



The Bank of East Asia, Limited
東亞銀行有限公司
(the "Bank")

Callable Interest Rate
Index Linked Deposit
Type : Fixed Rate
(the "Index Linked Deposit")
20 Jan 2025

Important Facts Statement

This is a structured investment product which is NOT protected by the Deposit Protection Scheme in Hong Kong.

The contents of this statement have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution before investing in this product. **This statement is a part of the offering documents for this product. You should not invest in this product based on this statement alone.** If you are in any doubt, you should obtain independent professional advice.

If English is not your preferred language, you may request for the Chinese version of this statement from our marketing officer. 倘若英文並非閣下屬意的語言，閣下可向本行的市場推廣人員索取本概要的中文版本。

Quick facts

Bank:	The Bank of East Asia, Limited (東亞銀行有限公司)
Product type:	Interest rate-linked deposit
Minimum Deposit Amount:	HKD100,000.00 (or its equivalent in the Deposit Currency)
Deposit Tenor:	1 year to 10 years or such other tailor made tenor
Available Deposit Currency:	HKD, USD, EUR, GBP, JPY, AUD, NZD, CAD, CHF or other currency (such as RMB) as agreed by the Bank
Coupon Rate:	A fixed coupon rate for each Coupon Period during the Deposit Tenor
Principal protection at maturity:	Yes
Callable by the Bank:	Yes. The Bank has an absolute right to call and terminate an Index Linked Deposit on any Coupon Payment Date (excluding the last Coupon Payment Date)
Early termination right by the customer:	Yes. The customer may early redeem the Index Linked Deposit on a Dealing Day (see "Can you request for early redemption before maturity?" below)
Embedded derivatives:	Yes. By investing in the Index Linked Deposit, the customer is selling a bermuda call option to the Bank
Maximum potential gain:	The Coupon Amount
Maximum potential loss:	Not applicable (see "Risks of early termination by the Bank" below)

What is this product and how does it work?

The Index Linked Deposit is an interest rate-linked instrument embedded with derivatives, under which your return is linked to the fixed coupon rate of the Index Linked Deposit.

It provides 100% principal protection at maturity or upon the Bank's exercise of the Bank Callable Right during the Deposit Tenor. The Coupon Rate for each Coupon Period is fixed throughout the Deposit Tenor and will be determined on the Trade Date.

On each Coupon Payment Date, you will receive the Coupon Amount:

- until the Maturity Date of the Index Linked Deposit; or
- until such Coupon Payment Date on which the Bank has exercised the Bank Callable Right to early terminate the Index Linked Deposit; or
- until you have exercised the Customer Early Redemption Right.

If the Bank has not exercised the Bank Callable Right during the Deposit Tenor of the Index Linked Deposit and subject to no occurrence of any early termination event, the Index Linked Deposit will be matured on the scheduled Maturity Date and you will receive 100% of the Deposit Amount plus the Coupon Amount for the last Coupon Period in the Deposit Currency.

However, if the Bank has exercised the Bank Callable Right prior to a Coupon Payment Date and subject to no occurrence of any early termination event, the Index Linked Deposit will be terminated and matured automatically on that Coupon Payment Date. You will receive 100% of the Deposit Amount in the Deposit Currency together with the Coupon Amount for that Coupon Period on that Coupon Payment Date. No further Coupon Amount for any subsequent Coupon Period will be paid thereafter.

What are the key risks?

- **Not a time deposit** – The Index Linked Deposit is NOT equivalent to, nor should it be treated as a substitute for, time deposit. It is NOT a protected deposit and is NOT protected by the Deposit Protection Scheme in Hong Kong.
- **Derivatives risk** – The Index Linked Deposit is an unlisted structured investment product embedded with derivatives, which involves risks. Although you are entitled to receive a premium under the Index Linked Deposit (in the form of the Coupon Amount) on each Coupon Payment Date and at maturity, you may sustain a loss well in excess of such premium and suffer a substantial loss under the Index Linked Deposit if you choose to early redeem the Index Linked Deposit.
- **Limited potential gain** – The maximum potential gain is limited to the predetermined Coupon Amount.
- **Principal protection upon the Bank's exercise of the Bank Callable Right or at maturity only** – The principal protection feature applies only if you hold the Index Linked Deposit to maturity or if the Bank exercises the Bank Callable Right during the Deposit Tenor, subject to no occurrence of any event of default or other early termination event (such as the insolvency of the Bank or you exercise the Customer Early Redemption Right) during the term of the Index Linked Deposit. If the Index Linked Deposit is early terminated other than upon the Bank's exercise of the Bank Callable Right, you may receive an amount which is substantially less than your original Deposit Amount, or in the worst case, you may lose your entire Deposit Amount.
- **Secondary market risk** – Our Index Linked Deposit is not transferable and is designed to be held to maturity. The Bank will provide a secondary market for the Index Linked Deposit under which, you may request for early redemption of your Index Linked Deposit. You will receive an early redemption amount, as determined by the Bank in its sole and absolute discretion, equals to the Deposit Amount less all costs, losses and expenses incurred by the Bank in discharging any related hedging or other underlying arrangement or otherwise. The early redemption amount may be substantially less than your Deposit Amount. If you early redeem your Index Linked Deposit, you may receive an amount which is substantially less than your Deposit Amount.
- **Credit risk of the Bank** – The Index Linked Deposit is not secured by any of our assets or any collateral. When you invest in this product, you will be relying on the Bank's creditworthiness. If the Bank becomes insolvent or defaults on its obligations under the Index Linked Deposit, you can only claim as an unsecured creditor of the Bank regardless of the terms of your Index Linked Deposit. In the worst case, you could suffer a total loss of your Deposit Amount.
- **Re-investment risk** – Our Index Linked Deposit may be early terminated if the Bank has exercised the Bank Callable Right on any Coupon Payment Date (excluding the last Coupon Payment Date). You will not receive any Coupon Amount following such termination. Therefore, you may not be able to enjoy the same rate of return if you re-invest in other investments with similar risk parameters.
- **Currency risk** – If the Deposit Currency is not your home currency, you will be exposed to the exchange rate risk when you convert it back to your home currency. You may make a gain or loss due to the exchange rate fluctuations.
- **Risks of early termination by the Bank** – In addition to the Bank Callable Right that the Bank has its absolute right to exercise on the Index Linked Deposit during the Deposit Tenor, the Bank has the right (but not the obligation) to terminate the Index Linked Deposit as soon as practicable upon occurrence of certain events as determined by the Bank in its sole and absolute discretion (such as the occurrence of an event of default in respect of you or any event constitutes a Hedging Disruption as defined below). Upon early termination following such event, you will receive an amount determined by the Bank, in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner), taking into account, without limitation, the prevailing market conditions and our unwinding costs, which may be substantially less than your

original investment and, in the worst case, you will lose your entire Deposit Amount. The Bank's obligation under the Index Linked Deposit is satisfied and discharged in full upon its payment of such amount (if any). See "Can the Bank adjust the terms or early terminate this product?" below.

"Hedging Disruption" means, in respect of the Index Linked Deposit, that the Bank or any of its affiliates are unable, after using its commercially reasonable efforts, to:

- (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the risk of entering into and performing its obligations under the Index Linked Deposit; or
- (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s),

provided that any such disruption that is incurred due to the deterioration of the creditworthiness of the Bank shall not be deemed a Hedging Disruption.

- **Adjustment risk** – Upon the occurrence of certain events, the Bank may in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner) adjust the terms of the Index Linked Deposit to account for the effect of such event (including payment postponement or substituting the original deliverable currency by another currency selected by us). The adjustment as determined by the Bank may have negative impact on your investment under the Index Linked Deposit.
- **Risk relating to Renminbi** – If the Deposit Currency is RMB, you should note that the value of RMB against other foreign currencies fluctuates and will be affected by, amongst other things, the PRC central government's foreign exchange control (for example, the PRC central government regulates conversion between RMB and such other currencies), which may adversely affect your return under our Index Linked Deposit when you convert the Index Linked Deposit into your home currency. There is currently a limited pool of RMB outside Chinese Mainland and any tightening of foreign exchange control by the PRC central government may adversely affect the liquidity of offshore RMB. You should also note that RMB is currently not freely convertible.

What are the key features?

Deposit Tenor: It commences from the Settlement Date to but excluding the Maturity Date. The Deposit Tenor commonly ranges from 1 year to 10 years. You may request for a tailor-made tenor to suit your investment strategy.

Coupon Amount: The Coupon Amount for a Coupon Payment Date is a cash amount calculated as follows: *Deposit Amount x Coupon Rate x Number of calendar days in the relevant Coupon Period / Date Count Basis*.

Coupon Rate: The Coupon Rate for each Coupon Period is fixed throughout the Deposit Tenor and will be determined on the Trade Date. The Coupon Rate will be specified in the Confirmation which will NOT be lower than the relevant rate as stated in the Application Form in any condition.

Bank Callable Right: The Bank's absolute right to call and terminate an Index Linked Deposit on any Coupon Payment Date (excluding the last Coupon Payment Date) by giving a prior notice to you. Such notice is deemed received upon being posted by the Bank and failure to serve or to receive the above notice shall not prejudice the Bank Callable Right.

Customer Early Redemption Right: The exercise of the right by you to early redeem the Index Linked Deposit on a Dealing Day of an Index Linked Deposit.

Settlement at maturity: The settlement under the Index Linked Deposit at maturity will be the Deposit Amount plus the Coupon Amount for the relevant Coupon Period in the Deposit Currency. Subject to the Bank exercises the Bank Callable Right on any Coupon Payment Date or you exercise the Customer Early Redemption Right, the Index Linked Deposit will be early terminated and no Coupon Amount is payable thereafter.

Scenario analysis

The following hypothetical examples are for illustrative purposes only. They do not reflect a complete analysis of all possible gain or loss scenarios and must not be relied on as an indication of the actual performance of the Coupon Rate or the Index Linked Deposit.

Each hypothetical example below is based on the following terms:

Deposit Currency	HKD
Deposit Amount	HKD100,000.00
Trade Date	26th June XX21
Settlement Date	28th June XX21
Maturity Date	28th June XX23
Deposit Tenor	2 years
Coupon Rate	1.50% per annum
Coupon Payment Frequency	Quarterly
Bank Callable Right	The Bank has an absolute right to early terminate the Index Linked Deposit on each Coupon Payment Date. If the Bank decides to exercise the Bank Callable Right, the Index Linked Deposit will be terminated and matured automatically on such Coupon Payment Date.

Scenario I: (Gain scenario without exercise of the Bank Callable Right) The Bank has NOT exercised the Bank Callable Right during the Deposit Tenor of the Index Linked Deposit. The Index Linked Deposit will be matured on the scheduled Maturity Date.

Coupon Payment Date	Whether the Bank exercises the Bank Callable Right	Coupon Amount	Deposit Amount
1 st	NO	$\text{HKD}100,000 \times 1.50\% \times 92 \text{ days} / 365 = \text{HKD}378.08$	N.A.
2 nd	NO	$\text{HKD}100,000 \times 1.50\% \times 91 \text{ days} / 365 = \text{HKD}373.97$	N.A.
3 rd	NO	$\text{HKD}100,000 \times 1.50\% \times 91 \text{ days} / 365 = \text{HKD}373.97$	N.A.
4 th	NO	$\text{HKD}100,000 \times 1.50\% \times 91 \text{ days} / 365 = \text{HKD}373.97$	N.A.
5 th	NO	$\text{HKD}100,000 \times 1.50\% \times 92 \text{ days} / 365 = \text{HKD}378.08$	N.A.
6 th	NO	$\text{HKD}100,000 \times 1.50\% \times 91 \text{ days} / 365 = \text{HKD}373.97$	N.A.
7 th	NO	$\text{HKD}100,000 \times 1.50\% \times 91 \text{ days} / 365 = \text{HKD}373.97$	N.A.
8 th	NO	$\text{HKD}100,000 \times 1.50\% \times 91 \text{ days} / 365 = \text{HKD}373.97$	HKD100,000

You will receive the cash amount in Deposit Currency as follows:

- (i) the Coupon Amount for the Coupon Periods from 1st to 8th on each corresponding scheduled Coupon Payment Date;
- (ii) the Deposit Amount (i.e. HKD100,000) on the scheduled Maturity Date.

In this scenario, you have an actual gain of HKD2,999.98 (being 3.00% of the Deposit Amount).

Scenario II: (Gain scenario with exercise of the Bank Callable Right) The Bank has exercised the Bank Callable Right on the 1st Coupon Payment Date. The Index Linked Deposit will be terminated and matured automatically on such Coupon Payment Date.

Coupon Payment Date	Whether the Bank exercises the Bank Callable Right	Coupon Amount	Deposit Amount
1 st	YES	$\text{HKD}100,000 \times 1.50\% \times 92 \text{ days} / 365 = \text{HKD}378.08$	HKD100,000
2 nd	Since the Bank has exercised the Bank Callable Right, the Index Linked Deposit has been early terminated on the 1 st Coupon Payment Date. No coupon amount is payable thereafter.		
3 rd			
4 th			
5 th			
6 th			
7 th			
8 th			

You will receive the cash amount in Deposit Currency as follows:

- (i) the Coupon Amount for the 1st Coupon Period on corresponding scheduled Coupon Payment Date;
- (ii) the Deposit Amount (i.e. HKD100,000) on the 1st Coupon Payment Date.

In this scenario, you have an actual gain of HKD378.08 (being 0.38% of the Deposit Amount). (However, you may face re-investment risk.)

Scenario III: (Worst case or Default scenario) If the Bank becomes insolvent or defaults on its obligations.

Assuming that the Bank becomes insolvent during the Deposit Tenor or defaults on its obligations under the Index Linked Deposit, you can only claim as its unsecured creditor of the Bank regardless of the terms of the Index Linked Deposit. In the worst case scenario, you may get nothing back and suffer a loss of 100% of your Deposit Amount.

How can you buy this product?

You can purchase this product by visiting any of our branches or by visiting our website www.hkbea.com.

Fees and charges

There is no subscription fee or charge for placing an Index Linked Deposit with the Bank. All related charges incurred by the Bank (including our hedging cost) will be factored into the calculation of the Coupon Amount.

Can you request for early redemption before maturity?

Yes. You may early redeem the Index Linked Deposit (in whole but not in part) as follows:

- on a Dealing Day; and
- by sending a prior written notice to the Bank ("**Redemption Request on Linked Deposit**") designating the Dealing Day. Such Redemption Request on Linked Deposit, must be received by the Bank no later than 1:00p.m. (Hong Kong time) of the designated Dealing Day; and
- upon receipt of an effective Redemption Request on Linked Deposit, the Bank, in its sole and absolute discretion (acting in good faith and commercially reasonable manner), will determine an early redemption amount. The early redemption amount will be determined by the Bank, in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner), by reference to, without limitation, the prevailing market interest rate movements, the remaining Deposit Tenor, the remaining Coupon Period, any accrued Coupon Amount and any transaction costs (including the unwind cost of hedging); and
- the indicative early redemption amount quoted by the Bank is not binding and may not reflect the final early redemption amount; and
- upon you have exercised the Customer Early Redemption Right, the Bank has no further obligations to make any further payment of Coupon Amount after such Dealing Day.

The early redemption amount may be substantially less than your Deposit Amount.

Pre-Investment Cooling-off Period for retail customers

Pre-Investment Cooling-off Period (**PICOP**) is applicable to each particular dealing of this product if you are one of the following retail customer types:

- (1) An elderly customer aged 65 or above who is a first time buyer of interest rate-linked structured investment products, unless your asset concentration is below 20% AND you opt out from the PICOP arrangement; or

- (2) A non-elderly customer who is a first time buyer of interest rate-linked structured investment products AND your asset concentration is 20% or above.

Can the Bank adjust the terms or early terminate this product?

✦ Adjustments of the terms by the Bank

Upon the occurrence of certain events, including but without limitation, revaluation of an underlying currency, substitution of an underlying currency by another currency, the imposition of foreign exchange control affecting the Deposit Currency, the Bank may in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner) adjust the terms of the Index Linked Deposit to account for the effect of such event (including payment postponement or substituting the original deliverable currency by another currency selected by the Bank). The adjustment as determined by the Bank may have negative impact on your investment under the Index Linked Deposit.

✦ Early termination by the Bank

During the Deposit Tenor, if the Bank determines (in its sole and absolute discretion acting in good faith and in a commercially reasonable manner) that (i) there is an imposition of foreign exchange control which restricts the convertibility or transferability of the Deposit Currency, (ii) an Event of Default in respect of you has occurred, or (iii) any event constitutes a Hedging Disruption has occurred, the Bank may determine to early terminate your Index Linked Deposit.

Upon such early termination of your Index Linked Deposit, you will receive an amount determined by the Bank, in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner), taking into account, without limitation, the prevailing market conditions and our unwinding costs, which may be substantially less than your original investment and, in the worst case, you will lose your entire Deposit Amount. The Bank's obligation under the Index Linked Deposit is satisfied and discharged in full upon its payment of such amount (if any).

Please refer to the terms and conditions of the all-in-one account* as amended, supplemented or replaced from time to time for further details of the adjustment and early termination conditions applicable to the Index Linked Deposit.

* An all-in-one account means Supreme Account, BEA GOAL, i-Account, SupremeGold Account, Private Banking Account, CorporatePlus Account or other all-in-one account with Currency/Indices/Equity/Asset Linked Deposit Services (as the case may be) and the linked deposit is held in the Linked Deposit Account of such all-in-one account.

✦ Bank Callable Right

The Bank may, in its absolute discretion, determine to exercise the Bank Callable Right to early terminate the Index Linked Deposit on any Coupon Payment Date (excluding the last Coupon Payment Date) by giving a prior notice to you.

Such notice is deemed delivered effectively by the Bank upon posting by the Bank and any failure of actual receipt of such notice shall not prejudice the Bank Callable Right.

If the Bank has exercised the Bank Callable Right prior to a Coupon Payment Date, the Index Linked Deposit will be terminated and matured automatically on that Coupon Payment Date in respect of which the Bank has exercised the Bank Callable Right and you will receive 100% of the Deposit Amount in the Deposit Currency together with the Coupon Amount for that Coupon Period on that Coupon Payment Date.

No further Coupon Amount for any subsequent Coupon Period will be paid thereafter.

Offering documents for this product

The following documents for this product ("**Offering Documents**") contain detailed information about the Bank and the terms of this product. You should read and understand all of the Offering Documents before deciding whether to invest in this product:

- the Principal Brochure for Callable Interest Rate Index Linked Deposit dated 20 Jan 2025;
- this Important Facts Statement; and
- the relevant Application Form.

Additional information

Information of the Bank

The Bank is listed on the Stock Exchange of Hong Kong Limited and is regulated by the Hong Kong Monetary Authority. You may access the Bank's latest annual report and any interim results by visiting www.hkbea.com.

Ongoing Disclosure

We will also give notice to you of any information about the Bank which is necessary to avoid the establishment of a false market in the Index Linked Deposit, or which may significantly affect our ability to perform our obligations under the Index Linked Deposit.

The Bank of East Asia, Limited

東亞銀行有限公司

(a licensed bank regulated by the Hong Kong Monetary Authority)

(the "Bank")

Callable Interest Rate Index Linked Deposit

("Index Linked Deposit")

Principal Brochure

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If English is not your preferred language, you may request for copies of this Principal Brochure written in Chinese from our marketing officer. 倘若英文並非閣下屬意的語言，閣下可向本行的市場推廣人員索取本指南的中文語言版本。

What are the key risks?

- ❖ **Not a time deposit.** This is an interest rate linked instrument embedded with derivatives. This is not the same nor should it be treated as a substitute for a conventional time deposit.
- ❖ **Not a protected deposit.** This is not a protected deposit and is not protected by the Deposit Protection Scheme in Hong Kong.
- ❖ **Principal protection upon our exercise of the Bank Callable Right or at maturity only.** The principal protection feature applies only if you hold the Index Linked Deposit to maturity or if the Bank exercises the Bank Callable Right during the Deposit Tenor, subject to no occurrence of any event of default or other early termination event (such as the insolvency of the Bank or you exercise the Customer Early Redemption Right) during the term of the Index Linked Deposit. If the Index Linked Deposit is early terminated other than upon our exercise of the Bank Callable Right, you may receive an amount which is substantially less than your original Deposit Amount, or in the worst case, you may lose your entire Deposit Amount.
- ❖ **Secondary market risk.** Our Index Linked Deposit is not transferable and is designed to be held to maturity. The Bank will provide a secondary market for the Index Linked Deposit under which, you may request for early redemption of your Index Linked Deposit. You will receive an early redemption amount, as determined by the Bank in its sole and absolute discretion, equals to the Deposit Amount less all costs, losses and expenses incurred by the Bank in discharging any related hedging or other underlying arrangement or otherwise. The early redemption amount may be substantially less than your Deposit Amount.
- ❖ **Capped maximum potential gain.** Your maximum potential gain under our Index Linked Deposit is capped at the predetermined Coupon Amount even if your view on the interest rate movements of the Deposit Currency is correct.
- ❖ **Credit risk of the Bank.** Your investment in our Index Linked Deposit is subject to the credit and insolvency risks of the Bank. If the Bank becomes insolvent or defaults under the Index Linked Deposit, you can only claim as unsecured creditor of the Bank regardless of the terms of your Index Linked Deposit. You may lose your entire Deposit Amount in such event.

Please refer to the section headed "Risk Factors" below for further details.

What is an Index Linked Deposit?

- ◆ **Interest rate linked instrument:** An interest rate linked instrument embedded with derivatives, under which your return is linked to the coupon rate of the Index Linked Deposit.

If you invest in our Index Linked Deposit, you are selling a bermuda call option to the Bank, and the Bank has the absolute right to call and terminate an Index Linked Deposit on any Coupon Payment Date.

- ◆ **Periodic Coupon Amount:** You will receive on each Coupon Payment Date a potential return in the form of the Coupon Amount:

- until the Maturity Date of the Index Linked Deposit; or
- until such Coupon Payment Date on which the Bank has exercised the Bank Callable Right to early terminate the Index Linked Deposit; or
- until you have exercised the Customer Early Redemption Right.

- ◆ **Deposit Tenor:** 1 year to 10 years or such other period offered by the Bank.

- ◆ **Bank Callable Right feature:** Under the Bank Callable Right feature, the Bank has an absolute right to early terminate the Index Linked Deposit on any Coupon Payment Date (excluding the last Coupon Payment Date) by giving a prior notice to you. See the section headed "Bank Callable Right" below.

- ◆ **Final payout:** The total payout at maturity will be the Deposit Amount plus the Coupon Amount for the relevant Coupon Period in the Deposit Currency.

- If the Bank has NOT exercised the Bank Callable Right during the Deposit Tenor of the Index Linked Deposit and subject to no occurrence of any early termination event:

The Index Linked Deposit will be matured on the scheduled Maturity Date and you will receive 100% of the Deposit Amount in the Deposit Currency together with the Coupon Amount for the last Coupon Period on the Maturity Date.

- If the Bank has exercised the Bank Callable Right prior to a Coupon Payment Date and subject to no occurrence of any early termination event:

The Index Linked Deposit will be terminated and matured automatically on that Coupon Payment Date and you will receive 100% of the Deposit Amount in the Deposit Currency together with the Coupon Amount for that Coupon Period on that Coupon Payment Date. No further Coupon Amount for any subsequent Coupon Period will be paid thereafter.

- ◆ **2 deposit types:** 2 types of Index Linked Deposit, namely:

1. Fixed Rate Callable Index Linked Deposit

Fixed Rate Callable Index Linked Deposit provides 100% principal protection at maturity and the return of the Coupon Amount in the Deposit Currency for each Coupon Period (subject to early termination of the Fixed Rate Callable Index Linked Deposit). The Coupon Rate for each Coupon Period is fixed throughout the Deposit Tenor and will be determined on the Trade Date. The Coupon Rate will be specified in the Confirmation which will NOT be lower than the relevant rate as stated in the

Application Form in any condition. Upon the early termination of the Fixed Rate Callable Index Linked Deposit, no further Coupon Amount will be payable following such termination.

2. Step-up Callable Index Linked Deposit

Step-up Callable Index Linked Deposit provides 100% principal protection at maturity and the return of the Coupon Amount in the Deposit Currency for each Coupon Period (subject to early termination of the Step-up Callable Index Linked Deposit). The Coupon Rate for each Coupon Period may be subject to changes with step-up features during the Deposit Tenor and will be determined on the Trade Date. The Coupon Rates will be specified in the Confirmation which will NOT be lower than the relevant rates as stated in the Application Form in any condition. Upon the early termination of the Step-up Callable Index Linked Deposit, no further Coupon Amount will be payable following such termination.

What are the key features of our Index Linked Deposit?

Deposit Tenor:	The number of calendar days from the Settlement Date to but excluding the Maturity Date. The Deposit Tenor commonly ranges from 1 year to 10 years. You may request for a tailor-made tenor to suit your investment strategy.
Deposit Amount:	The amount invested by you in the Index Linked Deposit. You are obligated to invest the Deposit Amount in the Index Linked Deposit on the Trade Date, but the amount invested will be placed to the Bank for the establishment of the Index Linked Deposit on the Settlement Date.
Minimum Deposit Amount:	The minimum Deposit Amount for an Index Linked Deposit is HKD100,000.00 or its equivalent in the Deposit Currency.
Deposit Currency:	<p>This is the currency in which you pay for the Deposit Amount of an Index Linked Deposit, which will be specified in the Application Form.</p> <p>This may be HKD, USD, EUR, GBP, JPY, AUD, NZD, CAD, CHF or other currency (such as RMB) as agreed by the Bank.</p>
Coupon Period:	<p>The number of calendar days in each Coupon Period will be used to calculate the Coupon Amount for the relevant Coupon Payment Date.</p> <p>In respect of the first Coupon Payment Date, the period from and including the Settlement Date to but excluding the first Coupon Payment Date and in respect of any subsequent Coupon Payment Date, the period from and including the preceding Coupon Payment Date to but excluding the relevant Coupon Payment Date.</p>
Coupon Amount:	<p>The Coupon Amount for a Coupon Payment Date is a cash amount calculated as follows:</p> <p><i>Deposit Amount x Coupon Rate x Number of calendar days in the relevant Coupon Period / Date Count Basis.</i></p>
Coupon Rate:	The Coupon Rate will be specified in the Confirmation, which will NOT be lower than the relevant rate as stated in the Application Form in any condition. It is expressed as an annualised rate based on the hypothetical assumption that the Index Linked Deposit can be rolled over on the same

terms for a year. It does not reflect the actual coupon rate for the Deposit Tenor of an Index Linked Deposit. You should not rely on the annualised rate as an indication of the expected return for an Index Linked Deposit.

Date Count Basis: The Date Count Basis will be (i) 365 if the Deposit Currency is HKD or GBP, or (ii) 360 if the Deposit Currency is not HKD or GBP. The Date Count Basis applicable to an Index Linked Deposit will be specified in the Confirmation.

Coupon Payment Date: The date on which a Coupon Amount is payable, which will normally be set as quarterly, semi-annually or annually. If such day is not a Business Day, it will then be postponed to the following Business Day. You may request for a tailor-made Coupon Payment Date to suit your investment strategy.

Bank Callable Right: The Bank's absolute right to call and terminate an Index Linked Deposit on any Coupon Payment Date (excluding the last Coupon Payment Date) by giving a prior notice to you. Such notice is deemed received upon being posted by the Bank and failure to serve or to receive the above notice shall not prejudice the Bank Callable Right.

Customer Early Redemption Right: The right for you to early redeem the Index Linked Deposit on the specified Dealing Day.

Dealing Day: On the third Business Day of each month starting from one month after the Settlement Date of an Index Linked Deposit. If the unwind order cannot be proceeded by our Bank at our sole and absolute discretion on the designated Dealing Day, then the unwind order will be proceeded on the following Business Day.

Settlement at maturity: The settlement under the Index Linked Deposit at maturity will be the Deposit Amount plus the Coupon Amount for the relevant Coupon Period in the Deposit Currency.

Subject to the Bank exercises the Bank Callable Right on any Coupon Payment Date or you exercise the Customer Early Redemption Right on the specified Dealing Day, the Index Linked Deposit will be early terminated and no Coupon Amount is payable thereafter.

Trade Date: The Trade Date will be the day on which your order for an Index Linked Deposit is accepted and executed by us and all the details (including Deposit Currency, Coupon Rate and other applicable terms) of the Index Linked Deposit are finalized.

Settlement Date: The Settlement Date will be the day on which we will deduct the Deposit Amount from the account for an Index Linked Deposit, as specified in the Application Form.

Maturity Date: The Maturity Date is the last Coupon Payment Date to be specified in the Application Form.

If the Bank, in its absolute discretion, exercises the Bank Callable Right on any Coupon Payment Date (except the last Coupon Payment Date), that Coupon Payment Date is deemed to be the Maturity Date of the Index Linked Deposit.

Business Day: It is a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for general business (including settling payments, dealings in foreign exchange and/or foreign currency deposits) in Hong Kong and, if the Deposit Currency is not HKD or RMB, in the place in which the principal financial centre of the Deposit Currency is located.

RMB: Renminbi, being the lawful currency of the People's Republic of China ("PRC").

In determining the exchange rate, the offshore RMB exchange rate will be applied.

Fees and Charges: There is no subscription fee or charge for placing an Index Linked Deposit with us. All related charges incurred by us (including our hedging cost) will be factored into the calculation of the Coupon Amount.

To whom are our Index Linked Deposit designed for?

Our Fixed Rate Callable Index Linked Deposit is designed for customers who:

- believe that the interest rate in the currency market is unlikely to increase to a level above the fixed Coupon Rate when investing in our Index Linked Deposit;
- have sufficient net worth to assume the risks and bear the potential losses of investing in our Index Linked Deposit;
- have experience and knowledge in investing in interest rate linked products;
- are prepared to hold the Index Linked Deposit until maturity;
- accept that their maximum potential return is limited to the predetermined Coupon Amount;
- accept that our Index Linked Deposit is an interest rate linked instrument embedded with derivatives which are not equivalent to a time deposit; and
- are willing to take the credit risk of the Bank.

Our Step-up Callable Index Linked Deposit is designed for customers who:

- seek an investment with a potential increase in the coupon rate when investing in our Index Linked Deposit;
- have sufficient net worth to assume the risks and bear the potential losses of investing in our Index Linked Deposit;
- have experience and knowledge in investing in interest rate linked products;
- are prepared to hold the Index Linked Deposit until maturity;
- accept that their maximum potential return is limited to the predetermined Coupon Amount;
- accept that our Index Linked Deposit is an interest rate linked instrument embedded with derivatives which are not equivalent to a time deposit; and
- are willing to take the credit risk of the Bank.

Selling Restrictions

General

No action has been or will be taken by us that would permit a public offering of any Index Linked Deposits or possession or distribution of any offering material in relation to Index Linked Deposits in any jurisdiction (other than in Hong Kong) where action for that purpose is required.

United States of America

The Index Linked Deposits have not been and will not be registered under the U.S. Securities Act of 1933 (the "**Securities Act**"), or the securities laws of any state or other jurisdiction of the United States. The Index Linked Deposits may not be offered or sold or otherwise transferred, nor may transactions in such Index Linked Deposits be executed, at any time, within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")), except in compliance with Regulation S. In purchasing the Index Linked Deposits you hereby warrant that you are not a U.S. person as defined in Regulation S and that you are not purchasing for, or for the account or benefit of, any such person.

European Economic Area

The Index Linked Deposits are not and will not be offered, sold or otherwise made available to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression "**retail investor**" means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or
 - (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended and suspended, the "**Prospectus Regulation**"); and
- (b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Index Linked Deposits to be offered so as to enable an investor to decide to purchase or subscribe the Index Linked Deposits.

United Kingdom

The Index Linked Deposits are not and will not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For the purposes of this provision:

- (a) the expression "**retail investor**" means a person who is one (or more) of the following:
 - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or
 - (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act, as amended (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or
 - (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and
- (b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Index Linked Deposits to be offered so as to enable an investor to decide to purchase or subscribe the Index Linked Deposits.

Bank Callable Right

The Bank may, in its absolute discretion, determine to exercise the Bank Callable Right to early terminate the Index Linked Deposit on any Coupon Payment Date (excluding the last Coupon Payment Date) by giving a prior notice to you.

Such notice is deemed delivered effectively by the Bank upon posting and any failure of actual receipt of such notice shall not prejudice the Bank Callable Right.

If the Bank has exercised the Bank Callable Right prior to a Coupon Payment Date, the Index Linked Deposit will be terminated and matured automatically on that Coupon Payment Date in respect of which the Bank has exercised the Bank Callable Right and you will receive 100% of the

Deposit Amount in the Deposit Currency together with the Coupon Amount for that Coupon Period on that Coupon Payment Date.

No further Coupon Amount for any subsequent Coupon Period will be paid thereafter.

Early Termination

During the Deposit Tenor, if the Bank determines (in its sole and absolute discretion acting in good faith and in a commercially reasonable manner) that (i) there is an imposition of foreign exchange control which restricts the convertibility or transferability of the Deposit Currency, (ii) an Event of Default in respect of you has occurred, or (iii) any event constitutes a Hedging Disruption has occurred, the Bank may determine to early terminate your Index Linked Deposit.

An "Event of Default" includes, without limitation:

- any failure to satisfy any obligation under the Index Linked Deposit by you;
- the presentation of bankruptcy or winding-up petition against you;
- the appointment of a receiver, liquidator or trustee or other analogous officer over all or a material part of your assets;
- assignment or charge in respect of your rights and/or obligations under your Index Linked Deposit has been effected; or
- the Bank reasonably determines in good faith that there has been a material adverse change in your circumstances, business, financial condition, legal status or capacity.

"Hedging Disruption" means, in respect of the Index Linked Deposit, that the Bank or any of its affiliates are unable, after using its commercially reasonable efforts, to:

- (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the risk of entering into and performing its obligations under the Index Linked Deposit; or
- (b) realize, recover or remit the proceeds of any such transaction(s) or asset(s),

provided that any such disruption that is incurred due to the deterioration of the creditworthiness of the Bank shall not be deemed a Hedging Disruption.

Upon such early termination of your Index Linked Deposit, you will receive an amount determined by the Bank, in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner), taking into account, without limitation, the prevailing market conditions and our unwinding costs, which may be substantially less than your original investment and, in the worst case, you will lose your entire Deposit Amount. The Bank's obligation under the Index Linked Deposit is satisfied and discharged in full upon its payment of such amount (if any). Please refer to the terms and conditions of the all-in-one account* as amended, supplemented or replaced from time to time for further details.

* An all-in-one account means Supreme Account, BEA GOAL, i-Account, SupremeGold Account, Private Banking Account, CorporatePlus Account or other all-in-one account with Currency/Indices/Equity/Asset Linked Deposit Services (as the case may be) and the linked deposit is held in the Linked Deposit Account of such all-in-one account.

Customer Early Redemption Right

You may early redeem the Index Linked Deposit (in whole but not in part) as follows:

- on a Dealing Day; and
- by sending a prior written notice to the Bank ("**Redemption Request on Linked Deposit**") designating the Dealing Day. Such Redemption Request on Linked Deposit must be received by the Bank no later than 1:00p.m. (Hong Kong time) of the designated Dealing Day; and
- upon receipt of an effective Redemption Request on Linked Deposit, the Bank, in its sole and absolute discretion (acting in good faith and commercially reasonable manner), will determine an early redemption amount. The early redemption amount will be determined by the Bank, in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner), by reference to, without limitation, the prevailing market interest rate movements, the remaining Deposit Tenor, the remaining Coupon Period, any accrued Coupon Amount and any transaction costs (including the unwind cost of hedging); and
- the indicative early redemption amount quoted by the Bank is not binding and may not reflect the final early redemption amount; and
- upon you have exercised the Customer Early Redemption Right, the Bank has no further obligations to make any further payment of Coupon Amount after such Dealing Day.

The early redemption amount may be substantially less than your Deposit Amount.

You can contact our marketing officer at any of our branches in Hong Kong for details.

Adjustments to the Index Linked Deposit

Upon the occurrence of certain events, the Bank may in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner) adjust the terms of the Index Linked Deposit to account for the effect of such event (including payment postponement or substituting the original deliverable currency by another currency selected by the Bank). The Bank will not pay any extra amount for any delay of such payment. If such payment is made in another currency selected by the Bank you will be exposed to the currency risk and may suffer a loss if the deposit currency depreciates.

Such events include, without limitation, revaluation of an underlying currency, substitution of an underlying currency by another currency, the imposition of foreign exchange control affecting the Deposit Currency or any other events which the Bank determines (acting in good faith and in a reasonable manner) that it is unable to deliver the Deposit Amount, the Coupon Amount or the early redemption amount in the Deposit Currency. The adjustment as determined by the Bank may have negative impact on your investment under the Index Linked Deposit. Please refer to the terms and conditions of the all-in-one account* for further details.

Information about the Bank

The Bank is a licensed bank regulated by the Hong Kong Monetary Authority and is listed on The Stock Exchange of Hong Kong Limited. You can find out more information on the Bank and access the Bank's latest annual report and any interim report from our website www.hkbea.com.

Ongoing Disclosure

We will also give notice to you of any information about the Bank which is necessary to avoid the establishment of a false market in our Index Linked Deposit, or which may significantly affect our ability to perform our obligations under our Index Linked Deposit.

Comparison with conventional time deposit

Our Index Linked Deposit is not the same as and should not be treated as a substitute for

conventional time deposits. Our Index Linked Deposit is not a deposit protected by the Deposit Protection Scheme in Hong Kong. Although the interest rate payable under a conventional time deposit may be lower, or substantially lower, than the potential maximum return under an Index Linked Deposit, a conventional time deposit is protected by the Deposit Protection Scheme in Hong Kong. In particular, a depositor in a conventional time deposit will not be exposed to the risk of investment loss arising from the Bank's default up to the protection limit under the Deposit Protection Scheme in Hong Kong.

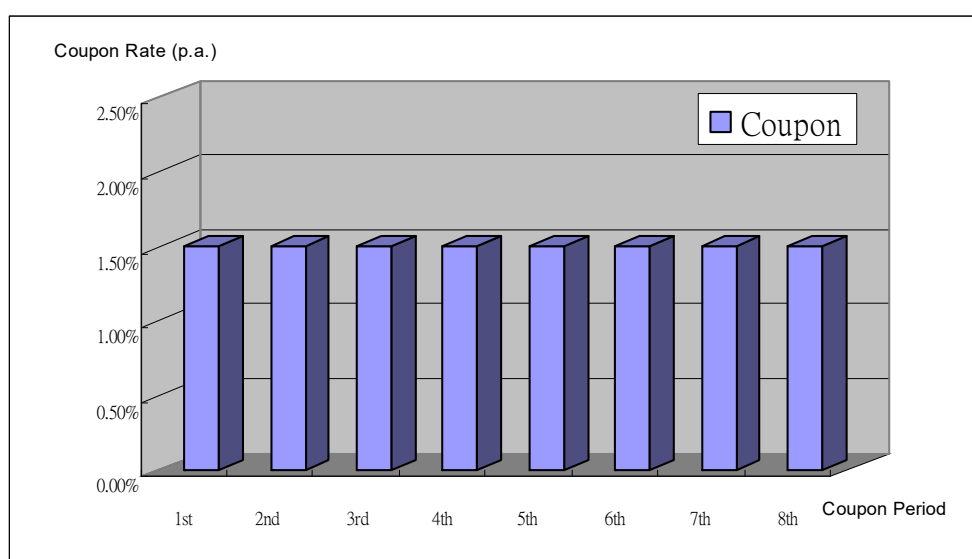
Illustrative Examples

The following illustrative examples and scenarios are hypothetical and provided for illustration purpose only. The following illustrative examples and scenarios do not reflect a complete analysis of all possible outcomes and must not be relied on as an indication of the actual performance of the Coupon Rate or this product.

Example 1 (Fixed Rate Callable Index Linked Deposit):

Deposit Currency	HKD
Deposit Amount	HKD 100,000.00
Trade Date	26th June XX21
Settlement Date	28th June XX21
Maturity Date	28th June XX23
Deposit Tenor	2 years
Coupon Rate	1.50% per annum
Coupon Payment Frequency	Quarterly
Bank Callable Right	The Bank has an absolute right to early terminate the Index Linked Deposit on each Coupon Payment Date. If the Bank decides to exercise the Bank Callable Right, the Index Linked Deposit will be terminated and matured automatically on such Coupon Payment Date.

Scenario I: (Gain scenario without exercise of the Bank Callable Right) The Bank has **NOT** exercised the Bank Callable Right during the Deposit Tenor of the Index Linked Deposit. The Index Linked Deposit will be matured on the scheduled Maturity Date.



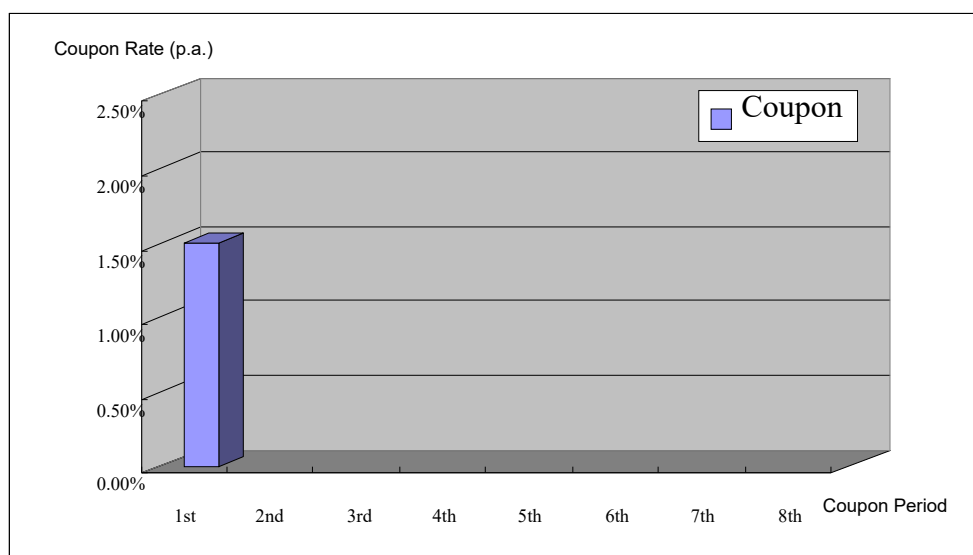
Coupon Payment Date	Whether the Bank exercises the Bank Callable Right	Coupon Amount	Deposit Amount
1 st	NO	$\text{HKD}100,000 \times 1.50\% \times 92 \text{ days} / 365 = \text{HKD}378.08$	N.A.
2 nd	NO	$\text{HKD}100,000 \times 1.50\% \times 91 \text{ days} / 365 = \text{HKD}373.97$	N.A.
3 rd	NO	$\text{HKD}100,000 \times 1.50\% \times 91 \text{ days} / 365 = \text{HKD}373.97$	N.A.
4 th	NO	$\text{HKD}100,000 \times 1.50\% \times 91 \text{ days} / 365 = \text{HKD}373.97$	N.A.
5 th	NO	$\text{HKD}100,000 \times 1.50\% \times 92 \text{ days} / 365 = \text{HKD}378.08$	N.A.
6 th	NO	$\text{HKD}100,000 \times 1.50\% \times 91 \text{ days} / 365 = \text{HKD}373.97$	N.A.
7 th	NO	$\text{HKD}100,000 \times 1.50\% \times 91 \text{ days} / 365 = \text{HKD}373.97$	N.A.
8 th	NO	$\text{HKD}100,000 \times 1.50\% \times 91 \text{ days} / 365 = \text{HKD}373.97$	HKD100,000

You will receive the cash amount in Deposit Currency as follows:

- (i) the Coupon Amount for the Coupon Periods from 1st to 8th on each corresponding scheduled Coupon Payment Date;
- (ii) the Deposit Amount (i.e. HKD100,000) on the scheduled Maturity Date.

In this scenario, you have an actual gain of HKD 2,999.98 (being 3.00% of the Deposit Amount).

Scenario II: (Gain scenario with exercise of the Bank Callable Right) The Bank has exercised the Bank Callable Right on the 1st Coupon Payment Date. The Index Linked Deposit will be terminated and matured automatically on such Coupon Payment Date.



Coupon Payment Date	Whether the Bank exercises the Bank Callable Right	Coupon Amount	Deposit Amount
1 st	YES	$\text{HKD}100,000 \times 1.50\% \times 92 \text{ days} / 365 = \text{HKD}378.08$	HKD100,000
2 nd	Since the Bank has exercised the Bank Callable Right, the Index Linked Deposit has been early terminated on the 1 st Coupon Payment Date. No coupon amount is payable thereafter.		
3 rd			
4 th			
5 th			
6 th			
7 th			
8 th			

You will receive the cash amount in Deposit Currency as follows:

- (i) the Coupon Amount for the 1st Coupon Period on corresponding scheduled Coupon Payment Date;
- (ii) the Deposit Amount (i.e. HKD100,000) on the 1st Coupon Payment Date.

In this scenario, you have an actual gain of HKD 378.08 (being 0.38% of the Deposit Amount). (However, you may face re-investment risk.)

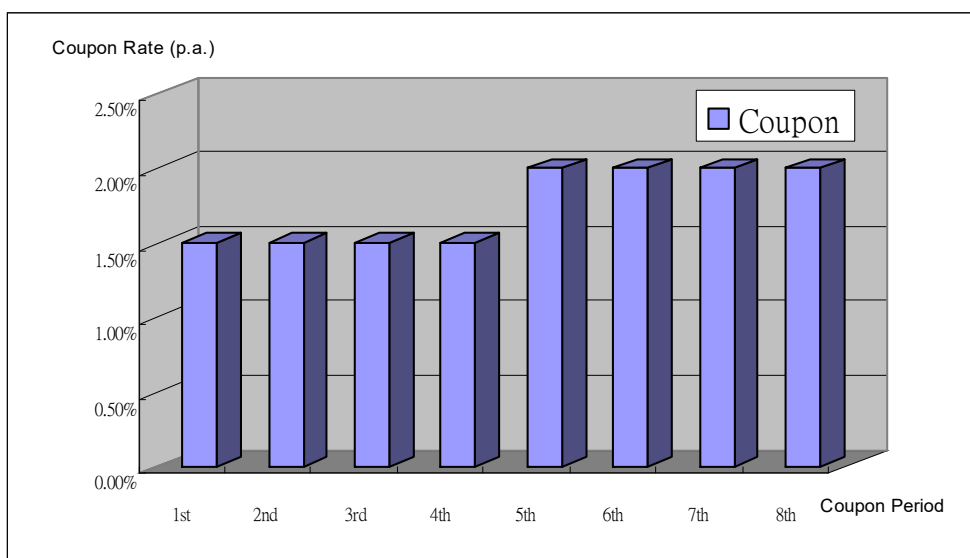
Scenario III: (Worst case or Default scenario) If the Bank becomes insolvent or defaults on its obligations.

Assuming that the Bank becomes insolvent during the Deposit Tenor or defaults on its obligations under the Index Linked Deposit, you can only claim as an unsecured creditor of the Bank regardless of the terms of the Index Linked Deposit. In the worst case scenario, you may get nothing back and suffer a loss of 100% of your Deposit Amount.

Example 2 (Step-up Callable Index Linked Deposit):

Deposit Currency	HKD
Deposit Amount	HKD 100,000.00
Trade Date	26th June XX21
Settlement Date	28th June XX21
Maturity Date	28th June XX23
Deposit Tenor	2 years
Coupon Rate	1.50% per annum for the 1 st to 4 th Coupon Period 2.00% per annum for the 5 th to 8 th Coupon Period
Coupon Payment Frequency	Quarterly
Bank Callable Right	The Bank has an absolute right to early terminate the Index Linked Deposit on each Coupon Payment Date. If the Bank decides to exercise the Bank Callable Right, the Index Linked Deposit will be terminated and matured automatically on such Coupon Payment Date.

Scenario I: (Gain scenario without exercise of the Bank Callable Right) The Bank has **NOT** exercised the Bank Callable Right during the Deposit Tenor of the Index Linked Deposit. The Index Linked Deposit will be matured on the scheduled Maturity Date.



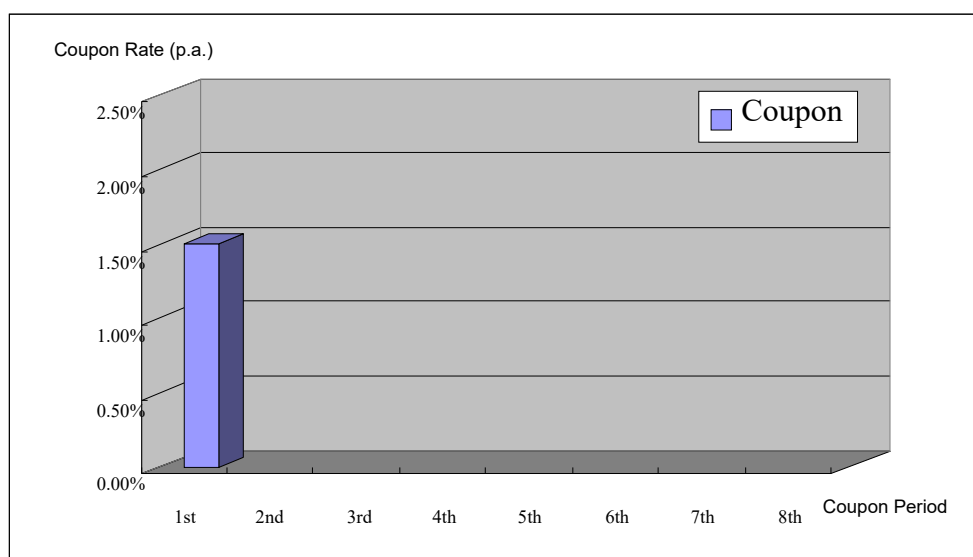
Coupon Payment Date	Whether the Bank exercises the Bank Callable Right	Coupon Amount	Deposit Amount
1 st	NO	$\text{HKD}100,000 \times 1.50\% \times 92 \text{ days} / 365 = \text{HKD}378.08$	N.A.
2 nd	NO	$\text{HKD}100,000 \times 1.50\% \times 91 \text{ days} / 365 = \text{HKD}373.97$	N.A.
3 rd	NO	$\text{HKD}100,000 \times 1.50\% \times 91 \text{ days} / 365 = \text{HKD}373.97$	N.A.
4 th	NO	$\text{HKD}100,000 \times 1.50\% \times 91 \text{ days} / 365 = \text{HKD}373.97$	N.A.
5 th	NO	$\text{HKD}100,000 \times 2.00\% \times 92 \text{ days} / 365 = \text{HKD}504.11$	N.A.
6 th	NO	$\text{HKD}100,000 \times 2.00\% \times 91 \text{ days} / 365 = \text{HKD}498.63$	N.A.
7 th	NO	$\text{HKD}100,000 \times 2.00\% \times 91 \text{ days} / 365 = \text{HKD}498.63$	N.A.
8 th	NO	$\text{HKD}100,000 \times 2.00\% \times 91 \text{ days} / 365 = \text{HKD}498.63$	HKD100,000

You will receive the cash amount in Deposit Currency as follows:

- (i) the Coupon Amount for the 1st to 8th Coupon Period on each corresponding scheduled Coupon Payment Date;
- (ii) the Deposit Amount (i.e. HKD100,000) on the scheduled Maturity Date.

In this scenario, you have an actual gain of HKD 3,499.99 (being 3.50% of the Deposit Amount).

Scenario II: (Gain scenario with exercise of the Bank Callable Right) The Bank has exercised the Bank Callable Right on the 1st Coupon Payment Date. The Index Linked Deposit will be terminated and matured automatically on such Coupon Payment Date.



Coupon Payment Date	Whether the Bank exercises the Bank Callable Right	Coupon Amount	Deposit Amount
1 st	YES	$\text{HKD}100,000 \times 1.50\% \times 92 \text{ days} / 365 = \text{HKD}378.08$	HKD100,000
2 nd	Since the Bank has exercised the Bank Callable Right, the Index Linked Deposit has been early terminated on the 1 st Coupon Payment Date. No coupon amount is payable thereafter.		
3 rd			
4 th			
5 th			
6 th			
7 th			
8 th			

You will receive the cash amount in Deposit Currency as follows:

- (i) the Coupon Amount for the Coupon Periods from 1st on each corresponding scheduled Coupon Payment Date;
- (ii) the Deposit Amount (i.e. HKD100,000) on the 1st Coupon Payment Date.

In this scenario, you have an actual gain of HKD 378.08 (being 0.38% of the Deposit Amount). (However, you may face re-investment risk.)

Scenario III: (Worst case or Default scenario) If the Bank becomes insolvent or defaults on its obligations.

Assuming that the Bank becomes insolvent during the Deposit Tenor or defaults on its obligations under the Index Linked Deposit, you can only claim as an unsecured creditor of the Bank regardless of the terms of the Index Linked Deposit. In the worst case scenario, you may get nothing back and suffer a loss of 100% of your Deposit Amount.

Risk Factors

The risk factors listed below are a summary of the key risks applicable to our Index Linked Deposit. You should fully understand all the risks associated with our Index Linked Deposit and have made an independent assessment of the appropriateness of an investment in our Index Linked Deposit in light of your own objectives, financial condition and circumstances, including all the possible risks associated with our Index Linked Deposit before investing in this product. If you are in doubt, you should obtain independent professional advice.

Not a time deposit. Our Index Linked Deposit is an interest rate linked instrument embedded with derivatives. This is not the same as nor should it be treated as a substitute for conventional time deposits.

Not a protected deposit. Our Index Linked Deposit is not a protected deposit and is not protected by the Deposit Protection Scheme in Hong Kong.

Not covered by Investor Compensation Fund. Our Index Linked Deposit is not listed on any stock exchange and is not covered by the Investor Compensation Fund in Hong Kong.

Principal protection upon our exercise of the Bank Callable Right or at maturity only. The principal protection feature applies only if you hold the Index Linked Deposit to maturity or the Bank has exercised the Bank Callable Right during the Deposit Tenor, subject to no occurrence of any event of default or other early termination event (such as the insolvency of the Bank or you exercise the Customer Early Redemption Right) during the term of the Index Linked Deposit. The principal protection feature will not apply if the Index Linked Deposit is early terminated other than upon our exercise of the Bank Callable Right. In such event, you may receive an amount which is substantially less than your original Deposit Amount, or in the worst case, you will lose your entire Deposit Amount.

Secondary market risk. Our Index Linked Deposit is not transferable and is designed to be held to maturity. The Bank will provide a secondary market according to the section headed "Customer Early Redemption Right" for the Index Linked Deposit in order for you to exercise the Customer Early Redemption Right on the specified Dealing Day. You will receive an early redemption amount, as determined by the Bank in its sole and absolute discretion, equals to the Deposit Amount less all costs, losses and expenses incurred by the Bank in discharging any related hedging or other underlying arrangement or otherwise. The early redemption amount may be substantially less than your Deposit Amount. If you early redeem your Index Linked Deposit, you may receive an amount which is substantially less than your Deposit Amount.

Capped maximum potential gain. Your maximum potential gain under our Index Linked Deposit is capped at the predetermined Coupon Amount even if your view on the interest rate movements of the Deposit Currency is correct. Such predetermined Coupon Amount can either be a fixed Coupon Rate for the Fixed Rate Callable Index Linked Deposit or a step-up Coupon Rate for the Step-up Callable Index Linked Deposit during the Deposit Tenor.

Derivatives risk. The Index Linked Deposit is an unlisted structured investment product embedded with derivatives, which involves risks. Although you are entitled to receive a premium under the Index Linked Deposit (in the form of the Coupon Amount) on each Coupon Payment Date and at maturity, you may sustain a loss well in excess of such premium and suffer a substantial loss under the Index Linked Deposit if you choose to early redeem the Index Linked Deposit.

Credit risk of the Bank. The Index Linked Deposit is not secured by any of our assets or any collateral. Your investment in our Index Linked Deposit is subject to the credit and insolvency risk of the Bank. If the Bank becomes insolvent or defaults on its obligations under your Index Linked

Deposit, you can only claim as unsecured creditor of the Bank regardless of the performance of the Index Linked Deposit. In the worst case, you could lose your entire Deposit Amount.

Re-investment risk. Our Index Linked Deposit may be early terminated if the Bank has exercised the Bank Callable Right on any Coupon Payment Date (excluding the last Coupon Payment Date). You will not receive any Coupon Amount following such termination. Therefore, you may not be able to enjoy the same rate of return if you re-invest in other investments with similar risk parameters.

Currency risk. If the Deposit Currency is not your home currency, you will be exposed to the exchange rate risk when you convert it back to your home currency. You may make a gain or loss due to the exchange rate fluctuations.

Adjustment risk. Upon the occurrence of certain events, including but without limitation, revaluation of an underlying currency, substitution of an underlying currency by another currency, the imposition of foreign exchange control affecting the Deposit Currency, the Bank may in our sole and absolute discretion (acting in good faith and in a commercially reasonable manner) adjust the terms of the Index Linked Deposit to account for the effect of such event (including payment postponement or substituting the original deliverable currency by another currency selected by us) in accordance with the terms and conditions of the Index Linked Deposit. Any such adjustment as determined by the Bank will be binding on and may have negative impact on your investment under the Index Linked Deposit. See the section headed "Adjustments to the Index Linked Deposit" for further details.

Early termination risk. In addition to the Bank Callable Right that the Bank has its absolute right to exercise on the Index Linked Deposit during the Deposit Tenor, our Index Linked Deposit may be early terminated by the Bank upon notice if an event of default in respect of you, or any event constitutes a Hedging Disruption, or an early termination event occurs (as described further in the section "Early Termination" above). Upon early termination following such event, you will receive an amount determined by the Bank, in its sole and absolute discretion (acting in good faith and in a commercially reasonable manner), taking into account, without limitation, the prevailing market conditions and our unwinding costs, which may be substantially less than your original investment and, in the worst case, you will lose your entire Deposit Amount.

Conflicts of interest. Potential and actual conflicts of interest may arise from the different roles played by the Bank and our subsidiaries and affiliates in connection with our Index Linked Deposit. Although our economic interests in each role may be adverse to your interests in our Index Linked Deposit, the Bank maintain regulatorily required information barriers between our different business areas as well as policies and procedures designed to minimise and manage such conflicts of interest to comply with applicable laws and regulations, and to ensure those transactions or dealings will be transacted at arm's length.

Risk relating to Renminbi. If the Deposit Currency is RMB, you should note that the value of RMB against other foreign currencies fluctuates and will be affected by, amongst other things, the PRC central government's foreign exchange control (for example, the PRC central government regulates conversion between RMB and such other currencies), which may adversely affect your return under our Index Linked Deposit when you convert the Index Linked Deposit into your home currency. There is currently a limited pool of RMB outside Chinese Mainland and any tightening of foreign exchange control by the PRC central government may adversely affect the liquidity of offshore RMB. You should also note that RMB is currently not freely convertible.

Risks relating to the maintenance and operation of your accounts established with us. You should note that the maintenance and operation of your accounts established with us are subject to the general account opening terms separately agreed between you and us at the time of your opening of such accounts (as may be modified from time to time). It is important that you understand and accept the terms and conditions of such accounts which may also affect or even

lead to an early termination of our Index Linked Deposit. Please contact our marketing officers for further details.

This Principal Brochure is intended only for distribution to selected customers or potential customers of the Bank. It does not constitute any offer, recommendation or investment advice to enter into any transaction. You must read and understand this Principal Brochure, the Important Facts Statement and the Application Form before investing in Index Linked Deposit.