

Dual Currency Deposit

Risk Disclosure, Customer Acknowledgement, Commitment, General Terms for FX Linked Structured Deposit

You should seek advice from a financial adviser before making a commitment to invest in these deposits. In the event that you choose not to seek advice from a financial adviser, you should consider whether these deposits are suitable for you. The main risks associated with investing in these deposits include:

- **Principal Risk:** At maturity of the deposit, customers may receive the principal and interest in either the deposit or linked currency, depending on the exchange rate upon fixing date. If the proceeds at maturity are paid in the linked currency, there is a possibility that the customer will suffer a loss on the principal sum when compared with the amount of the deposit currency initially invested. Furthermore, currency rates fluctuate; as such there is no guarantee that the investment product will produce returns in excess of those available on other investments or savings products linked to current market interest rates.
- **Early Termination by Customer:** Should the deposit be terminated early by the customer, the bank will deduct any early termination costs from the principal payable to the customer. It is therefore possible that customers will not receive 100% of the principal amount back. These termination costs may be substantial and hence, it is important that customers are prepared to hold this investment until maturity or alternatively be prepared to incur these costs in the event of early termination.
- **Early Termination by Deposit Taker:** If the product has to be terminated early for taxation reasons or the winding up of the deposit taker, a similar result would occur as detailed in the “Early termination by customer” section above. This event however, we believe to be unlikely.
- **Market Risk:** Many factors can affect the level of currency exchange rates, including the political and economic environment, business conditions, customer sentiments and confidence. All of these factors can refer to local or global markets.
- **Re-investment risk:** You need to consider your ability to re-invest the principal deposit plus any interest in other suitable products with similar returns and tenors where the Structured Deposit has been terminated early.
- **Foreign Exchange Risk:** A non USD account holder will be subject to fluctuations in the exchange rates, which could affect the USD account holders return either negatively or positively upon conversion into local currency.
- **Credit Risk:** The deposit may involve credit risks of the deposit taker. In the case of a default, you may receive back substantially less than what you have invested and many even receive nothing. Prospective customers should be aware that receipt of any sums due at maturity by a customer is subject to the credit risk of the Bank. Customers assume the risk that the Bank will not be able to satisfy their obligations under the Dual Currency Deposits. Except where specifically provided otherwise, the Dual Currency Deposit will constitute general and unsecured contractual obligations of the Bank and such obligations will rank equally with all other unsecured contractual obligations of the Bank. The Dual Currency Deposit will also rank pari passu with subsequent unsecured obligations of the Bank. In the case of an insolvency of the Bank, preferred liabilities of the Bank will have priority over unsecured obligations such as these Dual Currency Deposits. Any stated credit rating of the Bank reflects the independent opinion of the referenced Rating Agency as to the creditworthiness of the rated entity but is not a

guarantee of credit quality of the Bank. Any downgrading of the credit ratings of the Bank or its parent or affiliates, by any rating agency could result in a reduction in the value of the Dual Currency Deposits. In the event that bankruptcy proceedings or composition scheme of arrangement or similar proceedings to avert bankruptcy are instituted by or against the Bank, the payment of sums due on the Dual Currency Deposits may be substantially reduced or delayed.

- **Settlement Risk:** Upon purchasing the investment, customer assumes all settlement risks relating to Deposit Taker failing to settle the Dual Currency Deposit on the primary settlement date, and unless otherwise provided for.
- **Legal Risk:** This Dual Currency Deposit is subject to the legal provisions that regulate such Dual Currency Deposits. If these rules are amended so as to require the cancellation of such products, the Deposit Taker may be obliged to repurchase and cancel the Dual Currency Deposit in line with such directive. In such situations, the amount that would be returned to the customer will be determined solely by the Deposit Taker acting in good faith. This amount may be lower than the Deposit Amount.
- **Liquidity Risk:** Customer cannot transfer or sell the Dual Currency Deposit to the third party. If customer wishes to liquidate the deposit, it should be conducted by means of Early Redemption by the customer. Please refer Early Redemption by the Customer Risk section.
- **Operational Risk:** The Dual Currency Deposit depends on the smooth functioning of myriad component parts. Any disruption to any of these parts, caused by, for example, market disruption or system interruption may cause delays in settlement beyond the control of the Bank. In addition, customers should be aware of the need for them to monitor their Dual Currency Deposits and to take any follow-up action they may deem necessary when the Dual Currency Deposit matures.
- **Option Risk:** The Dual Currency Deposit may incorporate one or more types of embedded financial derivatives and these include use of various types of financial options. The value of such financial options is subject to a wide variety of market forces. Additionally, financial options are by their nature wasting assets in that the value of the option declines as the maturity of the option draws closer.
- **Tax Risk:** Any Coupon paid will be subject to applicable taxes and customers should consider the net return after taxes before investing in this product. Please consult with a tax consultant or certified public accountant yourself.
- **Inflation Risk:** Customer are informed that they need to consider and recognize that inflation during the tenor of the Dual Currency Deposit product may affect the real value of your Dual Currency Deposit at maturity.
- **Interest Rate Risk:** Customers are exposed to the movement of interest rates whenever their Dual Currency Deposit is redeemed, tendered or sold prior to maturity. Movements in interest rates will have an impact upon both the value of the Deposit Amount and contingent return. As interest rates move upwards, the value of the Dual Currency Deposit generally fall. Moreover, the longer the tenor of the Dual Currency Deposit, the more sensitive the Dual Currency Deposit will be to interest rate changes.
- **Compound of Risk:** More than one risk factor may have simultaneous effects with regard to the Dual Currency Deposit such that the effect of a particular risk factor may not be predictable. In addition, more than one risk factor may have a compounding effect

which may not be predictable. No assurance can be given as to the effect that any combination of risk factors may have on the value of the product.

- **Force Majeure Event Risk:** If a Force Majeure Event has taken place, on any day the Bank determines that there has been any change in law, regulation or taxation, or its respective practice, policy or administration, or there exists or has occurred any state of facts caused by circumstances not within the control of the Bank, including, without limitation, the failed performance of any third party hedge providers, affecting the Bank or its affiliate's obligations under any hedging transaction established in respect of the Dual Currency Deposit as a result of which it would be illegal, unlawful or financially disadvantageous, or disadvantageous from a regulatory or operational perspective, or impracticable in whole or in part to, among others, the Bank or its affiliates, to allow the Dual Currency Deposit to remain outstanding on its original terms (each, a "Force Majeure Event"), then the Bank may at its sole discretion, upon giving notice to the Customer that such Force Majeure Event has occurred, elect to terminate the Dual Currency Deposit and repay an amount reflecting the fair value of the Dual Currency Deposit immediately prior to such early termination, adjusted to account fully for any expenses and costs of unwinding any underlying and/or related hedging and funding arrangements (including, without limitation, any swaps or other instruments of any type whatsoever hedging the Bank's obligations under the Dual Currency Deposit) made in the design of the Dual Currency Deposit which amount could be less than the Deposit Amount. of unwinding any underlying and/or related hedging and funding arrangements (including, without limitation, any swaps or other instruments of any type whatsoever hedging the Bank's obligations under the Dual Currency Deposit) made in the design of the Dual Currency Deposit which amount could be less than the Deposit Amount.

Customer Acknowledgement and Commitment

- The deposit has a product risk level of 3 and is likely to be suitable for investors with risk level of balanced or above and who agree to the related terms and investment risks.
- The deposit is likely to be suitable for investors who are happy to hold the investment for the entire period and are not relying on any early redemption feature. Investors should regard these deposits as short term investments and should make sure there is sufficient liquid emergency funds to meet any unforeseen circumstances.
- This investment is likely to be suitable for you if you acknowledge and accept that the potential best case scenario is not guaranteed. You should also understand that the investment does not guarantee to produce any return higher than traditional bank deposits or other investment products.
- Investors should understand that the deposit may be redeemed early by the deposit taker due to legal, regulatory or taxation reasons. The redemption amount may be less than the original investment amount.
- Investors should avoid excessive investment in a single type of investment, in respect of its total proportion of an overall portfolio in order to guard against overexposure to any investment risks.
- Investors should self-assess and confirm the appropriateness and suitability of investing in this Deposit and receiving the related payments.
- The minimum investment amount is USD 100,000

General Terms for Dual Currency Deposits

1 General

1.1 These terms and conditions ("Terms and Conditions") for Structured Deposits, govern all Structured Deposits accepted by the Bank. Where the Customer places a Deposit which is accepted as a Structured Deposit hereunder by the Bank, a Confirmation in respect of the Deposit will be issued by the Bank to the Customer. These Terms and Conditions and a relevant Confirmation together, form a single agreement between the Customer and the Bank in respect of each Structured Deposit.

1.2 In the event of any conflict, the documentation will govern in the following order:

- a) The relevant Confirmation;
- b) These Terms and Conditions.

2 Conditions Precedent

Before a Deposit will be accepted, the following conditions must be satisfied:

- 2.1 The Customer must have opened a Foreign Currency Account with the Bank.
- 2.2 The Customer must have signed in accordance with the mandate given to the Bank, and returned to the Bank a copy of these Terms and Conditions.

3 Deposit

3.1 Deposits may be made in such currency as the Bank may agree at its absolute discretion. The Bank may impose such additional conditions in relation to any Deposit as the Bank may in its discretion require. Such additional terms are to be contained in the relevant Confirmation.

3.2 Notwithstanding clause 4 below each Deposit shall be deemed to be a Deposit with the Bank as specified in the relevant Confirmation and the Customer shall not have any right to seek repayment of the relevant deposit from the head office or any other branch of the Bank.

3.3 Any repayment of a Deposit (whether on Maturity Date or otherwise) shall as provided in clause 4 below be paid to the credit of an account with the Bank in Sri Lanka (unless the Bank shall at its sole discretion agree to the contrary).

4 Return and Currency of Deposit

4.1 The Bank shall pay to the Customer for value on the Maturity Date, subject as provided below, for the credit of such account with the Bank as the Customer shall have nominated in any disposal instructions (or if the Customer has not nominated an account or the nominated account has been closed, such other account of the Customer as the Bank shall decide), the Deposit Amount of the Deposit and interest thereon calculated in accordance with Clauses 4.2 and 4.3 below.

4.2 Unless otherwise stated in the relevant Confirmation, interest shall be calculated on the Deposit Amount of the Deposit on the basis of the number of days in the Interest Period (or which have elapsed prior to any breaking of the Deposit for whatever reason) and the relevant Interest Year.

4.3 Interest shall accrue at the rate specified in the relevant Confirmation.

4.4 The Deposit and interest payable thereon will be repaid in the Deposit Currency or as specified in the relevant Confirmation.

4.5 If the Bank's early repayment option is specified as being applicable in the relevant Confirmation, then the Bank may, in its sole discretion and with binding effect on the Customer, elect an earlier date which is a Business Day to be the Maturity Date in which case such earlier date shall be deemed the Maturity Date for the purposes of these Terms and Conditions, including Clause 16, to the extent they relate to the Deposit.

4.6 The Bank reserves the right to debit the Customer account for any statutory dues imposed by the Government of Sri Lanka from time to time.

4.7 In the event that the Maturity Date, or any other date specified in the Terms and Conditions falls on a non Business Day, the Bank will pay the sums payable to the Customer on the next Business Day. However, unless otherwise agreed by the Bank, if the scheduled payment date for interest and principal is adjusted in accordance with the above, the Customer is not entitled to interest or other payment in respect of such adjustment.

5 Withdrawals

A Deposit may not be withdrawn prior to its Maturity Date without the consent of the Bank. The Bank may at its absolute discretion refuse to give such consent, or impose such conditions as the Bank may determine for the withdrawal of such Deposit, such conditions to include (without limitation) the deduction of such breakage costs as the Bank shall determine conclusively acting in good faith. Such breakage costs shall include the costs, expenses, liabilities or losses incurred or suffered by the Bank as a consequence of breaking its hedge, or funding from other sources in respect of the Deposit and/or (if applicable) in respect of the Linked Currency and therefore the total amount paid on withdrawal may be less than the Deposit Amount of the Deposit.

6 No Renewal

There can be no automatic renewal of Deposits.

7 Default

7.1 If in the Bank's opinion any of the events detailed in Clause 7.2 occurs during the term of the deposit, the Bank may without further notice to the customer exercise all or any of the following rights:

(a) Terminate any deposit prior to the Maturity Date, and the Bank may, subject to the terms hereof, deduct any costs, losses or expenses incurred by the Bank by reason of such breakage (including but without limitation any funding or currency exchange loss, cancellation of currency option or expenses).

(b) Set-off any sums payable to the customer pursuant hereto against and with any other indebtedness of whatever nature whether actual or contingent of the customer to the Bank, in whatever currency, whether owed solely or jointly with any other person, whether actual or contingent, present or future and whether owed as a surety, guarantor or principal debtor. This clause will apply in respect of any deposit and any indebtedness to the Bank even indebtedness owing at the head office or different branches of the Bank.

(c) In the exercise of its rights pursuant to Clause (b) above, the Bank may convert the deposit at the bank's then prevailing spot rate of exchange into the currency of any such indebtedness.

7.2 The Bank's right to break the Deposit shall arise in any of the following circumstances:

(a) In the case of an individual, if a petition for bankruptcy is lodged or any analogous proceedings are commenced.

(b) In the case of an incorporated Customer where any proceeding or steps are commenced or taken for the winding-up or any analogous proceedings are commenced (whether voluntarily or otherwise) or a receiver, liquidator, conservator, administrator, custodian or other similar official is appointed to it or any substantial part of its assets.

(c) The Customer fails to pay any sum when due to the Bank.

(d) Any breach of the Terms and Conditions or any Confirmation by the Customer with the Bank or any creditor of the Customer seeks to claim against or in respect of any Deposit whether by way of garnishee, injunction or any analogous proceedings.

8 Waiver

No act or omission by the Bank shall affect its rights, powers or remedies hereunder or any further or other exercise of such rights, powers or remedies.

9 Invalidity, illegality or unenforceability

In the event that any one or more of the provisions contained in the Terms and Conditions or any Confirmation should be held invalid, illegal or unenforceable in any respect the validity, legality and enforceability of the remaining provisions thereof shall not in any way be affected or impaired thereby.

10 Law and Jurisdiction

This agreement shall be construed and take effect in accordance with the law of Sri Lanka and proceedings shall be brought in the courts of Sri Lanka provided always that the Bank may if it so desires take proceedings in the courts of any other country or jurisdiction if it thinks fit in which event the laws applicable to such courts shall apply and I/we shall agree to submit to such other courts and such other laws.

11 Confirmation

The Customer shall check and verify the Confirmation and inform the Bank immediately in case of any discrepancy. Where the Customer does not advise the Bank of any discrepancies within 7 Business Days from the Trade Date, the Bank will deem the Confirmation as a complete and accurate record of the terms of a Deposit and such Confirmation shall be conclusive and binding on the Customer.

12 Definitions

In these Terms and Conditions, the following definitions apply:

"Bank" means The Hongkong and Shanghai Banking Corporation Limited, acting through its Colombo branch, including its successors and assigns.

"Bank's General Agreement For Customers" means the document so titled, as supplemented, varied or replaced by the Bank from time to time.

“Business Day” means a day (other than a Saturday, Sunday or public and bank holidays) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency Deposits) in Sri Lanka and in the principal banking centre of the country of issuance of the Deposit Currency and (if applicable) the Linked Currency.

“Customer” means the person or persons making a Deposit and extends to the Customer’s successors and assigns.

“Confirmation” means each separate advice confirming the terms of the Deposit issued by the Bank to the Customer in respect of each Deposit pursuant to these Terms and Conditions.

“Deposit” means each Deposit lodged with the Bank pursuant to these Terms and Conditions.

“Deposit Amount” means the principal amount of each Deposit lodged with the Bank subject to these Terms and Conditions and the terms and conditions set out in the relevant Confirmation and expressed in the Deposit Currency.

“Deposit Currency” means the currency in which the Customer places the deposit.

“Deposit Date” means the date on which a Deposit is made with the Bank in accordance with these Terms and Conditions, such date being a Business Day, as set out in the relevant Confirmation.

“Fixing Date” means, if applicable, the day specified in each Confirmation Letter on which on or about the Fixing Date the Bank will decide whether to exercise the option on behalf of the customer.

“Interest Period” means in respect of each Deposit, the period from and including the Deposit Date specified in relevant Confirmation to but excluding the Maturity Date (no adjustment shall apply to the Maturity Date as contemplated in the definition of “Maturity Date” below).

“Interest Rate” means the interest rate specified in each Confirmation.

“Linked Currency” means in relation to each Deposit and if applicable, such currency other than the Deposit Currency selected by the Customer and agreed by the Bank as specified in the relevant Confirmation.

“Maturity Date” means in relation to each Deposit the date of maturity of such Deposit as agreed by the Bank and the Customer and set out in the relevant Confirmation, or if such date is not a Business Day the next following date which is a Business Day.

“Trade Date” means the date specified as such in a Confirmation.