

**Schedule 1**  
**TERMS AND CONDITIONS OF THE ADDITIONAL TIER 1 CAPITAL SECURITIES**

<b>Issuer</b>	Standard Chartered Bank (Hong Kong) Limited (the “ <b>Bank</b> ”)
<b>Securities</b>	Undated Non-Cumulative Subordinated Capital Securities (the “ <b>Capital Securities</b> ”) that qualify as Additional Tier 1 capital of the Bank under the Capital Regulations  “ <b>Capital Regulations</b> ” means the capital regulations applicable to the regulatory capital of authorized institutions incorporated in Hong Kong as published by the Monetary Authority.  “ <b>Monetary Authority</b> ” means the Monetary Authority appointed under section 5A of the Exchange Fund Ordinance (Cap. 66) of Hong Kong or any successor thereto.
<b>Currency</b>	USD
<b>Issue Size</b>	US\$250,000,000
<b>Securityholder</b>	Standard Chartered Bank
<b>Issue Date</b>	13 December 2017
<b>Maturity Date</b>	The Capital Securities are perpetual securities and have no fixed maturity date
<b>First Call Date</b>	13 December 2024 (the 7 <sup>th</sup> anniversary of the Issue Date)
<b>Distribution Rate</b>	The rate of distribution (the “ <b>Distribution Rate</b> ”) applicable to the Capital Securities shall be:  (a) in respect of the period from, and including, the Issue Date to, but excluding the First Call Date, 5 per cent. per annum, being a rate per annum equal to the aggregate of (i) 2.298 per cent., and (ii) the Spread; and  (b) in respect of a Reset Distribution Period, a rate per annum equal to the aggregate of (i) the then prevailing U.S. Treasury Rate, and (ii) the Spread.  There is no step-up in the Distribution Rate.  Each period beginning on (and including) the Issue Date or any Distribution Payment Date and ending on (but excluding) the next Distribution Payment Date is herein called an “ <b>Distribution Period</b> ”.  Any Distribution may only be paid out of Distributable Reserves.  “ <b>Calculation Business Day</b> ” means any day, excluding a Saturday, a Sunday and a public holiday, on which banks are open for general business (including dealings in foreign currencies) in New York City, London and Hong Kong.  “ <b>Calculation Date</b> ” means, in relation to a Reset Distribution Period, the Calculation Business Day immediately preceding

the Distribution Reset Date on which such Reset Distribution Period commences.

**“Comparable Treasury Issue”** means the U.S. Treasury security selected by the Issuer as having a maturity of seven years that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity of seven years.

**“Comparable Treasury Price”** means, with respect to any Calculation Date, the average of three Reference Treasury Dealer Quotations for such Calculation Date.

**“Distribution Determination Date”** means the day falling two Calculation Business Days prior to a Distribution Payment Date.

**“Distributable Reserves”** means the amounts for the time being available to the Issuer for distribution as a distribution in compliance with section 297 of the Companies Ordinance (Cap. 622) of Hong Kong, as amended or modified from time to time, as at the date of the Issuer’s audited balance sheet last preceding the relevant Distribution Payment Date, and subject to the Monetary Authority’s current capital conservation requirements as applicable to the Issuer on the relevant Distribution Payment Date (the **“Available Amount”**); provided that if the Issuer reasonably determines that the Available Amount as at any Distribution Determination Date is lower than the Available Amount as at the date of the Issuer’s audited balance sheet last preceding the relevant Distribution Payment Date and is insufficient to pay the Distributions and any payments due on Parity Obligations on the relevant Distribution Payment Date, then on certification by an Authorised Signatory of the Issuer and the Auditors of such revised amount to be provided to the Securityholder, the Distributable Reserves shall for the purposes of Distributions mean the Available Amount as set forth in such certificate.

*As at the date hereof, pursuant to section 297(1) of the Companies Ordinance (Cap. 622) of Hong Kong, the Issuer may only make a distribution out of profits available for distribution. For the purposes of section 297 of the Companies Ordinance (Cap. 622) of Hong Kong, the Issuer’s profits available for distribution are its accumulated, realised profits, so far as not previously utilised by distribution or capitalisation, less its accumulated, realised losses, so far as not previously written off in a reduction or reorganisation of capital.*

**“Distribution Reset Date”** means the First Call Date and each anniversary falling seven years thereafter.

**“Reference Treasury Dealer”** means each of the three nationally recognised investment banking firms selected by the Issuer that are primary U.S. Government securities dealers.

**“Reference Treasury Dealer Quotations”** means with respect to each Reference Treasury Dealer and any Calculation Date, the average, as determined by the Issuer, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Issuer by such Reference Treasury Dealer at 5:00 p.m. (New York City time), on the third Calculation Business Day preceding such Calculation Date.

**“Reset Distribution Period”** means the period from, and including, a Distribution Reset Date to, but excluding, the immediately following Distribution Reset Date.

**“Spread”** means 2.702 per cent. per annum.

**“U.S. Treasury Rate”** means the rate in percentage per annum notified by the Issuer to the Securityholders equal to the yield on U.S. Treasury securities having a maturity of seven years as set forth in the most recently published statistical release designated “H.15(519)” under the caption “Treasury constant maturities” (or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption “Treasury constant maturities” for the maturity of seven years) at 5:00 p.m. (New York time) on the Calculation Date. If such release (or any successor release) does not display the relevant yield at 5:00 p.m. (New York time) on the Calculation Date, **“U.S. Treasury Rate”** shall mean the rate in percentage per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the Calculation Date. If there is no Comparable Treasury Price on the Calculation Date for whatever reason, **“U.S. Treasury Rate”** means the rate in percentage per annum as notified by the Issuer to the Securityholders equal to the yield on U.S. Treasury securities having a maturity of seven years as set forth in the most recently published statistical release designated “H.15(519)” under the caption “Treasury constant maturities” (or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption “Treasury constant maturities” for the maturity of seven years) at 5:00 p.m. (New York time) on the last available date preceding the Calculation Date on which such rate was set forth in such release (or any successor release).

**Distribution Payment Dates** Semi-annually in arrear on 13 June and 13 December each year, commencing on 13 June 2018.

**Non-Cumulative Distribution** Distributions will not be cumulative and Distributions which are not paid in accordance with these conditions will not accumulate or compound and Securityholders will have no right to receive such Distributions at any time, even if subsequent Distributions are paid in the future, or be entitled to any claim in respect thereof against the Issuer. Unless otherwise provided in these conditions, each Capital Security will cease to confer the right to receive any Distribution from the due date for redemption unless, upon surrender of the Certificate representing such Capital Security, payment of principal is improperly withheld or refused. In such event, Distribution shall continue to accrue at such rate (both before and after judgment) until the date on which all amounts due in respect of such Capital Security have been paid.

No Securityholder shall have any claim in respect of any Distribution or part thereof cancelled and/or not due or payable pursuant to an Optional Distribution Cancellation Event (as defined below) or a Mandatory Distribution Cancellation Event (as defined below). Accordingly, such Distribution shall not accumulate for the benefit of the Securityholders or entitle the Securityholders to any claim in respect thereof against the Issuer.

**Optional Distribution Cancellation Event** Unless a Distribution has already been cancelled in full pursuant to a Mandatory Distribution Cancellation Event, prior to any Distribution Payment Date the Issuer may, at its sole discretion, elect to cancel any payment of a Distribution, in whole or in part, by giving a notice to the Securityholders signed by an authorised signatory of the Issuer (a “**Distribution Cancellation Notice**”) at least 10 business days prior to the relevant Distribution Payment Date (an “**Optional Distribution Cancellation Event**”). The Issuer shall have no obligation to pay any Distribution on any Distribution Payment Date if it validly elects not to do so by giving a Distribution Cancellation Notice, and any failure to pay such Distribution shall not constitute a Default (as defined below). Distributions are non-cumulative and any Distribution that is cancelled shall therefore not be payable at any time thereafter, whether in a Winding Up or otherwise.

**Mandatory Distribution Cancellation Event** Notwithstanding that a Distribution Cancellation Notice may not have been given, the Issuer shall not be obliged to pay, and shall not pay, any Distribution on the applicable Distribution Payment Date, in whole or in part, as applicable, if and to the extent that:

- (a) the Distribution scheduled to be paid together with any dividends, distributions or other payments scheduled to

be paid or made during the Issuer's then current fiscal year on any Parity Obligations or any instruments which rank or are expressed to rank *pari passu* with any Parity Obligations shall exceed Distributable Reserves as at such Distribution Determination Date; or

- (b) the Monetary Authority directs the Issuer to cancel such Distribution (in whole or in part) or applicable Hong Kong banking regulations or other requirements of the Monetary Authority prevent the payment in full of dividends or other distributions when due on Parity Obligations (a "**Mandatory Distribution Cancellation Event**").

The Issuer shall have no obligation to pay a Distribution on any Distribution Payment Date if such non-payment is in accordance with the requirements of a Mandatory Distribution Cancellation Event, and any failure to pay such Distribution shall not constitute a Default. Distributions are non-cumulative and any Distribution which is cancelled shall not be payable at any time thereafter, whether in a Winding Up or otherwise.

#### **Dividend Stopper**

If, on any Distribution Payment Date, payment of Distribution scheduled to be paid is not made in full by reason of an Optional Distribution Cancellation Event or a Mandatory Distribution Cancellation Event, the Issuer shall not:

- (a) declare or pay in cash any distribution or dividend or make any other payment in cash on, and will procure that no distribution or dividend in cash or other payment in cash is made on, any Shares; or
- (b) purchase, cancel or otherwise acquire any Shares or permit any of its Subsidiaries to do so,

in each case, unless or until the earlier of: (x) the Distribution scheduled to be paid on any subsequent Distribution Payment Date (which, for the avoidance of doubt, shall exclude any Distribution that has been cancelled in accordance with these conditions prior to such subsequent Distribution Payment Date in respect of a Distribution Payment Date preceding such subsequent Distribution Payment Date) has been paid in full (1) to Securityholders or (2) irrevocably to a designated third party trust account for the benefit of the Securityholders, or (y) the redemption or purchase and cancellation of the Capital Securities in full, or reduction of the principal amount of the Capital Securities to zero in accordance with these conditions, or (z) the Issuer is permitted to do so by written approval of all of the Securityholders.

#### **Subordination**

The Capital Securities will constitute direct, subordinated and unsecured obligations of the Issuer and will rank *pari passu* without any preference among themselves.

In the event of a Winding Up (as defined below) of the Issuer, the rights of the holder(s) of the Capital Securities to payment of principal of and Distribution on the Capital Securities and any other obligations in respect of the Capital Securities shall rank (a) subordinate and junior in right of payment to, and of all claims of (i) all unsubordinated creditors of the Issuer (including its depositors), (ii) creditors in respect of Tier 2 Capital Securities of the Issuer, and (iii) all other Subordinated Creditors of the Issuer whose claims are stated to rank senior to the Capital Securities or rank senior to the Capital Securities by operation of law or contract; (b) *pari passu* in right of payment to and of all claims of the holders of Parity Obligations; and (c) senior in right of payment to and of all claims of the holders of Junior Obligations, in each case, present and future.

In the event of a Winding Up that requires the Securityholders to provide evidence of their claim to principal or Distribution under the Capital Securities, such claims of the Securityholders will only be satisfied after all senior ranking obligations of the Issuer have been satisfied in whole. No amount may be claimed in respect of any Distribution that has been cancelled pursuant to a Mandatory Distribution Cancellation Event or an Optional Distribution Cancellation Event.

**“Junior Obligation”** means the Shares, and any other class of the Issuer’s share capital and any instrument or other obligation (including without limitation any preference shares) issued or guaranteed by the Issuer that ranks or is expressed to rank junior to the Capital Securities by operation of law or contract.

**“Parity Obligation”** means any instrument or other obligation issued or entered into by the Issuer that constitutes or qualifies as Additional Tier 1 Capital (or its equivalent) under applicable Capital Regulations or any instrument or other obligation issued, entered into, or guaranteed by the Issuer that ranks or is expressed to rank *pari passu* with the Capital Securities by operation of law or contract, which for the avoidance of doubt, excludes any Junior Obligations of the Issuer.

**“Shares”** means the ordinary share capital of the Issuer.

**“Subordinated Creditors”** means all creditors the indebtedness of which is subordinated, in the event of the Winding Up of the Issuer, in right of payment to the claims of depositors and other unsubordinated creditors of the Issuer other than those whose claims rank or is expressed to rank by operation of law or contract *pari passu* with, or junior to, the claims of the Securityholders. For this purpose, indebtedness shall include all liabilities, whether actual or contingent.

**“Tier 2 Capital Securities”** means instruments categorised as Tier 2 capital pursuant to the Capital Regulations that rank or

are expressed to rank senior to the Capital Securities by operation of law or contract.

**“Winding Up”** means a final and effective order or resolution for the bankruptcy, winding up, liquidation, receivership, or similar proceedings in respect of the Issuer.

**Redemption at the option of the Issuer**

Provided that the prior written approval of the Monetary Authority has been obtained and subject to the Redemption Conditions (as defined below) being satisfied, the Issuer may, on giving not less than 15 days’ notice (which notice shall be irrevocable) to the holder(s) of the Capital Securities, elect to redeem all, but not some only, of the Capital Securities on (i) the First Call Date specified herein; or (ii) any Distribution Payment Date following such First Call Date, at their outstanding principal amount together (if appropriate) with Distribution accrued but unpaid (if any) to (but excluding) the date fixed for redemption.

**“Redemption Conditions”** means, if required pursuant to the relevant regulations at the relevant time, either (i) the Issuer replaces the Capital Securities 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 Issuer; or (ii) the Issuer demonstrates that its capital position is well above the minimum capital requirements applicable to it, and will remain to be well above those requirements after the redemption option is exercised.

**Non-Viability Loss Absorption**

If a Non-Viability Event (as defined below) occurs and is continuing, the Issuer shall, upon the provision of a Non-Viability Event Notice (as defined below), irrevocably (without the need for the consent of the holder(s) of the Capital Securities) reduce the then principal amount of, and cancel any accrued but unpaid Distribution in respect of, each Capital Security (in each case in whole or in part) by an amount equal to the Non-Viability Event Write-off Amount (as defined below) per Capital Security (such reduction and cancellation, and the reduction and cancellation or conversion of any other Subordinated Capital Instruments so reduced and cancelled or converted upon the occurrence of a Non-Viability Event, where applicable, being referred to herein as the **“Write-off”**, and **“Written-off”** shall be construed accordingly).

For the avoidance of doubt, any Write-off will not constitute a Default under the Capital Securities.

Any Capital Security may be subject to one or more Write-offs in part (as the case may be), except where such Capital Security has been Written-off in its entirety. Any references in herein to principal in respect of the Capital Securities shall thereafter refer to the principal amount of the Capital Securities reduced by any applicable Write-off(s).

**“Subordinated Capital Instrument”** means any Junior Obligation, Parity Obligation or Tier 2 Capital Securities which contain provisions relating to a write-down or conversion into ordinary shares in respect of its principal amount on the occurrence, or as a result, of a Non-Viability Event and in respect of which the conditions (if any) to the operation of such provisions are (or with the giving of any certificate or notice which is capable of being given by the Issuer, would be) satisfied.

#### **Non-Viability Event**

**“Non-Viability Event”** means the earlier of:

- (a) the Monetary Authority notifying the Issuer in writing that the Monetary Authority is of the opinion that a Write-off or conversion is necessary, without which the Issuer would become non-viable; and
- (b) the Monetary Authority notifying the Issuer 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 Issuer would become non-viable.

Upon the occurrence of a Non-Viability Event, the Issuer is required to give notice to the holder(s) of the Capital Securities within two Hong Kong business days of the date on which such Non-Viability Event occurred, which notice will state that a Non-Viability Event has occurred and a Write-off will take place on the Write-off date specified therein (**“Non-Viability Event Notice”**).

Concurrently with the giving of a Non-Viability Event Notice, the Issuer shall procure unless otherwise directed by the Monetary Authority that (i) a similar notice be given in respect to other Subordinated Capital Instruments in accordance with their terms and (ii) concurrently and rateably with the Write-off of the Capital Securities, the aggregate principal amount of such other capital instruments is subject to a Write-off on a *pro rata* basis with the Capital Securities.

**“Non-Viability Event Write-off Amount”** means the amount of distribution and/or principal to be Written-off as the Monetary Authority may direct or, in the absence of such a direction, as the Issuer shall (in consultation with the Monetary Authority) determine to be necessary to satisfy the Monetary Authority that the Non-Viability Event will cease to continue.

#### **Consequence of Non-Viability Loss Absorption**

Once the principal amount of, and any accrued but unpaid Distribution under, the Capital Securities has been Written-off, the relevant amount(s) Written-off will not be restored in any circumstances including where the relevant Non-Viability Event

**Hong Kong Resolution  
Authority Power**

ceases to continue. No holder of the Capital Securities may exercise, claim or plead any right to any amount that has been Written-off, and each holder of the Capital Securities shall, by virtue of his holding of any Capital Securities, be deemed to have waived all such rights to such amount that has been Written-off.

Notwithstanding any other term of the Capital Securities, or any other agreement or arrangement, each holder of the Capital Securities shall be subject, and shall be deemed to agree, be bound by and acknowledge that they are each subject, to having the Capital Securities being written off, cancelled, converted or modified, or to having the form of the Capital Securities changed, in the exercise of any Hong Kong Resolution Authority Power (as defined below) by the relevant Hong Kong Resolution Authority (as defined below) without prior notice and which may include (without limitation) and result in any of the following or some combination thereof:

- (a) the reduction or cancellation of all or a part of the principal amount of, or Distribution on, the Capital Securities;
- (b) the conversion of all or a part of the principal amount of, or Distribution on, the Capital Securities into shares or other securities or other obligations of the Issuer or another person (and the issue to or conferral on the holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Capital Securities; and
- (c) the amendment or alteration of the maturity of the Capital Securities or amendment or alteration of the amount of Distribution payable on the Capital Securities, or the date on which the Distributions become payable, including by suspending payment for a temporary period, or any other amendment or alteration of these conditions.

With respect to (a), (b) and (c) above, references to principal and Distribution shall include payments of principal and Distribution that have become due and payable (including principal that has become due and payable at the maturity date), but which have not been paid, prior to the exercise of any Hong Kong Resolution Authority Power. The rights of the holder(s) of the Capital Securities under the Capital Securities and these conditions are subject to, and will be amended and varied, if necessary, solely to give effect to, the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority.

No repayment of the principal amount of the Capital Securities or payment of Distribution on the Capital Securities shall

become due and payable or be paid after the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority unless, at the time that such repayment or payment, respectively, is scheduled to become due, such repayment or payment would be permitted to be made by the Issuer under the laws and regulations applicable to the Issuer and the Group.

Upon the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority with respect to the Capital Securities, the Issuer shall provide a written notice not more than two Hong Kong business days after the occurrence of such exercise regarding such exercise of the Hong Kong Resolution Authority Power to the holder(s) of the Capital Securities.

Neither the reduction or cancellation, in part or in full, of the principal amount of, or Distributions on the Capital Securities, the conversion thereof into another security or obligation of the Issuer or another person, or any other amendment or alteration of these conditions as a result of the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority with respect to the Issuer nor the exercise of the Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority with respect to the Capital Securities shall constitute a Default.

The Financial Institutions (Resolution) Ordinance (the “**Ordinance**”) was passed by the Legislative Council of Hong Kong and published in the gazette of the Hong Kong Special Administrative Region Government (“**HKSAR Government**”) in June 2016. The Ordinance has become effective on 7 July 2017 and all licensed banks in Hong Kong are subject to such legislation.

“**Hong Kong Resolution Authority Power**” means any power which may exist from time to time under the Ordinance relating to financial institutions, including licensed banks, deposit-taking companies, restricted licence banks, banking group companies, insurance companies and/or investment firms incorporated in or authorised, designated, recognised or licensed to conduct regulated financial activities in Hong Kong in effect and applicable in Hong Kong to the Issuer or other members of the Group (as defined below) (including, for the avoidance of doubt, powers under Part 4 and Part 5 of the Ordinance) or any other laws, regulations, rules or requirements relating thereto, as the same may be amended from time to time (whether pursuant to the Ordinance or otherwise), and pursuant to which obligations of a licensed bank, deposit-taking company, restricted licence bank, banking group company, insurance company or investment firm or any of its affiliates can be reduced, cancelled, transferred, modified

and/or converted into shares or other securities or obligations of the obligor or any other person.

“**Group**” means the Issuer and its Subsidiaries (as defined below) taken as a whole.

“**relevant Hong Kong Resolution Authority**” means any authority with the ability to exercise a Hong Kong Resolution Authority Power in relation to the Issuer from time to time.

“**Subsidiary**”, with respect to the Issuer, means any company (i) of which the Issuer controls more than half of its voting rights, (ii) of which the Issuer has the power to appoint or remove all, or a majority of its directors without any other person’s consent or (iii) of which the Issuer holds more than half of its issued share capital, and includes any company which is a Subsidiary of a Subsidiary of the Issuer.

**Redemption for Regulatory Reasons**

For so long as prior approval of Monetary Authority is required, provided that such approval is obtained, and subject to the Redemption Conditions being satisfied, following the occurrence of a Regulatory Event (as defined below), the Capital Securities may be redeemed at anytime in whole, but not in part, at the option of the Issuer on giving not less than 30 nor more than 60 days’ notice to the holder(s) of the Capital Securities (which notice shall be irrevocable) at their outstanding principal amount together (if appropriate) with Distribution accrued but unpaid (if any) to (but excluding) the date fixed for redemption.

A “**Regulatory Event**” is deemed to have occurred if (a) the Capital Securities, after having qualified as such, will no longer qualify (in whole or in part) as Additional Tier 1 capital (or equivalent) of the Issuer and/or (b) the Capital Securities cease to be included in the calculation of the Issuer’s capital adequacy ratio, as a result of a change or amendment in (or any change in the application or official interpretation of) the relevant provisions of the Banking Ordinance (Cap.155) of Hong Kong, the Banking (Capital) Rules (Cap.155L) of Hong Kong, or any successor legislation or regulations made thereunder, or any supervisory guidance issued by the Monetary Authority in relation thereto and such change or amendment was not foreseeable at the time of the issuance of the Capital Securities.

**Redemption for Tax Reasons**

Provided that the prior approval of Monetary Authority is obtained and subject to the Redemption Conditions being satisfied, following the occurrence of a Tax Event (as defined below), the Capital Securities may be redeemed at anytime in whole, but not in part, at the option of the Issuer, on giving not less than 30 but not more than 60 days’ notice to the holder(s) of the Capital Securities (which notice shall be irrevocable) at their outstanding principal amount together (if appropriate) with

Distribution accrued but unpaid (if any) to (but excluding) the date fixed for redemption.

A “**Tax Event**” is deemed to have occurred if, as a result of any change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which an agreement is reached to issue the Capital Securities and such change or amendment was not foreseeable at the time of such agreement, the Issuer,

- (a) in making any payments on the Capital Securities, the Issuer has paid or will or would on the next payment date be required to pay Additional Amounts (as defined below) on the Capital Securities, or
- (b) the Issuer is no longer, or will no longer be, entitled to claim a deduction in respect of computing its taxation liabilities in Hong Kong or any political subdivision or any authority thereof or therein having power to tax.

“**Additional Amounts**” means the additional amounts that may be necessarily payable in order that the net amounts received by the holder(s) of the Capital Securities after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Capital Securities in the absence of the withholding or deduction.

#### **Withholding Taxes**

All payments in respect of the Capital Securities by or on behalf of the Issuer 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 or under the withholding regime relating to the United States Foreign Account Tax Compliance Act.

In the event such taxes are imposed, the issuer will have to pay Additional Amounts as may be necessary in order that the net amounts received by the holder(s) of the Capital Securities after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Capital Securities in the absence of the withholding or deduction.

#### **Default and Enforcement**

“**Default**”, means (except as expressly provided below, whatever the reason for such Default and whether or not it shall be voluntary or involuntary or be effected by the operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or

governmental body) the failure to pay principal of or Distribution on any Capital Security (which default in the case of principal continues for seven business days and in the case of Distribution continues for fourteen business days) after the due date for such payment.

If a Default occurs in relation to the Capital Securities and is continuing, the holder(s) of the Capital Securities may institute proceedings in Hong Kong (but not elsewhere) for the Winding Up of the Issuer. The holder(s) of the Capital Securities shall have no right to enforce payment under or accelerate payment of any Capital Security in the case of such Default in payment on such Capital Security or a default in the performance of any other covenant of the Issuer in such Capital Security.

For the avoidance of doubt, the following events shall not constitute Default and shall not entitle the holder(s) of the Capital Securities to petition for the insolvency or Winding Up of the Issuer: (a) a Write-off that is duly effected pursuant to a Non-Viability Event or (b) the reduction or cancellation, in part or in full, of the principal amount of, or Distribution on the Capital Securities, the conversion thereof into another security or obligation of the Issuer or another person, or any other amendment or alteration of these conditions as a result of the exercise of any Hong Kong Resolution Authority Power by the relevant Hong Kong Resolution Authority with respect to the Issuer or to the Capital Securities.

#### **Set-off and Payment Void**

Subject to applicable law, no holder of the Capital Securities may exercise, claim or plead any right of set-off, counter-claim or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Capital Securities and each holder of the Capital Securities shall, by virtue of being a holder of the Capital Securities, be deemed to have waived all such rights of such set-off, counter-claim or retention.

In the event that any Securityholder nevertheless receives (whether by set-off or otherwise) directly in a Winding-Up Proceeding in respect of the Issuer any payment by, or distribution of assets of, the Issuer of any kind or character, whether in cash, property or securities, in respect of any amount owing to it by the Issuer arising under or in connection with the Capital Securities, other than in accordance with this section, such Securityholder shall, subject to applicable law, immediately pay an amount equal to the amount of such payment or discharge to the liquidator for the time being in the winding up of the Issuer for distribution and each Securityholder, by virtue of becoming a Securityholder or any Capital Security, shall be deemed to have so agreed and undertaken with and to the Issuer and all depositors and other unsecured creditors of the Issuer for good consideration.

**Denominations**

The Capital Securities will be in registered form in denominations of US\$10,000,000.

**Governing Law and Jurisdiction**

The Capital Securities will be governed by and construed in accordance with Hong Kong law.

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Capital Securities.