Wealth Portfolio Lending Product Factsheet

Key Facts

Product Name: Wealth Portfolio Lending

Wealth Portfolio Lending is a facility granted by HSBC and secured by eligible client assets held in your relevant HSBC account. This allows Jade Clients to retain their existing portfolio holdings while increasing their financial flexibility for either liquidity or investment needs.

Product Nature

- Wealth Portfolio Lending is a Securities-backed lending product for HSBC Jade clients.
- Clients may borrow with a specific reason in mind or may simply want to establish a stand-by credit line they can access at any time in the future for opportunities or needs that may arise.

Advance Ratio and Eligible Collateral

- Advance ratio is assigned on individual asset level allowing the customer to unlock the optimal value from their diversified portfolio.
- Eligible collateral is Foreign Currency Savings Deposits, Time Deposits, Deposit Plus, Structured Investment Deposits, Bonds, Certificates of Deposit, HK Listed Equities and Unit Trusts.

The collateral value and available credit limit will be adjusted daily based on the prevailing market value of your assets pledged to us in your relevant bank account, subject to utilized facility credit limit.

Eligibility Requirement

- Jade clients with minimum HKD 7.8 million in Total Relationship Balance

Collateral	Advance Ratio
Foreign Currency Savings Deposits	up to 85%
HKD Time Deposits	up to 100%
Foreign Currency Time Deposits	up to 85%
Deposit Plus	up to 70%
Structured Investment Deposits	up to 70%
Bonds	up to 95%
Certificates of Deposit	up to 70%
HK Listed Equities	up to 70%
Unit Trusts	Equity Funds: up to 70% Fixed Income Funds: up to 90% Mixed Allocation Funds: up to 70% Other Funds: up to 70%

Credit Limit

- Maximum HKD 39 million, depending on the collateral value of your Eligible Assets at the time we grant you the facility.

Disclaimers:

This factsheet provides you with certain information about the key features and risks of the Wealth Portfolio Lending services (the "Wealth Portfolio Lending") provided by The Hongkong and Shanghai Banking Corporation Limited (the "Bank" or "we", "us") and forms part of the product information documents. However, this factsheet is not binding. It is intended for general reference only and does not form part of the Bank's Terms and Conditions for Wealth Portfolio Lending or any agreement with the Bank and is not a comprehensive summary thereof. You should not use Wealth Portfolio Lending based on this factsheet alone. You should read this factsheet in conjunction with the Terms and Conditions for Wealth Portfolio Lending and other documents referred to therein.

Any terms used in this factsheet have the same meaning as defined in the Terms and Conditions for Wealth Portfolio Lending.

HSBC

Product Currency

- HKD only

Annualised Interest Rate

Loan Currency	Annual Interest Rate
HKD	Our Best Lending Rate minus 1.75% (BLR – 1.75%)

Note:

i. Best Lending Rate (BLR) refers to the prevailing rate quoted by us from time to time. Please refer to our website (www.hsbc.com.hk) or contact our staff for details.

ii. Interest is calculated daily based on the unpaid amount of your Loans and debited from your relevant account on the 28th of each month. If that date falls on a Sunday or public holiday, interest will be debited on the preceding business day.

iii. For HKD Loans, interest is calculated on the basis of actual number of days elapsed and 365 days in a year (or 366 days in a leap year).

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

How does HSBC's Wealth Portfolio Lending work?

Below are examples showing potential scenarios using Wealth Portfolio Lending.

All examples in this document are for illustration purposes only; it is not exhaustive and does not represent all possible real-life scenarios and associated risks.

Note the example illustrating the calculation of the Loan amount takes into account various factors and does not cover all potential factors that may be taken into account by the Bank for this purpose and the Bank has discretion to refuse granting a Loan or to reduce its amount.

1. Determining the Credit Limit

A Jade Client has the below investments and wants to obtain a facility of Wealth Portfolio Lending by pledging all the investments below as collateral.

The below example is for illustration only. For the details of Credit Limit of your portfolio, please contact your Jade Director.

Collateral	Market Value in HKD equivalent	Maximum Advance Ratio	Maximum Collateral Value in HKD equivalent
HKD Time Deposits	300,000	100%	300,000
Government Bonds	400,000	95%	380,000
HK Listed Equities	10,000,000	70%	7,000,000
Unit Trusts (Fixed Income)	3,000,000	90%	2,700,000
Total	13,700,000	-	10,380,000

The credit limit could be granted up to HKD 10,380,000 supported by the total collateral value of the portfolio. Once the facility is granted, the Jade Client is eligible to use HKD cash amount anytime within the facility limit.

The facility limit would vary on a daily basis based on the fluctuation of the market value of the collateral, and is subject to our credit policies.

2. Key features of Wealth Portfolio Lending

Net Margin Ratio (NMR)

The margin status of the Wealth Portfolio Lending facility determines the adequacy of collateral value as security at a pool level to cover the outstanding liabilities, which is determined by the Net Margin Ratio.

Net Margin Ratio ('NMR') = Available Margin ÷ Required Margin

Collateral Value = Market Value ('MV') of Security x Advance Ratio ('AR')

Required Margin = Latest MV of Security x (1 – AR)

Available Margin = MV – Loan Outstanding

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Margin Call

A Margin Call is a notification that may be dispatched by the Bank to you if:
- the NMR is below 80%; or
- the outstanding loan exceeds the Credit Limit;

You must satisfy the Margin Call within 5 business days. You can satisfy a Margin Call by making available additional monies to be applied in reduction of loan outstanding; providing additional eligible collateral; selling part or all of your collateral.

Force Liquidation

Forced Liquidation is the Bank's right to force liquidate (redeem) your investment holdings if:
- the NMR is below 60%; or
- you do not satisfy a Margin Call within 5 business days; or
- we consider, in good faith, that the market conditions are likely to expose you to unacceptable risk or heavy losses, including unstable, unfavorable and abnormal market conditions which the NMR may not be timely reflected ("Adverse Market Conditions").

We may, but are not obliged to send you a notice before exercising this right to force liquidate your investment holdings. However, we will send you a confirmation of the action taken after execution.

Shortfall, Margin Call and Forced Liquidation Notification

Type of notification you would normally receive and actions required from you or taken by the Bank:
80%<= NMR < 90% | Shortfall • A SMS message and a phone call to alert you about the Shortfall, voicemail and email messages would normally be sent if you miss the phone call. **60%<= NMR < 80% | Margin Call** • A SMS message and a phone call to alert you about the Margin Call, voicemail and email messages would normally be sent if you miss the phone call. • You must satisfy the Margin Call within 5 business days. • You can satisfy a Margin Call by making available additional monies to be applied in reduction of loan outstanding; providing additional eligible collateral; selling part or all of your collateral. • The Bank would not normally (but not obliged to) give a Margin Call if the NMR has reached the Forced Liquidation level. Please note that the Bank may still force liquidate your investment holdings if a Margin Call has been dispatched by the Bank but for some reason has not been received by you. You should regularly check your compliance with the margin requirements under the Terms and Conditions for Wealth Portfolio Lending and whether you have received any Margin Call.
NMR <60%; **or** **Margin Call not satisfied within the required timeline;** **or** **Under Adverse Market Conditions | Forced Liquidation** • A SMS message sent *after* the Forced Liquidation. • Investment holdings may be force liquidated by the Bank.

3. **Illustration Analysis**

How to calculate the Net Margin Ratio for investment holdings?

A. **Example of Loan for liquidity**

Assuming your aggregate market value of eligible collateral is HKD15,000,000 with a blended Advance Ratio of 60%.

You have a credit limit of HKD9,000,000 and you draw down HKD8,000,000; your loan outstanding is HKD8,000,000. The Net Margin Ratio would be calculated as below:

Loan granted with a blended Advance Ratio of 60%	
Aggregate market value of investment holding	HKD15,000,000
Aggregate collateral value	HKD9,000,000 (HKD15,000,000x60%)
Required Margin	HKD6,000,000 (HKD15,000,000x(1-60%))
Loan Outstanding	HKD8,192,000 (HKD8,000,000+ HKD192,000)
Interest Cost	HKD192,000 (HKD8,000,000x2.4%)*
Available Margin	HKD6,808,000 (HKD15,000,000-HKD8,192,000)
NMR	113% (HK6,808,000/HKD 6,000,000)

*Assuming the current best lending rate is 5.00%, the actual interest rate would be 5.00% - 2.6% = 2.4%, the loan holding period is 1 year.

Assume that the aggregate market value of the Investment Holdings decreases by 20%

Aggregate market value of investment holding	HKD12,000,000 (HKD15,000,000x(1-20%))
Aggregate collateral value	HKD7,200,000 (HKD12,000,000x60%)
Required Margin	HKD4,800,000 (HKD12,000,000x(1-60%))
Loan Outstanding	HKD8,192,000 (HKD8,000,000+ HKD192,000)
Interest Cost	HKD192,000 (HKD8,000,000x2.4%)*
Available Margin	HKD3,808,000 (HKD12,000,000-HKD8,192,000)
NMR	79% (HKD3,808,000/HKD4,800,000)

*Assuming the current best lending rate is 5.00%, the actual interest rate would be 5.00% - 2.6% = 2.4%, the loan holding period is 1 year.

In order to bring up the NMR to 100% or above, you would be contacted immediately and advised of your position and action required under a Margin Call status. You can (i) make available additional monies to be applied in reduction of loan outstanding or (ii) place additional eligible collateral or (iii) sell part or all of your collateral within 5 business days to remedy the situation.

Assume that the aggregate market value of the Investment Holdings decreases by 30%

Aggregate market value of investment holding	HKD10,500,000 (HKD15,000,000x(1-30%))
Aggregate collateral value	HKD6,300,000 (HKD10,500,000x60%)
Required Margin	HKD4,200,000 (10,500,000x(1-60%))
Loan Outstanding	HKD8,192,000 (HKD8,000,000+ HKD192,000)
Interest Cost	HKD192,000 (HKD8,000,000x2.4%)*
Available Margin	HKD2,308,000 (HKD10,500,000-HKD8, 192,000)
NMR	55% (HKD2,308,000/HKD4,200,000)

*Assuming the current best lending rate is 5.00%, the actual interest rate would be 5.00% - 2.6% = 2.4%, the loan holding period is 1 year.

The collateral shall be sold and proceeds applied in reduction of loan outstanding under the status of Forced Liquidation. The customer(s)'preference and agreement on the priority of collateral liquidation shall be sought.

We will have the right to sell, enforce and/or set-off any other asset or properties deposited in your various Accounts with us as defined in the HSBC's Integrated Account Terms and Conditions and take any other legal action we consider appropriate to ensure repayment by you to us.

B. Example of Loan for Reinvestments

Assuming your aggregate market value of eligible collateral is HKD15,000,000 with a blended Advance Ratio of 60%. Your credit limit is HKD 9,000,000.

<u>Scenario 1:</u>
You use this full amount and invest it, your investment portfolio would be HKD24,000,000 in total market value.

Loan granted with a blended Advance Ratio of 60%	
Aggregate Amount of Eligible Collateral	HKD15,000,000
Credit limit	HKD9,000,000 (HKD15,000,000x60%)
Total Amount of Investment Portfolio	HKD24,000,000 (HKD15,000,000+HKD9,000,000)

<u>Scenario 2:</u>
If you invest HKD9,000,000 in total amount of eligible collateral, you then place a request for an increase in the credit limit.

Potential increase in credit limit	HKD5,400,000 (HKD9,000,000x 60%)
Total amount of investment portfolio (with reinvestment portfolio as collateral)	HKD29,400,000 (HKD24,000,000+HKD5,400,000)

Potential financial impacts in adverse market condition

Assuming that market value of Investment Holdings decreases by 30%

<u>Scenario 1:</u>

	Reinvestment	Without reinvestment
Aggregate Market value of investment holding	HKD16,800,000 (HKD24,000,000x (1-30%))	HKD10,500,000 (HKD15,000,000 x (1-30%))
Unrealized Loss	HKD7,200,000 (HKD24,000,000x30%)	HKD4,500,000 (HKD15,000,000 x30%)
Interest cost	HKD216,000 (HKD9,000,000x 2.4%)*	HKD216,000 (HKD9,000,000x 2.4%)*
Total Loss including interest cost	HKD7,416,000 (HKD7,200,000 +HKD216,000)	HKD4,716,000 (HKD4,500,000+ HKD216,000)

*Assuming the current best lending rate is 5.00%, the actual interest rate would be 5.00% - 2.6% = 2.4%, the loan holding period is 1 year.

<u>Scenario 2:</u>

Outstanding with potential increase in credit limit	HKD14,400,000 (HKD9,000,000 +5,400,000)	-
Unrealized Loss with potential increase in credit limit	HKD8,820,000 (HKD29,400,000x30%)	-
Interest cost with potential increase in credit limit	HKD345,600 ((HKD9,000,000 +HKD5,400,000)x2.4%)*	-
Total Loss including interest cost (with reinvestment portfolio as collateral)	HKD9,165,600 (HKD8,820,000 +HKD345,600)	-

*Assuming the current best lending rate is 5.00%, the actual interest rate would be 5.00% - 2.6% = 2.4%, the loan holding period is 1 year.

These examples intend to illustrate the higher level of risks and potential greater losses you would be exposed to if you decide to use any loan amount for reinvestment. It does not constitute and shall not be construed as a solicitation or recommendation to use Wealth Portfolio lending for this purpose.

4. What are the Key Risks?

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

a. General risk of securities trading

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.

b. Risks associated with margin requirements

Wealth Portfolio Lending is a secured loan and your Effective Limit as well as the required margin may vary from time to time based on the advance ratio applicable to each type of Eligible Asset and the fluctuation of the market value of all Eligible Assets as collateral securing your loan. Any cash and securities deposited with us will be charged, pledged and/or assigned to us. Any decrease in the market value of your Eligible Assets pledged as collateral can have an impact on the Collateral Value. If your Collateral Value decreases to a certain level (e.g. your Net Margin Ratio drops below a certain level) or, if for any other reason (e.g your outstanding loan exceeds the Credit Limit) the Eligible Assets used as collateral are deemed by the Bank to be insufficient to secure your credit exposure, you may rapidly be in a situation of margin shortfall. In this context, we may request you to provide additional cash or eligible assets on short notice or sell securities to repay all or part of the loan ("Margin Call"). The amount of additional cash or collateral that we may request you to provide us may be substantial. While any loan provided by us to you remains outstanding, you may be restricted from selling or otherwise dealing with any cash or investments deposited with us.

If you do not act promptly upon receiving of a Margin Call notice and do not take the required actions (such as providing additional cash or Eligible Assets, selling securities and/or repaying the loan) within the prescribed time, we may have various rights, including the right to sell part or all of your assets ("forced sale"), as well as to exercise set-off in relation to any cash that you have deposited with us, even in adverse market conditions. You will bear all losses and may remain liable to repay us any resulting deficit in your account (including interests) and any other amounts due from you to us.

Using your loan for reinvestment purpose could expose you to significant losses. In the context of adverse market movements, you may incur losses in excess of your own initial funds and your investments, and you may be required to repay the loan in full.

Finally, we may also exercise the right to sell part or all of any of your Eligible Assets used as collateral and/or dispose of part or all of the cash or other assets deposited with us and take any other legal action, without 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 cease to be eligible for Wealth Portfolio Lending, or we need to reduce your potential exposure to unacceptable risks or heavy losses.

c. Risk of using leverage

The high degree of leverage attached to the use of Wealth Portfolio Lending for reinvestment can lead to large losses (e.g. in the event we 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.

d. Interest rate risk

Interest rate fluctuations may have an adverse impact on the value of your investments. In addition, where the interest rates by reference to which interests on your loan are calculated fluctuate, this may adversely affect the return on your investments. In particular, the cost of borrowing may equal to or exceed the actual return on your investments, resulting in loss in your principal investment.

e. Liquidity risk

You will need to retain sufficient liquid net worth to service your loan. Significant market events may place substantial stress on your liquidity position. Under certain market conditions you may have difficulties to sell your investments. 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.

f. Currency risk

If your loan and collateral are denominated in different currencies, there may be potential amplified loss liability if the borrowing currency appreciates or the collateral currency depreciates.

5. Commissions, Fees and Charges

There are no service fees or minimal monthly repayment requirements. 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

List of Eligible Collateral

This list of eligible collateral may be amended by the bank from time to time with immediate effect.

1. Deposit Plus

	Advance Ratio
Deposit Plus	Up to 70%

2. Structured Investment Deposits

	Advance Ratio
Structured Investment Deposits	Up to 70%

3. Unit Trusts / Hong Kong Exchange Traded Funds

Strategies	Advance Ratio
Equity Funds	Up to 70%
Fixed Income Funds	Up to 90%
Mixed Allocation / Balanced Funds	Up to 70%
Other Funds	Up to 70%

4. Bonds

Credit Rating	Advance Ratio
⩾AA-	Up to 95%
⩾ A-	Up to 90%
⩾BBB-	Up to 80%
⩾BB-	Up to 70%
⩾B-	Up to 60%

5. Certificates of Deposit

	Advance Ratio
Certificates of Deposit	Up to 70%

6. Equities

Market (Index)	Advance Ratio
Hong Kong (Hang Seng Index (HSI), Hang Seng China Enterprises Index (HSCEI), Hang Seng China-Affiliated Corporations Index (HSCCI))	Up to 70%
Hong Kong (non-index constituent)	Up to 65%

Note: HSBC/ HASE issued shares, Capital-in-nature Instruments or Non-capital LAC Debt Instruments issued by HSBC entities are not permitted as collateral.

7. Cash

Time and Savings Deposits	Currencies	Advance Ratio
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) and Japanese yen (JPY)	85%
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) and Japanese yen (JPY)	85%

Cross Currencies Lending

A reduction in Advance Ratio is required on cross currencies lending. This shall apply for all types of non-cash eligible collateral in non HKD currency.

For example, the advance ratio of aggressive Mixed Allocation Funds is up to 70%. If you held EUR of the fund as eligible collateral, Advance ratio would be 63% (=70%*(1 – 10%)) after applying the reduction of 10%.

Volatilities	Reduced by
Low (US dollar (USD))	5%
Low (e.g. Kuwaiti dinar (KWD), Macau pataca (MOP))	10%
Normal (e.g. Chinese Yuan (CNY and CNH), Euro (EUR), Pound sterling (GBP), Canadian Dollar (CAD), Swiss Franc (CHF), Australian Dollar (AUD), New Zealand dollar (NZD), Singapore dollar (SGD) and Japanese yen (JPY), Swedish krona (SEK))	10%
Medium (e.g. Vietnamese đồng (VND), South African rand (ZAR))	15%
High (e.g. Jamaican dollar (JMD))	30%

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