IB-HK Bond Risk Disclosure

**Specific Risks of Bonds**

Bonds remain 100% principal protected upon maturity subject to the credit risk of the Issuer and/or the Guarantor (if applicable).

Bonds are not an alternative to ordinary savings or time deposits.

The price of bonds may fluctuate during its tenor and may even become valueless.

**Key Product Risks**

It is crucial to understand the specific risks mentioned in the relevant offering documents (if applicable) before investing. Key risks include, but are not limited to, the following:

Credit Risk: The investor assumes the risk that the issuer/guarantor's promise to repay principal and pay interest on the agreed upon dates and terms will be upheld. Any changes to the credit rating of the issuer will likely affect the price and value of the bonds. Bonds are subject to the risk of the Issuer defaulting on its obligations, i.e. an Issuer fails to make principal and interest payments when due. In the event that the Issuer/Guarantor declares bankruptcy, the investor could risk losing their entire investment. Credit ratings assigned by credit rating agencies do not guarantee the creditworthiness of the issuer.

Liquidity Risk: The bond may have limited liquidity and may not be actively traded and/or quoted by brokers in the market. As such:

1. The value of bond and/or indicative bid/offer price will depend on market liquidity and conditions which may not be available at all times;
2. It may take a longer time or it may be impossible to sell the bond at prevailing market conditions; and
3. The executable sale price may differ unfavourably by large amounts from the indicative bid price quoted.

Interest Rate Risk: Bonds are more susceptible to fluctuations in interest rates and generally prices of bonds will fall when interest rates rise. Accordingly, the longer the tenor of the bond, the greater the interest rate risk that the investor is exposed to.

Market Risk: The value of investments may fluctuate due to changing political, legal and, economic conditions and changes in interest rates. This is common to all markets and asset classes. An investor's return may be substantially less than the initial investment due to one or more of these factors.

Currency Risk: For bonds denominated in a foreign currency, there may be an exchange loss when converting the redemption amount back to the local or base currency.

For Products denominated in Renminbi (RMB) or with underlying assets that are denominated in RMB only: Conversion between RMB and foreign currencies, including Hong Kong dollar, is subject to PRC regulatory restrictions - RMB is currently not freely convertible and conversion of RMB through banks in Hong Kong is subject to certain restrictions. The PRC government regulates
Past performance is not indicative of future performance. It does not guarantee the commercial merits of a product or its performance. Recommendation or that SFC authorization is not a recommendation or endorsement of a product nor does it guarantee the commercial merits of a product or its performance.

In addition to the risks listed above, high-yield bonds and complex bonds are subject to additional risks such as:

Higher Credit Risk: Since high-yield bonds are typically rated below investment grade or are unrated, they are often subject to a higher risk of issuer default.

Vulnerability to Economic Cycles: During economic downturns high-yield bonds typically fall more in value than investment grade bonds as (i) investors become more risk averse and (ii) default risk rises.

It is important to note that complex bonds may contain special features and risks that warrant special attention. These include:

» Perpetual Bonds: Perpetual bonds (debentures) do not have a maturity date, and, as such, the coupon payments depend on the viability of the issuer in the very long term. Specifically, coupon payments may be deferred or even suspended subject to the terms and conditions of the issue. Furthermore, perpetual debentures are often callable and/or subordinated, and so additionally bear re-investment risk and/or subordinated bond risk, as detailed below.

» Re-investment Risk of Callable Bond: If the bond is callable then the issuer may redeem the bond before maturity. The yield received when re-investing the proceeds may be less favourable.

» Subordinated Bonds: Holders of subordinated debentures are exposed to a higher degree of credit risk than holders of senior debentures due to a lower priority of claim in event of the issuer's liquidation. In particular, subordinated debentures are unsecured and have lesser priority than that of an additional debt claim of the same asset. As such, they usually have a lower credit rating than senior bonds. The investor should carefully consider the credit information of this product, including the respective credit rating of the Issuer, the debenture and/or the Guarantor, as the case may be.

» Bonds with Variable Coupon/Coupon Deferral features: If the bonds contain variable and/or deferral of interest payment terms, then the investor may face uncertainty over the amount and frequency of the interest payments to be received.

» Bonds with Extendable Maturity Date: If the bonds contain extendable maturity date terms, then the investor would not have a definite schedule of principal repayment. This invariably exposes the investor to further inflation and liquidity risk.

» Convertible or Exchangeable Bonds: Convertible or Exchangeable bonds are convertible or exchangeable in nature and the Customer is subject to both equity and bond investment risk. They may additionally have a contingent write-down or loss absorption feature, meaning the bond may be written-off fully or partially or converted to common stock on the occurrence of a trigger event.

For complex products, the offering documents or information provided by the issuer have not been reviewed by the SFC, and investors are advised to exercise caution in relation to the offer. For complex products authorized by the SFC, the authorization does not imply official recommendation or that SFC authorization is not a recommendation or endorsement of a product nor does it guarantee the commercial merits of a product or its performance.

Past performance is not indicative of future performance.