

TERM SHEET

SUMMARY OF KEY INDICATIVE TERMS

The terms and conditions outlined below are not a comprehensive statement of all applicable terms and conditions that would be contained in the definitive legal documentation for the convertible transaction involving the issuance of **Subordinated Convertible Bonds as Tier 2 Capital by ABC Bank** (the "Transaction") to investors, but are indicative of the proposed convertible structure. This term sheet is to be used as a basis for preparation of the legal documentation required for the Transaction.

IMPORTANT NOTE:

Please note that the terms constitute, and are construed to be, a commitment and an offer to arrange and provide financing, whether on the terms of this term sheet or on any other terms.

Our decision to arrange or provide financing, whether on the terms of this term sheet or on any other terms, is subject to due diligence, credit committee approval, board approval and documentation in a form and substance satisfactory to us.

- | | |
|----------------------|---|
| 1. Borrower: | ABC Bank Limited ("Issuer") |
| 2. Purpose: | To raise Tier 2 Capital (subject to regulatory approval of and the conditions imposed by the Central Bank). |
| 3. Lead Arranger: | DEF Bank |
| 4. Issue Size: | The equivalent of USD 100 million in local currency The issue amount is expected to be split between institutional and retail investors |
| 5. Issue Type: | Subordinated Convertible Bond Issue ("Bond") of ABC Bank Ltd., with qualification as Tier 2 Capital. (Subject to Regulatory Approval) |
| 6. Tenor: | 10 years from the date of issue, revolving facility. |
| 7. Face Value: | Each Bond will have a face value of the equivalent of USD 1 |
| 8. Trustee: | The Trust Bank Ltd. |
| 9. Paying Agent | The Trust Bank Ltd, indemnified by the issuer |
| 10. Conversion Agent | DEF Bank, indemnified by the issuer |
| 11. Agent Bank | DEF Bank |
| 12. Coupon Rate: | 10.00% (fixed) [alternative under discussion: a coupon that |

varies with the profits of the issuer]

13. Step-up

5.00% (fixed)

14. Events of Default

Events of default customary for a transaction of this kind, in respect of the issuer, including but not limited to:

- (a) non-payment;
- (b) any financial covenant not satisfied;
- (c) the downgrading of the issuer below 'BB';
- (d) failure to comply with any other obligations subject to agreed remedy periods if capable of remedy;
- (e) misrepresentation;
- (f) cross default;
- (g) insolvency;
- (h) insolvency proceedings;
- (i) unlawfulness;
- (j) repudiation;
- (k) governmental intervention;
- (l) change in law leading to inability for offshore investors to subscribe for converted shares;
- (m) material adverse change;

[*others*].

Any of the above events only constitutes an event of default if the trustee has certified that the event is in its opinion 'materially prejudicial' to the interests of the noteholders.

The bondholders are entitled to accelerate the bonds upon the occurrence of an event of default. In addition, such occurrence of an event of default triggers a step-up in the interest payable by the issuer. The step-up is 2%.

15. Interest Payment Dates:

Interest is to be paid semi-annually on the interest payment dates. The interest payment dates currently are determined as 15th October and 15th April during the tenor of the facility.

Following Business Day Convention

Interest payment will be calculated on the actual number of days over a 365 day basis.

16. Interest Period: From an including the first day of the interest period to but excluding the interest payment date at the end of the interest period, in this case a 180 day period between an Interest Payment and the date falling immediately prior to the next occurring Interest Payment Date.
17. Principal Payment and Principal Payment Date: Full Principal Payment, minus the converted portion of the bond, (if any) will be in the form of a single bullet payment at the outstanding principal amount plus accrued interest at their end of maturity. [to be discussed whether the securities should be perpetual, and thus undated]
- The Principal Payment Date will be the date of maturity of the bond 10 years after the date of issue.
18. Conversion Option: After year 3 bondholders' option to convert bonds at the Strike Price into the common shares of ABC Bank Ltd.
19. The Conversion Strike Price and Method: The Conversion Strike Price is 125% of the average market value of the shares of ABC bank during the month of [to be determined].
- In the event of conversion, the converting bondholders will receive exactly the amount of shares as determined by dividing Face Value of the bonds by the Conversion Strike Price. Any remaining fractional amount of shares will be paid in cash at existing market price.
20. Regulatory Approvals: Any and all required approvals, consents or licenses from the Central Bank and/or any other competent local regulator, authority or supervisor, required for the execution of all of the Transaction, and the continued performance by all parties.
- It is a condition of the local Central Bank for this bond issue to qualify as Tier 2 that the credit rating of the bond instrument must be at least 'A' or the equivalent thereof, as provided by a reputable authorised credit rating agency in the local jurisdiction..
21. Terms and Conditions The terms and conditions of the bonds will be annexed to the trust deed.
22. Trust Deed The trust deed is the instrument by which the Trustee to the transaction is appointed. The Issuer and the Trustee will be parties to this Deed. The trust deed sets forth objects of the trust, the duties and obligations of the Trustee vis-à-vis the

Investors and the manner, in which the trust assets are managed, including the cash flow waterfall for payments by the Trust.

The Trustee may resign at all times with a three month notice period. The trustee may be removed by the noteholders passing an extraordinary resolution to that effect.

The trustee has absolute and uncontrolled discretion as to any matters for which the trust deed gives discretion.

23. Subscription Agreement

By this agreement the Issuer agrees to Issue the Bonds with all associated rights and interest under the terms and conditions therein. The agreement will also set forth the duties and obligations of the Issuer. The agreement shall contain provisions relating to the transaction, including and not limited to the conditions precedent and representation and warranties.

24. English Language

Notices, transaction documents and all other documents shall be in the English language and, if not, a certified translation thereof in English shall be attached to the relevant document. The local translation of the documents shall be binding.

25. Financial Covenants

Ratio	Requirements
The following financial covenants will apply to the issuer and to the Group..	
Capital Adequacy Ratio	> 12%
Cost to Income Ratio	< 80%

26. Undertakings:

The following undertakings will be included in the terms and conditions of the notes, in respect of the issuer, and, where applicable, in relation to the Group:

27. Information undertakings:

The Company shall provide to the Investors upon first request, all information and material, financial or otherwise normally provided to a shareholder in particular:

- 90 days after the end of each fiscal year, the consolidated annual audited accounts of the Company.

28. Covenants

- (a) authorisations;
- (b) compliance with laws;

- (c) insurance;
- (d) corporate governance;
- (e) taxation compliance;
- (f) access;
- (g) maintain listing;
- (h) *[other]*.

29. Negative covenants

- (a) negative pledge;
 - (b) disposals;
 - (c) loans and guarantees; provided that the bondholders shall not unreasonably withhold consent;
 - (d) financial indebtedness; provided that the bondholders shall not unreasonably withhold consent;
 - (e) change of business;
- [other]*.

30. Redemption

The issuer is entitled to redeem the notes, all, but not in part, at their outstanding principal amount outstanding plus accrued interest, if:

- (a) The issue no longer qualifies as Tier 2 capital for the issuer under the rules of the Central Bank;
- (b) A withholding tax becomes applicable to the issue;
- (c) The average market value of the securities during a [month] is at least 150% of the conversion price.

The issue is mandatorily redeemed in the event of a change of control of the issuer.

Optional redemption by each noteholder in the event of a delisting.

31. Listing Issue:

Subject to regulatory approval the Transaction is going to be listed on the Stock Exchange of [relevant jurisdiction].

32. Representation and Warranties

The Issuer makes, on every interest payment date, the customary representations and warranties to XYZ and the other investors, including but not limited to:

- (a) it is a legal entity validly existing under the laws of the local jurisdiction
- (b) and has full power and authority to own its property and assets and to carry on its business;
- (c) it has taken all necessary corporate and other actions to authorise the execution, delivery and performance of the finance documents;
- (d) the finance documents constitute legal, valid and binding obligation enforceable in accordance with its terms against it;
- (e) do not and will not violate any provision of law or other governmental directive, guideline or policy or its constitutional document;
- (f) it has obtained and maintains in effect all authorisations, approvals, licences and consents required in connection with its business pursuant to any Requirements of Law and any regulatory direction applicable to it and in each other jurisdiction in which it carries on its business.
- (g) it is not in breach of or in default under any agreement to an extent or in a manner which has or which could have a material adverse effect on it or on its ability to perform its obligations on other document executed by it in connection with the terms and conditions of this Term Sheet; and
- (h) no misstatements

33. Bondholder Decisions

These terms and conditions may, in the case of financial terms, only be amended with unanimous bondholder consent, and, in the case of non-financial terms, with a simple majority of the bondholders.

The trustee is entitled to agree (on behalf of the bondholders) to agree to and waive breaches of the terms and conditions which, in its opinion, are

- either a manifest error,
- of a formal, minor or technical nature, or
- not materially prejudicial to the interests of the bondholders.

34. Condition Precedent to Signing of Transaction Documents:

The obligation of the parties to execute the Transaction is subject to the fulfillment of each of customary conditions precedent for a transaction of this kind, in form and substance satisfactory to the Trustee, including but not limited to the following:

- (a) the execution of the Transaction Documents by an authorised signatory on behalf of each of the parties thereto;
- (b) delivery of legal opinions from legal counsel regarding the local law;
- (c) delivery of tax opinion and accounting opinion regarding local law (and other, if any);
- (d) the Issuer has obtained all requisite corporate or similar approvals for the execution and performance of the Transaction, certifications by the Issuer, as the case may be, that representations and warranties made by the Issuer, as the case are true and correct in all material respects;
- (e) delivery of a solvency certificate by the Issuer ,
- (f) no material adverse change in the business or financial conditions of the Issuer has occurred;
- (g) no material adverse change in the prospects of the political, regulatory, fiscal or macro-economic conditions in the country has occurred;
- (h) evidence that ABC Bank Limited has paid all fees and expenses due to the Lead Arranger, Trustee, legal counsels, tax and accounting firm, credit rating agency and any other fees due to any other person or agency related to the execution of this transaction
- (i) no Event of Default or potential event of default has

occurred.

35. Hedge Provider DEF Bank. Swap payments to be made quarterly, on swap payment dates in accordance with ISDA market practice. DEF's fee for providing the swap is deducted in installments from every swap payment.
36. Miscellaneous Provisions: The Terms and Conditions of the Notes will contain customary provisions for a transaction of this kind, including Tax Gross-Up and Tax Indemnities, Increased Costs, Set-off, VAT, remedies, amendments, waivers, payment mechanics and administration.
37. Costs and Expenses: All cost and expenses (including legal fees) incurred by XYZ in connection with the preparation, negotiation, printing and execution of the Finance Documents and any other document referred to in it shall be paid by the Issuer promptly on demand, whether or not the Finance Documents are signed.
38. Governing Law: The Transaction will be governed by the laws of the local jurisdiction.
39. Courts Exclusive submission to the courts of [relevant jurisdiction].
40. Tax Gross Up All payments made by the Issuer under the transaction will be made free and clear of any present and future taxes, levies, imposts, duties, withholdings or deductions of any nature in whatever relevant jurisdiction. In the event of mandatory withholdings, the Issuer will be obliged to gross up. Any stamp duty, levy or other form of charges applies by the Government of the local jurisdiction or any of its agencies or political subdivisions shall be for the account of the Issuer. Tax credits will be refunded.

IN WITNESS WHEREOF, the parties have executed this term sheet as a deed as of the date set forth below.

ABC BANK LIMITED

DEF

Name:

Name:

Date:

Date:

XYZ

Name:

Date: