



NOTIFICATION OF CHANGES IN PRODUCT RISK SCORE

Frequently Asked Questions (FAQ)

Q1: What is Product Risk Score? Is it the same as Product Risk Rating?

“**Product Risk Score**” refers to the risk classification which we assign to our insurance and investment products, (where applicable) (“**Wealth Products**”) using our proprietary risk rating methodology, which is based on a combination of qualitative and quantitative risk factors.

The Product Risk Score assigned to a Wealth Product is designed to match with the amount of risk you are willing to take as per your risk tolerance. It means the same as, and is used interchangeably with, the term “**Product Risk Rating**”, which is commonly used in our product documents and other materials. The Product Risk Score can range from 1 to 5 (i.e., 1 being the lowest risk score and 5 being the highest risk score). If a Wealth Product has a Product Risk Score of 1, it does not mean that such Wealth Product is risk free.

Risk Profile	Product Risk Score / Rating
Very Cautious	1
Cautious	1,2
Balanced	1,2,3
Adventurous	1,2,3,4
Speculative	1,2,3,4,5

Q2: Why are you informing me of changes to the Product Risk Score(s) of the Wealth Product(s) I hold in my portfolio?

In light of the ever-changing market conditions, we need to ensure that the latest risk factors are considered and accurately reflected in the Product Risk Score(s) of the Wealth Products in your portfolio. Thus, we conduct regular reviews of the Product Risk Score(s) of such Wealth Products you hold.

If the underlying risk factors of your investment(s) have changed (e.g., increased volatility), the Product Risk Score(s) of such Wealth Products you hold may also change. To ensure that your holdings remain within your risk appetite and financial needs, you will receive a notification from us whenever there is an increase in the Product Risk Score of such Wealth Products you hold. You can also view the most recent Product Risk Score of your Wealth Products (where applicable) on your Wealth Dashboard. This helps equip you in making informed financial decisions having regard to your investment knowledge and experience, investment objectives, financial situation and needs.

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Q3: How do you determine the Product Risk Score(s) of the Wealth Product(s) I hold in my portfolio?

The Product Risk Score of a Wealth Product is determined using our proprietary risk rating methodology, which is based on a combination of qualitative and quantitative risk factors (for example, price volatility, issuer risk, and contractual maturity). Where applicable, the Wealth Products are rated from 1 to 5 (1 being the lowest risk score, and 5 being the highest risk score). If a Wealth Product has a Product Risk Score of 1, it does not mean that such Wealth Product is risk free.

Q4: Why is there a change in the Product Risk Score(s) of the Wealth Product(s) I hold in my portfolio?

The Product Risk Scores are updated based on the prevailing market environment and risk parameters that may significantly differ from those at the time when you first purchased the relevant Wealth Product. As a change to Product Risk Score(s) of your Wealth Product(s) may arise due to various reasons, we encourage you to review the Wealth Products in your portfolio regularly to ensure that these align with your prevailing financial needs, investment objectives and risk profile.

Q5: Will a change in the Product Risk Score(s) of the Wealth Product(s) I hold in my portfolio affect their value?

The Product Risk Score of a Wealth Product is our proprietary assessment of the risks associated with such Wealth Product, based on prevailing information. It is to be used as a general guide to determine the type of Wealth Products which may suit your investment objectives, risk profile, financial situation and particular needs. It is not meant as an indicator or a forecast of the future performance of a Wealth Product.

A change in the Product Risk Score of a Wealth Product does not have any impact on the features and value of that Wealth Product.

As your investment objectives, financial situation, particular needs and/or risk profile may change from time to time, please contact your Relationship Manager or visit the nearest HSBC branch if you have any queries on the Product Risk Score(s) of the Wealth Products you currently hold or wish to conduct a review of your portfolio.

Q6: Why do you have a different risk rating for the same insurance or investment product which I've bought from another financial institution?

There is no standard definition of, or measurement criteria for, the product risk score/ rating of a Wealth Product and our Product Risk Score for a Wealth Product is based on our proprietary product risk rating methodology and thus, may differ from that of another financial institution.



Q7: How will I be informed of changes in the Product Risk Score(s) of the Wealth Product(s) I hold in my portfolio?

A letter will be sent to you if there is an increase in the Product Risk Score(s) of the Wealth Product(s) you hold with us. As the notification is sent on a per-account basis, you may receive more than 1 letter from us if you have more than 1 investment account with us, and there is an increase in the Product Risk Score(s) of the Wealth Product(s) in such accounts.

For example, if you hold both a single-name investment account and a joint investment account with us, you may receive 2 letters if you hold Wealth Products with increase in their respective Product Risk Score(s) in both accounts.

Important Note:

The information above is for your general reference only. Such information (or any part of it) shall not form the basis of, or be relied on in connection with, any contract or commitment. They should not be construed as an offer, recommendation or the solicitation of an offer to enter into any buy/sell transaction or adopt any hedging or trading strategy relating to, or a forecast on future performance of, any investment or securities in any jurisdiction where such activities would be unlawful under the laws of such jurisdiction, such as the United States and Canada.

The specific investment objectives, personal situation and particular needs of any person have not been taken in consideration. You should not rely on the above information as investment advice. Investments involve risks, including the possible loss of principal amount invested. Before you make any investment decisions, you may wish to consult a financial adviser. If you choose not to seek advice from a financial adviser, you should carefully consider whether the investment is suitable. Any transaction that you decide to make will be of your own choice and at your own risk.

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