(TRANSLATION)

Annex

CONDITIONS OF BONDS

These Conditions of Bonds shall apply to the issue of THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED (*HONGKONG SHANGHAI GINKO*) JAPANESE YEN BONDS - FIRST SERIES (2013) (the "Bonds") pursuant to lawful authorisation by The Hongkong and Shanghai Banking Corporation Limited (the "Issuer").

1. Aggregate Principal Amount, Date of Issuance, Denomination and Form

The aggregate principal amount of the Bonds is ¥37,700,000,000.

The date of issuance of the Bonds is June 27, 2013.

The Bonds are issued in the denomination of ¥100,000,000 each.

The Law Concerning Book-Entry Transfer of Corporate Bonds, Stocks, Etc. of Japan (Law No. 75, 2001, as amended) (the "Book-Entry Transfer Law") shall apply to the Bonds and the transfer of and other matters relating to the Bonds shall be dealt with in accordance with the Book-Entry Transfer Law and the business regulations and other rules relating to book-entry transfer of corporate bonds, etc. (collectively, the "Business Rules") from time to time adopted by the Book-Entry Transfer Institution (as defined in Condition 4).

The certificates for the Bonds (the "Bond Certificates") shall not be issued except in such exceptional events as provided under the Book-Entry Transfer Law where the holders of the Bonds (the "Bondholders") may make a request for the issue of Bond Certificates. In the event that the Bond Certificates are issued, such Bond Certificates shall be only in bearer form with unmatured interest coupons and the Bondholders may not request that the Bond Certificates be exchanged for Bond Certificates in registered form or divided or consolidated.

If the Bond Certificates are issued, the manner of the calculation and payment of principal of and interest on the Bonds, the exercise of the rights under the Bonds by the Bondholders and the transfer of the Bonds, and all other matters in respect of the Bonds shall be subject to the then applicable Japanese laws and regulations and the then prevailing market practice in Japan. In the event of any inconsistency between the provisions of these Conditions of Bonds and the then applicable Japanese laws and regulations and the then prevailing market practice in Japan, such Japanese laws and regulations and market practice in Japan shall prevail.

All expenses incurred in connection with the issue of the Bond Certificates shall be borne by the Issuer.

2. Status of the Bonds

The Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer, and rank and will rank *pari passu* without any preference among themselves and at least *pari passu* with all other unsubordinated and unsecured obligations of the Issuer,

present and future (save for certain mandatory exceptions provided by law).

3. Appointment of Fiscal Agent, Issuing Agent and Paying Agent and Non-appointment of Commissioned Company for Bondholders

(1) Mizuho Corporate Bank, Ltd. acts as fiscal agent, issuing agent and paying agent (the "Fiscal Agent", unless the context otherwise requires, the term "Fiscal Agent" means an agent acting in all these capacities) of the Issuer in respect of the Bonds. The Fiscal Agent shall perform the duties and functions provided for in these Conditions of Bonds, the Fiscal, Issuing and Paying Agency Agreement (the "Fiscal Agency Agreement") dated June 20, 2013 between the Issuer and the Fiscal Agent, and the Business Rules. The Fiscal Agent is acting solely as agent of the Issuer and does not assume any obligation towards or relationship of agency or trust for or with the Bondholders. A copy of the Fiscal Agency Agreement to which these Conditions of Bonds are attached shall be kept at the head office of the Fiscal Agent up to the expiry of one year after the redemption date and shall be made available for perusal or photocopying by any Bondholder during normal business hours. All expenses incurred for such photocopying shall be borne by the applicant therefor.

(2) No commissioned company for bondholders is appointed in respect of the Bonds.

(3) The Issuer may from time to time vary the appointment of the Fiscal Agent, provided that the appointment of the Fiscal Agent shall continue until a replacement fiscal agent, issuing agent and paying agent shall be effectively appointed (provided that such replacement fiscal agent, issuing agent and paying agent shall be qualified to act as both issuing agent and paying agent pursuant to the Business Rules). In such case the Issuer shall give prior public notice thereof to the Bondholders.

(4) The Issuer shall, without delay, appoint a replacement fiscal agent, issuing agent and paying agent (provided that such replacement fiscal agent, issuing agent and paying agent shall be qualified to act as both issuing agent and paying agent pursuant to the Business Rules) and give public notice to that effect to the Bondholders if the Book-Entry Transfer Institution notifies the Issuer that the Fiscal Agent will be disqualified from acting as a designated issuing agent or paying agent.

(5) As at the effective date of the appointment, the replacement fiscal agent, issuing agent and paying agent shall succeed to and be substituted for the retiring Fiscal Agent, and shall perform its duties and functions provided for in these Conditions of Bonds, the Fiscal Agency Agreement and the Business Rules, with the same effect as if the replacement fiscal agent, issuing agent and paying agent had been named as the fiscal agent, issuing agent and paying agent therein and herein.

4. Book-Entry Transfer Institution

In relation to the Bonds, Japan Securities Depository Center, Incorporated (the "Book-Entry Transfer Institution") acts as book-entry transfer institution (*furikae kikan*) under the Book-Entry Transfer Law.

In these Conditions of Bonds, all references to the Book-Entry Transfer Institution shall be deemed to include any successor book-entry transfer institution as designated by the competent minister pursuant to the Book-Entry Transfer Law.

5. Interest

The Bonds shall bear interest at the rate of 0.605% per annum of the principal amount thereof.

The Bonds shall bear interest from and including June 28, 2013, payable in Japanese yen semi-annually in arrears on June 27 and December 27 of each year in respect of the 6-month period to and including each such date. Interest for any period of other than 6 months shall be payable for the actual number of days included in such period computed on the basis of a 365-day year. Each date set for payment of interest in this Condition 5 is hereinafter referred to as an "Interest Payment Date".

The Bonds shall cease to bear interest from but excluding the date on which they become due for redemption; provided, however, that should the Issuer fail to redeem any of the Bonds when due in accordance with these Conditions of Bonds, then interest accrued on the principal amount of the Bonds then outstanding shall be paid in Japanese yen at the interest rate specified above for the actual number of days in the period from, but excluding, the due date to, and including, the date of the actual redemption of such Bonds, computed on the basis of a 365-day year. Such period, however, shall not exceed the date on which the Fiscal Agent (acting in its capacity of paying agent under the Business Rules, the "Paying Agent") allocates the necessary funds for the full redemption of the Bonds received by it among the relevant participants which have opened their accounts with the Book-Entry Transfer Institution to make book-entry transfer of the Bonds (*kiko kanyusha*) (the "Institution Participants"); provided that if such overdue allocation is not possible under the Business Rules, such period shall not exceed 14 days after the date on which the last public notice is given by the Issuer or the Fiscal Agent in accordance with Condition 7(3).

6. Redemption and Purchase

(1) Unless previously redeemed or purchased and cancelled as provided in Condition 6(2) or (3), the Bonds shall be redeemed on June 27, 2018 at a price equal to 100% of the principal amount.

(2) If the Issuer has or will become obliged to pay Additional Amounts (as defined in Condition 8(1)) pursuant to Condition 8 on the next succeeding Interest Payment Date as a result of any change in the laws, regulations or rulings of Hong Kong or any political subdivision thereof or any authority or agency therein or thereof having power to tax or in the interpretation or administration of any such laws, regulations or rulings which becomes effective on or after the date of issuance of the Bonds, the Bonds may be redeemed, in whole but not in part, at the option of the Issuer, at any time at a price equal to 100% of the principal amount together with interest accrued to and including the date fixed for redemption; provided that no such public notice of redemption as provided below shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts were a payment in respect of the Bonds then due.

If the Issuer would be obliged to pay such Additional Amounts pursuant to Condition 8, but any law, regulation or ruling of Hong Kong or any political subdivision thereof or any authority or agency therein or thereof having power to tax then in force prohibits the Issuer from paying such Additional Amounts in full, then the Issuer shall redeem all (but not a part)

of the Bonds then outstanding at a price equal to 100% of the principal amount together with interest accrued to and including the date fixed for redemption (but subject to such law, regulation or ruling), as soon as practicable, but in no event later than 40 days after the later of (i) the date of the occurrence of the events giving rise to the obligation of the Issuer to pay such Additional Amounts or (ii) the date on which such law, regulation or ruling becomes effective.

In the event of redemption to be made under this Condition 6(2), the Issuer shall deliver to the Fiscal Agent a certificate signed by any one authorised signatory of the Issuer stating (i) that the Issuer is or will be obliged to pay such Additional Amounts pursuant to Condition 8(1), (ii) that it elects or is obliged to redeem the Bonds pursuant to this Condition 6(2), (iii) the date for such redemption and (iv) that the conditions precedent to the right or obligation of the Issuer so to redeem under this Condition 6(2) have occurred (together with details of facts relating thereto), and a written opinion of independent legal advisers of recognised standing confirming the matters set forth in items (i) and (iv) above.

Such certificate and opinion shall be delivered to the Fiscal Agent at least 30 days prior to the proposed redemption date, and the Issuer shall give public notice to the Bondholders of such matters at least 14 days prior to the proposed redemption date. Such proposed redemption date shall be a Business Day (as defined in Condition 7(2)), and such delivery to the Fiscal Agent and public notice to the Bondholders shall be irrevocable.

Such certificate and opinion delivered by the Issuer to the Fiscal Agent pursuant to this Condition 6(2) shall be kept at the head office of the Fiscal Agent up to the expiry of one year after the redemption date and shall be made available for perusal or photocopying by any Bondholder during normal business hours. All expenses incurred for such photocopying shall be borne by the applicant therefor.

All expenses necessary for the procedures under this Condition 6(2) shall be borne by the Issuer.

(3) The Issuer and any of its subsidiaries may at any time purchase the Bonds in the open market or otherwise and at any price. If purchases are made by tender, tenders must be available to all Bondholders alike. Such Bonds may be held, resold or cancelled, except as otherwise provided for by applicable laws and in the Business Rules.

(4) Except as otherwise provided in these Conditions of Bonds, the Issuer may not redeem or repay the principal of the Bonds in whole or in part prior to the maturity thereof.

7. Payment

(1) Payment of principal and interest in respect of the Bonds shall be made by the Paying Agent to the Bondholders, directly in case when such Bondholders are the Institution Participants, and in other cases through the relevant account management institutions (*kouza kanri kikan*) (the "Account Management Institutions") with which such Bondholders have opened their accounts to have the Bonds recorded in accordance with the Book-Entry Transfer Law and the Business Rules.

(2) If any due date for the payment of principal of or interest on the Bonds falls on a day which is not a day on which banks are open for business in Tokyo, Japan (the "Business

Day"), the Bondholders shall not be entitled to payment of the amount due until the next following Business Day, nor shall they be entitled to the payment of any further or additional interest or other payment in respect of such delay.

(3) If the full amount of principal of or interest on the Bonds payable on any due date is received by the Paying Agent after such due date, the Issuer shall, or shall cause the Fiscal Agent to, give public notice to the Bondholders to that effect and of the method of payment and the date of such payment as soon as practicable but not later than 14 days after receipt of such amount by the Paying Agent. If at the time of such receipt either the method or the date of such payment (or both) is not determinable, the Issuer or the Fiscal Agent shall give public notice to the Bondholders of such receipt and of the method and/or the date of such payment to the extent the same has been determined, and give at a later date public notice to the Bondholders of the method and/or the date of such payment promptly upon determination thereof. All expenses incurred in connection with the said public notice shall be borne by the Issuer.

8. Taxation

(1) All payments (whether in respect of principal, interest or otherwise) in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Hong Kong or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts (the "Additional Amounts") as will result in the receipt by the Bondholder of such amounts as would have been received by such Bondholder if no such withholding or deduction had been required, except that no such Additional Amounts shall be payable in respect of any Bond (i) to, or to a third party on behalf of, a Bondholder who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with Hong Kong other than the mere holding of such Bond or (ii) (only in the event that the Bond Certificates are issued) more than 30 days after the Relevant Date (as defined below) except to the extent the Bondholder would have been entitled to such Additional Amounts on presenting the same for payment on the last day of such period of 30 days.

"Relevant Date" means whichever is the later of (i) the date on which the relevant payment of principal or interest first becomes due and (ii) if the full amount payable on such due date has not been duly received by the Paying Agent on or prior to such due date, the date on which, such full amount having been so received by the Paying Agent, the last public notice to that effect has been duly given by the Issuer or the Fiscal Agent in accordance with Condition 7(3).

(2) Any reference in these Conditions of Bonds to principal or interest shall be deemed also to refer to any Additional Amounts which may be payable in respect of principal or interest, respectively, under this Condition 8. All expenses necessary for the procedures under this Condition 8 shall be borne by the Issuer.

9. Events of Default

The following will be Events of Default (each, an "Event of Default" with respect to the Bonds):

(a) a default is made in the payment of any amount of interest in respect of the Bonds on the due date for payment thereof and such default continues for 14 days, provided that it shall not be such a default to withhold or refuse any such payment (i) in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment or (ii) in cases of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice given at any time during the said period of 14 days by independent legal advisers of recognised standing as to such validity or applicability; or

(b) an order is made or an effective resolution is passed for the winding-up of the Issuer in Hong Kong (otherwise than in connection with a scheme of reconstruction or amalgamation the terms of which shall previously have been approved by an Extraordinary Resolution (as defined in Condition 10(3))).

If any Event of Default shall have occurred, any Bondholder may, at its option, by giving written notice by or on behalf of such Bondholder to the Issuer at the head office of the Fiscal Agent (at the time of giving such notice, such Bondholder shall present, at the head office of the Fiscal Agent, the certificate (the "Certificate") certifying the holding of the relevant Bond and issued by the Book-Entry Transfer Institution or the relevant Account Management Institution), declare that any Bond(s) held by such Bondholder shall be forthwith due and payable, whereupon the same shall become immediately due and payable at a price equal to 100% of the principal amount together with interest accrued to such date, without further action or formality, unless, prior to receipt of such notice by the Fiscal Agent, all Events of Default shall have been cured.

If (x) the event specified in item (b) above has occurred or (y) any circumstance exists which would with the lapse of time or the giving of notice or both constitute such event, the Issuer shall, immediately or in case of (y) above immediately when such circumstance comes to knowledge of the Issuer, notify the Fiscal Agent in writing of such event or circumstance and give public notice of the same to the Bondholders through the Fiscal Agent. If the event specified in item (a) above has occurred or any circumstance exists which would with the lapse of time constitute such event, the Issuer shall also immediately notify the Fiscal Agent in writing of such event or circumstance and give public notice of the same to the Bondholders through the Fiscal Agent.

All expenses necessary for the procedures under this Condition 9 shall be borne by the Issuer.

10. Bondholders' Meetings

(1) The Issuer shall convene a Bondholders' meeting to consider any matters which relate to the interests of the Bondholders in the event: that Bondholders holding one-tenth (1/10) or more of the aggregate principal amount of the Bonds then outstanding, acting either jointly or individually, so request in writing to the Fiscal Agent on behalf of the Issuer at the head office of the Fiscal Agent, provided that such Bondholders shall have presented to the Fiscal Agent the Certificates; or that the Issuer should deem it necessary to hold a Bondholders' meeting by giving written notice at least 35 days prior to the proposed date of the meeting to the Fiscal Agent.

When a Bondholders' meeting is to be convened, the Issuer shall give public notice to the Bondholders of the Bondholders' meeting at least 21 days prior to the date of such meeting; and ensure that the Fiscal Agent, on behalf of the Issuer, shall take the steps necessary for the convocation of the Bondholders' meeting and to expedite the proceedings thereof.

(2) The Bondholders may exercise their vote by themselves at the relevant Bondholders' meeting, by proxy, or in writing or (in the event the Issuer permits the exercise of the voting rights by electronic method) by an electronic method pursuant to the rules established by the Issuer or the Fiscal Agent on behalf of the Issuer. At any Bondholders' meeting, each Bondholder shall have voting rights in proportion to the principal amount of the Bonds (for the time being outstanding) held by such Bondholder; provided, however, that the Certificates shall have been presented to the Fiscal Agent at its head office, at least 7 days prior to the date set for such meeting and to the Issuer or the Fiscal Agent at such meeting, on the date thereof; and, provided, further, that the Bondholder shall not make an application for book-entry transfer or an application for obliteration of the Bonds unless the Bondholder returns the relevant Certificate to the Book-Entry Transfer Institution or the relevant Account Management Institution of such Bondholder. The Issuer may have its representative attend such meeting and express its opinion thereat.

(3) Resolutions at such Bondholders' meeting shall be passed by more than one-half (1/2) of the aggregate amount of voting rights held by the Bondholders who are entitled to exercise their voting rights (the "Voting Rights Holders") and present at such meeting; provided, however, that an Extraordinary Resolution (as defined below) is required with respect to the following items:

(a) giving a grace of payment, an exemption from liabilities resulting from a default, or settlement, to be effected with respect to all the Bonds (other than the matters referred to in (b) below);

(b) any acts of litigation to be made with respect to all the Bonds, or all acts pertaining to bankruptcy, corporate reorganisation or similar proceedings;

(c) the election or dismissal of representative(s) of the Bondholders who may be appointed and authorised by resolution of a Bondholders' meeting to make decisions on matters to be resolved at a Bondholders' meeting (provided each of such representative(s) must hold one-thousandth (1/1,000) or more of the aggregate principal amount of the Bonds (for the time being outstanding)) (the "Representative(s) of the Bondholders") or an executor (the "Executor") who may be appointed and authorised by resolution of a Bondholders' meeting so as to execute the resolutions of the Bondholders' meeting, or the change in any matters entrusted to them; and

(d) any other matters where the Extraordinary Resolution is required under the provisions of these Conditions of Bonds.

"Extraordinary Resolution" means a resolution passed at a Bondholders' meeting by one-fifth (1/5) or more of the aggregate amount of the voting rights held by the Voting Rights Holders representing the aggregate principal amount of the Bonds then outstanding and

two-thirds (2/3) or more of the aggregate amount of the voting rights held by the Voting Rights Holders present at such meeting.

For the purposes of calculating the number of votes exercised at a Bondholders' meeting, the Bondholders who have exercised their votes by proxy or in writing or (in the event the Issuer permits the exercise of the voting rights by electronic method) by an electronic method shall be deemed to have attended and voted at such meeting.

(4) The resolution passed pursuant to this Condition 10 shall be binding on all the Bondholders whether present or not at such Bondholders' meeting to the extent permitted by the applicable Japanese law, and shall be carried out by the Representative(s) of the Bondholders or the Executor.

(5) For the purpose of this Condition 10, the Bonds then held by the Issuer or any of its subsidiaries shall be disregarded and deemed not to be outstanding.

(6) The Bondholders' meetings shall be held in Tokyo, Japan.

(7) All expenses necessary for the procedures under this Condition 10 shall be borne by the Issuer.

11. Registration Book

The registration book for the Bonds shall be prepared, administered and kept by the Fiscal Agent at its head office on behalf of the Issuer.

12. Prescription

The period of extinctive prescription shall be 10 years for the principal of the Bonds and 5 years for the interest on the Bonds.

13. Public Notices

All public notices relating to the Bonds shall be published once in the Japanese Official Gazette (if possible) and once in a daily Japanese newspaper published in both Tokyo and Osaka reporting on general affairs. Direct notification to individual Bondholders need not be made. Such public notices to be given by the Issuer shall, upon the request and at the expense of the Issuer, be given by the Fiscal Agent on behalf of the Issuer. The Fiscal Agency Agreement provides that the Issuer shall request the Fiscal Agent in writing to give such public notices on behalf of the Issuer whenever necessary under these Conditions of Bonds.

14. Currency Indemnity

In the event of a judgment or order being rendered or issued by any court for the payment of the principal of or interest on the Bonds or any other amount payable in respect of the Bonds, and such judgment or order being expressed in a currency other than Japanese yen, any amount received or recovered in such currency by any Bondholder in respect of such judgment or order shall only constitute a discharge to the Issuer to the extent of the amount received or recovered in Japanese yen and the Issuer undertakes to pay to such Bondholder

the amount necessary to make up any deficiency arising or resulting from any variation in rates of exchange between (i) the date as of which any amount expressed in Japanese yen is (or is to be treated as) converted into such currency other than Japanese yen for the purposes of any such judgment or order, and (ii) the date or dates of discharge of such judgment or order (or part thereof). To the extent permitted by any applicable law, the above undertaking shall constitute a separate and independent obligation of the Issuer from its other obligations, shall give rise to a separate and independent cause of action against the Issuer, shall apply irrespective of any indulgence granted by any Bondholder from time to time and shall continue in full force and effect notwithstanding any judgment or order.

15. Governing Law and Jurisdiction

Except as to the authorisation relating to the issue of the Bonds by the Issuer, the Bonds and all the rights and obligations of all the parties concerned, including the Bondholders, arising thereunder shall in all respects be governed by and construed in accordance with the laws of Japan.

Except as otherwise provided in these Conditions of Bonds, the place of performance of obligations pertaining to the Bonds is Tokyo, Japan.

Any legal or other court procedural action against the Issuer arising from or relating to the Bonds or these Conditions of Bonds may be instituted, on a non-exclusive basis, in the Tokyo District Court, to the jurisdiction of which the Issuer hereby expressly, unconditionally and irrevocably agrees to submit.

The Issuer hereby appoints the Representative in Japan of Tokyo Branch of the Issuer as the authorised agent of the Issuer upon whom process or any judicial or other court documents may be served in any legal or other court procedural action arising from or relating to the Bonds or these Conditions of Bonds that may be instituted in Tokyo, Japan; the Issuer hereby designates the address from time to time of the Tokyo Branch of the Issuer, currently at HSBC Building, 11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo 103-0027, Japan, as the address to receive such process or any judicial or other court documents; and the Issuer hereby agrees to take, from time to time and so long as any of the Bonds shall remain outstanding, any and all action (including the execution and filing of any and all documents and instruments) that may be necessary to effect and to continue such appointment and designation in full force and effect. If at any time such agent shall not, for any reason, serve as such authorised agent, the Issuer shall immediately appoint, and it hereby undertakes to take any and all action that may be necessary to effect the appointment of, a successor authorised agent in Tokyo, Japan. In such case the Issuer shall promptly notify the Fiscal Agent of the appointment of such successor agent and give public notice thereof.

Nothing in this Condition 15 shall affect the right of the Bondholders to institute legal or other court procedural action against the Issuer in any court of competent jurisdiction under applicable laws or to serve process or any judicial or other court documents in any manner otherwise permitted by law.

16. Modifications and Amendments

To the fullest extent permitted by applicable law, certain modifications and amendments to these Conditions of Bonds may be made without the consent of any

Bondholder, only for the purpose of curing any ambiguity, or of correcting or supplementing any defective provisions contained herein, adding covenants for the benefit of the Bondholders, surrendering rights or powers conferred on the Issuer, or in any other manner which the Issuer may deem necessary and desirable and which will not adversely affect the interest of the Bondholders. The Issuer shall immediately notify the Fiscal Agent of any such modification and amendment and give public notice of the same to the Bondholders. All expenses necessary for the procedures under this Condition 16 shall be borne by the Issuer.