

CONFORMED COPY

DATED 9TH JULY, 1986

THE HONGKONG AND SHANGHAI BANKING CORPORATION

and

THE LAW DEBENTURE TRUST CORPORATION p.l.c.

TRUST DEED.

constituting

U.S.\$400,000,000
Primary Capital Undated Floating Rate Notes
(Third Series)

For The Hongkong and Shanghai Banking Corporation:-

Norton, Rose, Botterell
& Roche,
Kempson House,
Camomile Street,
London EC3A 7AN
(as to English Law)

Norton, Rose, Botterell
& Roche,
(in association with
Johnson, Stokes & Master)
11th Floor, Alexandra House,
16-20 Chater Road,
Hong Kong
(as to Hong Kong Law)

For The Law Debenture Trust Corporation p.l.c.:-

Slaughter and May,
35 Basinghall Street,
London EC2V 5DB
(as to English Law)

Slaughter and May,
27th Floor,
Two Exchange Square,
Hong Kong
(as to Hong Kong Law)

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THIS TRUST DEED is made the ninth day of July, 1986 BETWEEN THE HONGKONG AND SHANGHAI BANKING CORPORATION, a corporation incorporated under the laws of Hong Kong, whose head office is at 1 Queen's Road Central, Hong Kong (hereinafter called the "Bank") of the first part and THE LAW DEBENTURE TRUST CORPORATION p.l.c., a company incorporated under the laws of England, whose registered office is at Estates House, 66 Gresham Street, London EC2V 7HX of the second part.

WHEREAS:-

- (A) The Bank has, pursuant to a resolution of a duly authorised committee of its Board of Directors passed on 23rd June, 1986, duly authorised the creation and issue of U.S.\$400,000,000 Primary Capital Undated Floating Rate Notes (Third Series) of the Bank, the said Notes to be constituted on the terms hereinafter appearing.
- (B) The Law Debenture Trust Corporation p.l.c. has agreed to act as trustee of these presents upon the terms and subject to the conditions hereinafter contained.

NOW THIS DEED WITNESSETH AND IT IS HEREBY DECLARED as follows:-

1. Definitions

(A) IN these presents, unless there is something in the subject or context inconsistent therewith, the expressions following shall have the meanings hereinafter mentioned (that is to say):-

"Agent Bank" means Citibank, N.A., acting through its principal London office, or such other agent bank for the Notes and the Coupons appertaining thereto as may from time to time be appointed by the Bank with the prior approval of the Trustee in writing and notice of whose appointment is given to the Noteholders in accordance with Condition 12;

"Agency Agreement" means the Agreement dated 7th July, 1986 and made between the Bank, the Trustee and Citibank, N.A., acting through its principal London office, and others as the same may from time to time be amended with the prior written approval of the Trustee, whereby Citibank, N.A., acting through its principal London office, was appointed as Principal Paying Agent and Agent Bank and certain other banks were appointed as Paying Agents, and includes any other agreement, the terms of which have been previously approved by the Trustee in writing, appointing any other or further Principal Paying Agent, Agent Bank or Paying Agents in substitution therefor or in addition thereto or amending the terms of any such appointment;

"Arrears of Interest" has the meaning set out in Condition 3(b);

"Assets" has the meaning set out in Condition 2;

"Auditors" means in relation to the Bank the auditors for the time being thereof and, in the case of joint auditors, the joint auditors thereof or in the event of their being unable or unwilling to carry out any action requested of them pursuant to the terms of these presents, such other firm of accountants as may be nominated or approved by the Trustee for the purpose;

"banking company" means any body corporate having as its principal business the business of banking (which shall be deemed to include, inter alia, the business of licensed or registered deposit-taking or merchant banking) or any banking activity which is, at the relevant time, generally recognised as an integral part of the business of banking;

"Bank's Regulations" shall have the meaning set out in Condition 2;

"business day" means, but not for the purposes of Condition 5(b), a day on which banks and foreign exchange markets are open for business in both London and New York City;

"CEDEL" means CEDEL S.A. of 67 Boulevard Grande-Duchesse Charlotte, Luxembourg;

"Compulsory Interest Payment Date" has the meaning set out in Condition 3(b);

"Conditions" means the terms and conditions endorsed on the Notes in the form or substantially in the form set out in Part II of the First Schedule, as any of the same may from time to time be modified in accordance with these presents and any reference in these presents to a particular Condition shall be construed accordingly;

"Coupons" means the bearer coupons appertaining to the Notes and for the time being outstanding or, as the context may require, a specific number thereof and includes the talons for further Coupons and any replacement Coupons issued pursuant to Condition 11;

"Couponholders" means the several persons who are for the time being holders of the Coupons;

"Definitive Notes" has the meaning set out in Clause 5(C);

"Depositary" has the meaning set out in Clause 5(C);

"Distribution Date" means the date of the completion of the distribution of all of the Notes as determined by Morgan Guaranty Ltd and certified by it to the Bank, the Trustee, the Principal Paying Agent and the Paying Agents;

"Euro-clear Operator" means Morgan Guaranty Trust Company of New York, Brussels Office, Rue de la Regence, 4, B-1000 Brussels, Belgium or its successor as operator of the Euro-clear System;

"Exchange Date" means the first day following the expiry of 90 days after the Distribution Date;

"Executive Director" means a Director of the Bank who is an executive director pursuant to Regulation 115 of The Hongkong and Shanghai Bank Regulations;

"Extraordinary Resolution" bears the meaning set out in paragraph 20 of the Second Schedule hereto;

"holding company" has the meaning ascribed thereto by Section 2 of the Companies Ordinance of Hong Kong as enacted on the date of this Trust Deed;

"Interest Payment Date" in relation to the Notes has the meaning set out in Condition 3(b);

"Interest Period" in relation to the Notes has the meaning set out in Condition 3(b);

"Issue Date" in relation to the Notes means 9th July, 1986 or, if payment to the Bank is deferred as permitted by the Subscription Agreement made on 27th June, 1986 between the Bank and the persons named therein as Managers, such later date as shall be the date on which payment to the Bank is made, being not later than 23rd July, 1986;

"Liabilities" has the meaning set out in Condition 2;

"month" means calendar month;

"Notes" means the notes comprising the said U.S.\$400,000,000 Primary Capital Undated Floating Rate Notes (Third Series) to be issued hereunder in or substantially in the form set out in Part II of the First Schedule and for the time being issued and outstanding or, as the case may be, a specific number thereof and includes any replacement Notes issued pursuant to Condition 11 and (except for the purposes of Clause 5(A)) includes any temporary global note to be issued in respect of the Notes pursuant to Clause 5(C);

"Noteholders" means the several persons who are for the time being holders of the Notes;

"outstanding" means in relation to the Notes all the Notes which are issued other than (a) those which have been redeemed in accordance with these presents or the Conditions, (b) those in respect of which the due date for redemption in accordance with the Conditions has occurred and the redemption moneys wherefor (including all interest payable thereunder in respect thereof) have been duly paid to the Trustee or the Principal Paying Agent in the manner provided in the Agency Agreement and remain available for payment against presentation of Notes and/or Coupons, as the case may be, (c) those which have been purchased and cancelled as provided in Condition 4, (d) those which have become void under Condition 8, (e) those mutilated Notes which

have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Condition 11, (f) (for the purpose only of ascertaining the amount of Notes outstanding and without prejudice to the status for any other purpose of the relevant Notes) those Notes which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to Condition 11 and (g) any temporary global note to the extent that it shall have been exchanged for the Notes in definitive form pursuant to its provisions PROVIDED THAT for each of the following purposes:-

- (i) the right to attend and vote at any meeting of Noteholders;
- (ii) the determination of how many and which Notes are for the time being outstanding for the purposes of Clause 9, Conditions 7 and 10 and paragraphs 2, 5, 6 and 10 of the Second Schedule;
- (iii) any discretion, power or authority contained in these presents which the Trustee is required expressly or impliedly to exercise in or by reference to the interests of the Noteholders; and
- (iv) the determination by the Trustee whether any event or potential event is or would be, in its opinion, materially prejudicial to the interests of the Noteholders;

those Notes (if any) which are for the time being beneficially owned by the Bank or any of its subsidiaries shall be deemed not to remain outstanding;

"Paying Agents" means the several institutions (including where the context permits the Principal Paying Agent) at their respective specified offices named at the end of the Conditions or such other or further paying agents at their respective specified offices as may from time to time be appointed in respect thereof by the Bank with the prior approval of the Trustee in writing and notice of whose appointment is given to the Noteholders in accordance with Condition 12;

"Principal Paying Agent" means Citibank. N.A. acting through its principal London office, or such other principal paying agent for the Notes and the Coupons as may from time to time be appointed by the Bank with the prior approval of, and on terms previously approved by, the Trustee in writing and notice of whose appointment is given to the relevant Noteholders in accordance with Condition 12;

"Reference Banks" means the several banks named as such in Condition 3(h) and includes any successors appointed by the Bank in accordance with Condition 3 and previously approved by the Trustee in writing and notice of whose appointment is given to the Noteholders in accordance with Condition 12;

"Relevant Event" means an event specified in Condition 7(a) or the making of an order or the passing of an effective resolution for the winding-up in Hong Kong of the Bank or the dissolution of the Bank pursuant to the Bank's Regulations;

"repay" shall include "redeem" and vice versa and "repaid", "repayable" and "repayment" and "redeemed", "redeemable" and "redemption" shall be construed accordingly;

"Senior Creditors" means creditors of the Bank (i) who are depositors or other unsubordinated creditors of the Bank or (ii) whose claims are, or are expressed to be, subordinated (whether only in the event of the winding-up or dissolution of the Bank or otherwise) to the claims of depositors and other unsubordinated creditors of the Bank but not further or otherwise or (iii) who are other subordinated creditors of the Bank except those whose claims are expressed to rank pari passu with or junior to the claims of Noteholders;

"The Stock Exchange" means The Stock Exchange of the United Kingdom and the Republic of Ireland;

"subsidiary" has the meaning ascribed thereto by section 2 of the Companies Ordinance of Hong Kong as enacted on the date of this Trust Deed;

"Temporary Global Note" has the meaning set out in Clause 5(C);

"these presents" means this Trust Deed and the Schedules (as from time to time modified in accordance with the provisions herein contained) and includes any deed or other document executed in accordance with the provisions hereof (as from time to time modified as aforesaid) and expressed to be supplemental hereto;

"trust corporation" means a corporation entitled by rules made under the Public Trustee Act, 1906 of Great Britain to act as a custodian trustee;

"Trustee" means The Law Debenture Trust Corporation p.l.c. or any other trustee or trustees for the time being of these presents;

words denoting the masculine gender only shall include the feminine gender also, and

words denoting persons only shall include companies, corporations and partnerships.

(B) In these presents, except where the contrary is stated, references to:-

- (i) any provision of any statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment;

- (ii) principal and/or interest in respect of the Notes shall be deemed also to include references to any additional amounts which may be payable under Condition 6 or under any obligation undertaken pursuant to Clause 8 or Clause 17(B)(iv);
- (iii) costs, charges or expenses shall include any value added tax or similar tax charged or chargeable in respect thereof;
- (iv) "dollars" or the sign "\$" shall be construed as references to United States dollars which are freely transferable by residents and non-residents of the United States of America and convertible by such persons into any other freely convertible currency unless such transferability or convertibility is restricted by any law or regulation of general application in which event references to "dollars" or the sign "\$" shall be construed as references to such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts in the United States of America, and "cents" shall be construed accordingly; and
- (v) "interest" shall include Arrears of Interest.

(C) References in the Conditions to the original due date of exchange of any talon shall be construed as references to the day immediately following the Interest Payment Date for the last Coupon on the sheet of Coupons to which the relevant talon is or was originally attached.

(D) References in this Trust Deed to Schedules, Clauses, sub-clauses, paragraphs and sub-paragraphs shall be construed as references to the Schedules to this Trust Deed and to the Clauses, sub-clauses, paragraphs and sub-paragraphs of this Trust Deed respectively.

(E) The headings are inserted herein only for convenience and shall not affect the construction hereof.

2. Amount of the Notes

(A) THE aggregate principal amount of the Notes is limited to \$400, 00,000.

Covenant to repay Notes and to pay interest thereon

(B) As and when the Notes become repayable or become due to be redeemed in accordance with the Conditions, the Bank shall (but subject to Clause 3 and Condition 2) pay or procure to be paid to or to the order of the Trustee in dollars in same day funds in New York City the principal amount of the Notes becoming due for repayment on that date in accordance with the Conditions and shall (subject to the provisions of the Conditions) until such payment (as well after as before any judgment or other order of any court of competent jurisdiction) is duly made (but subject to Clause 3 and Condition 2) pay or procure to be paid to or to the order of the Trustee interest

on the principal amount of the Notes as and when the same becomes payable in accordance with the Conditions at a rate calculated from time to time in accordance with Condition 3 or, as the case may be, Clause 12(A), Provided that (i) every payment of principal or interest in respect of the Notes made to or to the order of the Principal Paying Agent in the manner provided in the Agency Agreement shall be satisfaction pro tanto of the relevant covenant by the Bank in this Clause contained except to the extent that there is default in the subsequent payment thereof to the Noteholders or the Couponholders (as the case may be) or such subsequent payment is not made by reason of Clause 3 or Condition 2; (ii) in the case of any payment made after the due date, payment shall be deemed not to have been made until the full amount due has been received by the Trustee or the Principal Paying Agent and notice to that effect has been given to the Noteholders in accordance with Condition 12; (iii) in any case where interest on the Notes falls to be paid in respect of a period other than a complete Interest Period the amount thereof shall be calculated on the basis of actual days elapsed and a year of 360 days; (iv) in any case where payment of the whole or any part of the principal amount of any Note is improperly withheld or refused upon presentation of such Note or is not made by reason of Clause 3 or Condition 2, interest shall accrue at the rate aforesaid on the whole or such part of such principal amount until the date on which notice is given to the Noteholders in accordance with Condition 12 that the full amount in dollars payable in respect of the said principal amount is available for collection by the Noteholders and the Bank covenants that it shall unconditionally pay (subject to Clause 3 and Condition 2) the interest so accrued to or to the order of the Trustee as aforesaid and (v) in the event of the winding-up in Hong Kong of the Bank or the dissolution of the Bank the Bank shall (subject to Clause 3 and Condition 2) pay to or to the order of the Trustee amounts in respect of principal and interest in accordance with the provisions of the third paragraph of Condition 2.

3. Subordination of Notes

(A) The rights of the Noteholders and Couponholders are subordinated to the claims of Senior Creditors and accordingly payments of principal and interest are conditional upon the Bank being solvent at the time of payment by the Bank and any principal or interest in respect of the Notes or Coupons which under any other Clause hereof would otherwise fall due for payment whilst the Bank was insolvent or in insolvent winding up or in insolvent dissolution will not fall so due (subject always to the provisions of the last sentence of Condition 7(a)), and instead such payment will become due for payment only if and when and to the extent that the Bank could make such payment in whole or in part and still be solvent (whether or not it was in winding up or dissolution) immediately thereafter. Interest will continue to accrue on any Notes payment of which is suspended under this Clause subject to and in accordance with the provisions of Clause 2(B) and the Conditions. The Noteholders are creditors of the Bank whose claims rank in point of subordination pari passu with the claims of the holders of the U.S.\$400,000,000 Primary Capital Undated Floating Rate Notes and U.S.\$400,000,000 Primary Capital Undated Floating Rate Notes (Second Series) of the Bank.

(B) For the purposes of sub-clause (A) of this Clause, the Bank shall be solvent if both (i) it is able to pay its debts as they fall due and (ii) its Assets exceed its Liabilities (other than its Liabilities to persons who are not Senior Creditors).

(C) The Bank may at any time and shall whenever requested by the Trustee procure that two Executive Directors of the Bank or (if the Bank is in winding-up in Hong Kong) the liquidator of the Bank or (if the Bank is dissolved pursuant to the Bank's Regulations) the Board of Directors of the Bank shall give a report in writing as to whether or not the Bank is or would in any specified circumstances be solvent for the purposes of sub-clause (A) and in the absence of proven error any such report shall be treated and accepted by the Bank, the Trustee, the Noteholders and the Couponholders as correct and sufficient evidence of such fact. In the absence of any such report to the contrary, it shall for the purposes hereof be assumed (unless the contrary is proved prior to the date of payment) that the Bank is and will after any payment hereunder be solvent for such purposes. In the event of the delivery of a report of two Executive Directors or of the Board of Directors that the Bank is not solvent the Bank shall procure that the Auditors shall provide within 30 days of the date of such report of two Executive Directors or of the Board of Directors, a report of the Auditors as to whether or not the Bank is solvent for the purposes of sub-clause (A) and such report of the Auditors shall supersede the report of two Executive Directors or of the Board of Directors for all purposes of these presents and the Conditions.

(D) The provisions of this Clause 3 apply only to the principal and interest in respect of the Notes, and nothing in this Clause shall affect or prejudice the payment of the costs, charges, expenses or liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof.

(E) Nothing contained in this Deed shall in any way restrict the right of the Bank to issue or guarantee debt obligations ranking in priority to or pari passu with or junior to the obligations of the Bank in respect of the Notes and if in the opinion of the Trustee any modification to the provisions of this Clause to permit such ranking is necessary or expedient the Trustee is hereby authorised to concur with the Bank in executing a supplemental trust deed effecting such modification without the consent or sanction of the Noteholders.

4. Certain Actions after Relevant Event

At any time after a Relevant Event shall have occurred, the Trustee may:-

- (i) by notice in writing to the Bank, the Principal Paying Agent and the other Paying Agents require the Principal Paying Agent and other Paying Agents:-
 - (a) thereafter, to act as Principal Paying Agent and Paying Agents respectively of the Trustee in relation to payments to be made by or on behalf of the Trustee under the terms of these presents mutatis mutandis on the terms provided in the Agency Agreement (save that

the liability of the Trustee under any of the provisions thereof shall be limited to the amount for the time being held by the Trustee in respect of the Notes on the trusts of these presents) and to hold all Notes and Coupons and all sums, documents and records held by them in respect of Notes and Coupons on behalf of the Trustee; or

(b) to deliver up all Notes and Coupons and all sums, documents and records held by them in respect of Notes and Coupons to the Trustee or as the Trustee shall direct in such notice provided that such notice shall be deemed not to apply to any document or record which the relative Paying Agent is obliged not to release by any law or regulation; and

(ii) by notice in writing to the Bank require all subsequent payments in respect of the Notes and Coupons to be made to or to the order of the Trustee and not to the Principal Paying Agent, and with effect from the issue of any such notice until such notice is withdrawn, proviso (i) to sub-clause (B) of Clause 2 and (so far as it concerns payments by the Bank) Clause 13(A) shall cease to have effect.

5. Form of the Notes and Coupons

(A) THE Notes and the Coupons shall be in or substantially in the respective forms set out in Part II of the First Schedule. The Notes shall have endorsed thereon the Conditions in or substantially in the form set out in Part II of the First Schedule. The Notes shall be issued as to \$120,000,000 in principal amount in the denomination of \$5.000 each and as to \$280.000,000 in principal amount in the denomination of \$100,000 each, serially numbered with Coupons attached and title thereto shall pass by delivery.

(B) The Notes and the Coupons shall be signed in facsimile by an Executive Director of the Bank and will be authenticated by or on behalf of the Principal Paying Agent in the manner provided in the Agency Agreement. The Bank may use the facsimile signature of any person who at the date of the printing of the Notes and/or Coupons is an Executive Director of the Bank notwithstanding that at the time of issue of any Notes and/or Coupons he may have ceased for any reason to be the holder of such office and the Notes and/or Coupons so executed shall be binding and valid obligations of the Bank.

(C) Prior to the Exchange Date the Bank shall not issue the Notes in definitive form ("Definitive Notes") but shall issue to a common depository in London (the "Depository") for CEDEL and the Euro-clear Operator on the date hereof, on terms that it shall hold the same for the account of the persons who would otherwise be entitled to receive Definitive Notes as notified to the Depository by Morgan Guaranty Ltd, one temporary global note in respect of the Notes (the "Temporary Global Note") which shall be in bearer form without Coupons and printed, typewritten or lithographed and signed manually by an Executive Director of the Bank. The Temporary Global Note shall

be in the form or substantially in the form set out in Part I of the First Schedule and shall be in the aggregate principal amount of \$400,000,000. The Bank shall procure that notice of the Exchange Date shall be given in a manner approved by the Trustee within 21 days after the Bank and the Trustee shall have been advised of the same.

(D) The Temporary Global Note shall on or after the Exchange Date be exchangeable in whole or from time to time in part for a Definitive Note or Definitive Notes upon the Bank receiving a certificate or certificates from CEDEL or the Euro-clear Operator substantially to the following effect:-

"THE HONGKONG AND SHANGHAI BANKING CORPORATION

U.S.\$400,000,000 Primary Capital Undated Floating Rate Notes
(Third Series)

This is to certify that (i) we have received from each of the persons appearing in our records as entitled (subject to the provisions of the Temporary Global Note) to any part of the U.S.\$ of the principal amount of the Temporary Global Note relating to the above Primary Capital Undated Floating Rate Notes submitted herewith for exchange ("our Qualified Account Holders") a certificate substantially in the form attached hereto [as set out in sub-clause 5(E) below], and (ii) we are not submitting herewith for exchange any portion of such Temporary Global Note excepted in such certificates.

We further certify that as of the date hereof we have not received any notification from any of our Qualified Account Holders to the effect that certification made by any such Qualified Account Holder (in respect of any part of the said principal amount submitted herewith for exchange) is no longer true and cannot be relied upon as of the date hereof.

[CEDEL S.A.]

[Morgan Guaranty Trust Company of New York,
Brussels Office, as operator of the Euro-clear System]

By:.....

*Dated:

*To be dated no earlier than the Exchange Date".

Upon due presentation of the Temporary Global Note in accordance with the foregoing provisions the Bank shall issue and deliver free of charge to the holder of the Temporary Global Note and the beneficial owners of the Definitive Notes issued in exchange therefor a Definitive Note or Definitive Notes in an aggregate principal amount equal to the principal amount of the Temporary Global Note submitted

for exchange and shall procure the entry in the schedule endorsed on the Temporary Global Note of details of the principal amount thereof exchanged and of the Definitive Note or Definitive Notes issued and delivered on such exchange and the principal amount of the Temporary Global Note shall be reduced for all purposes by the amount so exchanged. The Bank shall procure that a record of all exchanges effected pursuant to this sub-clause (D) shall be maintained and shall be made available at all reasonable times for examination by the Trustee.

(E) Until the whole of the Temporary Global Note has been exchanged, the holder of the Temporary Global Note shall in all respects be entitled to the same rights and benefits under these presents as if such holder were the holder of the Definitive Notes and the Coupons for which the relevant part of the Temporary Global Note may be exchanged. In the event that one or more Interest Payment Dates occurs before the Exchange Date interest due on such date will be paid (subject to Clause 3 and Condition 2) to CEDEL and the Euro-clear Operator against presentation of the Temporary Global Note and CEDEL and the Euro-clear Operator shall credit to the account of the person entitled to a Definitive Note (as shown by their records) the amount of interest due on such Note on the relevant Interest Payment Date only upon receipt in each case of a certificate from such person in substantially the form below (being dated no earlier than 15 days prior to the relevant Interest Payment Date, with references therein to "Exchange Date" being replaced by references to "Interest Payment Date"). Any person who would, but for the provisions of sub-clause (D) of this Clause, otherwise be entitled to receive a Definitive Note or Definitive Notes shall not be entitled to require the exchange of the appropriate part of the Temporary Global Note for such Definitive Note or Definitive Notes unless and until he shall have delivered or caused to be delivered to CEDEL or the Euro-clear Operator a certificate or certificates in substantially the following form (copies of which certificate will be available at the offices of CEDEL in Luxembourg, the Euro-clear Operator in Brussels and each of the Paying Agents):-

"THE HONGKONG AND SHANGHAI BANKING CORPORATION

U.S.\$400,000,000 Primary Capital Undated Floating Rate Notes
(Third Series)

This is to certify that at the date hereof no beneficial owner of any interest in the above-described Notes of The Hongkong and Shanghai Banking Corporation appearing in your books as held for our account is a national or resident of the United States of America, its possessions, territories or any areas subject to its jurisdiction ("United States"), or any corporation, partnership or other entity created in or organised under the laws of the United States or any political subdivision thereof or any estate or trust which is subject to United States federal income taxation regardless of the source of its income.

* [If Certificate is presented on or before the Exchange Date (but in no event earlier than the 15th day prior to the Exchange Date)]

[The undersigned undertakes to advise you by telex on or before [the date determined by Morgan Guaranty Ltd to be the Exchange Date] if the above statement as to beneficial ownership becomes incorrect and in the absence of any such notification it may be assumed that this certificate applies as of the date on which you submit your certificate relating to the interest in the above-described Notes in respect of which this certificate is given.]

** [If Certificate is presented after the Exchange Date]

[We undertake to present this certificate promptly to you so that the certification contained herein as at the date of its delivery to you remains correct and may accordingly be relied upon by you as at the date when you present your certificate with respect to our interest in the above Notes then appearing in your records as being held for our account. We understand that you will present your certificate in reliance upon this certificate within 7 days of the delivery of this certificate to you and we undertake to notify you if the above certification ceases to be true within such period.]

This certificate excepts and does not relate to U.S.\$ of the above-described Notes appearing in your books as held for our account, which we have sold or as to which we are not at present in a position to certify.

The undersigned understands that this certificate is required in connection with certain securities laws of the United States. In accordance therewith, if administrative or legal proceedings are commenced or threatened in connection with which this certificate is or might be relevant, the undersigned irrevocably authorises you to produce this certificate or a copy thereof to any interested party in such proceedings.

To be dated not earlier than
the date 15 days prior to
the Exchange Date

As, or as agent for, the
beneficial owner(s).

* If the Certificate is presented on or before the Exchange Date.

** If the Certificate is presented after the Exchange Date.

Delete as applicable."

(F) The provisions of sub-clause (E) of this Clause shall not alter or impair the obligation of the Bank to pay (subject to Clause 3 and to Condition 2) to the Trustee the principal of and interest on the Notes on the dates and at the places and at the rate and in the coin or currency prescribed in the manner and subject to the provisions contained in Condition 3(b).

(G) The Notes and the Coupons constitute unsecured obligations of the Bank conditional as described herein and in the Conditions ranking pari passu without any preference among themselves.

6. Stamp duties

THE Bank will pay all stamp duties and other similar documentary duties or taxes (if any) payable in Hong Kong, the United Kingdom, Belgium or Luxembourg on the issue of the Notes and Temporary Global Note, the initial delivery of the Notes and the execution of these presents. If in consequence of a Relevant Event the Trustee (or any Noteholder or Couponholder where permitted under these presents so to do) shall in respect of any of the Notes take any proceedings to wind up the Bank in Hong Kong or to prove or claim in any winding-up or dissolution of the Bank, and for the purposes of any such proceedings these presents or any Notes or Coupons are taken into Hong Kong or any other jurisdiction and any stamp duties or other duties or taxes become payable thereon in any such jurisdiction, the Bank will pay (or reimburse the person making payment of) such stamp duties or other duties or taxes.

7. Covenant to observe

(A) THE Bank hereby covenants to comply with and perform and observe all the obligations on its part contained in these presents and under the Notes and to comply with and perform and observe the Conditions. The Notes and the Coupons shall be held subject to the provisions contained in these presents, all of which shall be binding upon the Bank, the Noteholders and the Couponholders and all persons claiming through or under them respectively.

(B) The provisions contained in the Schedules hereto shall have full effect in the like manner as if the same had been incorporated herein.

8. Tax Undertaking

IF the Bank shall become subject generally to the taxing jurisdiction of any territory or any authority thereof or therein having power to tax other than or in addition to Hong Kong, then the Bank shall, but only if at any time by virtue of having become so subject it shall be obliged by law to make any withholding or deduction in respect of any payment of principal or interest in respect of the Notes for or on account of any present or future tax, duty or charge of whatsoever nature imposed or levied by or on behalf of that territory or any authority thereof or therein having power to tax, give to the Trustee an undertaking or covenant in form and manner satisfactory to the Trustee in terms corresponding mutatis mutandis to the terms of Condition 6 with the substitution for, or (as the case may require) the addition to, the references therein to Hong Kong or any authority of or in Hong Kong having power to tax of references to that other or additional territory or any authority thereof or therein having power to tax to whose taxing jurisdiction the Bank shall have become subject as aforesaid and in such event the provisions of these presents shall be read accordingly.

9. Enforcement and Remedies

THE remedies against the Bank of the Trustee, the Noteholders and the Couponholders, and the restrictions in respect thereof, are set out in Condition 7. In addition to the right given by Condition 7(b) to require an indemnity satisfactory to it prior to taking the action referred to in Condition 7(a), the Trustee may require such an indemnity prior to taking any other action on behalf of the Noteholders or Couponholders (including proving or claiming in any winding-up or dissolution of the Bank) and the Trustee shall not be bound to take any such other action unless it is so indemnified and it has been requested to do so by an Extraordinary Resolution or in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding. Any indemnity to the Trustee (whether required pursuant to this Clause or Condition 7(b)) may if the Trustee requests provide for the deposit of funds with or to the order of the Trustee which may be used by the Trustee immediately upon its incurring any expenditure or may provide for any form of security for such indemnity or may provide for the advancing of money to the Trustee on a non-recourse basis or as a fighting fund.

10. (A) Application of moneys received by the Trustee

ALL moneys received by the Trustee under these presents in respect of the Notes shall be held by it on trust and applied:-

- (i) first, in payment or satisfaction of the costs, charges, expenses and liabilities incurred by the Trustee in or about the preparation and execution of the trusts of these presents (including remuneration of the Trustee);
- (ii) secondly, if prior to receipt of any such moneys or within 30 days thereafter the Trustee is provided with a report pursuant to Clause 3 hereof (which shall be requested by the Trustee on receipt of any such moneys) which states that the Bank could not make or could not have made such payment in whole or in part and still be solvent for the purposes of Clause 3 hereof immediately thereafter, in the return to the Bank of the whole or such part of such payment (after any necessary deductions pursuant to (i) of this Clause) as caused the Bank not then to be so solvent (and any money so returned shall then be treated for the purposes of the Bank's obligations hereunder as if it had not been paid by the Bank and its original payment shall not be deemed to have discharged any of the obligations of the Bank hereunder);
- (iii) thirdly, in or towards payment pari passu and rateably of all Arrears of Interest and accrued interest remaining unpaid in respect of the Notes, and all principal moneys due in respect of the Notes

and without prejudice to the provisions of this sub-clause, if the Trustee shall hold any moneys which represent principal or interest in respect of Notes or Coupons which have become void under Condition 8, the Trustee shall (subject to no sums being then overdue to the

Trustee in respect of any other Notes or Coupons and to the payment or provision for the payment or satisfaction of the said costs, charges, expenses and liabilities, including the remuneration of the Trustee) pay the same forthwith to the Bank (without prejudice to any question as to how such moneys should be dealt with as between the Bank and any other person for the time being entitled thereto in priority to the Bank).

(B) Power to retain and invest less than 10 per cent.

If the amount of the moneys at any time available for payment in respect of the Notes under paragraph (iii) of sub-clause (A) of this Clause shall be less than one-tenth of the principal amount of the Notes then repayable, the Trustee may, at its discretion, invest such moneys upon some or one of the investments hereinafter authorised with power from time to time, at the like discretion, to vary such investments; and such investments with the resulting income thereof may be accumulated until the accumulations together with any other funds for the time being under the control of the Trustee and applicable for the purpose shall amount to a sum sufficient to pay at least one-tenth of the principal amount of the Notes then repayable and such accumulations and funds shall then be applied in the manner aforesaid.

11. Authorised investments

ANY moneys which under the trusts herein contained ought to or may be invested by the Trustee may be invested in the name or under the control of the Trustee in any of the investments for the time being authorised by English law for the investment by trustees of trust moneys or in any other investments, whether similar to the aforesaid or not, which may be selected by the Trustee or by placing the same on deposit in the name or under the control of the Trustee with such bank or other financial institution as the Trustee may think fit and in such currency as the Trustee in its absolute discretion may determine and the Trustee may at any time vary or transfer any of such investments for or into other such investments or convert any moneys so deposited into any other currency and shall not be responsible for any loss occasioned by reason of any such investments or such deposit whether by depreciation in value, fluctuation in exchange rates or otherwise.

12. Interest on the Notes after a default

(A) THE rate of interest payable in respect of the Notes in the event of the Notes having been called for redemption pursuant to Condition 4(a) or (b) which is followed by a failure to pay principal as described in Condition 7(a) shall be calculated at three-monthly intervals, commencing on the expiry of the Interest Period during which the Notes are called for redemption, mutatis mutandis, in accordance with the provisions of Condition 3 except that the rates of interest need not be published.

Evidence of default

(B) Should the Trustee take any proceedings for the winding-up or dissolution in Hong Kong of the Bank or to prove or claim in any winding-up or dissolution of the Bank:-

- (i) proof therein that, as regards any specified Note, default has been made in paying any principal or interest due to the relative Noteholder shall (unless the contrary be proved) be sufficient evidence that like default has been made as regards all other Notes (as the case may be) in respect of which a corresponding payment is then due; and
- (ii) proof therein that as regards any specified Coupon, default has been made in paying any interest due to the relative Couponholders shall (unless the contrary be proved) be sufficient evidence that like default has been made as regards all other Coupons in respect of which a corresponding payment is then due.

13. Payment to Noteholders and Couponholders

(A) ANY payment to be made in respect of the Notes or the Coupons by the Bank or the Trustee may be made in the manner provided in the Conditions and any payment so made shall be a good discharge to the Bank or the Trustee, as the case may be. Any payment in full of interest made in respect of a Coupon shall extinguish any claim of a Noteholder which may arise directly or indirectly in respect of such interest.

(B) If any money shall be paid by the Bank to the Trustee or any Noteholder or Couponholder at a time when as a consequence of Clause 3 or Condition 2 the Bank is under no obligation to pay the same, such money shall not (subject only to Clause 10(A)(ii)) be recoverable by the Bank and the Bank shall have no right against the Trustee or any Noteholder or Couponholder in respect of such payment.

14. Production of Notes and Coupons

UPON any payment under any of the provisions of Clause 10(A) the Note or Coupon in respect of which such payment is made shall be produced to the Bank or the Paying Agent by or through whom such payment is made and the Bank shall, in the case of part payment, enface or cause such Paying Agent to enface a memorandum of the amount and date of payment on such Note or Coupon or, in the case of payment in full, shall cancel or procure the same to be cancelled and shall certify or procure the certification of such cancellation.

15. Covenants by the Bank

THE Bank hereby covenants with the Trustee that, so long as any of the Notes remains outstanding, it shall:-

- (a) at all times maintain (i) a Paying Agent for the Notes having a specified office in Continental Europe, and, for so long as the Notes are listed on The Stock Exchange; a Paying Agent having a

specified office in London and (ii) an Agent Bank and four Reference Banks for the Notes and shall if so required by the Trustee appoint a Paying Agent having a specified office in New York City if (a) the Bank shall have appointed Paying Agents in respect of the Notes outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the full amount of interest on the Notes (to persons so entitled under applicable local law) in dollars when due, (b) payment of the full amount of such interest by all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions, (c) the Bank does not within a reasonable period (as determined by the Trustee) appoint a Paying Agent in respect of the Notes in a jurisdiction where such payment is not illegal or so precluded and (d) such payment is then permitted by United States law;

- (b) at all times keep proper books of account and (to the extent not prohibited by law or otherwise by virtue of the banker's duty of confidentiality) at any time after a Relevant Event shall have occurred or the Trustee shall have reasonable cause to believe that a Relevant Event will occur, allow the Trustee or any person appointed by it to whom the Bank shall have no reasonable objection access to the same at all times during business hours;
- (c) give notice in writing to the Trustee of the occurrence of any Relevant Event or of the taking of any steps for the winding-up in Hong Kong or the dissolution of the Bank forthwith upon becoming aware thereof and without waiting for the Trustee to take any further action;
- (d) at least once in every year and, if practicable, at the same time as copies of the balance sheet and account mentioned under paragraph (g) are sent, deliver to the Trustee a certificate of the Bank signed by two Executive Directors of the Bank to the effect that, to the best of the knowledge, information and belief of the Bank during the period between the date as of which the last such certificate was given (or, in the case of the first such certificate, the date hereof) and the date as of which such certificate is given, there has not existed any Relevant Event and the Bank has complied with its obligations contained in these presents or (if such is not the case) giving details of such Relevant Event or the circumstances of such non-compliance;
- (e) to enable the Trustee to ascertain the amount of Notes outstanding for any of the purposes referred to in the proviso to the definition of "outstanding" contained in Clause 1 deliver to the Trustee forthwith upon being so requested in writing by the Trustee a certificate of the Bank signed by two Executive Directors of the Bank setting out to the best of the knowledge, information and belief of the Bank the total numbers of Notes which up to and including the date of such certificate have:-
 - (i) been purchased by or on behalf of the Bank or any of its subsidiaries and cancelled; and

- (ii) been purchased and are at the date of the certificate beneficially held by or on behalf of the Bank or any of its subsidiaries;
- (f) so far as permitted by law, at all times give to the Trustee such other information as it shall reasonably require for the purpose of the discharge of the duties and discretions vested in it hereunder or by operation of law;
- (g) send to the Trustee four copies of every balance sheet, profit and loss account, report or other notice, statement or circular issued to the shareholders or holders of debt securities of the Bank in their capacity as such at, or as soon as practicable after, the time of the issue thereof provided that in the case of an issue of debt securities not listed or quoted, no such copy shall be sent where by the terms of such debt securities, such communication is confidential;
- (h) so far as permitted by law at all times execute all such further documents and do all such further acts and things as may be necessary at any time or times to give effect to the terms and conditions of these presents;
- (i) oblige the Principal Paying Agent to notify the Trustee forthwith in the event that it does not, on or before the due date for payment of the Notes and/or the Coupons or any of them, receive unconditionally the full amount in the currency of payment of the moneys payable on such due date on all such Notes or Coupons (as the case may be);
- (j) obtain the prior written approval of the Trustee of and promptly give to the Trustee four copies of the form of every notice to be published in accordance with Condition 12 (other than pursuant to Condition 3(e));
- (k) in the event of the unconditional payment to the Principal Paying Agent or the Trustee of any sum due in respect of the Notes or any of them or any of the Coupons being made after the due date for payment thereof, forthwith give notice to the Noteholders in accordance with Condition 12 that such payment has been made;
- (l) at all times use all reasonable endeavours to maintain a listing of the Notes on The Stock Exchange or, if it is unable to do so having used such reasonable endeavours or if the maintenance of such listing is agreed by the Trustee to be unduly onerous, use all reasonable endeavours to obtain and maintain a quotation or listing of the Notes on such other stock exchange or exchanges as it may (with the written approval of the Trustee) decide and shall also use all reasonable endeavours to procure that there will at all times be furnished to any stock exchange on which the Notes are for the time being quoted or listed on the application of the Bank such information as such stock exchange may require in accordance with its normal requirements or in accordance with any arrangements for the time being made with any such stock exchange;

- (m) observe and comply with its obligations, and use all reasonable endeavours to procure that the Principal Paying Agent and the Agent Bank observe and comply with all their respective obligations, under the Agency Agreement and use all reasonable endeavours to procure that the Reference Banks carry out their duties as such;
- (n) use all reasonable endeavours to ensure that each of its subsidiaries observes the requirements contained in Condition 4(c) and (d);
- (o) cause the Paying Agents to make available further Coupons against surrender of the talons in accordance with the provisions of the Agency Agreement and the Conditions and cause the Principal Paying Agent (or the Paying Agent to which any talon may have been surrendered) to cancel all talons surrendered in exchange for further Coupons or surrendered pursuant to Condition 11 and cause the Principal Paying Agent to keep a full and complete record of all talons (including serial numbers), including their surrender or replacement and their cancellation, and to make available such record to the Trustee on request;
- (p) give or procure that there be given to the Noteholders not more than 45 nor less than 30 days' prior notice of any appointment or removal of any Paying Agent, Agent Bank or Reference Bank (other than the appointment of the Paying Agents, Agent Bank and Reference Banks listed in the Conditions) or any change in any specified office from that shown at the foot of the Conditions or that last notified to Noteholders pursuant thereto (after having, in any such case other than a change of specified office within the same city, obtained the prior written approval of the Trustee thereto); and
- (q) except with the consent of the Trustee not create or issue any class of preference shares expressed to rank in priority in a winding-up or dissolution of the Bank to the claims of the Noteholders pursuant to Condition 2 nor issue any preference shares expressed to rank pari passu with such claims (but without prejudice to the right of the Bank to create (as opposed to issue) preference shares expressed to rank as regards participation in the profits and assets of the Bank pari passu and rateably with (but not in priority to) such claims).

16. Remuneration of the Trustee

(A) THE Bank shall (subject as hereinafter provided) pay to the Trustee in every year until the trusts hereof shall be finally wound up reasonable remuneration for its services as trustee. Such remuneration shall be at the rate of £2,000 per annum or such higher rate as shall from time to time be agreed between the Bank and the Trustee and shall in any event be reviewed after ten years from the date hereof. The said remuneration shall be deemed to accrue from day to day and shall be paid on the Interest Payment Dates in respect of the Notes in each year, the first such payment to be made on the Interest Payment Date falling three months after the Issue Date in respect of the period from the Issue Date to that Interest Payment

Date. In the event of an Event of Default or in the event of the Trustee finding it expedient or being required to undertake any duties which the Trustee and the Bank agree to be of an exceptional nature or otherwise outside the scope of the normal duties of the Trustee under these presents (the taking of any proceeding for the winding-up in Hong Kong of the Bank and the proving in any winding-up or dissolution of the Bank being agreed to be exceptional), the Bank shall pay such additional remuneration as shall be agreed between the Trustee and the Bank. In the event of the Trustee and the Bank failing to agree upon whether such duties are of an exceptional nature or otherwise outside the scope of the normal duties of the Trustee under these presents, or failing to agree upon such additional remuneration or any such higher rate, such matters shall be determined by a merchant bank (acting as an expert and not as an arbitrator) selected by the Trustee and approved by the Bank or, failing such approval, nominated by the President for the time being of The Law Society of England and Wales the expenses involved in such nomination and the fee of such merchant bank being shared equally between the Trustee and the Bank and the decision of any such merchant bank shall be final and binding on the Bank and the Trustee.

(B) The Trustee shall not be entitled to remuneration in respect of any period after the date on which, all the Notes having become due for redemption, the redemption moneys (including accrued interest thereon in accordance with the provisions of these presents) have been paid to the Trustee or the Principal Paying Agent or otherwise duly provided for to the satisfaction of the Trustee unless, upon due presentation of any Note or Coupon, payment of the moneys due in respect thereof is improperly withheld or refused or is not made by reason of Clause 3 or Condition 2, in which event remuneration will commence to accrue again.

(C) In addition to remuneration hereunder the Bank shall, on written request, pay all other costs, charges and expenses including travelling expenses which the Trustee may reasonably incur in relation to the preparation and execution of these presents and the exercise of the powers or the execution of the trusts vested in it by or pursuant to these presents.

(D) The Bank shall indemnify the Trustee (i) in respect of all liabilities and expenses incurred by it or by any person appointed by it to whom any trust, power, authority or discretion may be delegated by it in the execution or purported execution of the trusts, powers, authorities or discretions vested in it by these presents provided in the case of any such delegation the Trustee shall have exercised reasonable care in the selection of such delegate and (ii) against all liabilities, actions, proceedings, costs, claims and demands in respect of any matter or thing done or omitted to be done in any way relating to these presents.

(E) All sums payable under sub-clauses (C) and (D) of this Clause shall be payable on demand. All sums payable by the Bank under this Clause shall carry interest at a rate equal to 2 per cent. above the base rate of National Westminster Bank PLC from time to time from the date thirty days after the date on which the same become due or (where a demand by the Trustee specifies that payment by the Trustee

has been made or will be made on an earlier date) from the date of such demand or, as the case may be, such earlier date.

(F) The Bank shall in addition pay to the Trustee (if so required) an amount equal to the amount of any value added tax or similar tax charged in respect of its remuneration hereunder.

(G) Unless otherwise specifically stated in any discharge of these presents the provisions of this Clause 16 shall continue in full force and effect notwithstanding such discharge.

17. Modifications

(A) THE Trustee may from time to time and at any time without any consent or sanction of the Noteholders or the Couponholders concur with the Bank in making any modification (a) to these presents (other than the proviso to paragraph 5 of the Second Schedule or any provision of these presents referred to in that proviso) which in the opinion of the Trustee it may be expedient to make provided the Trustee is of the opinion that such modification will not be materially prejudicial to the interests of the Noteholders or (b) to these presents to correct a manifest error. Any such modification shall be binding on the Noteholders and the Couponholders and, unless the Trustee otherwise agrees, the Bank shall cause such modification to be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 12.

Substitution of the Principal Debtor

(B) The Trustee may at any time without the consent or sanction of the Noteholders or the Couponholders agree to the substitution in place of the Bank (or of any previous substitute under this sub-clause (B)) as the principal debtor in respect of the Notes of any subsidiary or holding company of the Bank or of any subsidiary of such holding company (incorporated in any country in the world) or (on any substitution other than the first) of the Bank (hereinafter in this sub-clause (B) referred to as the "Substituted Company"), Provided that:-

- (i) a supplemental trust deed or an indenture is executed or some other form of undertaking is given by the Substituted Company to the Trustee in a form satisfactory to the Trustee to be bound by the terms hereof and by the Conditions (with any consequential amendments which may be appropriate) in respect of the Notes as fully as if the Substituted Company had been a party to these presents and named herein and in the Notes and the Coupons as the principal debtor in respect of the Notes in place of the Bank (or such previous substitute as aforesaid);
- (ii) in the case of a subsidiary or holding company of the Bank or any subsidiary of such holding company being the Substituted Company, an irrevocable guarantee is given by the Bank to the Trustee in a form satisfactory to the Trustee of the payment of all moneys payable by the Substituted Company as such principal debtor, Provided that

the obligations of the Bank under such guarantee shall be unsecured and shall be subordinated on a basis equivalent to that contained in Clause 3 and Condition 2 (for the avoidance of doubt, the Trustee at the date hereof making no admission that a guarantee so subordinated can be satisfactorily achieved);

- (iii) where the Substituted Company shall be a banking company, the obligations of the Substituted Company in respect of the Notes and the Coupons may be subordinated to the rights of Senior Creditors (as defined in Clause 1 but with the substitution of references to that company in place of references to the Bank);
- (iv) (without prejudice to the generality of paragraphs (i), (ii) and (iii) of this sub-clause (B)) where the Substituted Company is incorporated, domiciled or resident in a territory other than Hong Kong, an undertaking or covenant shall, if the Trustee so requires, be given in terms corresponding to the provisions of Condition 6 of the Notes with the substitution for the references to Hong Kong or any authority thereof or therein having power to tax of references to the territory or any authority thereof or therein having power to tax in which the Substituted Company is incorporated, domiciled or resident and so that the right of redemption of the Notes in the circumstances contemplated by Condition 4(a) shall be expressed to apply in the event of the Substituted Company becoming obliged, by virtue of any change in the law of the territory in which the Substituted Company is incorporated, domiciled or resident, after the date of such substitution to pay any additional amounts in respect of taxation pursuant to such undertaking;
- (v) if the Directors of the Bank and of the Substituted Company shall certify that the Substituted Company will be solvent immediately after the time at which the said substitution is to be effected, the Trustee shall not be bound at the time of such substitution to have regard to the financial condition, profits or prospects of the Substituted Company or compare the same with those of the Bank (or of any previous substitute under this sub-clause (B));
- (vi) the Trustee shall be satisfied that (a) all necessary governmental and regulatory approvals and consents necessary for or in connection with the assumption by the Substituted Company of its obligations under the Notes and the Coupons in place of the Bank (or such previous substitute as aforesaid) and for the giving by the Bank of its guarantee aforesaid have been obtained and (b) such approvals and consents are at the time of substitution in full force and effect; and
- (vii) the Bank and the Substituted Company (or any previous substitute under this Clause) shall execute such other deeds, documents and instruments (if any) as the Trustee may require in order that such substitution is fully effective

and comply with such other requirements in the interests of the Noteholders and the Couponholders as the Trustee may direct.

In the case of any substitution as aforesaid (a) the Trustee may agree, without the consent of the Noteholders or Couponholders, to a change of the law expressed to govern the Notes, the Coupons and/or these presents provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders and (b) the Trustee shall not have regard to the consequences of such substitution for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. No Noteholder or Couponholder shall, in connection with any such substitution, be entitled to claim from the Bank any indemnification or payment in respect of any tax consequence of any such substitution upon individual Noteholders or Couponholders except to the extent already provided for by Condition 6 (as amended from time to time).

Upon the execution of such documents and compliance with such requirements the Substituted Company shall be deemed to be named in these presents and on the Notes and the Coupons as the principal debtor in place of the Bank (or of any previous substitute under this sub-clause (B)) and these presents, the Notes and the Coupons shall thereupon be deemed to be amended in such manner as shall be necessary to give effect to the substitution. Agreement by the Trustee to such substitution shall operate to release the Bank (or such previous substitute as aforesaid) from all of its obligations as principal debtor in respect of the Notes hereunder but without prejudice to the Bank's obligations under any such guarantee as aforesaid. Not later than 15 days after the execution of any such undertaking and guarantee and such other deeds, documents and instruments as aforesaid and compliance with the said requirements of the Trustee, the Bank shall, unless the Trustee agrees otherwise, give notice thereof to the Noteholders in accordance with Condition 12.

18. Cancellation of Notes and Coupons

(A) ALL Notes redeemed or purchased by or on behalf of the Bank or any subsidiary (other than purchases falling within the exceptions to Condition 4) together with all unmatured Coupons attached thereto or surrendered therewith, and all Coupons paid in accordance with and in the manner provided in the Conditions shall be cancelled forthwith by or on behalf of the Bank. The Bank shall procure that a certificate stating (i) the amounts paid in respect of Notes and Coupons so redeemed or paid, (ii) the serial numbers and denominations of Notes so redeemed, purchased and cancelled and (iii) the total number, denominations and maturity dates of such cancelled Coupons shall be given to the Trustee by the Principal Paying Agent as soon as reasonably possible after the date of such redemption, purchase or payment (as the case may be). Such certificate may be accepted by the Trustee as conclusive evidence of repayment or discharge pro tanto of the Notes and of payment of Coupons respectively.

(B) The Bank shall procure that there shall be kept a full and complete record of all Notes and Coupons (other than the serial numbers of Coupons) and their redemption, purchase (other than purchases falling within the exceptions to Condition 4) payment and cancellation and of all replacement Notes or Coupons issued in substitution for mutilated, lost, stolen or destroyed Notes or Coupons and the Bank shall further procure that such records shall be made available to the Trustee at all reasonable times.

(C) References in this Clause to Coupons shall not include references to talons.

19. Noteholders to be treated as holding all Coupons

(A) WHEREVER in these presents the Trustee is required or entitled to exercise a trust, power, authority or discretion by reference to the interests of the Noteholders or any of the same, the Trustee shall assume that each Noteholder is the holder of all unmatured Coupons appertaining to each Note of which he is the holder.

(B) The Trustee, the Bank and the Paying Agents shall deem and treat the bearer of any Note or Coupon for all purposes as the absolute owner thereof and of all rights thereunder free from encumbrances (whether or not such Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) and shall not be required to obtain proof of such ownership or as to the identity of the bearer.

20. No notices to Couponholders

NEITHER the Bank nor the Trustee shall be required to give any notice to the Couponholders for any purpose under these presents and the Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with Condition 12.

21. Trustee may enter into financial transactions with the Bank

NO trustee and no director or officer of any corporation being a trustee hereof shall by reason of the fiduciary position of such trustee be in any way precluded from making any contracts or entering into any transactions in the ordinary course of business with the Bank or any of its subsidiaries, whether directly or through any subsidiary or associated company, or from accepting the trusteeship of any other debenture stock, debentures or securities of the Bank or any of its subsidiaries or any company in which the Bank is interested and without prejudice to the generality of these provisions it is expressly declared that such contracts and transactions include any contract or transaction in relation to the placing, underwriting, purchasing, subscribing for or dealing with or lending money upon or making payments in respect of the Notes or any other stock, shares, debenture stock, debentures or other securities of the Bank or any of its subsidiaries or any company in which the Bank is interested or any contract of banking or insurance with the Bank or any of its subsidiaries and neither the Trustee nor any such director or officer shall be accountable to the Noteholders or Couponholders or the Bank

or any of its subsidiaries for any profit, fees, commissions, interest, discounts or share of brokerage earned, arising or resulting from any such contracts or transactions and the Trustee and any such director or officer shall also be at liberty to retain the same for its or his own benefit.

22. Provisions supplemental to the Trustee Act, 1925 in favour of the Trustee

BY way of supplement to the Trustee Act, 1925 of England it is expressly declared as follows:-

- (a) the Trustee may in relation to these presents act on the opinion or advice of or a certificate or any information obtained from any lawyer, banker, valuer, surveyor, broker, auctioneer, accountant or other expert in Hong Kong, the United Kingdom or elsewhere (whether obtained by the Trustee, the Bank, any subsidiary, the Agent Bank, any Reference Bank or any Paying Agent) and shall not be responsible for any loss occasioned by so acting; any such opinion, advice, certificate or information may be sent or obtained by letter, telegram, telex, cablegram or facsimile transmission and the Trustee shall not be liable for acting on any opinion, advice, certificate or information purporting to be so conveyed although the same shall contain some error or shall not be authentic;
- (b) the Trustee shall be at liberty to accept a certificate or report (including one given pursuant to Clause 3) signed by any two Executive Directors of the Bank or the Board of Directors of the Bank as to any fact or matter as sufficient evidence thereof and a like certificate to the effect that any particular dealing or transaction or step or thing is, in the opinion of the person so certifying, expedient as sufficient evidence that it is expedient and the Trustee shall not be bound in any such case to call for further evidence or be responsible for any loss that may be occasioned by its failing so to do; the Trustee shall have such liberty to accept also in respect of any report delivered by the Auditors or the liquidator of the Bank pursuant to Clause 3;
- (c) the Trustee shall (save as expressly otherwise provided herein) as regards all the trusts, powers, authorities and discretions vested in it by these presents or by operation of law have absolute and uncontrolled discretion as to the exercise or non-exercise thereof and, provided it shall not have acted fraudulently, the Trustee shall not be responsible for any loss, costs, damages, expenses or inconvenience that may result from the exercise or non-exercise thereof;
- (d) the Trustee shall be at liberty to place these presents and all deeds and other documents relating to these presents in any safe deposit, safe or other receptacle selected by the Trustee, in any part of the world, or with any bank or banking company, lawyer or firm of lawyers believed by it to be of good repute, in any part of the world, and the Trustee shall not be responsible for or be required to insure against any loss incurred in connection with

any such deposit and the Bank shall pay all sums required to be paid on account of or in respect of any such deposit;

- (e) the Trustee as between itself, the Noteholders and the Couponholders shall have full power to determine all questions and doubts arising in relation to any of the provisions of these presents and every such determination, whether made upon a question actually raised or implied in the acts or proceedings of the Trustee, shall be conclusive and shall bind the Trustee, the Noteholders and the Couponholders;
- (f) the Trustee shall not be responsible for acting upon any resolution purporting to have been passed at any meeting of the Noteholders in respect whereof minutes have been made and signed even though it may subsequently be found that there was some defect in the constitution of the meeting or of the passing of the resolution or that for any reason the resolution was not valid or binding upon the Noteholders and/or the Couponholders;
- (g) the Trustee may, in the conduct of the trust business, instead of acting personally, employ and pay an agent, whether or not a lawyer or other professional person, to transact or conduct, or concur in transacting or conducting, any business and to do or concur in doing all acts required to be done by the Trustee (including the receipt and payment of money) and the Trustee shall not be responsible for any misconduct on the part of any person appointed by it hereunder or be bound to supervise the proceedings or acts of any such person;
- (h) any trustee being a banker, lawyer, broker or other person engaged in any profession or business shall be entitled to charge and be paid all usual professional and other charges for business transacted and acts done by him or his partner or firm on matters arising in connection with the trust and also his reasonable charges in addition to disbursements for all other work and business done and all time spent by him or his partner or firm on matters arising in connection with these presents, including matters which might or should have been attended to in person by a trustee not being a banker, lawyer, broker or other professional person;
- (i) the Trustee shall not be responsible for the receipt or application by the Bank of the proceeds of the issue of the Notes nor for the exchange of the Temporary Global Note for the Definitive Notes or the delivery of the Definitive Notes to the persons entitled thereto;
- (j) the Trustee shall not be liable to the Bank or any Noteholder or Couponholder by reason of having accepted as valid or not having rejected any Note or Coupon purporting to be such and subsequently found to be forged or not authentic;
- (k) the Trustee shall not (unless ordered so to do by a Court of competent jurisdiction) be required to disclose to any Noteholder or Couponholder confidential financial or other information made available to the Trustee by the Bank in connection with these

presents and no Noteholder or Couponholder shall be entitled to take any action to obtain from the Trustee any such information;

- (l) where it is necessary or desirable for any purpose in connection with these presents to convert any sum from one currency to another it shall (unless otherwise provided by these presents or required by law) be converted at such rate or rates, in accordance with such method and as at such date for the determination of such rate of exchange, as may be specified by the Trustee in its absolute discretion but having regard to current rates of exchange, if available, and any rate, method and date so specified shall be binding on the Bank, the Noteholders and the Couponholders; and
- (m) any consent given by the Trustee for the purposes of these presents may be given on such terms and subject to such conditions (if any) as the Trustee thinks fit

Provided nevertheless that none of the provisions of these presents shall in any case in which the Trustee has failed to show the degree of care and diligence required of it, having regard to the provisions of these presents conferring on the Trustee any powers, authorities or discretions, relieve or indemnify the Trustee against any liabilities which by virtue of any rule of law would otherwise attach to it in respect of any negligence, default, breach of duty or breach of trust of which it may be guilty in relation to its duties under these presents.

23. Trustee entitled to assume due performance

EXCEPT as herein otherwise expressly provided the Trustee shall be and is hereby authorised to assume without enquiry, in the absence of knowledge or express notice to the contrary, that the Bank is duly performing and observing all the covenants and provisions contained in these presents relating to the Bank and on its part to be performed and observed and that no Relevant Event has happened.

24. Waiver

THE Trustee may, without the consent or sanction of the Noteholders and without prejudice to its rights in respect of any subsequent breach, condition, event or act, from time to time and at any time, but only if and in so far as in its opinion the interests of the Noteholders shall not be materially prejudiced thereby, authorise or waive, on such terms and conditions (if any) as shall seem expedient to it, any proposed breach or breach of any of the covenants or provisions contained in these presents, the Notes or the Coupons, Provided always that the Trustee shall not exercise any powers conferred upon it by this Clause in contravention of any express direction given by the holders of one-fifth in principal amount of the Notes then outstanding or by an Extraordinary Resolution (but so that no such direction shall affect any authorisation or waiver previously given pursuant to this Clause 24).

25. Power to delegate

THE Trustee may, in the execution and exercise of all or any of the trusts, powers, authorities and discretions vested in it by these presents, act by responsible officers or a responsible officer for the time being of the Trustee and the Trustee may also whenever it thinks fit, whether by power of attorney or otherwise, delegate to any person or persons all or any of the trusts, powers, authorities and discretions vested in it by these presents and any such delegation may be made upon such terms and conditions and subject to such regulations (including power to sub-delegate) as the Trustee may think fit in the interests of the Noteholders and provided that the Trustee shall have exercised reasonable care in the selection of such delegate, it shall not be bound to supervise the proceedings and shall not in any way or to any extent be responsible for any loss incurred by any misconduct or default on the part of such delegate or sub-delegate. The Trustee shall give prompt notice to the Bank of the appointment of any delegate as aforesaid and shall procure that any delegate shall also give prompt notice to the Bank of any sub-delegate.

26. Competence of a majority of Trustees

WHENEVER there shall be more than two trustees hereof the majority of such trustees shall (provided such majority includes a trust corporation) be competent to execute and exercise all the trusts, powers, authorities and discretions vested by these presents in the Trustee generally.

27. Further Trustees

(A) THE power of appointing new trustees shall be vested in the Bank but a trustee so appointed must in the first place be approved by an Extraordinary Resolution. A trust corporation may be appointed sole trustee hereof but subject thereto there shall be at least two trustees hereof one at least of which shall be a trust corporation. Any appointment of a new trustee hereof shall as soon as practicable thereafter be notified by the Bank to the Principal Paying Agent and to the Noteholders. The Noteholders shall have the power, exercisable by Extraordinary Resolution, to remove any trustee or trustees for the time being hereof. The removal of any trustee shall not become effective unless there remains a trustee hereof (being a trust corporation) in office after such removal.

(B) Notwithstanding the provisions of sub-clause (A) of this Clause the Trustee may, upon giving prior notice to but without the consent of the Bank or the Noteholders or Couponholders, appoint any person established or resident in any jurisdiction (whether a trust corporation or not) to act either as a separate trustee or as a co-trustee jointly with the Trustee (i) if the Trustee considers such appointment to be in the interests of the Noteholders or (ii) for the purposes of conforming to any legal requirements, restrictions or conditions in any jurisdiction in which any particular act or acts are to be performed. The Bank hereby irrevocably appoints the Trustee to be its attorney in its name and on its behalf to execute any such instrument of appointment. Such a person shall (subject to the provisions of these presents) have such trusts, powers, authorities

and discretions (not exceeding those conferred on the Trustee by these presents) and such duties and obligations as shall be conferred on or imposed by the instrument of appointment. The Trustee shall have power in like manner to remove any such person. Such reasonable remuneration as the Trustee may pay to any such person, together with any attributable costs, charges and expenses incurred by it in performing its function as such separate trustee or co-trustee, shall for the purposes of these presents be treated as costs, charges and expenses incurred by the Trustee.

28. Retirement of Trustee

ANY Trustee for the time being of these presents may retire at any time upon giving not less than three months' notice in writing to the Bank without assigning any reason therefor and without being responsible for any costs occasioned by such retirement. The retirement of any Trustee shall not become effective unless there remains a trustee hereof (being a trust corporation) in office after such retirement. The Bank covenants that in the event of a Trustee giving notice under this Clause it shall use its best endeavours to procure a new trustee to be appointed.

29. Powers of the Trustee are additional

THE powers conferred by these presents upon the Trustee shall be in addition to any powers which may from time to time be vested in it by general law or as the holder of the Notes.

30. Notices

ANY notice or demand to the Bank or the Trustee or any approval or certificate of the Trustee required to be given, made or served for any purpose hereof shall be given, made or served by sending the same by prepaid post (first class if inland, airmail if overseas), telegram, cable or telex or by delivering the same by hand to the Bank (telex number: 73201 HKBG HX, Attention: The Secretary) or the Trustee (telex number: 888347, Attention: The Secretary) (as the case may be) at their respective addresses shown in these presents or at such other address or telex number as shall have been notified (in accordance with this Clause) by the party in question to the other party hereto for the purposes of this Clause and any notice sent by post as provided in this Clause shall be deemed to have been given, made or served 48 hours (in the case of inland post) or 7 days (in the case of overseas post) after despatch and any notice sent by telegram, cable or telex as provided in this Clause shall be deemed to have been given, made or served at the time of despatch in the case of inland service or 24 hours thereafter in the case of international service.

31. Governing law

THESE presents, the Notes and the Coupons shall, subject to Clause 17(B), be governed by and construed in accordance with the laws of England.

32. Jurisdiction; Service of Process

The Bank hereby submits, without prejudice to the restrictions contained in Condition 7, to the jurisdiction of the English courts, but solely for the purpose of any action to determine the meaning of any provision of these presents or the Conditions as to which there may be disagreement between the Trustee and the Bank, and the Bank irrevocably appoints the person or persons for the time being and from time to time registered under Part XXII of the Companies Act 1985 as authorised to accept service of process on behalf of the Bank to accept service of process on its behalf in England in respect of any such proceedings but no others. If for any reason there ceases to be any person so registered the Bank irrevocably agrees forthwith, on the request of the Trustee, to appoint a new agent approved by the Trustee for service of process in England.

IN WITNESS WHEREOF this Trust Deed has been executed by the parties hereto the day and year first above written.

THE FIRST SCHEDULE ABOVE REFERRED TO

PART I

FORM OF TEMPORARY GLOBAL NOTE

THE HONGKONG AND SHANGHAI BANKING CORPORATION

U.S.\$400,000,000 Primary Capital Undated Floating Rate Notes
(Third Series)

This Note has not been and will not be registered under the Securities Act of 1933 of the United States of America. Any offer or sale of this Note in the United States of America (including its possessions and territories and areas subject to its jurisdiction) ("United States") or to nationals or residents thereof or to any corporation or partnership or other entity created in or organised under the laws of the United States or any political subdivision thereof or any estate or trust which is subject to United States federal income taxation regardless of the source of its income may constitute a violation of the laws of the United States of America unless such offer or sale is either registered pursuant to, or is exempt from registration under, that Act.

This note is a temporary global note without interest coupons in respect of a duly authorised issue of notes of The Hongkong and Shanghai Banking Corporation (the "Bank") designated as specified in the title hereof (the "Notes") limited to the aggregate principal amount of Four hundred million United States Dollars (U.S.\$400,000,000). References herein to the Conditions are to the terms and conditions of the Notes set out in Part II of the First Schedule to a trust deed dated 9th July, 1986 and made between The Hongkong and Shanghai Banking Corporation and The Law Debenture Trust Corporation p.l.c. as Trustee (the "Trust Deed"). The Bank hereby promises to pay the bearer the principal sum of Four hundred million United States Dollars (U.S.\$400,000,000) if so required pursuant to Condition 4 or such other amount as may be payable pursuant to the third paragraph of Condition 2, all subject to Condition 2, and acknowledges that the said principal sum bears interest at rates determined in accordance with the Conditions such interest to be payable on the Interest Payment Dates as therein specified together with such additional amounts (if any) as may be payable under the Conditions, subject to and in accordance with the Conditions except that payment of interest on this temporary global note will be made only against presentation hereof.

This temporary global note may be exchanged in whole or in part for definitive Notes in bearer form as to U.S.\$120,000,000 in principal amount in the denomination of U.S.\$5,000 each and as to U.S.\$280,000,000 in principal amount in the denomination of U.S.\$100,000 each, in or substantially in the form set out in Part II of the First Schedule to the Trust Deed at the office of the Principal Paying Agent. Such exchange may not be made earlier than the date 90 days after the completion of the distribution of all the Notes as determined by Morgan Guaranty Ltd, and will be made only upon certification that the beneficial owners of such Notes are not nationals or residents of the United States of America or its possessions or territories or areas subject to its jurisdiction nor a corporation, partnership or other entity created in or organised under the laws of the United States or any political subdivision thereof, nor an estate or trust which is subject to United States federal income taxation regardless of the source of its income.

Upon any exchange of a part of this temporary global note for definitive Notes, the portion of the principal amount hereof so exchanged shall be endorsed by or on behalf of the Bank on the Schedule hereto, whereupon the principal amount hereof shall be reduced for all purposes by the amount so exchanged and endorsed.

Until this temporary global note has been exchanged as aforesaid, this temporary global note shall in all respects be entitled to the same benefits as the definitive Notes and shall be subject to the Conditions and the provisions of the Trust Deed.

This temporary global note shall be governed by and construed in accordance with English law.

IN WITNESS whereof the Bank has caused this temporary global note to be signed manually on its behalf by one of its Executive Directors.

ISSUED in London on
9th July, 1986

.....
Executive Director

THE SCHEDULE

EXCHANGES FOR DEFINITIVE NOTES

The following exchanges of a part of this Temporary Global Note have been made:-

<u>Date of Exchange</u>	Principal amount of Definitive Notes issued in exchange for a part of the principal amount of this Global Note	Reduced principal amount of this Global Note following such exchange	Notation made on behalf of the Bank
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PART II

FORM OF NOTE

U.S.[\$5,000] [\$100,000]

No.

THE HONGKONG AND SHANGHAI BANKING CORPORATION
(incorporated in Hong Kong with limited liability)
U.S.\$400,000,000 PRIMARY CAPITAL UNDATED FLOATING RATE NOTES
(THIRD SERIES)

This Note forms one of a series of Notes issued as Bearer Notes in the denomination of either U.S.\$5,000 or U.S.\$100,000 in an aggregate principal amount of U.S.\$400,000,000. The Notes are issued pursuant to resolutions of a duly authorised committee of the Board of Directors of The Hongkong and Shanghai Banking Corporation (the "Bank") passed on 23rd June, 1986 and are constituted by a Trust Deed dated 9th July, 1986 made between the Bank and The Law Debenture Trust Corporation p.l.c. as Trustee and are subject to and have the benefit of the said Trust Deed.

The Bank hereby promises to pay to the Bearer on such date as the principal sum hereinafter mentioned may become repayable in accordance with the terms and conditions endorsed hereon the principal sum of [U.S.\$5,000 (five thousand U.S. dollars)] [U.S.\$100,000 (one hundred thousand U.S. dollars)], except in the event of the winding-up in Hong Kong or dissolution in Hong Kong of the Bank, in which event his entitlement shall be as set out in the third paragraph of Condition 2 endorsed hereon, all subject to Condition 2, together with interest on the said principal sum at rates determined in accordance with the provisions of Condition 3 endorsed hereon such interest to be payable in arrear on the Interest Payment Dates as therein specified, together with such additional amounts (if any) as may be payable under the said terms and conditions, subject to and in accordance with the said terms and conditions.

Neither this Note nor the Coupons and Talons appertaining hereto shall be valid for any purpose unless and until the Certificate of Authentication hereon has been signed manually by an authorised signatory by the Principal Paying Agent.

IN WITNESS whereof the Bank has caused this Note and the Coupons appertaining hereto to be signed in facsimile on its behalf by one of its Executive Directors.

ISSUED in London as of
9th July, 1986

.....
Executive Director

Certificate of Authentication
This Note is authenticated
by or on behalf of the
Principal Paying Agent.

By:

Authorised Signatory

FORM OF COUPON

(attaching to the Note)

On the front:

No.....

THE HONGKONG AND SHANGHAI BANKING CORPORATION
(incorporated in Hong Kong with limited liability)

U.S.\$400,000,000 Primary Capital Undated Floating Rate Notes
(Third Series)

[Note in the principal amount of U.S.\$5,000]

[Note in the principal amount of U.S.\$100,000]

Coupon for the amount of interest calculated in accordance with the Terms and Conditions endorsed on the said Note by reference to the Interest Period ending on the Interest Payment Date (as defined in the said Terms and Conditions) falling in [] [19]

This Coupon is payable to bearer (subject to the Terms and Conditions endorsed on the Note to which this Coupon appertains, which shall be binding upon the holder of this Coupon whether or not such Coupon is for the time being attached to such Note) at the offices of the Paying Agents set out on the reverse hereof (and/or any other or further Paying Agents and/or specified offices as may from time to time be duly appointed and notified to the Noteholders).

Under the Terms and Conditions of the Note to which this Coupon appertains such Note may, in certain circumstances, become due and payable before the maturity date of this Coupon or payment may become due only in accordance with Condition 2 and against presentation of such Note. In such event, this Coupon shall become void and no payment shall be made in respect thereof.

.....
Executive Director

FORM OF TALON

(attaching to the Note)

On the front:

No.

THE HONGKONG AND SHANGHAI BANKING CORPORATION
(incorporated in Hong Kong with limited liability)

U.S.\$400,000,000 Primary Capital Undated Floating Rate Notes
(Third Series)

[Note in the principal amount of U.S.\$5,000]

[Note in the principal amount of U.S.\$100,000]

After all the Coupons appertaining to the Note to which this Talon is attached have matured further Coupons will be issued at the offices of the Paying Agents set out on the reverse hereof (and/or any other or further Paying Agents and/or specified offices as may from time to time be duly appointed and notified to the Noteholders) upon production and surrender of this Talon.

.....
Executive Director

On the back of the Coupon and the talon:

PRINCIPAL PAYING AGENT

Citibank, N.A.
Citibank House,
336 Strand,
London WC2R 1HB

PAYING AGENTS

Citibank, N.A.
Avenue de Tervuren 249,
B-1150 Brussels

Citibank, N.A.
Citicorp Centre,
18 Whitfield Road,
Causeway Bay,
Hong Kong

Citicorp Bank (Luxembourg) S.A.,
16 Avenue Marie-Thérèse,
Luxembourg

Citicorp Bank (Switzerland),
Bahnhofstrasse 63,
CH-8021,
Zurich

TERMS AND CONDITIONS OF THE NOTES

The U.S. \$400,000,000 Primary Capital Undated Floating Rate Notes (Third Series) (the "Notes") issued by The Hongkong and Shanghai Banking Corporation (the "Bank") are constituted by a Trust Deed dated 9th July, 1986 (the "Trust Deed") made between the Bank and The Law Debenture Trust Corporation p.l.c. (the "Trustee", which expression shall wherever the context so admits include such company and all other persons or companies for the time being trustee or trustees thereof). The Trustee shall act as trustee for the holders of the Notes (the "Noteholders") in accordance with the provisions of the Trust Deed. Copies of the Trust Deed are available for inspection at the registered office for the time being of the Trustee (presently at Estates House, 66 Gresham Street, London EC2V 7HX) and at the specified offices of each of the Paying Agents referred to below. The Noteholders and the holders of the Coupons referred to below (the "Couponholders") are entitled to the benefit of, are bound by, and are deemed to have notice of all provisions contained in the Trust Deed.

1. Title and Denominations

Title to the Notes and to the Coupons and talon for further coupons appertaining thereto (together, where the context so permits, "Coupons") shall pass by delivery. The bearer of any Note and the bearer of any Coupon shall be deemed to be, and shall be treated as, the absolute owner thereof for the purpose of receiving payment thereof or on account thereof (notwithstanding any notice of ownership or writing thereon made by anyone) and for all other purposes whether or not such Note or Coupon shall be overdue.

The Notes, which are serially numbered, are being issued in the form of 2,800 bearer notes in the denomination of U.S.\$100,000 and 24,000 bearer notes in the denomination of U.S.\$5,000. Notes of one denomination will not be exchangeable for Notes of the other denomination.

2. Status and Subordination

The Notes and the Coupons constitute unsecured obligations of the Bank, conditional as described below, and rank *pari passu* without any preference among themselves.

The rights of the Noteholders and Couponholders are subordinated to the claims of Senior Creditors (as defined below) and accordingly payments of principal and interest are conditional upon the Bank being solvent at the time of payment by the Bank and no principal or interest shall be payable in respect of the Notes except to the extent that the Bank could make such payment and still be solvent immediately thereafter. For the purpose of this Condition the Bank shall be solvent if (i) it is able to pay its debts as they fall due and (ii) its Assets exceed its Liabilities (other than its Liabilities to persons who are not Senior Creditors). A report as to the solvency of the Bank by two Executive Directors of the Bank or (in certain circumstances as provided in the Trust Deed) the auditors of the Bank or (if the Bank is in winding-up in Hong Kong) its liquidator or (if the Bank is dissolved pursuant to The Hongkong and Shanghai Banking Corporation Ordinance and/or The Hongkong and Shanghai Bank Regulations each as in force from time to time (together the "Bank's Regulations")) the Board of Directors of the Bank, shall in the absence of proven error be treated and accepted by the Bank, the Trustee and the Noteholders and Couponholders as correct and sufficient evidence thereof. The Noteholders are creditors of the Bank whose claims rank in point of subordination *pari passu* with the claims of the holders of the U.S.\$400,000,000 Primary Capital Undated Floating Rate Notes and the U.S.\$400,000,000 Primary Capital Undated Floating Rate Notes (Second Series) of the Bank.

If at any time an order is made or an effective resolution is passed for the winding-up in Hong Kong of the Bank or the Bank is dissolved pursuant to the Bank's Regulations, there shall be payable in respect of the Notes and on the Coupons for Interest Payment Dates (as defined herein) falling prior to the date of commencement of the winding-up or dissolution (in lieu of any other payment), but subject as provided in this Condition, such amount, if any, as would have been payable to the holders thereof if, on the day prior to the commencement of the winding-up or dissolution and thereafter, such holders were the holders of preference shares in the capital of the Bank forming or being part of a class having a preferential right to a return of assets in the winding-up or dissolution over the holders of all other classes of shares for the time being in the capital of the Bank entitled to receive on a return of assets in such winding-up or dissolution (in the case of holders of Notes) an amount equal to the principal amount of the Notes together with interest (if any) accrued since the Interest Payment Date next preceding or coinciding with the commencement of such winding-up or dissolution and (in the case of the holders of such Coupons) the interest accrued to the relevant Interest Payment Date.

For the purposes of these Conditions, "Senior Creditors" means creditors of the Bank (i) who are depositors or other unsubordinated creditors of the Bank or (ii) whose claims are, or are expressed to be, subordinated (whether only in the event of the winding-up or dissolution of the Bank or otherwise) to the claims of depositors and other unsubordinated creditors of the Bank but not further or otherwise or (iii) who are other subordinated creditors of the Bank except those whose claims are expressed to rank *pari passu* with or junior to the claims of the Noteholders; "Assets" means the total assets of the Bank and "Liabilities" means the total liabilities of the Bank, all as shown by the latest published audited balance sheet of the Bank but adjusted for contingencies and for subsequent events, all valued in such manner as such Executive Directors, the auditors, the liquidator or the Board of Directors of the Bank (as the case may be) may determine.

N.B. The obligations of the Bank in respect of the Notes and the Coupons are conditional upon the Bank being solvent immediately before and after payment by the Bank. If this condition is not satisfied, any amounts which might otherwise have been allocated in or towards payment of principal and interest in respect of the Notes may be used to absorb losses.

3. Interest

- (a) **Period of Accrual of Interest and Coupons**
The Notes bear interest from the Issue Date

On issue, Coupons are attached hereto and interest payments shall be made against surrender of the appropriate Coupons in accordance with and subject to the provisions of Condition 5. After all the Coupons attached to or issued in respect of a Note have matured further Coupons and one further talon will (subject to Condition 8) be issued against presentation of the relevant talon. Interest on each Note shall cease to accrue from the date fixed for redemption thereof unless, upon due presentation, payment of principal is improperly withheld or refused or is not made by reason of Condition 2. After such date for redemption any unmatured Coupons (which expression shall mean Coupons maturing on Interest Payment Dates falling after such date for redemption but, for the avoidance of doubt, shall not include Coupons maturing on Interest Payment Dates falling on or before such date in respect of which interest has not been paid by the Bank) relating to such Note (whether or not attached thereto) shall become void.

- (b) **Interest Payment Dates, Interest Periods and Arrears of Interest**

Interest on the Notes shall accrue from day to day and shall (subject to Condition 2) be payable on each Compulsory Interest Payment Date (as defined below) in respect of the interest accrued in the Interest Period (as defined below) ending on the day immediately preceding such date. On any Optional Interest Payment Date (as defined below) there may be paid (if the Bank so elects and gives not less than 30 days' notice of such election to the Noteholders in accordance with Condition 12) the interest accrued in the Interest Period ending on the day immediately preceding such date but the Bank shall not have any obligation to make such payment and any failure to pay shall not constitute a default by the Bank for any purpose. Any interest not paid on an Optional Interest Payment Date in respect of which the Bank has not so elected shall, so long as the same remains unpaid, constitute "Arrears of Interest". Arrears of Interest may at the option of the Bank be paid in whole or in part at any time upon the expiration of not less than seven days' notice to such effect given to the Noteholders in accordance with Condition 12, but all Arrears of Interest on all Notes outstanding shall (subject to Condition 2) become due in full on whichever is the earliest of (i) the date upon which a dividend is next paid on any class of share capital of the Bank, (ii) the date set for any redemption of any of the Notes pursuant to Condition 4(a) or 4(b) or (iii) the commencement of a winding-up or the dissolution of the Bank. If notice is given by the Bank of its intention to pay the whole or part of Arrears of Interest, the Bank shall be obliged (subject to Condition 2) to do so upon the expiration of such notice. Arrears of Interest shall not themselves bear interest.

For the purposes hereof the expressions following have the following meanings:—

"Interest Payment Date" means the date falling three months after the Issue Date and thereafter each date which falls three calendar months after the immediately preceding Interest Payment Date. If any Interest Payment Date would otherwise fall on a day which is not a business day it shall be postponed to the next day which is a business day unless it would thereby fall in the next calendar month. In the latter event the Interest Payment Date shall be the immediately preceding day which is a business day and each subsequent Interest Payment Date shall be the last business day of the third calendar month after the calendar month in which the preceding Interest Payment Date shall have fallen.

"Compulsory Interest Payment Date" means any Interest Payment Date if, in either of the two immediately preceding Interest Periods, any dividend has been declared or paid on any class of share capital of the Bank.

"Optional Interest Payment Date" means any Interest Payment Date other than a Compulsory Interest Payment Date.

"Interest Period" means the period from and including one Interest Payment Date (or the Issue Date) to but excluding the next (or first) Interest Payment Date.

"business day" means (but not for Condition 5 (b)) a day on which banks and foreign exchange markets are open for business in both London and New York City.

- (c) **Rate and Amount of Interest**

The rate of interest from time to time payable in respect of the Notes (the "Rate of Interest") shall be determined by the Agent Bank (as described in Condition 3 (b) below) on the basis of the following provisions:—

- (i) On the second business day prior to the commencement of each Interest Period ("Interest Determination Date"), the Agent Bank will request the principal London offices of the Reference Banks (as described in Condition 3(h) below) to provide the Agent Bank with their bid and offered quotations to leading banks for deposits of U.S. dollars in the London inter-bank market for such Interest Period as at 11.00 a.m. (London time) on the Interest Determination Date in question. The Rate of Interest for such Interest Period shall, subject as provided below, be $\%$ per cent. per annum above the average (rounded upwards if necessary to the nearest $\frac{1}{2}$ per cent.) of the mean of the bid and offered quotations of such Reference Banks.
- (ii) If on any Interest Determination Date only two or three of the Reference Banks provide the Agent Bank with such quotations, the Rate of Interest for the relevant Interest Period shall be determined in accordance with (i) above on the basis of the quotations of the Reference Banks providing such quotations.
- (iii) If on any Interest Determination Date fewer than two of the Reference Banks provide the Agent Bank with such quotations, the Rate of Interest for the relevant Interest Period shall, subject as provided below, be the Rate of Interest in effect on the last day of the immediately preceding Interest Period, provided that (1) if on any day during the relevant Interest Period prior to the seventh business day before the relevant Interest Payment Date the Agent Bank determines that at least two of the Reference Banks are quoting bid and offered rates for three-month U.S. dollar deposits to leading banks in the London inter-bank market, then the Agent Bank shall determine a new Rate of Interest (the "Substituted Rate") by application (*mutatis mutandis*) of the provisions set out in (i) or (ii) above, as the case may be, and (2) the Rate of Interest originally applicable to such Interest Period shall apply in respect of such Interest Period from and including the first day thereof up to but excluding the second business day after the day upon which the Substituted

Rate is determined and the Substituted Rate shall apply from and including such second business day up to but excluding the next Interest Payment Date.

(iv) In no event shall the Rate of Interest for any Interest Period ending on or prior to 31st July, 1991 be less than 5 per cent. per annum.

(d) Determination of Rate of Interest and Coupon Amounts

~~The Agent Bank shall, as soon as practicable after each Interest Determination Date, determine and notify to the Bank, the Trustee and the Principal Paying Agent (as defined in the Trust Deed) (1) the Rate of Interest applicable to the Interest Period immediately succeeding such Interest Determination Date and (2) the dollar amount payable on presentation of each Coupon in respect of Notes of each denomination (the "Coupon Amounts") pertaining to such Interest Period. The Coupon Amounts shall be calculated by applying the Rate of Interest to the principal amount of one Note of each denomination, multiplying such sum by the actual number of days in the Interest Period divided by 360 and rounding the resultant figure to the nearest cent (half a cent being rounded upwards).~~ The Agent Bank shall also, as soon as practicable after determining any Substituted Rate under Condition 3 (c)(iii) above, notify such rate to the Bank, the Trustee and the Principal Paying Agent and determine and so notify the revised Coupon Amounts for the relevant Interest Period.

(e) Publication of Rate of Interest and Coupon Amounts

~~The Agent Bank shall cause the Rate of Interest (and an Coupon Amounts) for each Interest Period and the relevant Interest Payment Date to be notified to The Stock Exchange of the United Kingdom and the Republic of Ireland ("The Stock Exchange") so long as the Notes are listed thereon and to be published in accordance with Condition 12. The Coupon Amounts and Interest Payment Date so published may subsequently be amended with the consent of the Trustee (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.~~

(f) Determination or Calculation by Trustee

If for any reason the Agent Bank does not at any time determine the Rate of Interest or the Coupon Amounts in accordance with Conditions 3(c) and (d) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described in Condition 3(c) above), it thinks fit or, as the case may be, the Trustee shall calculate the Coupon Amounts in such manner as it shall deem fair and reasonable in all the circumstances and such determination or calculation shall be deemed to have been made by the Agent Bank.

(g) Notifications to be final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions summarised under this Condition 3, whether by the Reference Banks (or any of them), the Agent Bank or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Bank, the Reference Banks, the Agent Bank, the Trustee, the Principal Paying Agent, the Paying Agents and all Noteholders and Couponholders and (subject as aforesaid) no liability to the Noteholders or Couponholders shall attach to the Reference Banks, the Agent Bank or the Trustee in connection with the exercise or non-exercise by them of their powers, duties and discretions.

(h) Reference Banks and Agent Bank

The Bank shall procure that so long as any of the Notes is outstanding (as defined in the Trust Deed) there shall at all times be four Reference Banks and an Agent Bank. The initial Reference Banks shall be the principal London office of each of Morgan Guaranty Trust Company of New York, Barclays Bank PLC, The Royal Bank of Canada and The Bank of Tokyo, Ltd. and the initial Agent Bank shall be Citibank, N.A. but the Bank may terminate the appointment of any of the Reference Banks or (with the prior approval of the Trustee) of the Agent Bank. In the event of the principal London office of any such bank being unable or unwilling to continue to act as a Reference Bank or of Citibank, N.A. being unable or unwilling to continue to act as Agent Bank, the Bank shall appoint such other bank as may be approved by the Trustee to act as such in its place. The Agent Bank may in addition resign its duties as such provided that neither the resignation nor the removal of the Agent Bank shall take effect until a successor approved by the Trustee has been appointed.

4. Redemption

The Bank shall not be at liberty to redeem the Notes except in accordance with the following provisions of this Condition:--

(a) Redemption for Taxation Reasons

If the Trustee is satisfied, immediately prior to the giving of notice to Noteholders hereinafter referred to, that on the occasion of the next payment due in respect of the Notes or Coupons the Bank would for reasons outside its control be required to pay additional amounts in accordance with Condition 6, the Bank may, on any Interest Payment Date, having given not more than 45 nor less than 30 days' notice to the Trustee and to the Noteholders in accordance with Condition 12, redeem all (but not some only) of the Notes at their principal amount together with all Arrears of Interest (if any). Upon the expiration of such notice the Bank shall be bound, subject to Condition 2, to redeem the Notes at their principal amount.

(b) Optional Redemption

On having given not more than 60 nor less than 30 days' notice to the Trustee and to the Noteholders in accordance with Condition 12 the Bank may redeem all or, from time to time, some of the Notes on any Interest Payment Date falling after the fifth anniversary of the Issue Date, in each case at their principal amount together with all Arrears of Interest (if any) in respect of all of the Notes. Upon the expiration of such notice the Bank shall be bound, subject to Condition 2, to redeem such Notes at their principal amount.

(c) Purchases

The Bank or any of its subsidiaries may at any time purchase Notes in the open market or by tender (available to all Noteholders alike) or by private treaty. In the case of purchases in the open market or by tender the price, exclusive of expenses and accrued interest, will not exceed the average of the middle market quotations of the Notes taken from The Stock Exchange Daily Official List for the 10 dealing days before the purchase is made or, in the case of a purchase through the open market, the market price, provided that it is not more than 5 per cent. above such average. In the case of purchases by private treaty the price, exclusive of expenses and accrued interest, will not exceed 105 per cent. of the middle market quotation of the Notes on The Stock Exchange (or, failing such quotation, by reference to such other quotation as may be agreed between the Bank and the Trustee) at the close of business on the last dealing day preceding the date of purchase. In each case purchases will be made together with all unmatured Coupons relating thereto. No purchases of Notes may be made by the Bank or any of its subsidiaries otherwise than in accordance with this paragraph (c).

(d) Cancellation

All Notes redeemed or purchased as aforesaid will be cancelled forthwith, together with all unmatured Coupons attached thereto or surrendered therewith, and may not be resold or re-issued.

(e) Drawings

In the case of a partial redemption pursuant to Condition 4(b) above, Notes to be redeemed will be selected individually by lot and otherwise in a manner approved by the Trustee not more than 75 days prior to the date fixed for redemption and a list of Notes called for redemption will be published in accordance with Condition 12 not more than 60 days nor less than 30 days prior to such date.

References in this Condition 4 to the purchase of Notes shall not include the purchase of Notes in the ordinary course of business of dealing in securities or the purchase of Notes otherwise than as beneficial owner.

5. Payments

(a) Payment of principal and interest in respect of Notes will (subject to Condition 2) be made against presentation and surrender of the relevant Note or Coupon at the specified office of any of the Paying Agents, by U.S. dollar cheque drawn on, or by transfer to a U.S. dollar account maintained by the payee with a bank in New York City, subject in all cases to any fiscal or

other laws and regulations applicable to the Bank or the holder of the Note or Coupon in respect of such payment but without prejudice to the provisions of Condition 6. Without prejudice to the generality of the foregoing the Bank reserves the right to require any person receiving any payment in respect of a Note or a Coupon to provide a Paying Agent with such certification or information as may be required to satisfy any applicable requirements of the United States federal income tax laws. If any payment is to be made in respect of interest, the Interest Payment Date for which falls on or after the date on which the winding-up or dissolution of the Bank commences or occurs as the case may be, such payment shall be made only against presentation of the relevant Note, and the Coupon for any such Interest Payment Date shall be void. Each Note presented for redemption must be presented together with all unmatured Coupons appertaining thereto, failing which the Paying Agent to whom such Note is surrendered may require an indemnity in a form satisfactory to the Bank.

(b) If the date for payment of any amount of principal or interest in respect of any Note is not at any place of payment a business day, then the holder thereof shall not be entitled to payment at that place of payment of the amount payable until the next following day which is a business day at that place of payment and the holder shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph (b), "business day" means any day on which banks are open for business in the relevant place of payment and (in the case of payment by transfer to a U.S. dollar account as referred to in Condition 5(a)) on which dealings in foreign currency may be carried on both in New York City and in such place of payment.

(c) The initial Paying Agents and their initial specified offices are set out below. The Bank reserves the right, subject to the approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents, provided that it will at all times maintain a Paying Agent having a specified office in Continental Europe and, so long as the Notes are listed on The Stock Exchange, a Paying Agent with a specified office in London. In addition, the Bank will, if so required by the Trustee, appoint a Paying Agent having a specified office in New York City if (i) the Bank shall have appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the full amount of interest on the Notes (to persons so entitled under applicable local law) in U.S. dollars when due, (ii) payment of the full amount of such interest by all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions, (iii) the Bank does not within a reasonable period (as determined by the Trustee) appoint a Paying Agent in a jurisdiction where such payment is not illegal or so precluded and (iv) such payment is then permitted by United States law. Notice of any such termination or appointment and of any changes in the specified offices of the Paying Agents will be given to the Noteholders in accordance with Condition 12.

6. Taxation

All payments of principal and/or interest in respect of Notes shall be made without withholding or deduction for or on account of any present or future tax, duty or charge of whatsoever nature imposed or levied by or on behalf of Hong Kong, or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Bank shall pay such additional amounts as will result (after such withholding or deduction) in the receipt by the holders of the sums which would have been receivable (in the absence of such withholding or deduction) from it in respect of their Notes and/or, as the case may be, Coupons; except that no such additional amounts shall be payable with respect to any Note or Coupon presented for payment:—

(a) by or on behalf of any holder liable to such tax, duty or charge in respect of such Note or Coupon by reason of such holder having some connection with Hong Kong other than the mere holding of such Note or Coupon; or

(b) more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment at the expiry of such period of 30 days.

The "Relevant Date" in respect of any payment means the date on which such payment first becomes due or (if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Trustee on or prior to such due date) the date on which notice is given to the Noteholders that such moneys have been so received.

Any reference in these Conditions to the principal and/or interest in respect of the Notes shall be deemed to include a reference to any additional amounts which may be payable under this Condition 6 or under any obligations undertaken in addition thereto or in substitution therefor pursuant to the Trust Deed.

7. Events of Default and Enforcement

(a) If the Bank shall not make payment in respect of the Notes (in the case of any payment of principal) for a period of seven days or more after the due date for the same or (in the case of any payment of interest) for a period of 14 days or more after a Compulsory Interest Payment Date or any other date upon which the payment of interest is compulsory, the Trustee may institute proceedings in Hong Kong (but not elsewhere) for the winding-up of the Bank. For the purpose of this paragraph (a) only a payment shall be deemed to be due or compulsory even if the condition set out in Condition 2 is not satisfied.

(b) The Trustee shall not be bound to take the action referred to in Condition 7(a) to enforce the obligations of the Bank in respect of the Notes and Coupons unless (i) it shall have been so requested by an Extraordinary Resolution of the Noteholders or in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding and (ii) it shall have been indemnified to its satisfaction.

(c) No Noteholder or Couponholder shall be entitled to proceed directly against the Bank unless the Trustee, having become bound so to proceed, fails to do so in which case the Noteholder or Couponholder shall have only such rights against the Bank as those which the Trustee is entitled to exercise. No Noteholder or Couponholder shall be entitled to institute proceedings for the winding-up or dissolution of the Bank, or to prove in any winding-up or dissolution of the Bank, except that if the Trustee, having become bound to proceed against the Bank as aforesaid, fails to do so, or, being able to prove in any winding-up or dissolution of the Bank, fails to do so, then any such holder may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise), himself institute proceedings for the winding-up in Hong Kong (but not elsewhere) of the Bank and/or prove in any winding-up or dissolution of the Bank to the same extent (but not further or otherwise) that the Trustee would have been entitled so to do in respect of his Notes and Coupons. No remedy against the Bank, other than the institution of proceedings for the winding-up in Hong Kong of the Bank or the proving or claiming in any winding-up or dissolution of the Bank, shall be available to the Trustee or the Noteholders or Couponholders whether for the recovery of amounts owing in respect of the Notes or Coupons or under the Trust Deed or in respect of any breach by the Bank of any of its obligations under the Trust Deed or the Notes (other than for recovery of the Trustee's remuneration or expenses).

8. Prescription

Notes and Coupons (excluding for this purpose talons) will become void unless presented for payment within a period of 12 years in the case of Notes and six years in the case of Coupons respectively from the Relevant Date (as defined in Condition 6) relating thereto.

9. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Bank and/or any of its subsidiaries without accounting for any profit resulting therefrom.

10. Meetings of Noteholders, Modification, Waiver and Substitution of Principal Debtor

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including any modification of the terms and conditions of the Notes and the provisions of the Trust Deed, provided that certain provisions (including, *inter alia*, the terms concerning the currency and due dates of payment of principal or interest in respect

of the Notes and the principal amount of any Note and the provisions as to subordination referred to in Condition 2) may only be modified at a meeting of Noteholders for which special quorum provisions apply. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not, and on all Couponholders.

The Trustee may agree, without the consent of the Noteholders or the Couponholders, to any modification (other than a modification for which a special quorum is required) of, or to any waiver or authorisation of any breach or proposed breach of, any provision of the Trust Deed which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or to any modification to correct a manifest error. Unless the Trustee agrees otherwise, any modification shall be notified to the Noteholders in accordance with Condition 12 as soon as practicable thereafter.

The Trustee may also agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders or the Couponholders, to the substitution, subject to the Notes and the Coupons being unconditionally and irrevocably guaranteed by the Bank on a subordinated basis equivalent to that mentioned in Condition 2, of a subsidiary of the Bank, any holding company of the Bank or any subsidiary of such holding company in place of the Bank as principal debtor under the Trust Deed, the Notes and the Coupons and so that the claims of the Noteholders and the Couponholders may, in the case of the substitution of a banking company (as so defined in the Trust Deed) in the place of the Bank, be subordinated to the rights of Senior Creditors (as defined in Condition 2, but with the substitution of references to that banking company in place of references to the Bank).

In the case of a substitution pursuant to this Condition 10 the Trustee may in its absolute discretion agree, without the consent of the Noteholders or Couponholders, to a change of the law governing the Notes, the Coupons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

In connection with any proposed substitution as aforesaid, the Trustee shall not have regard to the consequences of such substitution for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. No Noteholder or Couponholder shall, in connection with any such substitution, be entitled to claim from the Bank any indemnification or payment in respect of any tax consequence of any such substitution upon individual Noteholders or Couponholders except to the extent already provided for by Condition 6 (as from time to time amended).

For the purposes of this Condition 10 the terms "subsidiary" and "holding company" shall have the meanings respectively ascribed thereto by section 2 of the Companies Ordinance of Hong Kong in effect on the date hereof.

11. Replacement of Notes and Coupons

Should any Note or Coupon be lost, stolen, mutilated or destroyed it may be replaced at the specified office of the Principal Paying Agent (or such other place of which notice shall be given in accordance with Condition 12) upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Bank may reasonably require. Mutilated Notes or Coupons must be surrendered before replacements will be issued.

12. Notices

All notices regarding the Notes will be valid if published in one leading London daily newspaper or, if this is not practicable in the opinion of the Trustee, in one other leading English language daily newspaper which is approved by the Trustee with circulation in Europe. Any notice published in a newspaper as aforesaid shall be deemed to have been given on the date of such publication or, if published more than once, on the date of the first such publication. If publication is not practicable in any such newspaper as is mentioned above, notice will be valid if given in such other manner, and shall be deemed to have been given on such date, as the Bank and the Trustee shall determine.

It is expected that publication of notices will normally be made in the *Financial Times*.

13. Governing Law

The Trust Deed, the Notes and the Coupons are governed by and will be construed in accordance with English law.

PRINCIPAL PAYING AGENT

Citibank, N.A.
Citibank House,
336 Strand,
London WC2R 1HB

PAYING AGENTS

Citibank, N.A.,
Avenue de Tervuren 249,
B-1150 Brussels

Citibank, N.A.,
Citicorp Centre,
18 Whitfield Road,
Causeway Bay,
Hong Kong

Citicorp Bank (Luxembourg) S.A.
16 Avenue Marie-Thérèse,
Luxembourg

Citicorp Bank (Switzerland),
Bahnhofstrasse 63,
CH-8021,
Zurich

THE SECOND SCHEDULE above referred to

Provisions for Meetings of the Noteholders

1. (A) As used in this Schedule, the following expressions shall have the following meanings unless the context otherwise requires:-
- (i) "voting certificate" shall mean a certificate in the English language, issued by a Paying Agent and dated, in which it is stated:-
 - (a) that on the date thereof Notes (not being Notes in respect of which a block voting instruction has been issued and is outstanding in respect of the meeting specified in such voting certificate or any adjournment thereof) bearing specified serial numbers were deposited with such Paying Agent and that such Notes will not be released until the first to occur of:-
 - (1) the conclusion of the meeting specified in such certificate or any adjournment thereof or any poll taken on any resolution proposed thereat (whichever shall be the later); and
 - (2) the surrender of the certificate to the Paying Agent who issued the same; and
 - (b) that the bearer thereof is entitled to attend and vote at such meeting or any adjournment thereof in respect of the Notes represented by such certificate; and
 - (ii) "block voting instruction" means a document in the English language, issued by a Paying Agent and dated, in which:-
 - (a) it is certified that Notes (not being Notes in respect of which a voting certificate has been issued and is outstanding in respect of the meeting specified in such block voting instruction or any adjournment thereof) have been deposited with such Paying Agent and that no such Notes will be released until the first to occur of:-
 - (1) the conclusion of the meeting specified in such document or any adjournment thereof or any poll taken on any resolution proposed thereat (whichever shall be the later); and
 - (2) the surrender (not less than 48 hours before the time for which such meeting or adjourned meeting is convened or poll called) of the respective receipts to the Paying Agent who issued the same in respect of each such deposited Note which is to be released coupled with notice from the Paying Agent to the Bank of such surrender;

- (b) it is certified that each depositor of such Notes has instructed such Paying Agent that the vote(s) attributable to his or its Note(s) so deposited should be cast in a particular way in relation to the resolution or resolutions to be put to such meetings or any adjournment thereof and that all such instructions are, during the period of 48 hours prior to the time for which such meeting or adjourned meeting is convened and during the meeting, neither revocable nor subject to amendment;
- (c) the total number and serial number of the Notes so deposited are listed, distinguishing with regard to each such resolution between those in respect of which instructions have been given as aforesaid that the votes attributable thereto should be cast in favour of the resolution and those in respect of which instructions have been so given that the votes attributable thereto should be cast against the resolution; and
- (d) one or more person or persons named in such document (hereinafter called "proxies") is or are authorised and instructed by such Paying Agent to cast the votes attributable to the Notes so listed in accordance with the instructions referred to in (c) above as set out in such document.

(B) Voting certificates and block voting instructions will only be issued in respect of Notes deposited with any Paying Agent not less than 48 hours before the time for which the meeting or the poll to which the same relate has been convened or called and shall be valid for so long as the relevant Notes are not released pursuant to paragraph 1(A)(ii)(a) hereof and during the validity thereof the holder of any such voting certificates or (as the case may be) the proxies named in any such block voting instruction shall, for all purposes in connection with any meeting of Noteholders, be deemed to be the holder of the Notes to which such voting certificate or block voting instruction relates and the Paying Agent with which such Notes have been deposited shall nevertheless be deemed for such purpose not to be the holder of those Notes.

2. The Trustee or the Bank at any time may, and the Trustee (subject to its being indemnified to its satisfaction against all costs and expenses thereby occasioned) upon a request in writing of Noteholders holding not less than one-tenth of the principal amount of the Notes for the time being outstanding shall, convene a meeting of the Noteholders. Whenever the Bank is about to convene any such meeting it shall forthwith give notice in writing to the Trustee of the day, time and place thereof and of the nature of the business to be transacted thereat. Every such meeting shall be held at such place as the Trustee may approve.

3. At least twenty-one days' notice (exclusive of the day on which the notice is given and the day on which the meeting is held) specifying the day, time and place of meeting shall be given in the

manner provided in the Conditions. A copy of the notice shall be given to the Trustee unless the meeting shall be convened by the Trustee and to the Bank unless the meeting shall be convened by the Bank. Such notice shall be given in the manner provided in these presents and shall, unless in any particular case the Trustee otherwise agrees, specify the terms of the resolution to be proposed and shall include a statement to the effect that such Notes may be deposited with any Paying Agent for the purpose of obtaining voting certificates or appointing proxies until 48 hours before the time fixed for the meeting but not thereafter.

4. A person (who may, but need not, be a Noteholder) nominated in writing by the Trustee shall be entitled to take the chair at every such meeting but if no such nomination is made or if at any meeting the person nominated shall not be present within fifteen minutes after the time appointed for the holding of such meeting the Noteholders present shall choose one of their number to be chairman and, failing such choice, the Bank may appoint a chairman (who may, but need not, be a Noteholder).

5. At any such meeting two or more persons present in person holding Notes and/or voting certificates and/or being proxies and being or representing in the aggregate a clear majority in principal amount of the Notes for the time being outstanding shall form a quorum for the transaction of business and no business (other than the choosing of a chairman) shall be transacted at any meeting unless the requisite quorum be present at the commencement of business PROVIDED THAT at any meeting the business of which includes any of the following matters (each of which shall be capable of being effected only after having been approved by Extraordinary Resolution) namely:-

- (i) modification of the dates of payment of principal or interest in respect of the Notes;
- (ii) reduction or cancellation of the principal amount of any Note;
- (iii) alteration of the currency in which payments under the Notes and Coupons are to be made;
- (iv) modification of the provisions as to subordination referred to in Condition 2 or Clause 3 (except as referred to in Clause 3(E));
- (v) alteration of the majority required to pass an Extraordinary Resolution; or
- (vi) alteration of this proviso or the proviso to paragraph 6 below

the quorum shall be two or more persons present in person holding Notes or voting certificates or being proxies and holding or representing in the aggregate not less than two-thirds of the principal amount of the Notes for the time being outstanding.

6. If within half an hour from the time appointed for any such meeting a quorum is not present the meeting shall, if convened upon the requisition of Noteholders, be dissolved. In any other case it shall be adjourned for such period, not being less than fourteen days nor more than forty-two days, as may be appointed by the Chairman. Save as otherwise provided in this paragraph at such adjourned meeting two or more persons present in person holding Notes and/or voting certificates and/or being proxies (whatever the principal amount of the Notes so held or represented) shall form a quorum and shall have the power to pass any resolution and to decide upon all matters which could properly have been dealt with at the meeting from which the adjournment took place had a quorum been present at such meeting. PROVIDED THAT at any adjourned meeting the business of which includes any of the matters specified in the proviso to paragraph 5 above, the quorum shall be persons present in person holding Notes and/or voting certificates and/or being proxies and being or representing in the aggregate not less than one-third in principal amount of the Notes for the time being outstanding.

7. The Chairman may with the consent of (and shall if directed by) any meeting adjourn the same from time to time and from place to place but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place.

8. At least ten days' notice of any meeting adjourned through want of a quorum shall be given in the same manner as for an original meeting and such notice shall state the quorum required at such adjourned meeting. Subject as aforesaid it shall not be necessary to give any notice of an adjourned meeting.

9. Every question submitted to a meeting shall be decided in the first instance by a show of hands and in the case of an equality of votes the Chairman shall both on a show of hands and on a poll have a casting vote in addition to the vote or votes (if any) to which he may be entitled as a Noteholder and/or as a holder of a voting certificate and/or as a proxy.

10. At any meeting, unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairman or by one or more persons holding one or more Notes and/or voting certificates and/or being proxies and being or representing in the aggregate not less than one-fiftieth part of the principal amount of the Notes then outstanding, a declaration by the Chairman that a resolution has been carried or carried by a particular majority or lost or not carried by any particular majority shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

11. If at any meeting a poll is so demanded, it shall be taken in such manner and (subject as hereinafter provided) either at once or after such an adjournment as the Chairman directs and the result of such poll shall be deemed to be the resolution of the meeting at which the poll was demanded as at the date of the taking of the poll. The demand for a poll shall not prevent the continuance of the meeting for

the transaction of any business other than the question on which the poll has been demanded.

12. Any poll demanded at any meeting on the election of a chairman or on any question of adjournment shall be taken at the meeting without adjournment.

13. The Trustee and the Bank (through their respective representatives) and their respective financial and legal advisers shall be entitled to attend and speak at any meeting of the Noteholders. Save as aforesaid no person shall be entitled to attend or vote at any meeting of the Noteholders unless he produces the Note or Notes of which he is the holder or a voting certificate or is a proxy or to join with others in convening such a meeting unless he produces the Note or Notes of which he is the holder. Neither the Bank nor any of the Bank's subsidiaries shall be entitled to vote in respect of Notes held by or on behalf of it or any of its subsidiaries, but this shall not prevent any of the proxies named in any block voting instruction or form of proxy from being a director, officer or representative of, or otherwise connected with, the Bank or any of its subsidiaries.

14. Subject as provided in paragraph 13 hereof at any meeting (a) on a show of hands every person who is present in person and produces a Note or voting certificate or is a proxy shall have one vote and (b) on a poll every person who is so present shall have one vote in respect of each \$5,000 in principal amount of Notes so produced or represented by the voting certificate so produced or in respect of which he is a proxy. Without prejudice to the obligations of the proxies named in any block voting instruction or form of proxy, any person entitled to more than one vote need not use all his votes or cast all the votes to which he is entitled in the same way.

15. The proxies named in any block voting instruction or form of proxy need not be Noteholders.

16. Each block voting instruction, together (if so required by the Trustee) with proof satisfactory to the Trustee of its due execution on behalf of the relevant Paying Agent, and each form of proxy shall be deposited at the registered office of the Bank, or at such other place as the Trustee shall designate or approve, not less than 24 hours before the time appointed for holding the meeting or adjourned meeting at which the proxies named in the block voting instruction or form of proxy propose to vote and in default the block voting instruction or form of proxy shall not be treated as valid unless the Chairman of the meeting decides otherwise before such meeting or adjourned meeting proceeds to business. Notarially certified copies of each block voting instruction and satisfactory proof as aforesaid (if applicable) shall be deposited with the Trustee before the commencement of the meeting or adjourned meeting but the Trustee shall not thereby be obliged to investigate or be concerned with the validity of, or the authority of the proxies named in, any such block voting instruction.

17. Any vote given in accordance with the terms of a block voting instruction or form of proxy shall be valid notwithstanding the

previous revocation or amendment of the block voting instruction or form of proxy or of any of the Noteholders' instructions pursuant to which it was executed, provided that no intimation in writing of such revocation or amendment shall have been received from the relevant Paying Agent by the Bank or by the Chairman of the meeting, in each case not less than 24 hours before the commencement of the meeting or adjourned meeting at which the block voting instruction or form of proxy is intended to be used.

18. A meeting of the Noteholders shall, in addition to the powers hereinbefore given, but without prejudice to any powers conferred on other persons by these presents, have the following powers exercisable by Extraordinary Resolution namely:-

- (A) power to sanction any proposal by the Bank for any alteration, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Noteholders and/or the Couponholders against the Bank whether such rights shall arise under these presents, the Notes, the Coupons or otherwise;
- (B) power to sanction the exchange or substitution for the Notes of, or the conversion of the Notes into shares, stock, bonds, debentures, debenture stock, or other obligations or securities of the Bank or any other body corporate formed or to be formed;
- (C) power to assent to any alteration of the provisions contained in these presents, the Notes or the Coupons which shall be proposed by the Bank or the Trustee;
- (D) power to approve a person proposed to be appointed a new Trustee under the Trust Deed and power to remove any Trustee or Trustees for the time being hereof;
- (E) power to authorise the Trustee to concur in and execute and do all such documents, acts and things as may be necessary to carry out and give effect to any Extraordinary Resolution;
- (F) power to discharge or exonerate the Trustee from any liability in respect of any act or omission for which the Trustee may have become responsible under these presents or under the Notes;
- (G) power to give any authority, direction or sanction which under the provisions of these presents or the Notes is required to be given by Extraordinary Resolution; and
- (H) power to appoint any persons (whether Noteholders or not) as a committee or committees to represent the interests of the Noteholders and to confer upon such committee or committees any powers or discretions which the Noteholders could themselves exercise by Extraordinary Resolution.

19. Any Extraordinary Resolution passed at a meeting of the Noteholders duly convened and held in accordance with these presents shall be binding upon all the Noteholders, whether present or not present at such meeting, and upon all the Couponholders and each of the Noteholders and Couponholders shall be bound to give effect thereto accordingly. The passing of any such resolution shall be conclusive evidence that the circumstances of any such resolution justify the passing thereof.

20. The expression "Extraordinary Resolution" when used in these presents means a resolution passed at a meeting of the Noteholders duly convened and held in accordance with the provisions contained herein by a majority consisting of not less than three-fourths of the votes cast thereon.

21. Minutes of all resolutions and proceedings at every such meeting as aforesaid shall be made and duly entered in books to be from time to time provided for that purpose by the Bank or the Trustee and any such minutes as aforesaid, if purporting to be signed by the Chairman of the meeting at which such resolutions were passed or proceedings transacted or by the Chairman of the next succeeding meeting of the Noteholders, shall be conclusive evidence of the matters therein contained and until the contrary is proved every such meeting in respect of the proceedings of which minutes have been made and signed as aforesaid shall be deemed to have been duly held and convened and all resolutions passed or proceedings transacted thereat to have been duly passed and transacted.

22. Subject to all other provisions contained in these presents the Trustee may without the consent of the Noteholders prescribe such further regulations regarding the holding of meetings of Noteholders and attendance and voting thereat as the Trustee may in its sole discretion determine.

THE LONDON SEAL of THE)
HONGKONG AND SHANGHAI BANKING)
CORPORATION was hereunto)
affixed in the presence of:-)

SEAL

R.C. Farrell Director

M.W. Wells Authorised Officer

THE COMMON SEAL of THE LAW)
DEBENTURE TRUST CORPORATION)
p.l.c. was hereunto affixed)
in the presence of:-)

SEAL

H.D. Osborne Director

K.A. Graham Director