

# Wealth Portfolio Lending

Maximise your financial flexibility with a secured revolving credit and take advantage of your overall wealth.

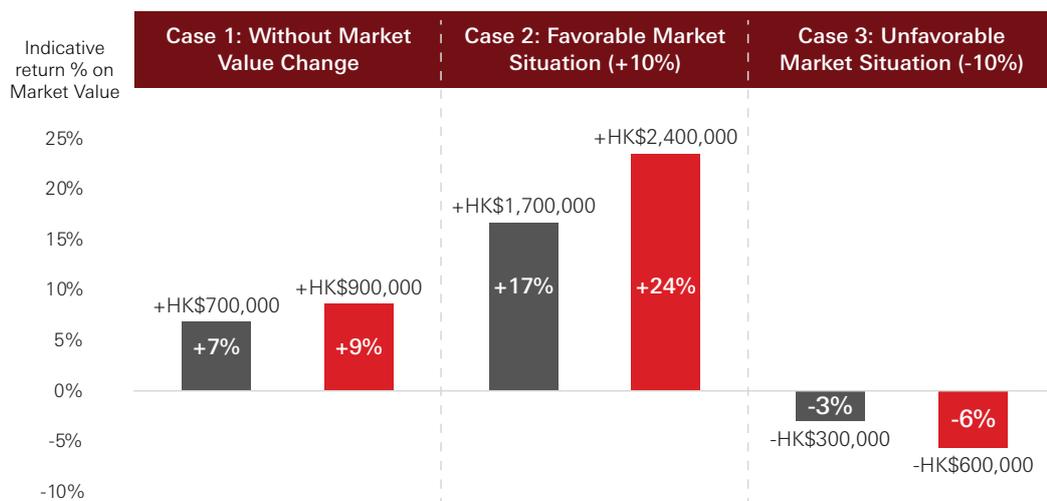
## How can Wealth Portfolio Lending ("WPL") magnify your investment returns / losses?

Illustrative example:

You are optimistic about the investment prospects and plan to draw down WPL facility of HK\$5 million to enhance potential investment returns.

- Market Value of Eligible Assets: HK\$10,000,000
- Portfolio Advance Ratio\*: 50%
- Maximum Loan Amount: HK\$5,000,000 (HK\$10,000,000\*50%)
- Expected Portfolio Dividend Yield (p.a.): 7%
- Loan Interest Rate (p.a.)#: 3%
- Investment and Loan Horizon: 1 year

### Indicative Investment Returns/Losses



	Case 1: Without Market Value Change		Case 2: Favorable Market Situation (+10%)		Case 3: Unfavorable Market Situation (-10%)	
	Without WPL	With WPL	Without WPL	With WPL	Without WPL	With WPL
(a) Market Value of Eligible Assets	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000
(b) Total outstanding loan balance	-	\$5,000,000	-	\$5,000,000	-	\$5,000,000
(c) Total Market Value of Eligible Assets (a) + (b)	\$10,000,000	\$15,000,000	\$10,000,000	\$15,000,000	\$10,000,000	\$15,000,000
(d) Expected Coupon / Dividend Amount [(c) x 7%]	\$700,000	\$1,050,000	\$700,000	\$1,050,000	HK\$700,000	\$1,050,000
(e) Estimated Loan Interest [(b) x 3%]	-	-\$150,000	-	-\$150,000	-	-\$150,000
(f) Gain / Loss from market value change [(c) x market value change +10%/-10%]	-	-	\$1,000,000	\$1,500,000	-\$1,000,000	-\$1,500,000
(g) Indicative Investment returns/ losses [(d) + (e) + (f)]	+\$700,000	+\$900,000	+\$1,700,000	+\$2,400,000	-\$300,000	-\$600,000
(h) Indicative returns/losses on NAV p.a. [(g) ÷ (a)]	+7.0%	+9.0%	+17.0%	+24.0%	-3.0%	-6.0%

Investment Returns under different Loan Interest Rate	Case 1: Without Market Value Change	Case 2: Favorable Market Situation (+10%)	Case 3: Unfavorable Market Situation (-10%)
Loan Interest Rate (p.a.)#: 2%	\$950,000 (+9.5%)	\$2,450,000 (+24.5%)	-\$550,000 (-5.5%)
Loan Interest Rate (p.a.)#: 4%	\$850,000 (+8.5%)	\$2,350,000 (+23.5%)	-\$650,000 (-6.5%)

Remarks: Currency risk margin and safety buffer are excluded.

Important Notes: This example is for illustration only, is not exhaustive and does not represent all possible real-life scenarios and associated risks. Not every WPL eligible asset is yield-generating. This is a reference material ONLY and illustrates the amplified gains and losses possible when re-investing with borrowed funds. It is not a solicitation or recommendation for using WPL for re-investment purposes. The values below are illustrations only and in no way represent a guarantee or prediction of future performance or returns.



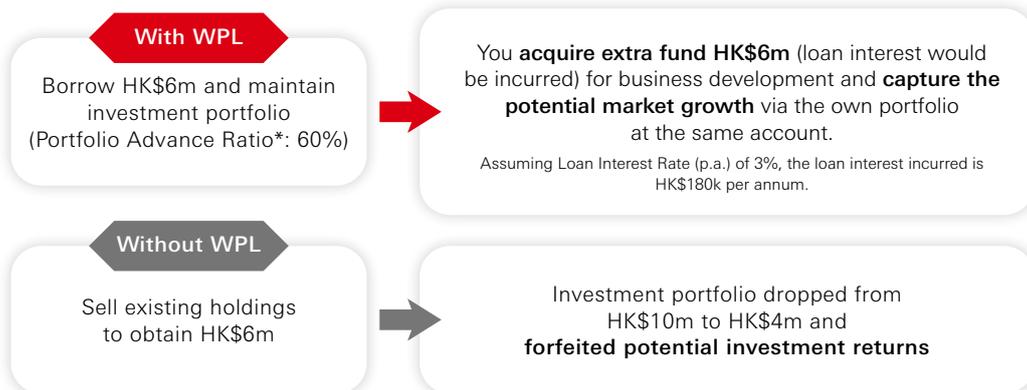
## How can Wealth Portfolio Lending allow generating liquidity without giving up opportunities and returns?

Illustrative example:

You have HK\$10m fully invested and diversified portfolio with Bonds, UT and Equities in HSBC account.



You need HK\$6m liquidity for business capital turnover.



## Net Margin Ratio(NMR) under Margin Call Status

**Margin call:** Your margin status is in Margin Call if 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.

**Force liquidation:** Your margin status is in Forced Liquidation 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, 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.

Illustrative example:

- Market Value of Eligible Assets: HK\$10,000,000
- Portfolio advance ratio\*: 60%
- Maximum loan amount: HK\$6,000,000 (HK\$10,000,000\*60%)
- Loan Interest Rate (p.a.)#: 3%
- You decide to drawdown HK\$6,000,000 loan
- Investment and loan horizon: 1 year

(HKD)

Scenario	With Market Value Change -10%	With Market Value Change -20%
Available Margin (Market Value – Loan Balance – Loan interest)	\$2,820,000 (\$9,000,000 - \$6,000,000 - \$180,000)	\$1,820,000 (\$8,000,000 - \$6,000,000 - \$180,000)
Required Margin (Market Value – Portfolio Collateral Value)	\$3,600,000 (\$9,000,000 - \$5,400,000)	\$3,200,000 (\$8,000,000 - \$4,840,000)
Net Margin Ratio (NMR) (Net Margin Ratio = Available Margin / Required Margin)	78.34% (\$2,820,000 ÷ \$3,600,000)	56.88% (\$1,820,000 ÷ \$3,200,000)
Margin Status	Margin Call	Force liquidation

Remarks: Currency risk margin and safety buffer are excluded

### How to rectify margin call status? Bringing the NMR back to 100% or above within 5 business days

- Deposit additional cash of HK\$780,000 (HK\$3,600,000 - HK\$2,820,000) or
- Redeem holdings of HK\$1,950,000 (HK\$780,000 ÷ (1 - 60%))

\* 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

# WPL annualised interest rate is calculated based on 1-month Hong Kong Interbank Offered Rate ("HIBOR") quoted by The Hong Kong Association of Banks, which can change daily, plus or minus the applicable interest rate spread. For details, please refer to Key Facts Statement. The Loan Rate is used as an example only and in no way represents an indication or prediction of potential interest rates in the future.

# Unlocking potential: the key benefits and risks you need to know

## Key benefits

Access funds quickly and easily for various needs, such as financing your business and lifestyle spending without cashing out.

Utilise the additional liquidity to diversify your portfolio and optimise your potential investment return.

Provide loan-to-value ratios for a wide range of assets

Asset Type	Advance Ratio (up to)
HKD time deposits	100%
Bonds	95%
Unit Trust	90%
Foreign Currency savings and time deposits	85%
HK stocks & US stocks , HK & US listed ETFs	70%
Capital Protected Investment Deposits	70%
Deposit Plus	70%
Certificates of Deposits	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 asset. For details, please refer to Appendix 1 of the Product Factsheet.)

Borrowing costs as low as 1-month HIBOR + 0.8% p.a. applied to the corresponding portions of the loan according to your daily utilisation tier

Tier	Interest Rate Benchmark	Interest Rate Spread p.a.
HK\$1,000,000 or below	1-month HIBOR <sup>^</sup>	+1.20%
Above HK\$1,000,000 up to HK\$3,000,0000		+1.00%
Above HK\$3,000,000		+0.80%

(For details, please refer to Key Facts Statement)

<sup>^</sup>1-month HIBOR will be updated daily on Mondays to Fridays, excluding public holidays. You can refer to the latest 1-month HIBOR on The Hong Kong Association of Banks' website [www.hkab.org.hk]. On the days when there is no update of 1-month HIBOR, the latest available HIBOR rate will be used. If 1-month HIBOR ceases to be available for whatever reasons, then 1-month HIBOR shall be substituted by any substitute or replacement rate that we may decide without prior notice and will be published on our website.

## Key risks

- Risks associated with margin requirements
- Interest rate risk
- Liquidity risk
- Currency risk
- Risk of magnified losses

(For details, please refer to Product Factsheet)

## Commissions, Fees and Charges

(For details, please refer to Key Facts Statement)

## Important Notes

This wealth portfolio lending document provides a high level overview of the potential impact of wealth portfolio lending on your investments. It must be read together with our [Terms and Conditions](#), [Key Facts Statement](#) and [Product Factsheet](#) on wealth portfolio lending. The capitalised terms in this Leaflet have the same meaning as defined in our Terms and Conditions. In the event of any inconsistency between these documents and this Leaflet, the former documents shall prevail. You must understand and acknowledge the risks associated with margin requirements, including being subject to margin calls and forced liquidation.

This product is subject to customer needs and appropriate assessment(s). 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.

Investment involves risks. To borrow or not to borrow? Borrow only if you can repay!