HKD 15,000,000 and credit limit of HKD 9,000,000 (assuming the portfolio advance ratio[#] is 60%, the safety buffer is 0% and the loan amount remains unchanged for one year as the interest to be debited monthly is also repaid fully on the same day). The NMR in different market conditions would be calculated as below:

Market Value of Eligible Assets	\$15,000,000
Portfolio Advance Ratio[#]	60%
Credit Limit	$15,000,000 \times 60\% = \mathbf{\$9,000,000}$
Loan Drawdown	\$8,000,000
Annual Interest Cost	$8,000,000 \times 4.93\%^* = \mathbf{\$394,400}$
Total Outstanding Loan Balance	$8,000,000 + 394,400 = \mathbf{\$8,394,400}$

[#] Portfolio advance ratio used here is simplified for easier illustration only. Each eligible asset will be assigned an advance ratio individually subject to diversification of your portfolio and our internal risk assessment.

* For illustration purpose, the interest rate here (i.e. 4.93%) is the effective annual interest rate comprising the benchmark rate and the blended interest rate spread. For detailed interest rate calculation, please refer to Appendix 3 in this Factsheet.

Scenario	<u>Base scenario</u> Assume that the market value of your eligible assets is HKD 15,000,000.	<u>Market value drop by 20%</u> Assume that the market value of your eligible assets decreases by 20%.	<u>Market value drop by 30%</u> Assume that the market value of your eligible assets decreases by 30%.
Market Value of Eligible Assets	- \$15,000,000	$15,000,000 \times (1 - 20\%)$ = \$12,000,000	$15,000,000 \times (1 - 30\%)$ = \$10,500,000
Portfolio Collateral Value	$15,000,000 \times 60\%$ = \$9,000,000	$12,000,000 \times 60\%$ = \$7,200,000	$10,500,000 \times 60\%$ = \$6,300,000
Available Margin	$15,000,000 - 8,394,400$ = \$6,605,600	$12,000,000 - 8,394,400$ = \$3,605,600	$10,500,000 - 8,394,400$ = \$2,105,600
Required Margin	$15,000,000 - 9,000,000$ = \$6,000,000	$12,000,000 - 7,200,000$ = \$4,800,000	$10,500,000 - 6,300,000$ = \$4,200,000
Net Margin Ratio = Available Margin / Required Margin	$6,605,600 \div 6,000,000$ = 110.09%	$3,605,600 \div 4,800,000$ = 75.12%	$2,105,600 \div 4,200,000$ = 50.13%
Margin Status	Over-collateralised	Margin Call	Forced Liquidation

Illustration 3: How Investing with Borrowed Funds Can Magnify Gain / Loss

In instances where borrowed funds are used to increase the size of an investment portfolio, this may result in magnified losses during periods of market decline or adverse market conditions.

Assuming you have drawn down HKD 5,000,000 from your facility (secured by eligible assets with market value of HKD 15,000,000, providing a credit limit of HKD 9,000,000) to further increase the your portfolio holdings from HKD 15,000,000 to HKD 20,000,000. The loan amount remains unchanged for one year as the interest to be debited monthly is also repaid fully on the same day.

If the market dropped by 15%, you would have experienced a 21.66% loss.

If the market increased by 15%, you would have experienced a 18.34% gain.

While borrowing for re-investment can magnify gains, it magnifies losses by a higher percentage because of the cost of borrowing (i.e. interest), and this leads to asymmetrical results.

Scenario 1	Assuming the market value of your eligible assets increased by 15%	
	Without Reinvestment	With Reinvestment
Market Value of Eligible Assets	$15,000,000 \times (1 + 15\%) = \mathbf{\$17,250,000}$	$20,000,000 \times (1 + 15\%) = \mathbf{\$23,000,000}$
Gain	$15,000,000 \times 15\% = \mathbf{\$2,250,000}$	$20,000,000 \times 15\% = \mathbf{\$3,000,000}$
Annual Interest Cost	(\$0)	$5,000,000 \times 4.99\%^* = \mathbf{(\$249,500)}$
Net Gain	$2,250,000 - 0 = \mathbf{\$2,250,000}$	$3,000,000 - 249,500 = \mathbf{\$2,750,500}$
Return on NAV [#]	$2,250,000 \div 15,000,000 = \mathbf{15\%}$	$2,750,500 \div 15,000,000 = \mathbf{18.34\%}$

* For illustration purpose, the interest rate here (i.e. 4.99%) is the effective annual interest rate comprising the benchmark rate and the blended interest rate spread. For detailed interest rate calculation, please refer to Appendix 3 in this Factsheet.

[#] Net Asset Value (NAV) refers to the original portfolio holdings (HKD 15,000,000) before reinvestment (if applicable).

Scenario 2	Assuming the market value of your eligible assets decreased by 15%	
	Without Reinvestment	With Reinvestment
Market Value of Eligible Assets	$15,000,000 \times (1 - 15\%) = \mathbf{\$12,750,000}$	$20,000,000 \times (1 - 15\%) = \mathbf{\$17,000,000}$
Loss	$-15,000,000 \times 15\% = \mathbf{(\$2,250,000)}$	$-20,000,000 \times 15\% = \mathbf{(\$3,000,000)}$
Annual Interest Cost	\$0	$5,000,000 \times 4.99\%^* = \mathbf{(\$249,500)}$
Net Loss	$-2,250,000 - 0 = \mathbf{(\$2,250,000)}$	$-3,000,000 - 249,500 = \mathbf{(\$3,249,500)}$
Return on NAV [#]	$-2,250,000 \div 15,000,000 = \mathbf{(15\%)}$	$-3,249,500 \div 15,000,000 = \mathbf{(21.66\%)}$

* For illustration purpose, the interest rate here (i.e. 4.99%) is the effective annual interest rate comprising the benchmark rate and the blended interest rate spread. For detailed interest rate calculation, please refer to Appendix 3 in this Factsheet.

[#] Net Asset Value (NAV) refers to the original portfolio holdings (HKD 15,000,000) before reinvestment (if applicable).

Key Risks

Below is a non-exhaustive list of the key risks associated with Wealth Portfolio Lending. Prior to applying for Wealth Portfolio Lending, please read the risk disclosure below, ask questions and take independent advice if you so wish.

a. Risks associated with margin requirements

Wealth Portfolio Lending provides a line of credit secured against assets held in your HSBC account.

- Any cash and securities deposited with us will be charged, pledged and/or assigned to us.
- **Your Credit Limit may fluctuate dramatically during the adverse market conditions which impact the market value of your Secured Assets or if we modify the advance ratio assigned to Eligible Assets.**
- **If your Credit Limit drops below your outstanding loan balance, you may be required to transfer in additional Eligible Assets or repay part of your Loan (“Margin Call”) on short notice.**

We have the right to liquidate your Secured Assets or offset your loan with any cash that you deposited with us (“Forced Liquidation”) if you do not satisfy a Margin Call within the required timeline, or if your account otherwise reaches Forced Liquidation status.

- Any liquidation of your Secured Assets will be at prevailing market prices, which may be unfavourable.
- You will bear all fees and losses associated with liquidation of your Secured Assets, and remain liable to repay any outstanding loan balance remaining unpaid.

Finally, we may also exercise the right to sell part or all of any of your Secured Assets used as collateral and/or dispose part or all of your cash or other assets deposited with us and take any other legal action, without prior notice or demand.

- For example, we may have such right when due to adverse market conditions the market value of your assets drops significantly, your assets or your account ceases to be eligible for Wealth Portfolio Lending, or we need to reduce your potential exposure to unacceptable risks or heavy losses.

b. Interest rate risk

Interest rate fluctuations may have an adverse impact on your borrowing costs.

In instances where borrowed funds are used to purchase investment products, the cost of borrowing may equal or exceed your investment returns, resulting in gains being wiped out or a loss incurred.

c. Liquidity risk

You will need to retain sufficient liquid assets to service your loan. **Significant market events may place substantial stress on your liquidity position. Under certain market conditions you may have difficulty selling your assets.** In the event we have to force sell your assets, the price at which such sale is concluded may also be affected where there is no or little liquidity in the market for your investments and/or collateral.

d. Currency risk

If your loan and collateral are denominated in different currencies, you may face losses and increased risk of a Margin Call when the borrowing currency appreciates and/or the collateral currency depreciates.

e. Risk of magnified losses

In instances where borrowed funds are used to increase the size of an investment portfolio, **this may result in magnified losses during periods of market decline or adverse market conditions.**

In instances where borrowed funds are used to purchase securities, **it should be noted that the prices of securities vary, sometimes dramatically. The price of a security may move up or down, and may become valueless. It is as likely that you will incur losses rather than making profit when buying or selling securities.**

Commissions, Fees and Charges

Your annual interest rate is the prevailing benchmark rate, which can change daily, plus or minus an interest rate spread. Our latest pricing, including the benchmark rate and the interest rate spread, is available in the Wealth Portfolio Lending Key Facts Statement on our public website (www.hsbc.com.hk/wpl/kfs/).

Interest will continue to accrue until all your loans are repaid in full.

There is no minimum monthly loan repayment requirements for Wealth Portfolio Lending.

There is no service fee or service charge for Wealth Portfolio Lending.

You will be responsible for paying the costs of any sale or transfer any of your Secured Assets. You should familiarize yourself with any commissions, fees and charges which may apply to you when you sell or transfer of your Secured Assets, which may affect your net profit (if any) or increase your net losses.

Appendix 1: Eligible Assets and Advance Ratios

This list of eligible assets and maximum advance ratios may be amended from time to time with immediate effect.

Generally, the more diversified your investment portfolio is, the higher the advance ratio for your assets may be, taking it closer to the respective maximum advance ratio listed below.

If your investment portfolio is considered to be concentrated or impacted by other risk factors, based on our internal assessment, the advance ratio applied to your eligible assets may be lower than the maximum advance ratio displayed below.

Eligible Asset		Maximum Advance Ratio
Savings Deposits	Hong Kong dollar (HKD)	0%
	United States dollar (USD), Chinese Yuan (CNY)	85%
	Euro (EUR), Pound sterling (GBP), Canadian dollar (CAD), Swiss franc (CHF), Australian dollar (AUD), New Zealand dollar (NZD), Singapore dollar (SGD), Japanese yen (JPY) and Thai baht (THB)	85%
Time Deposits	Hong Kong dollar (HKD)	100%
	United States dollar (USD), Chinese Yuan (CNY)	85%
	Euro (EUR), Pound sterling (GBP), Canadian dollar (CAD), Swiss franc (CHF), Australian dollar (AUD), New Zealand dollar (NZD), Singapore dollar (SGD), Japanese yen (JPY) and Thai baht (THB)	85%
Deposit Plus	-	Up to 70%
Capital Protected Investment Deposits	-	Up to 70%
HK Listed Equities	-	Up to 70%
US Listed Equities	-	Up to 70%
Unit Trusts / HK Exchange Traded Funds / US Exchange Traded Funds	Equity Funds	Up to 70%
	Fixed Income Funds	Up to 90%
	Mixed Allocation / Balanced Funds	Up to 70%
	Other Funds	Up to 70%
Bonds	Credit Rating: ≥AA-	Up to 95%
	Credit Rating: ≥A-	Up to 90%
	Credit Rating: ≥BBB-	Up to 80%
	Credit Rating: ≥BB-	Up to 70%
	Credit Rating: ≥B-	Up to 60%
Certificates of Deposit	-	Up to 70%
Note: HSBC / Hang Seng Bank issued shares, Capital-in-nature instruments or Non-capital LAC Debt Instruments issued by HSBC entities are not permitted as eligible assets.		

Appendix 2: Cross Currency Risk Margin

The cross currency risk margin applied to different currencies may be amended from time to time with immediate effect.

Cross currency risk margin is the additional margin or reduction in collateral value, that we require to offset the risks that occur when the currency of your loan does not match the currency of your eligible assets. This shall apply for all types of non-cash eligible assets.

For example, if a HKD loan is secured by a HKD denominated fund (assuming the AR is 70%), switching the fund to a EUR share class would result in an AR of 63% ($=70\% \times (1 - 10\%)$) after applying the 10% reduction.

If the assets are not denominated in currencies listed in the table below, they are not considered as eligible assets.

Currency Volatility Group	Advance Ratio Reduction
Low (US dollar (USD))	5%
Normal (e.g. Chinese Yuan (CNY), Euro (EUR), Pound sterling (GBP), Canadian dollar (CAD), Swiss franc (CHF), Australian dollar (AUD), New Zealand dollar (NZD), Singapore dollar (SGD), Japanese yen (JPY) and Thai baht (THB))	10%

Appendix 3: Effective Annual Interest Rate Calculation

Effective annual interest rate for the day is comprised of the prevailing benchmark rate and blended interest rate spread for the day.

- Benchmark rate is Hong Kong Interbank Offered Rate (HIBOR) in HKD for the interest period of 1 month quoted by The Hong Kong Association of Banks.
 - Please refer to <http://www.hkab.org.hk/DisplayInterestSettlementRatesAction.do> for the latest 1-month HIBOR from Hong Kong Association of Banks.
- Blended interest rate spread is a derived interest rate spread based on the various tiers of the loan amount for the day and their respective interest rate spreads. It is to provide a simplified and consolidated view for the interest rate spread after considering the tier(s) of the loan amount for the day. Blended interest rate spread can change daily as the loan amount may also vary from day to day.

A sample calculation of the effective annual interest rate and the blended interest rate spread is provided below to illustrate how the change in loan amount also impacts the blended interest rate spread for the day. For coherence and simplification, the loan amount for Day 1 and Day 2 below is replicated from Illustration 2 and Illustration 3 in this Factsheet. The Hong Kong Interbank Offered Rate (HIBOR) in HKD for the interest period of 1 month quoted by The Hong Kong Association of Banks is assumed to be 4.03% for illustration purpose only for both Day 1 and Day 2. The blended interest rate spread for Day 1 would be 0.90% derived from the loan amount of HKD 8,000,000; and that for Day 2 would be 0.96% derived from the loan amount of HKD 5,000,000, as the loan amount changes.

Day 1: The effective annual interest rate would be 4.93% (= 4.03% + 0.90%).

Day 2: The effective annual interest rate would be 4.99% (= 4.03% + 0.96%).

	Day 1	Day 2
Loan amount (HKD)	\$8,000,000	\$5,000,000
1-month HKAB Hong Kong Interbank Offered Rate (HIBOR)HIBOR of the day – for illustration only	4.03%	
Blended interest rate spread p.a. for the day (please see the table below for the respective interest rate spreads for the various tiers of loan amount – for illustration only)	$\frac{(1,000,000 * 1.2\%) + (2,000,000 * 1.0\%) + (5,000,000 * 0.8\%)}{8,000,000}$ = 0.90%	$\frac{(1,000,000 * 1.2\%) + (2,000,000 * 1.0\%) + (2,000,000 * 0.8\%)}{5,000,000}$ = 0.96%
Effective annual interest rate p.a. for the day	4.03% + 0.90% = 4.93%	4.03% + 0.96% = 4.99%
Daily interest cost	8,000,000 x 4.93% / 365* = \$1,080.55	5,000,000 x 4.99% / 365* = \$683.56

* For illustration purpose, it is assumed to be a non-leap year (i.e. 365 days a year) in this example.

Tier	Interest rate spread p.a.*	Loan amount break down for Day 1	Loan balance break down for Day 2
\$1,000,000 or below	1.2%	\$1,000,000	\$1,000,000
Above \$1,000,000 and up to \$3,000,000	1.0%	\$2,000,000	\$2,000,000
Above \$3,000,000	0.8%	\$5,000,000	\$2,000,000
Total loan amount of the day	-	\$8,000,000	\$5,000,000

* We may amend the interest rate spreads at our absolute discretion at any time by giving you prior notice in writing to this effect. Please refer to the Wealth Portfolio Lending Key Facts Statement on our Website for the latest pricing.

