

TERMS AND CONDITIONS OF THE SUBSCRIPTION SHARES

Issuer	Standard Chartered Bank (Hong Kong) Limited (the "Bank")
Securities	<p>Perpetual Non-Cumulative Convertible Preference Shares that qualify as Additional Tier 1 capital under the Capital Regulations (the "Preference Shares")</p> <p>Each Preference Share will have an Issue Price of US\$50,000,000 and a liquidation preference of US\$50,000,000 ("Liquidation Preference")</p>
Issue Size	US\$ 500,000,000
Issue Date	30 December 2014
Voting Rights	The holder of the Preference Shares will not have any voting rights In the General Meetings of the Bank
Participation in Profits	The holder of the Preference Shares is entitled to distributions in accordance with the dividend rate set out below and does not have any claim to the remaining profits of the Bank
Maturity Date	<p>Perpetual.</p> <p>The Preference Shares have no fixed redemption date and the Bank shall only have the right to redeem in the limited circumstances set out in "Redemption Conditions", "Optional Redemption", "Tax Redemption" and "Regulatory Redemption" below.</p>
First Call Date	31 December 2019 (at least 5 years and 1 day after the Issue Date).
Optional Redemption Dates	The First Call Date and each Dividend Payment Date thereafter (see "Optional Redemption" below).
Dividend Rate	<p>6.25% per annum, payable with respect to the prevailing Liquidation Preference</p> <p>There is no step-up in the Dividend Rate.</p> <p>Dividends may only be payable out of Distributable Items.</p> <p>Dividends will be non-cumulative and paid semi-annually in arrear on each Dividend Payment Date. Payment of any Dividend is subject always to the matters described in "Limitation on Payment of Dividends" below.</p> <p>"Distributable Items" means the amounts available to the Bank for distribution as a distribution or dividend to its shareholders as at the Bank's latest audited balance sheet (which shall include, without limitation, net profits, retained earnings from prior years and reserves which may be distributed to shareholders), and subject to the Monetary Authority's then current capital conservation requirements as applicable to the Bank on the relevant Dividend Determination Date (the "Available Amount"); provided that if the Bank reasonably determines that the Available Amount as at any Dividend Determination Date is lower than the Available Amount as at the date of the Bank's latest audited balance sheet and is insufficient to pay the Dividends and any payments on Parity Obligations on the relevant Dividend Payment Date, then on certification by two Directors and the auditors of the Bank of such revised amount, the Distributable Items shall for the purposes of Dividend mean the Available Amount as set forth in such certificate.</p>

	<p>“Dividend Determination Date” means 2 business days prior to each Dividend Payment Date.</p>
Dividend Payment Dates	<p>Semi-annually on 30 June and 30 December in each year, with the first Dividend Payment Date being 30 June 2015.</p>
Status	<p>In the event of a Winding Up (as defined below) of the Bank, the rights to repayment of the Preference Shares, and payment of Dividend and any additional amounts payable on, and all claims in respect of, the Preference Shares will be (a) subordinated in right of payment to the prior payment in full of, and to claims in respect of, all the Bank’s other liabilities (including all deposits, other liabilities of the Bank to general creditors and liabilities of all offices and branches of the Bank wherever located and any subordinated term debt instruments of the Bank that rank, by its terms or by operation of law, senior to the Preference Shares), (b) <i>pari passu</i> in right of payment to, and to all claims in respect of, Parity Obligations and (c) senior in right of payment to, and to all claims in respect of, Junior Obligations.</p> <p>The Preference Shares will constitute direct, unsecured and subordinated obligations of the Bank and will rank <i>pari passu</i> and without preference among themselves.</p> <p>“Capital Regulations” means the capital regulations applicable to the regulatory capital of Authorized Institutions incorporated in Hong Kong as published by the Monetary Authority;</p> <p>“Junior Obligations” means any Ordinary Share;</p> <p>“Monetary Authority” means the Monetary Authority appointed under section 5A of the Exchange Fund Ordinance (Cap 66 of the Laws of Hong Kong) or any successor thereto or such other authority having primary bank supervisory authority with respect to the Bank;</p> <p>“Parity Obligations” means any instrument, security or other obligation issued, entered into, or guaranteed by the Bank that constitutes or qualifies as Additional Tier 1 capital (or its equivalent) under the Capital Regulations or that ranks or is expressed to rank, by its terms or by operation of law, <i>pari passu</i> with the Preference Shares;</p> <p>“Ordinary Share” means an ordinary share in the share capital of the Bank;</p> <p>“Winding Up” means a final and effective order or resolution for the bankruptcy, winding up, liquidation, receivership, or similar proceedings in respect of the Bank.</p>
Limitation on Payment of Dividends	<p><u>Optional Dividend Cancellation</u></p> <p>Unless such Distribution has already been cancelled in full pursuant to a Mandatory Dividend Cancellation, the Bank may, at its sole discretion, taking into account its specific financial and solvency condition, elect to cancel any payment of Dividend, in whole or in part, on a non cumulative basis. Any Dividend that has been duly cancelled is no longer due and payable at any time by the Bank, whether in a Winding Up or otherwise. Cancellation of a Dividend payment does not constitute an event of default and does not entitle holders to petition for the insolvency or winding up of the Bank.</p> <p><u>Mandatory Dividend Cancellation</u></p> <p>Dividend shall not be paid on the applicable Dividend Payment Date, in whole or in part as applicable, if and to the extent that</p> <p>(i) the Dividend scheduled to be paid, together with any dividends, distributions or other payments scheduled to be paid or made on such Dividend Payment Date on any Parity Obligations or any instruments which effectively rank <i>pari passu</i> with any Parity Obligations, shall exceed Distributable Items as at the Dividend Determination Date or</p> <p>(ii) the Monetary Authority so directs the Bank to cancel such Dividend .</p> <p>Any Dividend that has been mandatorily cancelled is no longer due and payable at any time by the Bank, whether in a Winding Up or otherwise. Mandatory cancellation of a Dividend payment does not constitute an event of default and does not entitle holders to</p>

	petition for the insolvency or winding up of the Bank.
Loss Absorption due to Non-Viability	<p>If a Non-Viability Event occurs and is continuing, the Bank shall, upon the provision of a Non-Viability Event Notice, irrevocably (without the need for the consent of the holders of the Preference Shares) cancel any uncanceled but unpaid Dividends on each Preference Share (in whole or in part) and convert each Preference Share into 12,500,000 A Shares at the Conversion Price (such conversion and any other conversion of Preference Shares into A Shares being referred to herein as the “Conversion”, and “Converted” shall be construed accordingly). Once a Preference Share has been Converted, and any previously uncanceled but unpaid Dividends under the Preference Shares have been cancelled, they will not be restored in any circumstances, including where the relevant Non-Viability Event ceases to continue.</p> <p>“A Shares” means Class A Ordinary Shares in the share capital of the Bank;</p> <p>“Conversion Price” means US\$4.00 per A Share;</p> <p>“Non-Viability Event” means the earlier of:</p> <p>(a) the Monetary Authority notifying the Bank in writing that the Monetary Authority is of the opinion that a write-off or conversion is necessary, without which the Bank would become non-viable; and</p> <p>(b) the Monetary Authority notifying the Bank in writing that a decision has been made by the government body, a government officer or other relevant regulatory body with the authority to make such a decision, that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable;</p> <p>“Non-Viability Event Notice” means the notice which shall be given by the Bank not more than two Hong Kong Business Days after the occurrence of a Non-Viability Event, to the holders of the Preference Shares, and which shall state with reasonable detail the nature of the relevant Non-Viability Event.</p> <p>Following the giving of a Non-Viability Event Notice which specifies a Conversion of the Preference Shares, the Bank shall procure that a similar notice is, or has been, given in respect of each Additional Tier 1 Instrument (in accordance with its terms), and the prevailing nominal amount of each Additional Tier 1 Instrument outstanding (if any) is written down (or, where the terms of an Additional Tier 1 Instrument provide for conversion of such instrument into Ordinary Shares upon the occurrence of a Non-Viability Event or equivalent, converted) on a <i>pro rata</i> basis with the outstanding Preference Shares, as soon as reasonably practicable following the giving of such Non-Viability Event Notice.</p> <p>A Conversion that is duly effected pursuant to a Non-Viability Event does not constitute an event of default and does not entitle holders to petition for the insolvency or winding up of the Bank.</p>
Optional Redemption	<p>The Bank may, at its option and subject to the Redemption Conditions being satisfied, redeem the Preference Shares (in whole but not in part) on any Optional Redemption Date at their prevailing Liquidation Preference.</p> <p>“Redemption Conditions” means, if required pursuant to the relevant regulations at the relevant time:</p> <ul style="list-style-type: none"> i) the Bank is solvent at the time of any redemption of the Preference Shares and immediately thereafter; ii) the Bank is not in breach of the Monetary Authority’s minimum capital adequacy ratio requirements applicable to the Bank; iii) the Bank has obtained the written approval of the Monetary Authority prior to redemption of the Preference Shares;

	<p>iv) the redemption is permitted under the Companies Ordinance (Cap 622 of the Laws of Hong Kong); and</p> <p>v) either A) The Bank replaces the Preference Shares with capital of the same or better quality and the replacement of the capital is effected on conditions that are sustainable for the income capacity of the Bank; or B) the Bank demonstrates that its capital position is above the minimum capital requirements applicable to it, and will remain above those requirements after the call option is exercised.</p>
Tax Redemption	<p>If, in the opinion of the Bank it has or will become obliged to pay Additional Amounts (as defined below) or any taxes other than the Additional Amounts (if any), in relation to the Preference Shares as a result of a change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, then the Bank may, at its option, redeem the Preference Shares (in whole, but not in part) at the Redemption Amount, subject to the Redemption Conditions being satisfied.</p> <p>“Additional Amounts” means the additional amounts that may be necessarily payable in order that the net amounts received by the holders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Preference Shares in the absence of the withholding or deduction.</p>
Regulatory Redemption	<p>If, as a result of a change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, the Preference Shares cease to be (i) eligible to qualify (in whole or in part) as Additional Tier 1 capital (or equivalent) of the Bank for the purposes of the Capital Regulations and/or (ii) included in the calculation of the Bank’s capital adequacy ratio, then the Bank may, at its option, redeem the Preference Shares (in whole, but not in part) at the Redemption Amount, subject to the Redemption Conditions being satisfied.</p>
Redemption Amount	<p>In the case of an Optional Redemption, a Tax Redemption or a Regulatory Redemption, an amount equal to 100% of the prevailing Liquidation Preference together with uncanceled but unpaid Dividends (if any) relating to the then current Dividend period (if any) up to (and excluding) the date on which the Preference Shares are redeemed.</p>
Dividend and Capital Stopper	<p>In the event that the Bank has not made a full payment of any Preference Share Dividend on a Dividend Payment Date due to any Optional Dividend Cancellation or Mandatory Dividend Cancellation then</p> <p>(A) the Bank shall not pay any dividends (other than any dividend declared by the Bank before the Bank gives notice that payment of such Dividend is not to be made in full) on any Junior Obligations (the “Dividend Stopper”); and</p> <p>(B) the Bank shall not redeem, purchase, reduce or otherwise acquire any Junior Obligations (the “Capital Stopper”).</p> <p>Save with the approval of the holders of the Preference Shares by Extraordinary Resolution, the Dividend Stopper and Capital Stopper shall continue to apply, as the case may be, until dividend payments on the Preference Shares have resumed in full.</p>
Withholding Taxes	<p>All payments in respect of the Preference Shares by or on behalf of the Bank shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or government charges of whatever nature imposed, levied, collected, withheld or assessed by or within any relevant jurisdiction, unless the withholding or deduction of the taxes is required by law.</p> <p>In the event such taxes are imposed, the Bank will have to pay additional amounts (“Additional Amounts”) as may be necessary in order that the net amounts received by the holders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Preference Shares in the absence of the withholding or deduction.</p>

Events of Default	<p>Proceedings for Winding-Up the Bank may only be instituted by the holders:</p> <p>(i) on non-payment of Dividend or Redemption Amount when due and such failure continues for a period of 14 business days in the case of Dividend and 7 business days in the case of the Redemption Amount; or</p> <p>(ii) an order is made or an effective resolution is passed for the Winding-Up or dissolution of the Bank.</p> <p>For the avoidance of doubt, no Dividend will be due and payable if such Dividend has been cancelled or is deemed cancelled (in each case, in whole or in part) in accordance with the terms and conditions of the Preference Shares. Accordingly, no default in payment under the Preference Shares will have occurred or be deemed to have occurred for the non-payment of any Dividend that has been so cancelled or deemed cancelled.</p> <p>On a Winding-Up, holders will have a claim for the prevailing Liquidation Preference of the Preference Shares together with any uncanceled but unpaid Dividends, subject to as specified in "Status" above. There shall be no other non-payment remedies, including no rights of set-off available to holders of the reference Shares.</p>
Listing	The Preference Shares will not be listed.
Governing Law	Hong Kong Law.