

Policy dividend for participating products

(applicable to HSBC Eminent Goal Multi-Currency Insurance Plan, HSBC Wealth Goal Insurance Plan II, HSBC Family Goal Insurance Plan and HSBC Health Goal Insurance Plan)

What is a participating policy?

HSBC Life (International) Limited, Macau Branch ("We", "us" or "ourselves") issue participating life insurance policies providing both guaranteed and non-guaranteed benefits.

- **Guaranteed benefits** may include the death benefit, guaranteed cash value and other benefits that vary depending on your chosen plan.
- **Non-guaranteed benefits** comprise the policy dividends, which allow policyholders to share in the financial performance of the life insurance operation.

For HSBC Eminent Goal Multi-Currency Insurance Plan, HSBC Wealth Goal Insurance Plan II, HSBC Family Goal Insurance Plan and HSBC Health Goal Insurance Plan, the policy dividends, if any, are in form of:

Special Bonus, which is declared upon early termination (except if it is due to exercise of Policy Split Option (if applicable)) of the policy due to, for example, death or surrender, the exercise of Policy Value Management Option or at policy maturity.

The Special Bonus amount may change from time to time based on the performance over the life of the policy before the time of declaration and prevailing investment market conditions. The actual amount will not be determined until it is payable.

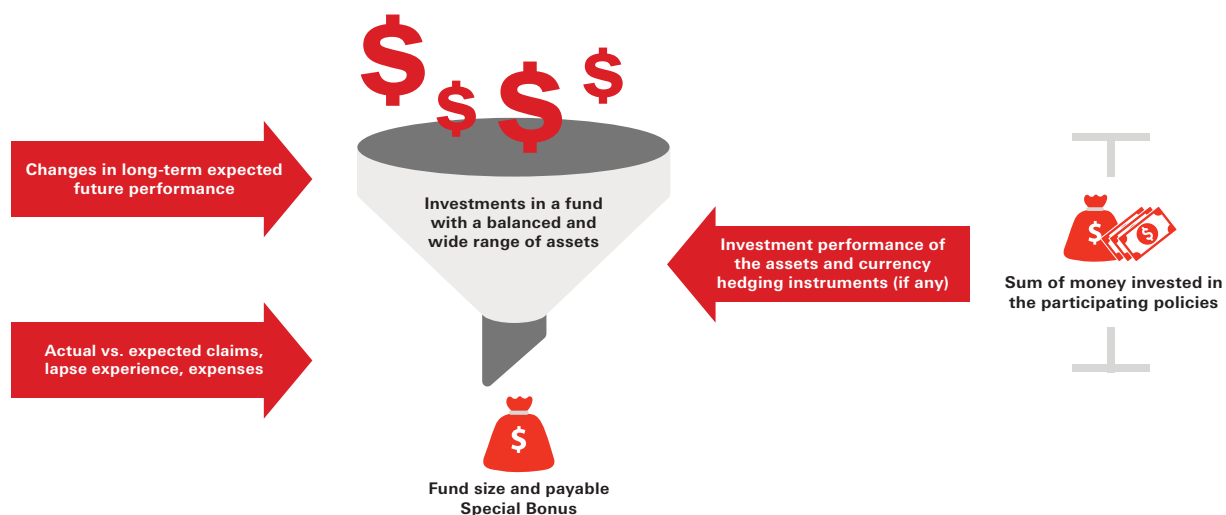
Please refer to your product brochure and benefit illustration of your plan for details.

What factors will affect your Special Bonus?

Special Bonus (if any) is not guaranteed; the size of the Special Bonus and whether it is payable depends on factors including but not limited to:

- The investment performance of the assets and currency hedging instruments (if any) supporting the policies;
- Claims, lapses, and expenses experiences; and
- The long-term expected future performance of the investment and other experiences mentioned above.

If the performance over the long term is better than expected, the Special Bonus paid would increase. If performance is below expectations, the Special Bonus paid would decrease.



What are the key benefits of participating policies?

The key feature of participating policies over other forms of insurance policies is that in addition to the guaranteed benefits, you will also benefit from an additional Special Bonus payment if the investment performance is better than that required to support the guaranteed benefits. The better the performance, the greater the Special Bonus, and, conversely, the worse the performance, the lower the Special Bonus.

Dividend philosophy

The dividend/bonus recommendation is reviewed and approved by our Board of Directors (the "Board"), with written declaration by the Chairman of the Board, an Independent Non-Executive Director and the Appointed Actuary on due regard to our dividend policy as well as the principle of fair treatment of customers.

We have three key principles in determining the level of the participating policy dividend. They are:

1 Establishing a risk-sharing mechanism



2 Fairness across policyholder groups



3 Stable long-term returns



1) Establishing a risk-sharing mechanism

We have a clear interest in the performance of your participating policy as our participating business operates on the principle of sharing risks between you and ourselves to achieve a reasonable balance. We regularly review the Special Bonus levels payable to you. Both the past actual performance and management's expectation of the long-term future performance will be assessed against the assumed level. If variances arise, considerations will be taken for sharing these with you through adjusting Special Bonus scales.

Variances arising from the following are shared between you and ourselves, including, but not limited to:



Variances may arise from these factors, which could affect your policy return

2) Fairness across policyholder groups

To ensure fairness between policyholders of participating products, we will carefully consider the experience (including investment performance) of various policy groups such as products, product generations, currencies and issue years so that each policy group will receive a fair return based mainly on its own performance. To balance the interest between you and us, a dedicated committee formed from a group of professionals will provide independent advice on managing the participating policies and determining the Special Bonus.

3) Stable long-term returns

When considering adjusting the Special Bonus scales, we strive to maintain a more stable payout to you by smoothing. This means the Special Bonus levels will only be changed if the actual performance is significantly different from the assumed level over a period of time, or if management's long-term future performance expectations change substantially.

We may also reduce the extent of smoothing or even stop smoothing out the effects of the change in asset values for a time in the determination of the Special Bonus. We would do this to protect the interests of the remaining policyholders. For example, we may reduce smoothing when payouts with smoothing are higher than payouts without smoothing.

Investment policy and strategy

We follow an asset strategy that:

- i) helps to ensure that we can meet the guaranteed benefits that we have committed to you;
- ii) delivers competitive long-term returns to you through Special Bonus; and
- iii) maintains an acceptable level of risk.

For HSBC Eminent Goal Multi-Currency Insurance Plan, HSBC Wealth Goal Insurance Plan II, HSBC Family Goal Insurance Plan and HSBC Health Goal Insurance Plan USD policy:

The assets supporting the participating policies consist of fixed income and growth assets. The fixed income assets predominantly in USD, include fixed income assets issued by corporate entities with good credit ratings (average A-rated or above) and long-term prospects. Growth assets, including equity-type investments and alternative investments such as property, private equity or hedge funds, as well as structured products including derivatives, are utilised to deliver returns that are more reflective of economic performance over the long term.

Our investment portfolios are well diversified across various types of assets, and are invested in varied geographical markets (mainly Asia, the United States and Europe), currencies (mainly USD) and industries. The assets are carefully managed and monitored according to our own acceptable level of risk.

For HSBC Eminent Goal Insurance Plan non-USD policy:

The asset supporting the participating policies consist of fixed income and growth assets. The fixed income assets which predominantly in USD, include fixed income assets issued by corporate entities with good credit ratings (average A-rated or above) and long-term prospects. Growth assets, including equity-type investments and alternative investments such as property, private equity or hedge funds, as well as structured products including derivatives, are utilised to deliver returns that are more reflective of economic performance over the long term.

Both fixed income assets and growth assets may be invested in various currencies, majority with USD, for diversification. If the currency of the assets is different from the policy currency of the underlying policies, currency hedging may be used to manage the currency risk.

Our investment portfolios are well diversified across various types of assets, and are invested in varied geographical markets (mainly Asia, the United States and Europe), currencies and industries. The assets are carefully managed and monitored according to our own acceptable level of risk.

Target asset allocation

Asset type	Long-term target allocation percentage
Fixed income assets (government bonds, corporate bonds, and alternative credit)	30%-50%
Growth assets	50%-70%

Note: There could be slight deviation from the above range due to market fluctuation.

We consider other factors when deciding the actual asset allocations, including, but not limited to:

- Current and expected future market conditions;
- Guaranteed and non-guaranteed benefits of the policies;
- The acceptable risk level of the policies;
- Expected economic growth after adjustment for inflation over a period of time; and
- Investment performance of the assets supporting the policies.

Subject to our investment policy, actual asset allocation could deviate from the above long-term target allocation from time to time. Currency exposure from mismatch between policy denominated currency and underlying assets will be managed by us through hedging.#

For policies with the Policy Value Management Option exercised, the assets supporting the Policy Value Management Balance are 100% invested into fixed income assets.

#Only applicable to HSBC Eminent Goal Multi-Currency Insurance Plan.

Accumulation interest rate

You can choose to exercise the Policy Value Management Option to allocate a portion of the Net Cash Value to the Policy Value Management Balance (if any) to accumulate with interest (if any).

Interest rates are not guaranteed, and will be reviewed by us regularly with reference to the following factors:

- Portfolio yields of fixed income asset;
- Prevailing market conditions;
- Expectations of future fixed income asset yields;
- The cost associated with the provision of this interest accumulation service; and
- The cost associated with currency hedging (if applicable);
- The likelihood and duration of policyholders leaving their payment for accumulation

The policy of determining the Special Bonus (if any) and accumulation of interest rates may be reviewed and adjusted by us from time to time.

For more updated information, please visit our website <https://www.hsbc.com.mo/zh-mo/insurance/important-information>.

You may also visit the above websites to refer our dividend history. The past or current performance of our business may not be a guide for future results.