

Regulatory Compliance Statement – Schedule

European Union Bank Recovery and Resolution

This Schedule only applies to your relationship with Standard Chartered Bank AG ("SCB AG").

Background

SCB AG is subject to the German Recovery and Resolution Act (Sanierungs- und Abwicklungsgesetz – "**SAG**") and is supervised by the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, "**BaFin**") and the German Federal Bank (Deutsche Bundesbank).

As the financial crisis evolved into the euro area debt crisis it became clear that deeper integration of the banking system was needed for the euro area countries, which are particularly interdependent. That's why, on the basis of the European Commission roadmap for the creation of the banking union, the EU institutions agreed to establish a single supervisory mechanism (SSM) and a single resolution mechanism (SRM) for banks.

Based on lessons learned from the financial crisis of 2008, the EU institutions agreed to establish a single supervisory mechanism (SSM) and a single resolution mechanism (SRM) for banks. Under the SRM the European Union adopted rules that set out procedures for how banks at risk of default can be resolved in the future in an orderly manner with minimal costs for taxpayers and to the real economy. Under these procedures, shareholders and creditors of a bank in distress may be required to bear a portion of the losses. The European Union has passed the following legislation to this effect:

- the Bank Recovery and Resolution Directive ("**BRRD**") which has been implemented on national level with the **SAG** and
- the Regulation establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund ("**SRM Regulation**").

Resolution authorities were set up to ensure that resolutions can be carried out in an orderly manner in the event of a crisis. Under certain conditions, the resolution authority responsible for a bank in distress has the power to implement certain resolution measures. The resolution authorities responsible for German financial institutions are the Single Resolution Board ("**SRB**") and Germany's Federal Financial Supervisory Authority (BaFin). For ease of reading, no distinction will be made between the SRB and BaFin in the following.

If all certain resolution conditions are met and the bank is declared as failing or likely to fail, the resolution authority can take a range of resolution measures, including:

- The bail-in tool (also referred to as creditor participation): The resolution authority may write down some or all of the financial instruments issued by the bank and claims against the bank or convert them into equity (shares or other company interests) in order to stabilise the bank.
- The sale of business tool: Some or all of the shares, assets, rights and / or liabilities of the bank being wound up are sold to a specific buyer. Where shareholders and creditors are affected by the sale of business, a different, existing institution will take over as debtor.
- The bridge institution tool: The resolution authority may transfer shares in the bank or some or all of the bank's assets, including its liabilities, to a so-called 'bridge institution'. This action may adversely affect

- the bank's ability to meet its payment and delivery obligations to its creditors and may reduce the value of the bank's shares.
- The asset separation tool: The assets, rights or liabilities of the bank are transferred to a separate asset management vehicle. The aim of this measure is to manage the assets in a way that maximises their value until their eventual disposal or the liquidation of the bank. As in the case of business sales, creditors have to assert their claims against a new debtor once the transfer has taken place.

BaFin and the German Bundesbank provide information on the recovery and resolution rules that apply in Germany. Detailed information can be found here:

https://www.bafin.de/SharedDocs/Veroeffentlichungen/DE/Merkblatt/BA/mb_haftungskaskade_banke_nabwicklung.html

SCB AG is subject to a legal and regulatory obligation to ensure that certain contracts governed by the law of a jurisdiction outside the European Union ("non-EU law contracts") include a contractual clause recognising the exercise of Bail-in Powers and the German Stay Stays Rule and that its clients or counterparties recognise and agree to be bound by such Bail-in Powers (Section 55 SAG) and the German Stays Rule (Section 60a SAG). To comply with this requirement, affected contracts entered into between SCB AG and you (unless such contract relates to excluded liabilities) must be amended and must cover your consent to the powers of the resolution authority set out below:

(a) the power to bail-in a failing financial institution, the effect of which may be to write-down or convert (into obligations, shares or other instruments of ownership in any entity) in full or in part, amounts a failing financial institution may owe to its creditors, and / or otherwise amend or modify relevant liabilities. The exercise of such bail-in powers is subject to protections designed to ensure that creditors receive no less favourable treatment than they would have received had the failing financial institution entered insolvency immediately before the exercise of such bail-in powers ("Bail-in Powers"); and

(b) in relation to financial contracts covered by Section 2 (3) No 21 SAG, cross-border recognition of the orderly resolution of a German financial institution, legally requiring in-scope entities to create new obligations or materially amend existing obligations with a certain clause binding counterparties to be subject to a temporary stay on their rights of early termination and close-out ("German Stays Rule").

Definitions

For such purposes:

"European Union" means Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden. Please note that it is expected that the United Kingdom will leave the European Union on 29 March 2019 and will become a jurisdiction outside the European Union.

In relation to the above, the following exemplary protocols will deem the necessary amendments to each agreement impacted by these requirements:

- The ISDA 2016 Bail-In Article 55 BRRD Protocol

<http://www2.isda.org/functional-areas/protocol-management/protocol/28>

- The ISDA German Jurisdictional Module to the ISDA Resolution Stay Jurisdictional Modular Protocol

<https://www.isda.org/protocol/isda-german-jurisdictional-module-to-the-isda-resolution-stayjurisdictional-modular-protocol/>

- The German Master Agreement Annex of the Association of German Banks

<https://bankenverband.de/service/rahmenvertraege-fuer-finanzgeschaefte/sag-zusatzvereinbarung/>

- Further information on the regulatory requirements of Sections 55 and 60a SAG can be found here:

[https://www.bafin.de/SharedDocs/Downloads/DE/Merkblatt/A/dl_180104_Gemeinsames_Verstae
ndnis_55_60_SAG.html](https://www.bafin.de/SharedDocs/Downloads/DE/Merkblatt/A/dl_180104_Gemeinsames_Verstae_ndnis_55_60_SAG.html)

[https://www.bafin.de/SharedDocs/Veroeffentlichungen/DE/Meldung/2018/meldung_181219_Mer
kblatt_60a_SAG.html](https://www.bafin.de/SharedDocs/Veroeffentlichungen/DE/Meldung/2018/meldung_181219_Mer
kblatt_60a_SAG.html)