

IMPORTANT NOTICE

IMPORTANT: You must read the following before continuing. The following applies to the document following this page and you are therefore advised to read this carefully before reading, accessing or making any other use of the document. In accessing the document you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access and you agree that Standard Chartered PLC ("**SCPLC**") together with its subsidiaries and its respective affiliates and others will rely upon the truth and accuracy of the following representations, acknowledgements and agreements. IF YOU DO NOT AGREE TO THE TERMS DESCRIBED IN THIS NOTICE, YOU MAY NOT OPEN THE ATTACHED DOCUMENT. This document has been prepared solely in connection with the proposed offering to certain institutional investors of the securities described herein. The document is subject to completion and amendment.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY SECURITIES TO BE ISSUED HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING DOCUMENT MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

This document is not and must not be made available to any connected person (as defined in the Rules of the Hong Kong Stock Exchange) of SCPLC. This document is not and must not be made available to retail clients in the European Economic Area (EEA), as defined in the rules set out in the Temporary Marketing Restriction (Contingent Convertible Securities) Instrument 2014 (as amended or replaced from time to time) other than in circumstances that do not and will not give rise to a contravention of those rules by any person. See the section headed "Restrictions on marketing and sales to retail investors and to connected persons of the Issuer; disclosure of investor information" on page 3 of this document for further information.

Confirmation of your representation: In order to be eligible to view the following document or make an investment decision with respect to the Securities, you must be (i) a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act), or (ii) a person that is not a U.S. person (as defined in Regulation S) and that is outside the United States and not acting for the account or benefit of a U.S. person. By accepting the e-mail and accessing the following document, you shall be deemed to have represented to us that you are either a qualified institutional buyer or are outside the United States and are not a U.S. person and are not acting for the account or benefit of a U.S. person and that you consent to delivery of such document by electronic transmission.

Under no circumstances shall this document constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities being offered, in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of this document who intend to subscribe for or purchase the Securities referred to in this document are reminded that any subscription or purchase may only be made on the basis of the information contained (including by incorporation by reference) in this document as it may be amended or completed. This document may only be provided to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply to SCPLC.

You are reminded that you are accessing the document on the basis that you are a person by whom the document may be lawfully accessed in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this document to any other person.

This document and any other materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licenced broker or dealer and the Joint Lead Managers, as named in this document, or any affiliate of any Joint Lead Manager is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of SCPLC in such jurisdiction.

This document has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither SCPLC nor any Joint Lead Manager nor any person who controls any Joint Lead Manager nor any director, officer, employee, agent or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and the hard copy version available to you on request from any Joint Lead Manager.



Standard Chartered PLC

(Incorporated as a public limited company in England and Wales with registered number 966425)

U.S.\$2,000,000,000 Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities

ISSUE PRICE: 100 per cent.

THE ISSUER MAY AT ANY TIME AND FOR ANY REASON ELECT TO CANCEL ANY INTEREST PAYMENT (IN WHOLE OR IN PART) AT ITS FULL DISCRETION. THE SECURITIES (AS DEFINED BELOW) ARE BEING OFFERED TO PROFESSIONAL INVESTORS ONLY AND ARE NOT SUITABLE FOR RETAIL INVESTORS. INVESTORS SHOULD NOT PURCHASE THE SECURITIES IN THE PRIMARY OR SECONDARY MARKETS UNLESS THEY ARE PROFESSIONAL INVESTORS. INVESTING IN THE SECURITIES INVOLVES RISKS.

The U.S.\$2,000,000,000 Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities (the "Securities") are expected to be issued by Standard Chartered PLC (the "Issuer") on 2 April 2015 (the "Issue Date").

Application has been made to The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") for the listing of, and permission to deal in, the Securities as a debt issue to professional investors only on the Hong Kong Stock Exchange. Application has also been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Ordinary Shares (as defined herein) to be issued upon any Conversion (as defined herein) of the Securities. This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "HKSE Rules") for the purpose of giving information with regard to the Issuer and the Securities. The Issuer accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading. Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document. Listing of the Securities on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of an investment in the Issuer, the Securities or the Ordinary Shares to be issued upon any Conversion.

The Securities bear interest in respect of the period (the "Initial Fixed Rate Interest Period") from (and including) the Issue Date to (but excluding) 2 April 2020 (the "First Reset Date") at a fixed rate of 6.50 per cent. per annum (the "Initial Fixed Interest Rate"). The Interest Rate (as defined herein) will be reset on each Reset Date (as defined herein). From (and including) each Reset Date to (but excluding) the next following Reset Date, the Interest Rate will be a fixed rate of 4.889 per cent. per annum above the then applicable Reset Reference Rate (as defined herein). Subject as provided herein, interest on the Securities will be payable semi-annually in arrear on 2 April and 2 October in each year (each an "Interest Payment Date") commencing on 2 October 2015.

The Issuer may at any time elect to cancel any interest payment (in whole or in part) at its full discretion. In addition, the Issuer must cancel payments of interest in respect of any Interest Payment Date to the extent that the Issuer does not have sufficient Distributable Items (as defined herein). Payment of interest shall also not become due if and to the extent that such payment could not be made in compliance with the Solvency Condition (as defined herein). Any interest which is so cancelled or which does not become due will not accumulate or be payable at any time thereafter, no amount will become due from the Issuer in respect thereof and any such cancellation or non-payment shall not constitute a default or event of default on the part of the Issuer for any purpose.

The Securities are perpetual securities with no fixed redemption date, and the Securityholders (as defined herein) have no right to require the Issuer to redeem or purchase the Securities at any time.

Subject as provided herein and to the Issuer giving notice to the United Kingdom Prudential Regulation Authority (the "PRA") and the PRA granting permission (or, as applicable, not making any objection) to the Issuer, the Issuer may redeem all but not some only of the Securities: (i) on the First Reset Date or on any Reset Date thereafter; (ii) at any time if, as a result of a change in or amendment to the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or certain other changes affecting taxation, as described in the Conditions (as defined herein), the Issuer has or will become obliged to pay additional amounts in respect of the Securities; or (iii) at any time upon the occurrence of a Capital Disqualification Event, in each case at their principal amount plus accrued interest (if any) and in the manner described herein.

Upon the occurrence of a Conversion Trigger Event, the Securities will be converted into Ordinary Shares of the Issuer at the Conversion Price, all as more fully described herein.

The Securities are not intended to be sold and should not be sold to retail clients in the European Economic Area ("EEA"), as defined in the rules set out in the Temporary Marketing Restriction (Contingent Convertible Securities) Instrument 2014 (as amended or replaced from time to time) other than in circumstances that do not and will not give rise to a contravention of those rules by any person.

The Securities are not intended to be initially placed and may not be initially placed to "connected persons" of the Issuer as defined in the HKSE Rules ("Connected Persons"). Each initial Securityholder (and the beneficial owners of the Securities, if applicable) will be deemed to have represented to the Issuer and the Joint Lead Managers that it is not a Connected Person of the Issuer, and will not (i) after completion of the purchase of the Securities or (ii) after any Conversion of the Securities be a Connected Person of the Issuer. Each prospective investor will be deemed to have agreed with the Issuer and each of the Joint Lead Managers that they may, to the extent required by the HKSE Rules and/or the Hong Kong Stock Exchange and/or the Hong Kong Securities and Futures Commission, disclose information about such potential investor (including but not limited to its name, company registration number and the number of Securities allotted to it) to certain parties. Prospective investors are referred to the section headed "Restrictions on marketing and sales to retail investors and to connected persons of the Issuer; disclosure of investor information" on page 3 of this document for further information.

This document does not constitute (i) a prospectus for the purposes of Part VI of the United Kingdom Financial Services and Markets Act 2000 (as amended) or (ii) a base prospectus for the purposes of Directive 2003/71/EC (as amended) (the "Prospectus Directive"). This document has been prepared solely with regard to the Securities, which are (i) not to be admitted to listing or trading on any regulated market for the purposes of MiFID and (ii) not to be offered to the public in a Member State (other than pursuant to one or more of the exemptions set out in Article 3.2 of the Prospectus Directive). This document has not been approved or reviewed by any regulator which is a competent authority under the Prospectus Directive.

The Securities will be represented by registered certificates (each a "Certificate"), without coupons, and will be represented by one or more Restricted Global Certificates and Unrestricted Global Certificates, each of which will be deposited on or about the Issue Date with a custodian for The Depository Trust Company.

The Securities have been rated Ba1 by Moody's Investors Service Hong Kong Limited ("Moody's Hong Kong"), BB by Standard & Poor's Hong Kong Limited ("S&P") and BBB by Fitch Ratings Ltd ("Fitch"). Moody's Hong Kong is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009, as amended (the "CRA Regulation"). Moody's Hong Kong is affiliated to Moody's Investors Service Ltd which is established in the European Union and is registered under the CRA Regulation. In accordance with the CRA Regulation, Moody's Investors Service Ltd may endorse credit ratings issued by Moody's Hong Kong. S&P is not established in the European Union and has not applied for registration under the CRA Regulation. Fitch is established in the European Union and is registered under the CRA Regulation.

Prospective investors should have regard to the factors described under the section of this document headed "Risk Factors", which includes the risk that the Securities may be converted into Ordinary Shares of the Issuer and/or may be subject to statutory write-down or bail-in.

Structuring Advisers and Joint Lead Managers

Barclays

Barclays

BofA Merrill Lynch

Goldman, Sachs &
Co.

Joint Lead Managers

J.P. Morgan

Standard Chartered
Bank

Standard Chartered Bank

UBS Investment
Bank

IMPORTANT

If you are in any doubt about this document you should consult your stockbroker, bank manager, solicitor, certified public accountant or other professional adviser.

This document has been prepared on the basis that any offer of Securities in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Securities. Accordingly any person making or intending to make an offer in that Relevant Member State of Securities may only do so in circumstances in which no obligation arises for the Issuer or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither the Issuer nor any Manager has authorised, nor do they authorise, the making of any offer of Securities in circumstances in which an obligation arises for the Issuer or any Manager to publish or supplement a prospectus for such offer.

This document is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “Documents Incorporated by Reference” below).

No person has been authorised to give any information or to make any representation other than as contained in this document in connection with the issue or sale of the Securities and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Joint Lead Managers (as defined in “Overview of the Securities” below). Neither the delivery of this document nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or that there has been no adverse change in the financial position of the Issuer since the date hereof or that any other information supplied in connection with the Securities is correct as of any time after the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this document and the offering or sale of the Securities in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restriction.

THE SECURITIES AND ANY ORDINARY SHARES WHICH MAY BE DELIVERED UPON CONVERSION OF THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THE SECURITIES AND ANY ORDINARY SHARES WHICH MAY BE DELIVERED UPON CONVERSION OF THE SECURITIES ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE SECURITIES AND ANY ORDINARY SHARES WHICH MAY BE DELIVERED UPON CONVERSION OF THE SECURITIES MAY NOT BE OFFERED OR SOLD TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S).

THE SECURITIES ARE BEING OFFERED AND SOLD OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S AND WITHIN THE UNITED STATES TO QUALIFIED INSTITUTIONAL BUYERS (“QIBs”) IN RELIANCE ON RULE 144A. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF SECURITIES AND ANY ORDINARY SHARES WHICH MAY BE DELIVERED UPON CONVERSION OF THE SECURITIES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS, SALES AND TRANSFERS OF SECURITIES AND THE DISTRIBUTION OF THIS DOCUMENT, SEE “SUBSCRIPTION AND SALE” AND “TRANSFER RESTRICTIONS” BELOW.

THE SECURITIES AND ANY ORDINARY SHARES WHICH MAY BE DELIVERED UPON CONVERSION OF THE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF SECURITIES OR THE ACCURACY OR ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

NOTICE TO NEW HAMPSHIRE RESIDENTS: NEITHER THE FACT THAT A REGISTRATION STATEMENT NOR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (“RSA 421-B”) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS

AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

This document does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Joint Lead Managers to subscribe for or purchase, the Securities.

To the fullest extent permitted by law, none of the Joint Lead Managers accept any responsibility for the contents of this document or for any other statement made or purported to be made by the Joint Lead Managers or on their behalf in connection with the Issuer or the issue and offering of the Securities. Each of the Joint Lead Managers accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this document or any such statement. Neither this document nor any document incorporated by reference nor any other financial statements or information supplied in connection with the Securities is intended to provide the basis of any credit or other evaluation or should be considered as a recommendation by any of the Issuer or the Joint Lead Managers that any recipient of this document or any other financial statements or information supplied in connection with the Securities or any document incorporated by reference should purchase the Securities. Each potential purchaser of Securities should determine for itself the relevance of the information contained in this document, in any document incorporated by reference, or in any other financial statements or information supplied in connection with the Securities and its purchase of Securities should be based upon such investigation as it deems necessary. None of the Joint Lead Managers undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this document nor to advise any investor or potential investor in the Securities of any information coming to the attention of any of the Joint Lead Managers.

RESTRICTIONS ON MARKETING AND SALES TO RETAIL INVESTORS AND TO CONNECTED PERSONS OF THE ISSUER; DISCLOSURE OF INVESTOR INFORMATION

The Securities are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Securities to retail investors.

In particular, in August 2014, the U.K. Financial Conduct Authority (the “FCA”) published the Temporary Marketing Restriction (Contingent Convertible Securities) Instrument 2014 (as amended or replaced from time to time, the “TMR”) which took effect on 1 October 2014. Under the rules set out in the TMR (as amended or replaced from time to time, the “TMR Rules”), certain contingent write-down or convertible securities, such as the Securities, must not be sold to retail clients in the EEA and nothing may be done that would or might result in the buying of such securities or the holding of a beneficial interest in such securities by a retail client in the EEA (in each case within the meaning of the TMR Rules), other than in accordance with the limited exemptions set out in the TMR Rules. The Joint Lead Managers (or their affiliates) are required to comply with the TMR Rules. In addition, by purchasing, or making or accepting an offer to purchase, any Securities from the Issuer and/or the Joint Lead Managers, each prospective investor represents, warrants, agrees with and undertakes to the Issuer and each of the Joint Lead Managers that:

1. it is not a retail client in the EEA (as defined in the TMR Rules);
2. whether or not it is subject to the TMR Rules, it will not sell or offer the Securities to retail clients in the EEA or do anything (including the distribution of this document) that would or might result in the buying of the Securities or the holding of a beneficial interest in the Securities by a retail client in the EEA (in each case within the meaning of the TMR Rules), other than (i) in relation to any sale or offer to sell Securities to a retail client in or resident in the United Kingdom, in any other circumstances that do not and will not give rise to a contravention of the TMR Rules by any person and/or (ii) in relation to any sale or offer to sell Securities to a retail client in any EEA member state other than the United Kingdom, where (a) it has conducted an assessment and concluded that the relevant retail client understands the risks of an investment in the Securities and is able to bear the potential losses involved in an investment in the Securities and (b) it has at all times acted in relation to such sale or offer in compliance with the Markets in Financial Instruments Directive (2004/39/EC) (“MiFID”) to the extent it applies to it or, to the extent MiFID does not apply to it, in a manner which would be in compliance with MiFID if it were to apply to it; and
3. it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Securities, including any such laws, regulations and regulatory guidance relating

to determining the appropriateness and/or suitability of an investment in the Securities by investors in any relevant jurisdiction.

Furthermore, by purchasing, or making or accepting an offer to purchase, any Securities from the Issuer and/or the Joint Lead Managers in connection with the offering, each initial Securityholder represents, warrants, agrees with and undertakes to the Issuer and each of the Joint Lead Managers that it (and any person acting on its behalf as nominee or any person on whose behalf it is acting as nominee or agent and each of such person's respective ultimate beneficial owners): (i) is, and will after the completion of the purchase of the Securities be, independent from and not a connected person of the Issuer including (without limitation) any director, chief executive or substantial shareholder (being any person who is entitled to exercise or control the exercise of 10 per cent. or more of the voting power at any general meeting of the Issuer) of the Issuer or of any of its subsidiaries or any associates of any of them; (ii) is not, and will not after the completion of the purchase of the Securities be, a person whose acquisition of the Securities has been financed directly or indirectly by a connected person of the Issuer; and (iii) is not, and will not after the completion of the purchase of the Securities become, accustomed to take instructions from a connected person in relation to the acquisition, disposal, voting or other disposition of securities of the Issuer registered in your name or otherwise held by you. For the purposes of this paragraph, "associates", "connected persons", "directors" and "substantial shareholders" shall have the meanings ascribed to them in Rules 1.01 and 14A.06 of the HKSE Rules.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Securities from the Issuer and/or the Joint Lead Managers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

By purchasing, or making or accepting an offer to purchase, any Securities from the Issuer and/or the Joint Lead Managers in connection with the offering, each initial Securityholder agrees with the Issuer and each of the Joint Lead Managers that they may, to the extent required by the HKSE Rules and/or by The Hong Kong Stock Exchange and/or by the Hong Kong Securities and Futures Commission (the "HFC"), disclose to The Hong Kong Stock Exchange and/or the HFC and (in the case of the Joint Lead Managers only) to the Issuer, information about potential investors in the Securities (including, but not limited to, its name, company registration number and number of Securities allotted to it).

Each prospective investor and/or initial Securityholder acknowledges that each of the Issuer and the Joint Lead Managers will rely upon the truth and accuracy of the representations, warranties, agreements and undertakings set forth in the foregoing paragraphs and are entitled to rely upon such representations, warranties, agreements and undertakings.

Each potential investor in the Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this document or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities, including where the currency for principal or interest payments is different from the potential investor's currency, and the possibility that interest may not be paid on the Securities and/or that the entire principal amount of the Securities could be lost, including following the exercise of Regulatory Capital Write-Down Powers or the Bail-in Powers (in each case as defined herein);
- understand thoroughly the terms of the Securities, including without limitation the terms relating to Conversion (as defined herein), the calculation of the CET1 Ratio (as defined herein), the determination of satisfaction of the Solvency Condition (as defined herein) and be familiar with the behaviour of any relevant financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Securities are complex financial instruments. Investors do not generally purchase complex financial instruments that bear a high degree of risk as stand-alone investments. Such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Securities, which are complex

financial instruments, unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of the Securities and the impact this investment will have on the potential investor's overall investment portfolio.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Securities are legal investments for it, (ii) the Securities can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of the Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Securities under any applicable risk-based capital or similar rules. See also *"Risk Factors - Risks related to the Securities - Implementation of and/or changes to the capital adequacy framework may result in changes to the risk-weighting of the Securities and/or loss absorption by Securityholders in certain circumstances"* below.

In this document, unless otherwise specified or the context otherwise requires, references to "HK\$" and "Hong Kong dollars" are to the lawful currency of Hong Kong, to "U.S.\$" and "U.S. Dollars" are to the lawful currency of the United States of America, to "Chinese yuan", "Renminbi" and "RMB" are to the lawful currency of the People's Republic of China, to "Korean won" and "KRW" are to the lawful currency of the Republic of Korea, to "TWD" are to the lawful currency of Taiwan, to "BWP" are to the lawful currency of Botswana, to "TZS" are to the lawful currency of Tanzania, to "IDR" are to the lawful currency of Indonesia, to "PKR" are to the lawful currency of Pakistan, to "SGD" are to the lawful currency of Singapore and references to "Sterling" and "£" are to the lawful currency of the United Kingdom. References to "euro" and "€" are to the single currency introduced pursuant to the treaty establishing the European Community, as amended. References to "Hong Kong" shall mean the Hong Kong Special Administrative Region of the People's Republic of China and references to the "PRC" shall mean the People's Republic of China.

In connection with the issue of the Securities, Merrill Lynch, Pierce, Fenner & Smith Incorporated as the stabilising manager (the "Stabilising Manager") (or persons acting on behalf of the Stabilising Manager), may over-allot Securities or effect transactions with a view to supporting the market price of the Securities at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the Securities was made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Securities and 60 days after the date of the allotment of the Securities. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

TABLE OF CONTENTS

	Page
Documents Incorporated by Reference	7
Available Information	8
Enforceability of Judgments.....	8
Forward-Looking Statements.....	8
Overview of the Securities	9
Risk Factors	17
Terms and Conditions of the Securities.....	55
Summary of Provisions Relating to the Securities while in Global Form	86
Use of Proceeds	88
The Issuer	89
Capitalisation and Indebtedness of the Issuer.....	92
Selected Financial Information	94
The Group.....	97
Description of the Ordinary Shares.....	122
Taxation	127
Subscription and Sale.....	133
Clearing and Settlement	138
Transfer Restrictions.....	142
General Information	144

DOCUMENTS INCORPORATED BY REFERENCE

This document should be read and construed in conjunction with the following documents (or sections of documents) which have been previously published or are published simultaneously with this document:

1. the following sections of the consolidated Annual Report and audited accounts of the Issuer, its subsidiaries and its subsidiary undertakings (the “Group”) for the year ended 31 December 2013:
 - (i) Our Performance in Our Markets;
 - (ii) The Group in 2013;
 - (iii) Consumer Banking;
 - (iv) Wholesale Banking;
 - (v) Risk Review;
 - (vi) Capital;
 - (vii) Board of Directors;
 - (viii) Senior Management;
 - (ix) Corporate Governance;
 - (x) Directors' Remuneration Report;
 - (xi) Report of the Directors;
 - (xii) Statement of Directors' Responsibilities;
 - (xiii) Financial Statements and Notes (which includes the Independent Auditor's Report and the audited consolidated financial statements of the Group for the year ended 31 December 2013 and the notes thereto); and
 - (xiv) Pages 314 to 324 (inclusive) of Supplementary Financial Information;
2. the following sections of the consolidated Annual Report and audited accounts of the Group for the year ended 31 December 2014 (the “2014 Annual Report”):
 - (i) Our Business;
 - (ii) The Group in 2014;
 - (iii) Financial Review;
 - (iv) Risk Overview;
 - (v) Risk Profile;
 - (vi) Principal Uncertainties;
 - (vii) Risk Management Approach;
 - (viii) Capital;
 - (ix) Board of Directors;
 - (x) Senior Management;
 - (xi) Corporate Governance;
 - (xii) Directors' Remuneration Report;
 - (xiii) Other disclosures;
 - (xiv) Statement of Directors' Responsibilities;
 - (xv) Financial Statements and Notes (which includes the Independent Auditor's Report and the audited consolidated financial statements of the Group for the year ended 31 December 2014 and the notes thereto); and
 - (xvi) Pages 310 to 325 (inclusive) of Supplementary Financial Information; and
3. the document entitled “Pillar 3 Disclosures 31 December 2014” released by the Issuer on 16 March 2015.

Such documents shall be deemed to be incorporated in, and form part of, this document, save that any statement contained in a document which is deemed to be incorporated by reference herein shall be

deemed to be modified or superseded for the purpose of this document to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this document. Any documents themselves incorporated by reference in the documents incorporated by reference in this document shall not form part of this document.

The financial statements detailed in paragraphs 1 and 2 above were prepared in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union.

The parts of the above mentioned documents which are not incorporated by reference into this document are either not relevant for investors or are covered elsewhere within this document.

Copies of the documents incorporated by reference in this document may be obtained from the Issuer at its registered office and may be obtained (without charge) from the website of the Regulatory News Service operated by the London Stock Exchange at: <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

AVAILABLE INFORMATION

The Issuer has agreed that, for so long as any of the Securities or any Ordinary Shares (as defined below) into which the Securities may be converted are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, it will, during any period in which it is neither subject to Section 13 or 15(d) under the U.S. Securities Exchange Act of 1934 (the “Exchange Act”), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities, or to any prospective purchaser of restricted securities designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information specified in Rule 144A(d)(4) under the Securities Act. In addition, the Issuer will furnish the Trustee with copies of its audited annual accounts.

ENFORCEABILITY OF JUDGMENTS

The Issuer is a company incorporated as a public limited company in England and Wales with registered number 966425. Most of the directors of the Issuer are not residents of the United States, and all or a substantial portion of the assets of the Issuer are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer or such persons or to enforce against any of them in the United States courts judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any State or territory within the United States.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements. These statements concern, or may affect, future matters. These may include the Issuer’s and its subsidiaries’ future strategies, business plans and results and are based on the current expectations of the directors of the Issuer. They are subject to a number of risks and uncertainties that might cause actual results and outcomes to differ materially from expectations outlined in these forward-looking statements. These factors are not limited to regulatory developments but include stock markets, IT developments and competitive and general operating conditions.

When used in this document, the words “estimate”, “project”, “intend”, “anticipate”, “believe”, “expect”, “should” and similar expressions, as they relate to the Issuer, its subsidiaries and their management, are intended to identify such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Issuer does not undertake any obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

OVERVIEW OF THE SECURITIES

This overview must be read as an introduction to this document. This overview is a summary of, and is qualified by, the more detailed information set out in this document, including the terms and conditions of the Securities which are set out in “Terms and Conditions of the Securities” below. Any decision to invest in the Securities should be based on a consideration of this document as a whole, including the documents incorporated by reference herein.

Capitalised terms used in this overview shall, unless the context otherwise requires, have the meanings given to them in “Terms and Conditions of the Securities” below.

Issuer	Standard Chartered PLC.
Description of the Issuer	The Issuer is the ultimate holding company of the Group, an international banking and financial services group particularly focused on the markets of Asia, Africa and the Middle East.
Description of the Securities	U.S.\$2,000,000,000 Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities.
Issue Date	2 April 2015.
Perpetual Securities	The Securities are perpetual securities and have no fixed maturity or fixed redemption date.
Issue Price	100 per cent.
Initial Fixed Interest Rate	The Securities bear interest in respect of the period from (and including) the Issue Date to (but excluding) 2 April 2020 at a fixed rate of 6.50 per cent. per annum, being (i) 1.611 per cent. per annum (being the mid market swap rate for U.S. Dollar swap transactions with a maturity of five years determined on 26 March 2015) plus (ii) the Margin.
Reset Dates	2 April 2020 (the “First Reset Date”) and each date falling five, or an integral multiple of five, years after the First Reset Date.
Reset Rate of Interest	The Interest Rate will be reset on each Reset Date. From (and including) each Reset Date to (but excluding) the next following Reset Date, the Interest Rate will be a fixed rate equal to the then applicable Reset Reference Rate plus the Margin.
Margin	4.889 per cent. per annum, being the initial credit spread on the Securities.
Interest Payment Dates	Subject as provided herein, interest on the Securities will be payable semi-annually in arrear on 2 April and 2 October in each year, commencing on 2 October 2015.
Cancellation of Interest Payments	<p>If the Issuer does not make an Interest Payment or part thereof on the relevant Interest Payment Date, such non-payment shall evidence:</p> <ul style="list-style-type: none">(i) the non-payment and cancellation of such Interest Payment (or relevant part thereof) by reason of it not being due in accordance with the provisions described under “<i>Solvency Condition</i>” below;(ii) the cancellation of such Interest Payment (or relevant part thereof) in accordance with the provisions described under “<i>Restrictions on Interest Payments</i>” below;(iii) the cancellation of such Interest Payment (or relevant part thereof) in accordance with Condition 7(c); or, as appropriate,

- (iv) the Issuer's exercise of its discretion otherwise to cancel such Interest Payment (or relevant part thereof) as described under "*Interest Payments Discretionary*" below,

and accordingly such interest shall not in any such case be due and payable.

Interest Payments Discretionary

Interest on the Securities is due and payable only at the sole and absolute discretion of the Issuer, subject to the additional restrictions set out herein. Accordingly, the Issuer may at any time elect to cancel any Interest Payment (or part thereof) which would otherwise be payable on any Interest Payment Date.

Restrictions on Interest Payments

The Issuer shall cancel any Interest Payment (or, as appropriate, part thereof) on the Securities in respect of any Interest Payment Date to the extent that the Issuer has an amount of Distributable Items on such Interest Payment Date that is less than the sum of (i) all payments (other than redemption payments which do not reduce Distributable Items) made or declared by the Issuer since the end of the last financial year of the Issuer and prior to such Interest Payment Date on or in respect of any Parity Securities, the Securities and any Junior Securities and (ii) all payments (other than redemption payments which do not reduce Distributable Items) payable by the Issuer (and not cancelled or deemed cancelled) on such Interest Payment Date (x) on the Securities and (y) on or in respect of any Parity Securities or any Junior Securities, in the case of each of (i) and (ii), excluding any payments already accounted for in determining the Distributable Items of the Issuer.

"Distributable Items" has the meaning given to it in CRD IV (as the same may be amended or replaced from time to time) as interpreted and applied in accordance with the Capital Regulations then applicable to the Issuer, but amended so that any reference therein to "before distributions to holders of own funds instruments" shall be read as a reference to "before distributions by the Issuer to holders of Parity Securities, the Securities or any Junior Securities".

"Junior Securities" means (i) any Ordinary Share or other securities of the Issuer ranking, or expressed to rank, junior to the Securities in a winding-up or administration of the Issuer as described in Condition 4(b) and/or (ii) any securities issued by any other member of the Group where the terms of such securities benefit from a guarantee or support agreement entered into by the Issuer which ranks, or is expressed to rank, junior to the Securities in a winding-up or administration of the Issuer as described in Condition 4(b).

"Parity Securities" means (i) any preference shares in the capital of the Issuer from time to time and any other securities of the Issuer ranking, or expressed to rank, *pari passu* with the Securities and/or such preference shares in a winding-up or administration of the Issuer as described in Condition 4(b) and/or (ii) any securities issued by any other member of the Group where the terms of the securities benefit from a guarantee or support agreement entered into by the Issuer

which ranks or is expressed to rank *pari passu* with the Securities and/or such preference shares in a winding-up or administration of the Issuer as described in Condition 4(b).

Solvency Condition

Other than in a winding-up or administration of the Issuer or in relation to the cash component of any Conversion Shares Offer Consideration, all payments in respect of or arising from (including any damages for breach of any obligations under) the Securities are conditional upon the Issuer being solvent at the time of payment by the Issuer and no principal, interest or other amount shall be due and payable in respect of or arising from the Securities except to the extent that the Issuer could make such payment and still be solvent immediately thereafter.

The Issuer shall, for these purposes, be considered to be solvent if both (x) it is able to pay its debts owed to its Senior Creditors as they fall due and (y) its Assets exceed its Liabilities.

“Assets” means the non-consolidated gross assets of the Issuer, as shown in the latest published audited balance sheet of the Issuer, but adjusted for contingencies and subsequent events to such extent and in such manner as two directors of the Issuer or the Auditors may determine.

“Auditors” means the auditors for the time being of the Issuer or, in the event of their being unable or unwilling promptly to carry out any action requested of them pursuant to the provisions of the Securities, such other firm of accountants as may be nominated or approved by the Trustee after consultation with the Issuer.

“Liabilities” means the non-consolidated gross liabilities of the Issuer, as shown in the latest published audited balance sheet of the Issuer, but adjusted for contingencies and subsequent events to such extent and in such manner as two directors of the Issuer or the Auditors may determine.

“Senior Creditors” means creditors of the Issuer (a) who are unsubordinated creditors, (b) whose claims are, or are expressed to be, subordinated (whether only in the event of the winding-up or administration of the Issuer or otherwise) to the claims of unsubordinated creditors of the Issuer but not further or otherwise or (c) whose claims are, or are expressed to be, junior to the claims of other creditors of the Issuer, whether subordinated or unsubordinated, other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the holders of the Securities in a winding-up or administration of the Issuer occurring prior to the Conversion Trigger Event.

Status

The Securities will constitute direct, unsecured and subordinated obligations of the Issuer, and will rank *pari passu* and without any preference among themselves.

If:

- (a) an order is made, or an effective resolution is passed, for the winding-up of the Issuer (subject to certain exceptions as set out herein); or

- (b) an administrator of the Issuer is appointed and such administrator declares, or gives notice that it intends to declare and distribute a dividend,

then,

(1) if such events specified in (a) or (b) above occur before the date on which a Conversion Trigger Event occurs, there shall be payable by the Issuer in respect of each Security (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to the Holder of such Security if, on the day preceding the commencement of the winding-up or administration and thereafter, such Holder were the holder of one of a class of preference shares in the capital of the Issuer ("Notional Preference Shares") ranking in priority to the holders of the Ordinary Shares, having an equal right to a return of assets in the winding-up or such administration to, and so ranking *pari passu* with, the holders of the Existing Preference Shares (if any remain outstanding) and the holders of any securities of the Issuer ranking or expressed to rank *pari passu* with any of the Existing Preference Shares or the Securities in such winding-up or administration, and ranking in priority to the holders of any other class of shares in issue or deemed to be in issue for the time being in the capital of the Issuer but ranking junior to the holders of any shares which may be issued or deemed to be issued by the Issuer which, by their terms, rank in priority to the Notional Preference Shares in a winding-up or other return of capital, and ranking junior to the claims of Senior Creditors, and on the assumption that the amount that such holder was entitled to receive in respect of each Notional Preference Share, on a return of assets in such winding-up or such administration, were an amount equal to the principal amount of the relevant Security together with, to the extent not otherwise included within the foregoing, any other amounts attributable to the Security, including any accrued but unpaid interest thereon (to the extent not cancelled) and any damages awarded for breach of any obligations; and

(2) if such events specified in (a) or (b) above occur on or after the date on which a Conversion Trigger Event occurs but the relevant Ordinary Shares to be issued and delivered to the Conversion Shares Depositary on Conversion in accordance with Condition 7 have not been so delivered, there shall be payable by the Issuer in respect of each Security (in lieu of any other payment by the Issuer) such amount, if any, as would have been payable to the Holder of such Security if, on the day preceding the commencement of the winding-up or administration and thereafter, such Holder were the holder of such number of Ordinary Shares as that Holder would have been entitled to receive on Conversion.

Optional Redemption

Subject to certain conditions, the Issuer may, at its option, redeem the Securities, in whole but not in part, on any Reset Date at 100 per cent. of their principal amount, together with any accrued but unpaid interest (which excludes any interest cancelled or deemed cancelled as described above) to (but excluding) the date fixed for redemption.

Early Redemption due to a Capital

Subject to certain conditions, if at any time a Capital

Disqualification Event

Disqualification Event has occurred and is continuing, the Issuer may, at its option, redeem the Securities, in whole but not in part, on any date at 100 per cent. of their principal amount, together with any accrued but unpaid interest (which excludes any interest cancelled or deemed cancelled as described above) to (but excluding) the date fixed for redemption.

Early Redemption due to a Tax Event

Subject to certain conditions, if at any time a Tax Event has occurred and is continuing, the Issuer may, at its option, redeem the Securities, in whole but not in part, on any date at 100 per cent. of their principal amount, together with any accrued but unpaid interest (which excludes any interest cancelled or deemed cancelled as described above) to (but excluding) the date fixed for redemption.

Purchase

Subject to certain conditions, the Issuer (or any Subsidiary of the Issuer) or any holding company of the Issuer or any other Subsidiary of such holding company may, at any time, purchase or procure others to purchase beneficially for its account Securities in any manner and at any price.

Conditions to Redemption or Purchase

Any redemption or purchase of the Securities by or on behalf of the Issuer or its Subsidiaries is subject to:

- (i) the Issuer giving notice to the Relevant Regulator and the Relevant Regulator granting permission (or, as applicable, not making any objection) to the Issuer to redeem or purchase the relevant Securities (in each case to the extent, and in the manner, required by the relevant Capital Regulations) and to such redemption or purchase not being prohibited by CRD IV;
- (ii) in respect of any redemption proposed to be made prior to the fifth anniversary of the Issue Date, if and to the extent then required under the Capital Regulations (A) in the case of redemption following the occurrence of a Tax Event, the Issuer having demonstrated to the satisfaction of the Relevant Regulator that the relevant change or event is material and was not reasonably foreseeable by the Issuer as at the Issue Date or (B) in the case of redemption following the occurrence of a Capital Disqualification Event, the Issuer having demonstrated to the satisfaction of the Relevant Regulator that the relevant change was not reasonably foreseeable by the Issuer as at the Issue Date;
- (iii) in the case of any redemption of the Securities, the Issuer being solvent (as described herein) both immediately prior to and immediately following such redemption;
- (iv) in the case of any redemption of the Securities, no Conversion Trigger Notice having been given; and
- (v) compliance by the Issuer with any alternative or additional pre-conditions to redemption or purchase, as applicable, set out in the relevant Capital Regulations for the time being.

Enforcement

If default is made by the Issuer in the payment of principal in respect of the Securities and such default continues for a period

of 14 days or more, the Trustee may (subject to being indemnified and/or secured and/or prefunded to its satisfaction) institute proceedings for the winding-up of the Issuer unless, as provided in Condition 12(a), such sums were not paid in order to comply with any applicable law, regulation or court order or in accordance with legal advice as to the application of such law, regulation or court order.

In the event of a winding-up or liquidation of the Issuer (whether or not instituted by the Trustee), the Trustee may prove in the winding-up of the Issuer and/or claim in the liquidation of the Issuer, and such claim will be subordinated as provided in the Conditions.

Conversion

If the Conversion Trigger Event occurs, each Security shall be automatically and irrevocably discharged and satisfied by its Conversion into Ordinary Shares, credited as fully paid, and the issuance of such Ordinary Shares to the Conversion Shares Depositary to be held on trust for the Securityholders. The Conversion shall occur without delay upon the occurrence of a Conversion Trigger Event.

Conversion Trigger Event

The Conversion Trigger Event shall occur if the Issuer determines at any time that the CET1 Ratio is less than 7.00 per cent. The CET1 Ratio is calculated on a consolidated and fully loaded basis.

The Trust Deed provides that if the Trustee, in the exercise of its functions, requires to be satisfied as to any fact (including, without limitation, as to whether a Conversion Trigger Event has occurred), it may call for and accept as sufficient evidence of that fact a certificate signed by two Authorised Signatories of the Issuer as to that fact.

Conversion Price

The Conversion Price per Ordinary Share in respect of the Securities is U.S.\$11.424, subject to certain anti-dilution adjustments as described herein. As at the date of this document, the Conversion Price is equivalent to a price of £7.700, translated into U.S. Dollars at an exchange rate of U.S.\$1 = £0.674.

Conversion Shares Offer

Not later than the tenth London business day following the Conversion Date, the Issuer may, in its sole and absolute discretion, make an election that the Conversion Shares Depositary (or an agent on its behalf) will make an offer, in the Issuer's sole and absolute discretion, of all or some of the Ordinary Shares to be delivered on Conversion to, in the Issuer's sole and absolute discretion, all or some of the Issuer's Shareholders at such time, such offer to be at a cash price per Ordinary Share being no less than the Conversion Price. The Issuer may, on behalf of the Conversion Shares Depositary, appoint a Conversion Shares Offer Agent to act as placement or other agent to facilitate the Conversion Shares Offer.

The Conversion Shares Offer Period shall end no later than 40 London business days after the giving of the Conversion Shares Offer Notice by the Issuer.

Upon expiry of the Conversion Shares Offer Period, the Conversion Shares Depositary will provide notice to the Holders

of the Securities of the composition of the Conversion Shares Offer Consideration (and of the deductions to the cash component, if any, of the Conversion Shares Offer Consideration (as set out in the definition of Conversion Shares Offer Consideration)) per Calculation Amount. The Conversion Shares Offer Consideration shall be held on trust by the Conversion Shares Depositary for the Securityholders. The cash component of any Conversion Shares Offer Consideration shall be payable by the Conversion Shares Depositary to the Holders of the Securities in U.S. Dollars and whether or not the Solvency Condition is satisfied.

“Conversion Shares Offer Consideration” means in respect of each Security and as determined by the Issuer: (i) if all of the Ordinary Shares to be issued and delivered on Conversion are sold in the Conversion Shares Offer, the *pro rata* share of the cash proceeds from the sale of such Ordinary Shares attributable to such Security translated, if necessary, into U.S. Dollars at the Prevailing Rate on the date specified by the Issuer (less any foreign exchange transaction costs), (ii) if some but not all of such Ordinary Shares are sold in the Conversion Shares Offer, (x) the *pro rata* share of the cash proceeds from the sale of such Ordinary Shares attributable to such Security translated, if necessary, into U.S. Dollars at the Prevailing Rate on the date specified by the Issuer (less any foreign exchange transaction costs) and (y) the *pro rata* share of such Ordinary Shares not sold pursuant to the Conversion Shares Offer attributable to such Security rounded down to the nearest whole number of Ordinary Shares, and (iii) if no Ordinary Shares are sold in a Conversion Shares Offer, the relevant Ordinary Shares attributable to such Security rounded down to the nearest whole number of such Ordinary Shares, subject in the case of (i) and (ii)(x) above to deduction from any such cash proceeds of an amount equal to the *pro rata* share of any stamp duty, stamp duty reserve tax, or any other capital, issue, transfer, registration, financial transaction or documentary tax that may arise or be paid as a consequence of the transfer of any interest in such Ordinary Shares to the Conversion Shares Depositary as a consequence of the Conversion Shares Offer.

Ordinary Shares

The Ordinary Shares to be delivered following Conversion will be delivered credited as fully paid and will rank *pari passu* in all respects with all fully paid Ordinary Shares in issue on the Conversion Date, save as provided herein.

No Set-off

Subject to applicable law, no Securityholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer arising in respect of, or arising under or in connection with the Securities and each Securityholder shall, by virtue of its holding of any Security, be deemed to have waived all such rights of set-off, compensation or retention.

Withholding Tax

Payments in respect of the Securities shall be made without any withholding or deduction for or on account of any United Kingdom taxes unless required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by Securityholders (after the withholding or deduction) of such

	amount as would have been received by them in the absence of the withholding or deduction, subject to exceptions.	
Structuring Advisers and Joint Lead Managers	Barclays Capital Inc. and Standard Chartered Bank (each a “Structuring Adviser and Joint Lead Manager” and together the “Structuring Advisers and Joint Lead Managers”).	
Joint Lead Managers	Barclays Capital Inc. Goldman, Sachs & Co. J.P. Morgan Securities LLC Merrill Lynch, Pierce, Fenner & Smith Incorporated Standard Chartered Bank UBS Securities LLC (each a “Joint Lead Manager” and together the “Joint Lead Managers”).	
Trustee	BNY Mellon Corporate Trustee Services Limited.	
Principal Paying and Conversion Agent	The Bank of New York Mellon, London Branch.	
Calculation Agent	The Bank of New York Mellon, London Branch.	
Registrar and Transfer Agent	The Bank of New York Mellon (Luxembourg) S.A.	
Conversion Shares Depositary	To be determined by the Issuer prior to the time of any Conversion.	
Form	The Securities will be represented by registered certificates (each a “Certificate”), without coupons, and initially will be represented by one or more Restricted Global Certificates and Unrestricted Global Certificates, each of which will be deposited on or about the Issue Date with a custodian for the Depositary Trust Company (“DTC”, which expression includes any successor entity thereof).	
Denomination	U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.	
Listing	Application has been made to the Hong Kong Stock Exchange for permission to deal in, and for the listing of the Securities, on the Hong Kong Stock Exchange.	
Clearing	The Securities have been accepted for clearing by DTC.	
CUSIP	Restricted Global Certificates: 853254AT7	Unrestricted Global Certificates: G84228CE6
ISIN	Restricted Global Certificates: US853254AT77	Unrestricted Global Certificates: USG84228CE61
Ratings	The Securities have been rated Ba1 by Moody’s Hong Kong, BB by S&P and BBB by Fitch.	
Governing law	English law.	
Risk Factors	See “ <i>Risk Factors</i> ” below.	
Selling Restrictions	See “ <i>Subscription and Sale</i> ” below.	
Transfer Restrictions	See “ <i>Transfer Restrictions</i> ” below.	

RISK FACTORS

The Securities are being offered to professional investors only and are not suitable for retail investors. Investors should not purchase the Securities in the primary or secondary markets unless they are professional investors. Investing in the Securities involve risks. Prospective investors should have regard to the factors described in this section before deciding whether to invest in the Securities.

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Securities. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuer believes may be material for the purpose of assessing the risks relating to the structure of the Securities are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Securities, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with the Securities for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Securities are exhaustive.

Prospective investors should also read the detailed information set out elsewhere in this document (including any documents deemed to be incorporated by reference herein) and reach their own views prior to making any investment decision.

Risks relating to the Group and its business operations

Business, macroeconomic and geopolitical risks

1 *Macroeconomic risks could result in a material adverse effect on the Group's financial condition, results of operations and prospects.*

The Group operates in 70 countries and is affected by the prevailing economic conditions in each of the markets in which it operates. Macroeconomic factors have an impact on personal expenditure and consumption, demand for business products and services, the debt service burden of consumers and businesses, the general availability of credit for retail and corporate borrowers and the availability of capital and liquidity for the Group. All these factors may impact the Group's financial condition, results of operations and prospects.

The world economy is coming out of a difficult period and although the rate of economic growth in many countries is increasing, uncertainty remains. The unwinding by the US Federal Reserve (the "Fed") of its quantitative easing programme could lead to higher interest rates, volatility in financial markets and capital flight from emerging markets which may threaten the growth trajectory of some vulnerable economies. A slowdown in China's growth may depress prices and trade in a number of commodity sectors such as the energy, metals and mining sectors, and a prolonged slowdown could have wider economic repercussions. In particular, lower energy prices can have a significant negative effect on energy producing countries as government revenues and foreign exchange earnings can both fall. In addition, the energy and related service industries are vulnerable to reduced prices and lower levels of investment.

The sovereign crisis in the eurozone is not fully resolved and, although acute risks have been addressed by ongoing policy initiatives and the prospects for many of the European economies have improved, there is still a need for substantial new structural reform. The Group's exposure to eurozone sovereign debt is very low. However, the Group remains alert to the risk of secondary impacts from events on financial institutions, other counterparties and global economic growth.

The linkages between economic activities in different markets are complex and depend not only on direct drivers such as the balance of trade and investment between countries, but also on domestic monetary, fiscal and other policy responses to macroeconomic conditions. For example, changes in monetary policy could lead to significant increases in interest rates from their currently low historical levels, with resulting impacts on the wider economy and on property values.

Consequently, one uncertainty for the corporate sector will be the extent to which exports are impacted by any slowdown in the global economy. Similarly, there may be uncertainty about domestic demand in the Group's markets, which is a function of a number of factors including consumer and business confidence.

Although inflation and property prices appear to be under control in most of the countries in which the Group operates, some central banks are employing macro-prudential tools to temper property price increases. Changes in monetary policy could lead to significant increases in interest rates from the historically low levels currently prevailing in many markets, with resulting impacts on the wider economy and on property values.

Furthermore, inflationary pressures, to the extent to which they arise, may be exacerbated in some countries by the reduction or removal of fuel price subsidies and the impact of significant rises in the price of certain foodstuffs. An increase in inflation could have a number of adverse impacts on the Group's business, including, but not limited to, increasing its operating expenses. High inflation could also have an adverse effect on the credit quality of the Group's individual and corporate borrowers, as well as its counterparties, and could lead to an increase in delinquencies and defaults across a wide range of sectors and otherwise have a material adverse effect on the Group's financial condition, results of operations and prospects.

Whilst the Group maintains significant geographic and business diversification which may minimise the impact of certain economic factors including a downturn, the diversification of the Group may not be effective to safeguard the Group from the effect of macroeconomic factors which may impact on the overall economy in a single country or region, or globally. The Group seeks to manage this risk by setting concentration caps (by counterparty or groups of connected counterparties, by industry sector and country for corporate clients and by product and country for retail customers) and by regularly monitoring credit exposures and political and economic trends. Additionally, the Group conducts stress tests to assess the effects of extreme but plausible trading conditions on the Group's portfolio and also continuously reviews the suitability of the Group's risk policies and controls.

2 *The Group operates primarily in Asia, Africa and the Middle East, and these operations expose it to risks arising from the political and economic environment of markets in these areas that could adversely affect the Group's financial condition, results of operations and prospects.*

The Group faces significant economic and political risks, including risks arising from economic volatility, recession, inflationary pressures, exchange rate fluctuation and interruption of business, as well as from civil unrest, imposition of exchange or capital controls, sanctions relating to specific countries, entities and individuals, expropriation, nationalisation, renegotiation or nullification of existing contracts and changes in law, tax policy and regulation. Furthermore, while many of the economies in which the Group operates have in recent years performed relatively well compared to many of the economies of Western Europe and North America, there can be no assurance that the relatively favourable economic environments in these markets will continue. The occurrence of any of these risks could result in a material adverse effect on the Group's financial condition, results of operations and prospects.

3 *The Group operates in competitive markets, which may have a material adverse effect on its financial condition, results of operations and prospects.*

The Group is subject to significant competition from local banks and other international banks carrying on business in the markets in which it operates, including competitors that may have greater financial and other resources. In addition, the Group may experience increased competition from new entrants in the relevant product or geographic markets and existing competitors may combine to increase their existing market presence or market share. Many of the international and local banks operating in the Group's markets compete for substantially the same customers as the Group and competition may increase in some or all of the Group's principal markets. In order to remain competitive, the Group may not realise the margins in certain markets which it would otherwise have expected or desired. In addition, certain competitors may have access to lower cost funding and be able to offer retail deposits on more favourable terms than the Group. Furthermore, in certain of the Group's markets, it competes against financial institutions that are supported or controlled by governments or governmental bodies and the Group might be required to satisfy certain lending thresholds and other identified targets. Regulations may also favour local banks by restricting the ability of international banks, such as the Group, to enter the market and/or expand their existing operations. Such restrictions could adversely affect the Group's ability to compete in these markets. The foregoing matters, individually or in combination, may have a material adverse effect on the Group's financial condition, results of operations and prospects.

4 *Changes in the credit quality and the recoverability of loans and amounts due from counterparties may have a material adverse effect on the Group's financial condition, results of operations and prospects.*

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of the Group's businesses. Adverse changes in the credit quality of the Group's borrowers and counterparties (both sovereign and non-sovereign), or adverse changes arising from a further deterioration in global or country-specific economic conditions or asset values, or systemic failures in financial systems could reduce the recoverability and value of the Group's assets and require an increase in the Group's level of provisions for bad and doubtful debts or increase the levels of impairments or write-downs experienced by the Group. An adverse change in economic conditions could also adversely affect the Group's level of banking activity. Although the Group devotes considerable resources to managing the above risks, many of the factors affecting borrower and counterparty credit risks are beyond the control of the Group and the occurrence of any of the foregoing risks or a failure by the Group to manage these risks effectively could have a material adverse effect on the Group's financial condition, results of operations and prospects.

5 *The value of certain financial instruments recorded at fair value is determined using financial models incorporating assumptions, judgments and estimates which may change over time.*

In order to establish the value of financial instruments which the Group, under International Financial Reporting Standards as adopted by the European Union ("IFRS"), recognises at fair value, the Group relies on quoted market prices or, where the market for a financial instrument is not sufficiently active, internal valuation models that utilise observable market data. In certain circumstances, the data for individual financial instruments or classes of financial instrument utilised by such valuation models may not be available, or may become unavailable, due to changes in market conditions, as has been the case at times since the commencement of the financial crisis. In such circumstances, the Group's internal valuation models require the Group to make assumptions, judgments and estimates in order to establish fair value. In common with other financial institutions, these internal valuation models are complex, and the assumptions, judgments and estimates the Group is required to make often relate to matters that are inherently uncertain, such as expected cash flows, the ability of borrowers to service debt, asset price appreciation and depreciation, and relative levels of defaults and deficiencies. Such assumptions, judgments and estimates may need to be updated to reflect new information, changing trends and market conditions. The resulting change in the fair values of financial instruments could have a material adverse effect on the Group's financial condition, results of operations and prospects.

6 *The Group's business could be affected if its capital is not managed effectively.*

The Group must ensure the effective management of its capital position in order to operate its business, to continue to grow organically and to pursue its strategy. Future changes that limit the Group's ability to manage its balance sheet and capital resources effectively, as well as capital decisions taken by the Group, could have a material adverse effect on the Group's regulatory capital position, financial condition, results of operations and prospects.

7 *Lack of liquidity is a risk to the Group's business.*

Liquidity risk is the risk that the Group either does not have sufficient financial resources available to meet its obligations as they fall due, or can only access these financial resources at excessive cost. This risk is inherent in banking operations and can be heightened by a number of factors, including an over-reliance on or inability to access a particular source of funding (including, for example, reliance on inter-bank funding), the extent of mobility of intra-Group funding, changes in credit ratings or market-wide phenomena such as financial market instability and natural disasters.

As the Group operates in markets which have been and may continue to be affected by illiquidity and extreme price volatility, either directly or indirectly through exposures to securities, loans, derivatives and other commitments, the Group's policy is to manage its liquidity prudently in all geographic locations and for all currencies. However, any reoccurrence or prolonged continuation of such conditions could have an adverse effect on the Group's results of operations and, if severe, could have a material adverse effect on the Group's financial condition and prospects. In addition, any significant increase in the cost of acquiring deposits, inability to further increase deposits or significant outflow of deposits from the Group, particularly if it occurs over a short period of time, could have a material adverse impact on the Group's financial condition and liquidity position.

8 *Downgrades to the Group's credit ratings or downward changes in outlook could impair the Group's access to funding and the Group's competitive position.*

The Group's ability to access the capital markets, and the cost of borrowing in these markets, is significantly influenced by the Group's credit ratings. There can be no guarantee that the Group will not be subject to downgrades to its credit ratings and downward changes in outlook. Factors leading to any such downgrade or change in outlook may not be within the control of the Group. An example of such a factor would be a change in the methodology used by any applicable agency that rates the Group or its securities. A material downward change in the short-term or long-term credit ratings of the Group could impact the volume, price and source of its funding, and this could have a material adverse effect on the Group's profitability, financial condition, results of operations and prospects.

9 *Changes in interest rates, commodity prices, equity prices and other market risks could adversely affect the Group's financial condition, results of operations and prospects.*

Market risk is the potential for loss of earnings or economic value due to adverse changes in financial market rates or prices. The Group's exposure to market risk arises principally from customer driven transactions.

The primary categories of market risk for the Group are:

- interest rate risk: arising from changes in yield curves, credit spreads and implied volatilities on interest rate options;
- currency exchange risk: arising from changes in exchange rates and implied volatilities on foreign exchange options;
- commodity price risk: arising from changes in commodity prices and implied volatilities on commodity options, covering energy, precious metals, base metals and agriculture; and
- equity price risk: arising from changes in the prices of equities, equity indices, equity baskets and implied volatilities on related options.

Failure to manage these risks effectively or the occurrence of unexpected events resulting in significant market dislocation could have a material adverse effect on the Group's financial condition, results of operations and prospects.

10 *The Group is subject to the risk of exchange rate fluctuations arising from the geographical diversity of its businesses.*

As the Group's business is conducted in a number of jurisdictions and in a number of currencies, including, but not limited to, Sterling, Korean won, Hong Kong dollars, Singapore dollars, Taiwan dollars, Chinese yuan and Indian rupees, the Group's business is subject to the risk of exchange rate fluctuations. The results of operations of Group companies are initially reported in the local currencies in which they are domiciled, and these results are then translated into U.S. Dollars at the applicable foreign currency exchange rates for inclusion in the Group's consolidated financial statements. The exchange rates between local currencies and the U.S. Dollar have been, and may continue to be, volatile. The Group is therefore exposed to movements in exchange rates in relation to non-U.S. Dollar currency receipts and payments, dividend and other income from its subsidiaries and branches, reported profits of subsidiaries and branches and the net asset carrying value of non-U.S. Dollar investments and risk-weighted assets attributable to non-U.S. Dollar currency operations.

Whilst the Group monitors exchange rate movements, it is difficult to predict changes in economic or market conditions with accuracy and to anticipate the effects that such changes could have on the Group and the translation effect against the U.S. Dollar of such fluctuations in the exchange rates of the currencies of those countries in which the Group operates, any of which may adversely affect its financial condition, results of operations and prospects.

11 Financial markets volatility globally and in the markets in which the Group operates could result in a material adverse effect on the Group's assets, financial condition, results of operations and prospects.

Additional volatility, and further dislocation affecting certain financial markets and asset classes, are factors that may have a material adverse effect on the Group's assets, financial condition, results of operations and prospects. These factors have had and may have a negative impact on the mark to market valuations of assets in the Group's available-for-sale and trading portfolios. In addition, any further deterioration in the performance of the assets underlying the Group's asset backed securities ("ABS") portfolio could lead to additional impairment. The ABS portfolio accounted for approximately 1 per cent. of Group assets as at 31 December 2014.

Continued market volatility may also negatively impact certain customers exposed to derivative contracts. While the Group seeks to manage customer exposure and risk, the potential losses incurred by certain customers as a result of derivative contracts could lead to an increase in customer disputes and corporate defaults and result in further write-downs or impairments by the Group.

12 Systemic risk resulting from failures by banks, other financial institutions and corporates could adversely affect the Group.

Within the financial services industry the default of any institution or corporate could lead to defaults by other institutions. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions because the commercial soundness of many financial institutions may be closely correlated as a result of their credit, trading, clearing or other relationships. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms, other financial institutions and exchanges with whom the Group interacts on a daily basis, which could have an adverse effect on the Group's ability to raise new funding and could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

13 Country cross-border risk could have a material adverse effect on the Group's financial condition, results of operations and prospects.

Country cross-border risk is the risk that the Group will be unable to obtain payment from its customers (sovereign and non-sovereign) or third parties on their contractual obligations as a result of certain actions taken by foreign governments, chiefly relating to convertibility and transferability of foreign currency.

These risks could have a material adverse effect on the Group's financial condition, results of operations and prospects.

14 The Group operates in some markets that have relatively less developed judicial and dispute resolution systems, which could have a material adverse effect on the Group's financial condition, results of operations and prospects.

In some of the less developed markets in which the Group operates, judicial and dispute resolution systems may be less developed than in North America and Western Europe. In case of a breach of contract, there may be difficulties in making and enforcing claims against contractual counterparties. On the other hand, if claims are made against the Group, there may be difficulties in defending such allegations. If the Group becomes party to legal proceedings in a market with an insufficiently developed judicial system, an adverse outcome to such proceedings could have a material adverse effect on the Group's financial condition, results of operations and prospects.

15 Hostilities, terrorist attacks or social unrest, as well as natural calamities in the markets in which the Group operates, could adversely affect the Group's business, results of operations and prospects.

The Group operates in a large number of markets around the world, and its performance is in part reliant on the openness of cross-border trade and capital flows. Geopolitical tensions or conflicts in the footprint of the Group could impact trade flows, customers' ability to pay, and the Group's ability to manage capital, liquidity or operations across borders.

Some of the countries in which the Group operates have, from time to time, experienced and/or are currently experiencing social and civil unrest, hostilities both internally and with neighbouring countries and terrorist attacks. Some of those countries have also experienced natural calamities like earthquakes, floods and drought in recent years. These and similar hostilities, tensions and natural disasters could lead to political or economic instability in the markets in which the Group operates and could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

16 *The Group selectively expands its operations and makes selective disposals which may represent a risk if not managed effectively.*

The Group's business strategy is based on organic growth but includes selective plans to acquire assets or businesses that it believes are logical extensions of its existing businesses in various markets. The success of any acquisitions will depend, in part, on achieving the level of performance that the Group anticipates as well as the ability of management to integrate the operations of any newly acquired businesses with the Group's operational risk framework. The Group may experience difficulties and the failure to manage effectively its expansion which could have a material adverse effect on the Group's financial condition, results of operations and prospects.

In November 2013, the Group announced a refreshed strategy to sharpen its focus around where to accelerate capital investment. In order to create investment capacity, the Group has established a programme to dispose of various businesses and equity stakes. The success of any disposal will depend, in part, on achieving the price or consideration for a business or asset that the Group anticipates as well as the ability of management to manage the migration of the operations of the business being sold in line with the Group's operational risk framework. The Group may experience difficulties and the failure to manage effectively any such disposal could have a material adverse effect on the Group's financial condition, results of operations and prospects.

17 *The Group's business is subject to reputational risk.*

Reputational risk is the potential for damage to the Group's franchise, resulting in loss of earnings or adverse impact on market capitalisation as a result of stakeholders taking a negative view of the Group or its actions. Reputational risk could arise from the failure by the Group to effectively mitigate the risks in its businesses including one or more of country, credit, liquidity, market, regulatory, legal or other operational risk. Damage to the Group's reputation could cause existing clients to reduce their business with the Group or to cease to do business with the Group, and could make prospective clients reluctant to do business with the Group. All employees are responsible for the day to day identification and management of reputational risk. These responsibilities form part of the Group Code of Conduct and are further embedded through values-based performance assessments.

Reputational risk may also arise from a failure to comply with environmental and social standards. The Group's primary environmental and social impacts arise through the Group's relationship with its clients and customers and the financing decisions the Group takes. The Group has published a series of position statements which apply in the provision of financial services to clients who operate in sectors which entail specific risks, and for key issues. The Group has mechanisms in its origination and credit processes to identify and assess environmental and social risks, and a dedicated Environmental and Social Risk Management team that reviews proposed transactions that entail identified risks.

Material damage to the Group's reputation could have a material impact on the future earning capacity of the Group through the loss of current and prospective customers or through damage to key governmental or regulatory relationships. A failure to manage reputational risk effectively could materially affect the Group's business, results of operations and prospects.

18 *The Group is exposed to pension risk.*

Pension risk is the potential for loss due to having to meet or meeting an actuarially assessed shortfall in the Group's pension schemes. Pension risk exposure is focused upon the risk to the Group's financial position arising from the need to meet its pension scheme funding obligations. In the event of a shortfall, the Group may be required or may choose to make additional payments to the Group's pension schemes which, depending on the amount, could have a material adverse effect on the Group's business, results of operations and prospects.

Macro-prudential, regulatory and legal risks

1 *Failure to manage legal and regulatory risk properly can impact the Group adversely.*

The Group is subject to a wide variety of banking and financial services laws and regulations and is supervised by a large number of regulatory and enforcement authorities in each of the jurisdictions in which it operates. As a result, the Group is exposed to many forms of legal and regulatory risk, which may arise in a number of ways, primarily:

- losses may be caused by changes in applicable laws and regulations or in their application; the Group may not be able to predict the timing or form of any current or future regulatory or law enforcement initiatives which are becoming increasingly common for international banks and financial institutions;
- as a result of being subject to a variety of complex legal and regulatory regimes in many of the countries where it operates, in respect of which requirements, standards or sanctions may differ significantly from country to country;
- as a result of being subject to extensive laws and regulations which are designed to combat money laundering and terrorist financing, and to enforce compliance with sanctions against designated countries, entities and persons, including countries in which, and entities or persons with which, the Group may conduct and may have conducted business from time to time;
- risk from defective transactions or contracts, either where contractual obligations are not enforceable or do not allocate rights and obligations as intended, or where contractual obligations are enforceable against the Group in an unexpected or adverse way, or by defective security arrangements;
- the title to and ability to control the assets of the Group (including the intellectual property of the Group, such as its trade names) may not be adequately protected; and
- allegations being made against the Group claiming liability for damages to third parties including where legal proceedings are brought against it; regardless of whether such claims have merit, the outcome of legal proceedings is inherently uncertain and could result in financial loss.

Failure to manage legal and regulatory risks properly may impact the Group adversely or result in administrative actions, penalties or other proceedings involving the Group which may have a material adverse effect on the Group's business, reputation, financial condition, results of operations and prospects.

In addition, a failure to comply with applicable laws or regulations by the Group's employees, representatives, agents and third party service providers, either in or outside the course of their employment or services, or suspected or perceived failures by them, has resulted and may in the future result in enquiries or investigations by regulatory and enforcement authorities, or in regulatory or enforcement action against the Group or such employees, representatives, agents and third party service providers in various jurisdictions. Such actions may adversely impact the reputation of the Group, result in adverse media reports, lead to increased levels of scrutiny by relevant regulatory or supervisory bodies, additional costs, penalties, claims and expenses being incurred by the Group and, as a result, have a material adverse effect on the Group's ability to conduct its business, its financial condition, results of operations and prospects.

2 *The Group operates in a highly regulated industry and changes to banking regulations and laws could have an adverse impact on its operations, financial condition or prospects.*

The Group's businesses are subject to a complex framework of financial services laws and regulations and associated legal and regulatory risks, including the effects of changes in laws, regulations, policies and voluntary codes of practice. As a result of the financial crisis, there has been a substantially enhanced level of governmental and regulatory intervention and scrutiny, and there have been, and are expected to be, further changes to regulations applying to financial institutions. Additional changes to laws and regulations are under consideration in many jurisdictions. Although the Group works closely with its regulators and regularly monitors the situation, future changes in laws, regulations and fiscal or other policies can be difficult to predict and are beyond the control of the Group. Furthermore, laws and regulations may be

adopted, enforced or interpreted in ways that could materially adversely affect the Group's business, financial condition, results of operations and prospects.

Governmental policies and regulatory changes that could adversely impact the Group's business include:

- the monetary, interest rate and other policies of central banks and regulatory authorities;
- general changes in governmental or regulatory policy, or changes in regulatory regimes that may significantly influence investor decisions in particular markets in which the Group operates, may change the structure of those markets and the products offered, or may increase the costs of doing business in those markets;
- changes to other regulatory requirements such as rules on consumer protection and prudential rules relating to capital adequacy and/or liquidity, charging special levies to fund governmental intervention in response to crises (which may not be tax deductible for the Group), separation of certain businesses from deposit-taking and the breaking up of financial institutions that are perceived to be too large for regulators to take the risk of their failure;
- over-the-counter ("OTC") derivatives reforms across the Group's markets, designed to contain systemic risk (central clearing, margin requirements, capital) and increase market transparency (real-time reporting, exchange or swap execution facility trading, disclosure and record retention);
- changes in competition and pricing environments;
- further developments in relation to financial reporting including changes in accounting and auditing standards, corporate governance, conduct of business and employee compensation;
- expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; and
- other unfavourable political, military or diplomatic developments, producing social instability or legal uncertainty which, in turn, may affect demand for the Group's products and services.

In response to the financial crisis and recent global economic conditions, there has already been a substantial increase in the regulation and supervision of the financial services industry in order to seek to prevent future crises and otherwise ensure the stability of institutions, including the imposition of higher capital and liquidity requirements (including pursuant to Basel III and CRD IV, as described below), increased levies and taxes, requirements to centrally clear certain transactions, heightened disclosure standards, further development of corporate governance and employee compensation regimes and restrictions on certain types of transaction structures. (See further the paragraphs below entitled "*The Group is subject to the risk of regulators imposing more onerous prudential standards, including increased capital, leverage and liquidity requirements*" and "*The business and operations of the Group may be affected by resolution measures developed by its regulators, including those introduced in accordance with the EU Bank Recovery and Resolution Directive and the Banking Act 2009*").

These new requirements could, to differing extents, significantly impact on the profitability and results of operations of firms operating within the financial services industry, including entities within the Group, or could require those affected to alter their current strategies, prevent the continuation of existing lines of operations, restrict the type or volume of transactions which may be entered into or set limits on, or require the modification of, rates or fees that may be charged. The Group may also face increased compliance costs and limitations on its ability to pursue its business activities.

Whilst there is growing international regulatory cooperation on supervision and regulation of international and EU banking groups, the Group is, and will continue to be, subject to the complexity of complying with existing and new regulatory requirements in each of the jurisdictions in which it operates. Where changes in regulation are made they may not be co-ordinated, potentially resulting in the Group having to comply with different and possibly conflicting requirements. The foregoing matters may adversely impact any number of areas of the Group's operations and activities which in turn may have a material adverse effect on its financial condition, results of operations and prospects.

3 *The Group is subject to the risk of regulators imposing more onerous prudential standards, including increased capital, leverage and liquidity requirements.*

The Group's lead supervisor, the Prudential Regulation Authority (the "PRA"), determines the minimum level of capital that the Group is required to hold by reference to its balance sheet, off-balance sheet, counterparty and risk exposures. Currently, the Group is adequately capitalised under CRD IV (as defined below) and holds sufficient liquidity under the existing liquidity standards. However, the PRA could (beyond the changes described below) apply increasingly stringent stress test scenarios in determining the required capital minima for the Group and any of its UK regulated firms, increase the minimum regulatory requirements imposed on the Group or any of its UK regulated firms, introduce certain changes to the basis on which capital and risk-weighted assets ("RWA") are computed, impose additional capital buffers, require additional restrictions on leverage, introduce further liquidity requirements, impose new regulatory requirements and/or change the manner in which it applies existing requirements to the Group or its UK regulated firms. In order to meet such additional regulatory requirements, the Group may be required to raise capital and/or liquidity or take other actions to ensure compliance which could have a material adverse impact on the Group's financial condition, results of operations and prospects.

The Group's ability to maintain its regulatory capital and leverage ratios in the longer term could be affected by a number of factors, including its RWA and exposures, post-tax profit and fair value adjustments. Capital levels and requirements are more sensitive to market and economic conditions under Basel III than under previous regimes and effective capital requirements could increase if economic or financial market conditions worsen.

The Group may also be impacted by the implementation of further regulations which are currently under consultation or yet to be finalised. By way of example, but not exhaustively, these include the Basel Committee on Banking Supervision ("BCBS") consultations on the design of a capital floor framework (BCBS CP306) based on standardised approaches for credit risk (BCBS CP307) as well as the standardised approaches for operational risk and market risk; the proposed European Market Infrastructure Regulation (EMIR) which may require certain non-financial counterparties from outside the EU to maintain margins to undertake derivative transactions; and revised methodology for calculating Prudent Valuation Adjustments (PVA).

Such changes in regulation, if implemented and when finalised, may, directly or indirectly, give rise to higher RWA or increased regulatory capital requirements for the Group and could materially adversely affect the Group's business, financial condition, results of operations and prospects.

Basel III

In December 2010, the BCBS finalised its proposals for new capital and liquidity requirements intended to strengthen existing capital standards and to establish minimum liquidity standards (commonly referred to as "Basel III"). These include new definitions of Common Equity Tier 1 Capital ("CET1 Capital") as well as new eligibility criteria for Additional Tier 1 Capital and Tier 2 Capital. A revised version of the Basel III capital rules was published in June 2011 and further changes or clarifications are possible. Basel III is not directly applicable to the Group, but its standards are closely followed by global legislators and competent authorities (including those in the EU and UK) in setting applicable requirements.

Basel III proposed a minimum total capital requirement for relevant institutions of 8 per cent. of RWA, which includes a minimum requirement of CET1 Capital equal to at least 4.5 per cent. of RWA and Tier 1 Capital equal to at least 6 per cent. of RWA. In addition to these minimum capital requirements, relevant institutions will be required to maintain a capital conservation buffer of 2.5 per cent. of RWA, a countercyclical buffer of up to 2.5 per cent. of RWA and, where applicable, additional buffers reflecting the perceived systemic importance of an institution (see further below). Each of these capital buffer requirements must be met with CET1 Capital. Basel III also proposed that national competent authorities should have the power to impose additional capital requirements (including additional buffers) on the institutions which they regulate. Furthermore, Basel III proposed that banks will need to satisfy a minimum leverage ratio requirement which has been set at 3 per cent. of Tier 1 Capital over total exposures from 1 January 2018 subject to future review and calibration.

The BCBS has proposed that global systemically important banks (“G-SIBs”) should be required to maintain regulatory capital in excess of the Basel III minimum standards. According to the approach finalised by the BCBS in November 2011 and updated in July 2013, G-SIBs will need to meet an additional CET1 Capital requirement ranging from 1 per cent. to 3.5 per cent. of RWA, depending on their perceived systemic importance.

The BCBS proposed that the Basel III requirements be introduced on a phased basis, with final implementation by 1 January 2019. The higher capital requirements for G-SIBs will, however, be phased in by the PRA between 2016 and 2018.

The Group was designated a G-SIB by the Financial Stability Board (“FSB”) in November 2012 and November 2013 and was again designated a G-SIB by the FSB in November 2014. The Group has been categorised within the 1 per cent. capital buffer requirement and will need to meet this additional capital requirement between 2016 and January 2019. Certain of the Group's non-UK entities may be designated domestic systemically important banks in the markets in which they operate in accordance with the approach developed by the BCBS and FSB, which may result in higher capital requirements for such entities.

CRD IV Capital Requirements

Basel III has been implemented in the EU through a package of legislation, comprising a directive (the “CRD IV Directive”) and a regulation (the “CRD IV Regulation”, which, together with the CRD IV Directive, are referred to as “CRD IV”). The CRD IV Directive must be implemented in each Member State by national legislation, while the CRD IV Regulation is directly applicable in each Member State and does not therefore require national implementing measures. Agreement of CRD IV was reached on 16 April 2013 and the final texts were published in the Official Journal of the EU on 26 June 2013. Member States were required to apply the new requirements (with certain exceptions and subject to transitional arrangements) from 1 January 2014.

On 19 December 2013, the PRA published a statement of policy, rules and supervisory statements required to implement relevant provisions of CRD IV (primarily requirements under the CRD IV Directive, but also certain discretions permitted under the CRD IV Regulation) in the UK for banks, building societies and PRA designated investment firms. This outlined how the PRA would apply certain aspects of CRD IV where they had national discretion, including capital filters and deductions, the implementation of Pillar 1 capital requirements and the grandfathering treatment of existing non-qualifying capital instruments. At a Group level, the PRA is applying all CET1 Capital filters and deductions in full from 1 January 2014 and not using the transitional provisions available within CRD IV. With respect to the phase-in of Pillar 1 capital requirements, in June 2014 the PRA set a requirement for the eight largest UK institutions (of which the Group is one) for a CET1 capital ratio of seven per cent. based on capital definitions set out in the CRD IV Regulation and the PRA Rulebook and a three per cent. end point Tier 1 leverage ratio from 1 July 2014. According to CRD IV, capital instruments issued prior to 31 December 2011 that do not qualify as Additional Tier 1 Capital or Tier 2 Capital will be phased out over a transitional period. The level of recognition of such instruments was capped at 80 per cent. as at 1 January 2014, and that cap will decline by 10 per cent. each subsequent year, being fully phased out by 1 January 2022. Further, instruments with an incentive to redeem (e.g. with an interest rate step-up) will be phased out at their effective maturity date (for capital instruments in respect of which the first call with an incentive to redeem is on or after 1 January 2013, the effective maturity date is the date of that first call with an incentive to redeem). The Group may not be able contractually to redeem instruments that cease to be eligible under CRD IV, with the result that the Group may be forced to raise further capital as a result of such instruments not being eligible as regulatory capital in the future.

The European Banking Authority (“EBA”) has been tasked by the European Commission with developing technical standards (“EBA Technical Standards”) in respect of many of the CRD IV requirements, facilitating the creation of a single EU rulebook for banks. These technical standards need to be adopted by the European Commission to come into force. A number of technical standards relating to own funds requirements were brought into force by Commission Delegated Regulation (EU) No.241/2014 of 7 January 2014, published in the Official Journal on 14 March 2014. There remains some uncertainty as to the final impact of the CRD IV capital requirements, as certain EBA Technical Standards relating to own funds requirements have not been finalised or published.

The EU Bank Recovery and Resolution Directive

The EU directive establishing a framework for the recovery and resolution of credit institutions and investment firms (the “EU Bank Recovery and Resolution Directive” or “BRRD”) also imposes requirements on Member States to ensure that Institutions (as defined below) meet a Minimum Requirement for Own Funds and Eligible Liabilities (“MREL”), calculated as a percentage of an Institution’s total liabilities and own funds. The level of MREL to be maintained by the Group is yet to be finalised but it is likely that the level of MREL required to be maintained by the Group could have an adverse impact on the Group’s cost of doing business. It is expected that the level of MREL will be set in accordance with the final position developed by the FSB relating to the total loss-absorbency capacity (“TLAC”) for G-SIBs, which is discussed in more detail below. Following the FSB’s draft proposals on TLAC published in November 2014, the EBA has published a consultation on MREL, in which the EBA states that it expects its proposals to be compatible with the FSB’s proposed term sheet for TLAC for G-SIBs and that where there are differences resulting from the nature of the EBA’s mandate under the BRRD, as well as the fact that the BRRD MREL requirement applies to banks which are not G-SIBs, these differences will not prevent resolution authorities from implementing the MREL for G-SIBs consistently with the international framework being developed by the FSB.

The Financial Services (Banking Reform) Act 2013

The Financial Services (Banking Reform) Act 2013 amended the Financial Services and Markets Act 2000 (“FSMA”) to provide HM Treasury with the power to require an institution to issue any debt instruments or to ensure that any part of its debt consists of debt instruments of a particular kind. This power is additional to the regulatory capital requirements under CRD IV. HM Treasury has indicated that it intends to use this power, as appropriate, to impose requirements for firms to meet TLAC or, in accordance with the BRRD, MREL requirements. HM Treasury has consulted on a draft Order that will regulate the exercise of this power in setting TLAC and MREL requirements on institutions, although the finalisation of detailed requirements is currently being delayed pending international agreement in relation to TLAC and MREL. The power is expected to become exercisable on or before 1 January 2016, at which time the power may be used to introduce TLAC and MREL requirements on the Group. This could materially increase the Group’s cost of doing business.

The FSB’s TLAC proposals

In 2013, the G20 called on the FSB to assess and develop proposals by the end of 2014 regarding the adequacy of loss absorbing capacity held by G-SIBs. The FSB published its draft proposals in November 2014, which comprised (i) a set of proposed principles concerning the loss absorbing and recapitalisation capacity of G-SIBs in resolution; and (ii) a high level “term sheet” proposing an internationally agreed standard on the characteristics and adequacy of TLAC for G-SIBs. The FSB’s central proposed principle regarding TLAC for G-SIBs is that there must be sufficient loss absorbing and recapitalisation capacity available in resolution to implement an orderly resolution that minimises any impact on financial stability, ensures the continuity of critical functions and avoids exposing taxpayers (that is, public funds) to loss with a high degree of confidence. The FSB’s other proposed principles elaborate on this main guiding principle.

Under the FSB’s TLAC proposals, G-SIBs would be subject to a Pillar 1 common minimum TLAC requirement of between 16 per cent. and 20 per cent. of Group RWA (a final minimum level within this range is likely to be chosen by the FSB based on the outcome of a quantitative impact study). The proposals state that the Pillar 1 TLAC requirement would, moreover, need to be at least twice the quantum of capital that would be required to meet the Basel III Tier 1 leverage ratio requirement (which is discussed in more detail under “UK Macro-prudential Regulation” below). Assuming a minimum leverage ratio requirement of 3 per cent., as currently proposed by Basel III, this means the TLAC requirement in the UK would, if the current proposals were finalised, be at least 6 per cent. of total leverage exposures. The FSB also proposes that national resolution authorities should have the power to impose additional Pillar 2 requirements above the level described above.

The FSB proposes that regulatory capital resources counting towards satisfying the minimum regulatory capital requirements of Basel III (as reflected in the EU through CRD IV) should also count towards satisfying the minimum TLAC requirement. Regulatory capital buffers and Pillar 2 capital requirements will, however, need to be satisfied using CET1 resources in excess of that required to satisfy minimum regulatory capital requirements and minimum TLAC requirements. The FSB also proposes that, in order to ensure that a G-SIB has sufficient outstanding long-term debt for absorbing losses and/or effecting a recapitalisation in resolution, the aggregate of debt capital resources and other eligible TLAC that is not

regulatory capital should be equal to or greater than 33 per cent. of minimum TLAC. Certain eligibility conditions will apply to TLAC that is not regulatory capital, including (i) that it has a minimum remaining maturity of one year; (ii) that it is unsecured; and (iii) that it is contractually, structurally or statutorily subordinated to certain liabilities which are listed as being ineligible to constitute TLAC, including, for example, insured deposits. Moreover, it is proposed that the redemption of such eligible TLAC will be subject to supervisory approval, except where the relevant TLAC will be replaced with liabilities of the same or higher quality.

The Group is subject to a combined buffer of 3.5 per cent. under rules made by the PRA (comprising a capital conservation buffer of 2.5 per cent., a G-SIB capital surcharge determined by the FSB of 1 per cent. and a countercyclical buffer of 0 per cent.). Accordingly, the FSB's proposals would, if finalised in their current form, result in the Group being required to maintain overall TLAC, including combined buffers, of between 19.5 per cent. and 23.5 per cent. of the Group's RWA (which the PRA could increase with additional Pillar 2 requirements).

New liquidity standards under CRD IV

Under CRD IV (implementing requirements proposed by Basel III), banks will be required to meet two new liquidity standards: a liquidity coverage ratio requirement ("LCR") and a net stable funding ratio requirement ("NSFR"). The LCR will require banks to hold an amount of unencumbered, high quality liquid assets that can be used to offset the net cash outflows the bank could encounter under an acute short-term liquidity stress scenario. The NSFR will measure the amount of stable sources of funding employed by a bank relative to the liquidity profiles of the assets funded and the potential for contingent calls on liquidity arising from off-balance sheet commitments and obligations. Banks domiciled in the EU will be subject to a minimum 60 per cent. LCR requirement from October 2015, rising in annual steps of at least 10 percentage points to reach 100 per cent. by 1 January 2018. The NSFR will remain subject to an observation period ahead of its planned implementation on 1 January 2018.

The PRA currently operates its own liquidity standards based on the following elements: (i) principles of self-sufficiency and adequacy of liquidity resources, (ii) enhanced systems and control requirements, (iii) quantitative requirements, including Individual Liquidity Adequacy Standards, coupled with a narrow definition of liquid assets and (iv) frequent regulatory reporting. In November 2014 the PRA formally opened its consultation for transitioning its current regime to a CRD IV based regime from 1 October 2015. The Group currently meets the minimum requirements set by the PRA, however there can be no assurance that future changes to such requirements would not have an adverse effect on the Group's financial condition, results of operations and prospects.

UK Macro-prudential Regulation

The Financial Services Act 2012 empowers the Financial Policy Committee ("FPC"), which is a sub-committee of the Bank of England's Court of Directors, to give directions to the PRA and the Financial Conduct Authority ("FCA") so as to ensure implementation of macro-prudential measures intended to manage systemic risk. The FPC set the counter-cyclical buffer rate at 0 per cent. from June 2014 and the counter-cyclical buffer rate will be kept under review by the FPC based on a set of core indicators. The UK government intends that the FPC should be able to require the PRA to impose additional specific capital requirements on banks to address risks to the UK market for banking services.

The UK government has indicated that it intends to provide the FPC with powers to direct the PRA to set leverage ratio requirements and buffers. The Bank of England, acting through its FPC, undertook a review of the leverage ratio during 2014, the results of which were published in October 2014. The FPC agreed with the UK government's proposals, and recommended that it should have the power to direct the PRA to set (i) a minimum leverage ratio requirement; (ii) a supplementary leverage ratio buffer that will apply to G-SIBs and other major domestic banks and building societies and (iii) a countercyclical leverage ratio buffer. The FPC has indicated that it sees a strong case for introducing a leverage ratio framework for UK G-SIBs as soon as practicable and ahead of an internationally agreed standard for G-SIBs and other major domestic UK banks and building societies.

In that connection, the FPC has proposed, among other things, that:

- A minimum leverage ratio requirement of 3 per cent. should be introduced in the UK as soon as practicable for UK G-SIBs, including the Group, thereby superseding the PRA's existing supervisory expectation that a leverage ratio of 3 per cent. should be maintained.

- Supplementary leverage ratio buffers for G-SIBs should be introduced and set at 35 per cent. of the corresponding risk-weighted systemic risk buffer rates for such firms. The risk-weighted systemic risk capital buffer is currently expected to be implemented from 2016, although this capital buffer is unlikely to affect the Group unless and to the extent that any systemic risk buffer is higher than the Group's G-SIB buffer. The FPC proposes that the supplementary leverage ratio buffer, which would be likely to affect the Group, should be introduced in parallel with the risk-weighted systemic risk capital buffer in 2016.
- A countercyclical leverage ratio buffer should be introduced and implemented at the same time as any changes to the risk-weighted countercyclical capital buffer rates. The FPC has proposed that the countercyclical leverage ratio buffer should be set at 35 per cent. of the risk-weighted countercyclical capital buffer.

The UK government agreed with the FPC's recommendations and carried out, in November 2014, a public consultation on its proposal to confer such powers on the FPC, and on the draft secondary legislation for this purpose, before laying the draft statutory instrument before UK Parliament in January 2015. Alongside this, in February 2015, the FPC published a draft policy statement setting out its proposals for the exercise of its leverage ratio direction power, which are consistent with those summarised above. The secondary legislation is currently expected to come into effect on 6 April 2015, with the minimum leverage ratio requirement of 3 per cent. and the countercyclical leverage ratio buffer, likely to take effect also from that date, although this remains subject to approval of the UK Parliament.

In March 2013, the FPC recommended that regular stress testing of the UK banking system should be developed to assess the system's capital adequacy. On 16 December 2014, the Bank of England published the results of the first concurrent stress test. The 2014 UK stress test explored vulnerabilities stemming from the UK household sector, in particular, reflecting the Financial Policy Committee's assessment of the main domestic risks to financial stability. The Bank of England has indicated that subsequent stress tests of the UK banking system would include assessments of UK banks' exposures to risks in emerging markets, such as some of the markets in which the Group operates. The Group could be required to raise additional capital as a result of subsequent stress tests, which may have an adverse effect on the Group's financial condition, results of operations and prospects.

If the regulatory capital requirements, liquidity requirements or other requirements applied to the Group are increased in the future, this may have an adverse effect on the Group's financial condition, results of operations and prospects. In addition, any failure by the Group to satisfy such increased requirements could result in regulatory intervention or sanctions (including loss or suspension of a banking licence) or significant reputational harm, which in turn may have a material adverse effect on the Group's financial condition, results of operations and prospects.

"Common Equity Tier 1 Capital", "Additional Tier 1 Capital", "Tier 1 Capital" and "Tier 2 Capital", depending on the context, have the meaning (i) required under CRD IV (including EBA Technical Standards) and/or Basel III; or (ii) given to them in the guidance or rules of the PRA.

4 *The business and operations of the Group may be affected by resolution measures developed by its regulators, including those introduced in accordance with the BRRD and the Banking Act 2009.*

The wide-ranging powers introduced and to be introduced by the Group's regulators, particularly in the UK and the EU, to enable those regulators to intervene and alter the business and operations as well as the capital and debt structure of an unsound or failing bank could have significant consequences for the Group's profitability, its financing costs and the implementation of its global strategy if such powers were ever exercised. The exercise of resolution powers may have a material adverse effect on the Group's financial condition, results of operations and prospects.

Moreover, in order to prepare for the possibility of a bank entering financial difficulty, recovery and resolution planning regimes provide the Group's regulators with powers to require the Group to make changes to its legal, capital or operational structures, alter or cease to carry on certain specified activities, or satisfy MREL requirements. Should the Group's regulators ultimately decide that any such changes are necessary or desirable to increase the resolvability and/or recoverability of the Group in a stress situation, the impact of any changes required may have a material effect on capital, liquidity and leverage ratios or on the overall profitability of the Group.

Regulatory Capital Write-Down and Bail-in Powers

The European Parliament and the Council adopted the BRRD on 15 May 2014 to create a framework for the recovery and resolution of EU banks and investment firms ("Institutions"), which includes harmonised tools and powers for EU regulators to facilitate the orderly resolution of unsound or failing Institutions. The BRRD requires Member States to give powers to their regulators and other bodies responsible for resolution activities ("Resolution Authorities") to recapitalise Institutions and/or their EEA parent holding companies that are in severe financial difficulty or at the point of non-viability by permanently writing-down certain capital instruments (such as the Securities) issued by such Institutions and/or their EEA parent holding companies (or converting capital instruments into shares) ("Regulatory Capital Write-Down Powers"). Resolution Authorities will also have powers to 'bail-in' certain unsecured liabilities (such as the Securities) of an Institution and/or its EEA parent holding companies in a resolution scenario ("Bail-In Powers"), i.e. to impose losses of a failed or failing Institution onto certain creditors by writing down unsecured liabilities owed to them or by converting those liabilities into shares. Member States were required to transpose the requirements set out under the BRRD by 31 December 2014 and apply the requirements from 1 January 2015, although Member States were permitted to delay the application of Bail-in Powers until 1 January 2016. HM Treasury has not taken advantage of this option and Bail-in Powers have accordingly been in force in the UK since 31 December 2014.

Resolution funds

The BRRD requires Member States to establish resolution funds, to which Institutions will be required to make ex ante contributions in proportion to their liabilities (excluding own funds) less covered deposits, adjusted to reflect the risk profile of the Institution. These resolution funds will be set up to ensure the effective application of resolution powers by Resolution Authorities. Each resolution fund will separately determine the amount to be contributed by individual Institutions, but are required to ensure that, by 31 December 2024, the available financial means of the resolution fund reaches at least 1 per cent. of the amount of covered deposits of all the institutions authorised in the relevant territory. For this purpose, it is expected that contributions will be made on an annual basis, beginning once the BRRD has been implemented, and that these annual contributions will be supplemented (as necessary) with extraordinary contributions. The cost of contributions to the UK resolution fund could represent a material cost to Standard Chartered Bank ("SCB") or the Group, although the UK has effectively obtained powers to treat the UK bank levy as the chosen source of annual funding going forward. Institutions may also be required to make an extraordinary ex-post contribution if the amounts raised by the ex-ante contributions are insufficient to cover the losses, costs or other expenses involved in the resolution of an Institution or Institutions.

Potential impact on funding in non-EU jurisdictions

Article 55 of the BRRD introduces a new requirement in respect of contracts relating to the liabilities of an Institution (including branches of any Institution established in the EU, such as the Issuer) which are governed by the law of a non-EEA country. Member States must require Institutions to ensure that such contracts contain a term whereby the creditor or party to the agreement creating the liability recognises that the liability may be subject to the Bail-in Powers, and agrees to be bound by any reduction of the principal or outstanding amount due, conversion or cancellation that is effected by the exercise of the Bail-in Powers. Resolution Authorities may require institutions to provide legal opinions in relation to the enforceability and effectiveness of such contractual terms. Failure to include such a contractual term shall not prevent the Resolution Authority from exercising the Bail-in Powers in respect of the relevant liability. The Group is currently working to identify the potential impact of this requirement in those non-EEA jurisdictions in which it maintains a branch presence. There is a risk that this requirement could affect the ability of the Group's non-EEA branches to raise funding in their local markets, increase the cost of such funding, give rise to a competitive disadvantages for the Group, impact funding in periods of stress and give rise to additional operational requirements.

Early intervention powers and powers to remove barriers to resolvability

The BRRD will extend the existing powers of regulators to intervene at an appropriate early stage to facilitate the recovery of viable Institutions, including powers to remove and replace board members, implement one or more measures identified in the Institution's recovery plan, require changes to the legal or operational structure of the Institution or appoint special managers to restore the financial health of the Institution. Resolution Authorities may also require that Institutions take certain measures that would improve the resolvability of the Institution or its group, which may necessitate changes to the structure of an

Institution's group or its operational strategy (for example, requiring groups to subsidise certain businesses or critical services).

Additional resolution powers under the BRRD

A variety of powers are required to be conferred on Resolution Authorities under the BRRD to facilitate the orderly resolution of a failing Institution (and certain of its holding companies), including, amongst other things, powers to:

- (i) transfer, cancel or write-down shares and debt instruments of an Institution or procure the issue of new shares or other capital instruments, including preference shares and contingent convertible instruments;
- (ii) amend or alter the maturity of debt instruments issued by an Institution or amend the amount of interest payable or the date on which interest becomes payable under such instruments;
- (iii) delist or remove from trading any shares or other instruments of ownership or debt instruments, list or admit to listing any new shares or other instruments of ownership and relist or readmit any debt instruments which have been written down;
- (iv) transfer assets, rights and liabilities of an Institution free from any legal or contractual restriction on such transfers;
- (v) require an Institution to provide any services or facilities that are necessary to enable a purchaser of the Institution's business to operate that business effectively; and
- (vi) require the transfer of property located in non-EU jurisdictions.

Similar powers are contained within the resolution framework in the UK to be applied by HM Treasury, the PRA, the FCA and the Bank of England pursuant to the Banking Act 2009 (as amended, the "Banking Act 2009"). Moreover, the UK government has transposed the statutory framework and the detailed requirements for the introduction of a bail-in power into its resolution framework under the Banking Act 2009 with effect from 31 December 2014. The powers detailed above could be applied in respect of the Securities and Ordinary Shares issued on any conversion of the Securities.

Resolution powers under the Banking Act 2009

The Banking Act 2009 came into force on 21 February 2009 and applies to deposit-taking institutions (such as SCB) that are incorporated in or formed under the law of any part of the UK. It provides HM Treasury, the Bank of England, the PRA and the FCA with powers, including the stabilisation options referred to below, which may be used to deal with banks which are failing or likely to fail to satisfy the threshold conditions within the meaning of section 55B and Schedule 6 of FSMA (which is not currently the case in respect of SCB and which the Group does not consider to be likely) where it is not reasonably likely that action will be taken to satisfy those threshold conditions. As originally enacted, the Banking Act 2009 sets out a special resolution regime which comprised three stabilisation options and two insolvency procedures.

The stabilisation options involve:

- (i) the transfer of a bank or bank holding company (such as the Issuer) into temporary public ownership;
- (ii) the transfer of all or part of a bank to a private sector purchaser; and
- (iii) the transfer of all or part of a bank to a bridge bank wholly owned by the Bank of England.

The insolvency procedures are:

- (i) bank insolvency, designed to ensure that eligible depositors' accounts are transferred to another bank, or that eligible depositors are compensated under the Financial Services Compensation

Scheme, followed by winding-up of the affairs of the bank so as to achieve the best result for the bank's creditors; and

- (ii) a bank administration procedure designed to ensure that where the transfer of part of a bank to a private sector purchaser or bridge bank is effected in accordance with the special resolution regime, the non-sold or non-transferred bank continues to provide services and facilities to the business which has been transferred to enable the commercial purchaser or transferee to operate effectively.

In February 2011, special administration procedures were introduced by the Investment Bank Special Administration Regulations 2011 for UK deposit-taking institutions that have an "investment banking" business. The procedures are based on the bank insolvency and bank administration procedures under the Banking Act 2009 but additionally take into account special administration objectives.

HM Treasury, the Bank of England, the PRA and the FCA must have regard to specified objectives (the protection and enhancement of the stability of the UK financial system, protecting and enhancing public confidence in the stability of the UK banking system, protecting depositors, protecting public funds and avoiding interference with property rights in contravention of the European Convention on Human Rights) when exercising the special resolution regime powers.

Bail-in power pursuant to the Financial Services (Banking Reform) Act 2013

The Financial Services (Banking Reform) Act 2013 provides for the introduction of a bail-in power as the fourth stabilisation option which may be exercised by the Bank of England pursuant to the Banking Act 2009 in addition to the three existing stabilisation options provided under the Banking Act 2009. The bail-in power includes the power to cancel or modify the terms of contracts in a resolution scenario for the purposes of reducing or deferring the liabilities of a bank under resolution. The bail-in power also includes provisions enabling the conversion of debt instruments into equity instruments and the power may be applied to any liabilities of a bank under resolution which are not designated as excluded liabilities in the Act. Client assets, protected deposits, secured liabilities and certain liabilities owed to employees, among others, constitute "excluded liabilities". Accordingly, the Securities may fall within the pool of instruments in respect of which the bail-in power could be exercised (See further the paragraph below entitled "*Risks related to the Securities – The Securities may be subject to statutory write-down or bail-in powers*"). Secondary legislation containing the measures used to introduce the bail-in power, including the requirements to be met when exercising the bail-in power and the liabilities that are to be excluded from the scope of the bail-in power, took effect on 1 January 2015.

Ongoing requirements

The Group is required to produce and keep up-to-date recovery plans to withstand a significant deterioration in its financial position. Institutions will also be required to provide detailed information about their businesses and entities, from which Resolution Authorities will be required to produce plans for resolving the institution and its group. The need to prepare and submit recovery plans and resolution plan-related information (and the requirements to keep such plans and information up-to-date on a regular basis) represents a significant operational burden.

5 *European Banking Union.*

The European Central Bank ("ECB") took over supervisory responsibility for banks in the euro area on 4 November 2014 as part of the Single Supervisory Mechanism framework in accordance with the provisions of the EU SSM Regulation (EU Regulation 1024/2013), which was finalised in October 2013, and associated EU legislative measures. Other EU Member States (such as the UK) are able to establish close co-operation with the ECB in which case the ECB could become responsible for the authorisation and supervision of credit institutions in such Member States. If the UK established close co-operation with the ECB, or joined the European Monetary Union, the ECB could become responsible for the supervision of the Group which may differ in significant respects from that carried out by the PRA and FCA, and which, depending on the circumstances, could have a material adverse effect on the conduct of the business of the Group, its strategy and profitability, and therefore its financial condition, results of operations and prospects.

6 Regulatory reviews and investigations and internal practice and process reviews may result in adverse consequences to the Group.

Since the global financial crisis, the banking industry has been subject to increased regulatory scrutiny. There has been an unprecedented volume of regulatory changes and requirements, as well as a more intensive approach to supervision and oversight, resulting in an increasing number of regulatory reviews, requests for information and investigations, often with enforcement consequences, involving banks.

While the Group seeks to comply with the letter and spirit of all applicable laws and regulations at all times, it has been and may continue to be subject to regulatory actions, reviews, requests for information (including subpoenas and requests for documents) and investigations across its markets, the outcomes of which are generally difficult to predict and can be material to the Group.

In 2012, the Group reached settlements with the US authorities regarding US sanctions compliance in the period 2001 to 2007, involving a Consent Order by the New York Department of Financial Services ("NYDFS"), a Cease and Desist Order by the Board of Governors of the Federal Reserve System ("Fed"), Deferred Prosecution Agreements with each of the Department of Justice ("DOJ") and the New York County District Attorney's Office ("DANY") (each a "DPA") and a Settlement Agreement with the Office of Foreign Assets Control (together, the "Settlements"). In addition to the civil penalties totalling U.S.\$667 million, the terms of the Settlements include a number of conditions and ongoing obligations with regard to improving sanctions, Anti-Money Laundering ("AML") and Bank Secrecy Act ("BSA") controls such as remediation programmes, reporting requirements, compliance reviews and programmes, banking transparency requirements, training measures, audit programmes, disclosure obligations and, in connection with the NYDFS Consent Order, the appointment of an independent monitor (the "Monitor"). These obligations are managed under a programme of work referred to as the US Supervisory Remediation Program ("SRP"). The SRP comprises work streams designed to ensure compliance with the remediation requirements contained in all of the Settlements. In 2013, the Group also established a Financial Crime Risk Mitigation Programme ("FCRMP"), which is a comprehensive, multi-year programme designed to review and enhance many aspects of the Group's existing approach to money laundering prevention and to combating terrorism finance and the approach to sanctions compliance and the prevention of bribery and corruption. Many of the deliverables under the SRP are reliant on, or led by, individuals or functions outside the US, and in some cases represent the US implementation of Group-wide remediation or upgrade activity managed under the FCRMP. Consequently, there is a close working relationship between the SRP and FCRMP for the purpose of project coordination and delivery. As part of the FCRMP, the Group or its advisors may identify new issues, potential breaches or matters requiring further review or further process improvements that could impact the scope or duration of the FCRMP.

The Group is engaged with all relevant authorities to implement these programmes and meet the obligations under the Settlements.

On 19 August 2014, the Group announced that it had reached a final settlement with the NYDFS regarding deficiencies in the anti-money laundering transaction surveillance system in its New York branch (the "Branch"). The system, which is separate from the sanctions screening process, is one part of the Group's overall financial crime controls and is designed to alert the Branch to unusual transaction patterns that require further investigation on a post-transaction basis.

The settlement provisions are summarised as follows:

- (i) a civil monetary penalty of U.S.\$300 million;
- (ii) enhancements to the transaction surveillance system at the Branch;
- (iii) a two-year extension to the term of the Monitor; and
- (iv) the following set of temporary remediation measures, which will remain in place until the transaction surveillance system's detection scenarios are operating to a standard approved by the Monitor:
 - (a) the Branch will not, without prior approval of the NYDFS in consultation with the Monitor, open a U.S. Dollar demand deposit account for any client that does not already have such an account with the Branch;

- (b) requirements for inclusion of identifying information for originators and beneficiaries of some affiliate and third-party payment messages cleared through the Branch;
- (c) a restriction on U.S. Dollar clearing services for certain Hong Kong retail business clients; and
- (d) enhanced monitoring of certain small and medium sized enterprise clients in the United Arab Emirates. The Group decided to exit this business as part of its broader efforts to sharpen its strategic focus, withdrawing from or re-aligning non-strategic businesses, including those where increased regulatory costs undermine their economic viability. The exit process is largely complete and, in accordance with the settlement agreement, U.S. Dollar clearance restrictions were implemented effective 17 November 2014.

The remit of the SRP has been expanded to cover the management of these obligations.

On 9 December 2014, the Group announced that the DOJ, DANY and the Group had agreed to a three-year extension of the DPAs until 10 December 2017, and to the retention of a monitor to evaluate and make recommendations regarding the Group's sanctions compliance programme. The DOJ agreement acknowledges that the Group has taken a number of steps to comply with the requirements of the original DPAs and to enhance and optimise its sanctions compliance, including the implementation of more rigorous US sanctions policies and procedures, certified staff training, hiring of senior legal and financial crime compliance staff and recently implementing additional measures to block payment instructions for countries subject to US sanctions laws and regulations. The Group will work closely with the authorities to make additional substantial improvements to its US sanctions programme to reach the standard required by the DPAs.

The DOJ agreement also indicates that the Group is co-operating with an investigation relating to possible historical violations of US sanctions laws and regulations, but that additional time is needed for the authorities to complete the investigation and determine whether any violations have occurred. The Group remains committed to full cooperation with the authorities during this investigation, alongside an extensive programme of compliance improvements. At the current stage of this investigation, the Group cannot predict the nature or timing of its outcome. There is a range of potential penalties for sanctions compliance violations, which could ultimately include substantial monetary penalties, additional compliance and remediation requirements, and/or additional business restrictions.

The Group recognises that its compliance with historical, current and future sanctions, as well as AML and BSA requirements, and customer due diligence practices, not just in the US but throughout its footprint, are and will remain a focus of the relevant authorities.

As part of their remit to oversee market conduct, regulators and other agencies in certain markets are conducting investigations or requesting reviews into a number of areas of regulatory compliance and market conduct, including sales and trading, involving a range of financial products, and submissions made to set various market interest rates and other financial benchmarks, such as foreign exchange. At relevant times, certain of the Group's branches and/or subsidiaries were (and are) participants in some of those markets, in some cases submitting data to bodies that set such rates and other financial benchmarks. The Group is contributing to industry proposals to strengthen financial benchmarks processes in certain markets and continues to review its practices and processes in the light of the investigations, reviews and the industry proposals.

The Group is co-operating with all relevant ongoing reviews, requests for information and investigations. The outcome of these reviews, requests for information and investigations is uncertain and could result in further actions, penalties or fines but it is not possible to predict the extent of any liabilities or other consequences that may arise.

In meeting regulatory expectations and demonstrating active risk management, the Group also takes steps to restrict or restructure or otherwise to mitigate higher risk business activities which could include divesting or closing businesses that exist beyond risk tolerances.

7 *The Group may face increased compliance costs as a result of tax legislation passed in the United States and intergovernmental agreements entered into with respect thereto.*

In March 2010, the United States passed legislation commonly known as "FATCA" that would require non-U.S. banks to provide information on United States account holders. A number of jurisdictions have entered

into intergovernmental agreements with respect to FATCA, modifying the reporting and withholding obligations with respect to banks resident in such jurisdictions. The UK and Hong Kong have entered into such intergovernmental agreements, and Singapore has reached agreement in substance to enter into an intergovernmental agreement. Under applicable guidance issued by the U.S. Internal Revenue Service, such reporting requirements will begin to take effect in 2015. If this information is not provided in a form satisfactory to the U.S. tax authorities (or local authorities under an applicable intergovernmental agreement), that bank will have a 30 per cent. withholding tax applied to certain amounts derived from U.S. sources, and possibly in the future, non-U.S. sources. The increased due diligence of customer information and the reporting of information to the U.S. authorities (or to local authorities under an applicable intergovernmental agreement for subsequent transmission to the U.S. authorities) will increase operational and compliance costs for banks. At this time, it is not possible to quantify the full costs of complying with the new legislation as some aspects are still to be determined.

No assurance can be given about the likelihood of further changes to this regime either: (i) in the U.S. or other countries; (ii) to the Group's particular business sectors; or (iii) specifically in relation to the Group. Moreover, governmental authorities of jurisdictions outside the United States are considering passing similar legislation. Any or all of these factors could have a material adverse effect on the conduct of the business of the Group, its strategy and profitability, and therefore its financial condition, results of operations and prospects.

8 *Changes in law or regulation applicable to derivatives may adversely affect the Group's business and the Group may face increased costs and/or reduced revenues.*

The business of the Group is subject to increased regulation and regulatory changes at both a local and global level which may increase the costs of, and/or reduce the revenue from, its business. The Group is subject to financial services laws, regulations, administrative actions and policies in each location in which the Group operates. Financial regulators around the world have responded to the recent financial crisis by proposing significant changes to the regulatory regime applicable to financial service companies such as ours. Changes to the current system of supervision and regulation, or any failure to comply with applicable laws and rules could materially and adversely affect the Group's business, financial condition or operations.

In July 2010, the United States passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). The Dodd-Frank Act established wide-ranging reform of the US regulatory system designed to contain systemic risk (central clearing, margin requirements, capital) and increase market transparency (real-time reporting, exchange or SEF trading, disclosure and record retention). The legislation also introduces registration and oversight of key entities engaging in swaps. The Group is not a US Person and it is registered with the Commodity Futures Trading Commission ("CFTC") as a Non-US Person Swap Dealer. The reforms have not all taken effect immediately as relevant federal regulatory agencies have been issuing new rules, implementing regulations, and instructing the relevant regulatory agencies to examine specific issues before taking any action. The Group therefore continues to track and assess the impact of the reforms as and when further detail and timing is known.

On 16 August 2012, the European Market Infrastructure Regulation ("EMIR") (formally known as Regulation (EU) No 648/2012 of the European Parliament and the Council on Over-The-Counter Derivatives, Central Counterparties and Trade Repositories) came into force. EMIR imposes requirements to report all derivative transactions to authorised or recognised trade repositories and the obligation to clear on authorised or recognised central clearing counterparties certain OTC derivative transactions executed with financial counterparties and non-financial counterparties who exceed certain clearing thresholds. EMIR also introduces a stringent risk mitigation regime for all uncleared OTC derivative transactions including a requirement to exchange collateral or margin.

The regulatory changes and resulting requirements of the Dodd-Frank Act, EMIR and similar international reform efforts may increase the costs of, and/or reduce the revenue from, engaging in transactions in OTC derivatives ("Transactions") and related activities for the Group. Provisions of the Dodd-Frank Act may cause or require certain market participants to transfer some of their derivatives activities to separate entities, which may not be as creditworthy as the current entities. Accordingly, the ability to enter into and perform Transactions or engage in future Transactions may be affected in unpredictable ways, including increasing the costs of or reducing the incentives for engaging in such activities. New regulations may also put restraints on the way the Group can conduct its business with regard to derivatives, if those derivatives are not cleared through a central clearing house.

No assurance can be given about the likelihood of further changes to this regulatory regime either (i) in the US or other countries; (ii) to the Group's particular business sectors; or (iii) specifically in relation to the Group. Any or all of these factors could impact the conduct of the business of the Group, its strategy and profitability, and therefore its financial condition, results of operations and prospects.

Operational risks

1 *Operational risks are inherent in the Group's business.*

Operational risk is the risk of direct or indirect loss due to an event or action resulting from the failure of internal processes, people and systems or from external events. Operational losses can result, for example, from failure to prevent or detect money laundering, prevent or detect international terrorist financing or to comply with sanctions regulations, comply with legal or regulatory requirements, prevent or detect information and cyber security breaches, deter, prevent or detect external and internal fraud, manage data adequately or handle client data with the appropriate duty of care, manage critical change projects, manage systemic product risks, prevent mis-selling, deliver the conduct of business expected of the Group and its employees, prevent risks concentrated in critical third party vendors, comply with standard sets by authorities with respect to market data submission, prevent a major systems failure, prevent a significant business interruption, prevent or detect rogue trading and ensure that its collateral and legal documentation is available and reliable when called upon. The Group seeks to ensure that operational risks are managed in a timely and effective manner, through a framework of policies, procedures and tools. This framework may prove inadequate in managing such risks. Any of these risks could have a material adverse effect on the Group's ability to conduct business, its financial condition, results of operations and prospects.

However, this does not imply that the Issuer or any member of the Group will be unable to comply with their obligations as a supervised firm regulated by the PRA and the FCA.

2 *The business of the Group may be affected if it is unable to recruit, retain and develop appropriate senior management and skilled personnel.*

The Group's continued success depends in part on the continued service of key members of its management team and other skilled personnel. The ability to continue to attract, train, motivate and retain highly qualified professionals is a key element of the Group's strategy. The successful implementation of the Group's growth strategy depends on the availability of skilled management at its head office and at each of its business units and international locations. Competition for skilled management and other employees is particularly evident in a number of the geographic areas in which the Group operates, particularly, in emerging markets. If the Group or one of its business units or other functions fails to staff their operations appropriately, or loses one or more of its key senior executives and fails to replace them in a satisfactory and timely manner, its business, financial condition and results of operations, including control of operational risks, may be adversely affected. Likewise, if the Group fails to attract and appropriately train, motivate and retain qualified professionals, its business, and in particular the ability to expand in certain areas, may be adversely affected, which could have a material adverse effect on the Group's financial condition, results of operations and prospects. The EU and the UK regulators have introduced, and are planning to introduce further, requirements in respect of remuneration which could potentially affect the ability of the Group to recruit, retain and motivate appropriate senior management and skilled personnel.

In particular, restrictions have applied from 1 January 2011 on the payment, structure and disclosure of bonuses and other non-contractual remuneration to senior management and anyone whose professional activities could have a material impact on a firm's risk profile. These restrictions apply globally to the Group but similar restrictions do not apply to competitors based outside the EU, notably in the majority of the Group's core markets across Asia, Africa, and the Middle East, which creates an uneven playing field when competing in those markets for talent with other local and non-EU international banks. In addition to the existing remuneration requirements, CRD IV limits, with effect from the 2014 performance year, the amount of variable compensation that can be paid for certain regulated staff to a maximum of two times their fixed compensation. In addition, from 1 January 2015 claw-back of any future awards of variable compensation may be possible for up to seven years from award/payment. This requirement does not apply to competitors headquartered outside the EU operating in the Group's core markets. Such provisions may also have a significant impact on both the Group's ability to manage the variable compensation pool in stress situations and to compete for and retain talent.

Any of these matters could have a material adverse effect on the Group's ability to conduct its business, its financial condition, results of operations and prospects.

3 *The banking industry is a target for fraud and other criminal activity.*

The banking industry has long been a target for third parties seeking to defraud, to disrupt legitimate economic activity, or to facilitate other illegal activities. Operational losses may result from, for example, failure to meet regulatory expectations in anti-money laundering, countering terrorist financing and sanctions compliance; internal and external fraud; and cybercrime.

The Group's size and strategic intent exposes it to increased risks of money laundering and sanctions violation. The risks arise from (1) the Group offering different banking products to diverse customer types delivered through multiple channels in or related to many geographies, (2) the Group's defences being overcome by criminals, and/or (3) regulators assessing that governance of the risk and the associated design of controls operating across the Group's due diligence are not sufficient to address risks in line with their expectation.

Concerns about cyber risk have risen significantly, driven in part by geopolitical events. It includes fraud, vandalism and damage to critical infrastructure.

The Group's businesses depend on the ability to process a large number of transactions efficiently and accurately, and on its ability to rely on its digital technologies, computer and email services, software and networks, as well as on the secure processing, storage and transmission of confidential and other information in its computer systems and networks.

While the internet and networked technologies have provided major opportunities for digitising business, they have also given rise to significant risks as well-equipped and motivated attackers become more sophisticated. The incidence of cybercrime is rising, becoming more globally coordinated, and is a challenge for all organisations.

Fraud losses may arise from, for example, theft of client or Group assets including data; or any deliberate concealment, manipulation or mis-representation of document records.

The Group seeks to be vigilant to the risks of internal and external crime in its management of people, processes, systems and in its dealings with customers and other stakeholders. Controls are embedded in the Group's policies and procedures across a wide range of the Group's activities, such as origination, client on-boarding, recruitment, physical and information security. The Group uses third parties where appropriate to further protect, test, validate and strengthen its defences. The Group also actively collaborates with its peers, regulators and other expert bodies as part of its response to these risks. However, such measures may not be adequate and these risks could have a material adverse effect on the Group's ability to conduct business, its financial condition, results of operations and prospects.

Risks relating to the structure of the Securities

The Securities have features which entail particular risks for potential investors. Set out below is a description of certain such features. Unless the context otherwise requires, capitalised terms used below shall have the meanings given to them in the Conditions.

1 *Interest payments on the Securities are discretionary and the Issuer may cancel interest payments, in whole or in part, at any time. Cancelled interest shall not be due and shall not accumulate or be payable at any time thereafter and investors shall have no rights thereto.*

Interest on the Securities will be due and payable only at the sole discretion of the Issuer and the Issuer shall have absolute discretion at all times and for any reason to cancel any interest payment in whole or in part that would otherwise be payable on any Interest Payment Date, subject to:

- (i) Condition 4(a) in relation to the solvency of the Issuer at and following the time of payment;
- (ii) Condition 6(b) in relation to certain restrictions on the making of interest payments; and
- (iii) Condition 7(c) in relation to interest in respect of an Interest Payment Date which falls on or after the date of a Conversion Trigger Event.

If the Issuer cancels any scheduled interest payment, such interest payment shall not be or become due and payable at any time thereafter and in no event will Securityholders have any right to or claim against the Issuer with respect to such interest amount or be able to accelerate the principal of the Securities as a result of such interest cancellation. Furthermore, no cancellation of interest in accordance with the Conditions shall constitute a default or an event of default by the Issuer for any purpose. There can, therefore, be no assurances that a Securityholder will receive any interest payments in respect of the Securities.

It is the Issuer's board of directors' current intention that, whenever exercising its discretion to declare dividends in respect of its Ordinary Shares, or its discretion to cancel interest on the Securities or any other additional tier 1 securities of the Issuer, the board will take into account the relative ranking of these instruments in the Issuer's capital structure. However, the board may at any time depart from this approach at its sole discretion.

Following cancellation of any Interest Payment the Issuer will not be in any way limited or restricted from making any distribution or equivalent payments in connection with any Parity Securities or Junior Securities, including any dividend payments on the Ordinary Shares or preference shares. The Issuer may therefore cancel (in whole or in part) any interest payment on the Securities at its discretion and may pay dividends on its ordinary or preference shares or on other additional tier 1 securities notwithstanding such cancellation. In addition, the Issuer may without restriction use funds that could have been applied to make such cancelled payments to meet its other obligations as they become due.

2 *The Securities have no scheduled maturity and Securityholders only have a limited ability to exit their investment in the Securities.*

The Securities are perpetual securities and have no fixed maturity date or fixed redemption date. Although under certain circumstances, as described under Condition 8, the Issuer may redeem the Securities, the Issuer is under no obligation to do so and Securityholders have no right to call for their redemption. Therefore, Securityholders have no ability to exit their investment, except (i) if the Issuer exercises its rights to redeem the Securities in accordance with their terms and applicable laws, (ii) by selling their Securities or, following the occurrence of the Conversion Trigger Event and the issue and delivery of Ordinary Shares, their Ordinary Shares (if the Issuer does not elect that a Conversion Shares Offer be made or where the Ordinary Shares issued upon Conversion are not all sold pursuant to the Conversion Shares Offer), (iii) through the cash component of any Conversion Shares Offer Consideration, (iv) where the Trustee institutes proceedings for the winding-up of the Issuer where the Issuer has exercised its right to redeem the Securities but fails to make payment in respect of such redemption when due, in which limited circumstances the Securityholders may receive some of any resulting liquidation proceeds following payment being made in full to all senior and more senior subordinated creditors, or (v) upon a winding-up or administration, in which limited circumstances the Securityholders may receive some of any resulting liquidation proceeds following payment being made in full to all senior and more senior subordinated creditors. The proceeds, if any, realised by of any of the actions described in (li) to (v) of the preceding sentence may be substantially less than the principal amount of the Securities or amount of the investor's investment in the Securities.

3 *In addition to the Issuer's right to cancel, in whole or in part, interest payments at any time, the terms of the Securities also restrict the Issuer from making interest payments on the Securities if the Issuer has insufficient Distributable Items (based on its individual accounts and not on its consolidated accounts), in which case such interest shall be deemed to have been cancelled.*

Subject to the extent permitted by the Conditions in respect of partial interest payments, the Issuer shall not make an interest payment on the Securities on any Interest Payment Date (and such interest payment shall therefore be deemed to have been cancelled and thus shall not be due and payable on such Interest Payment Date) to the extent that the Issuer has an amount of Distributable Items on such Interest Payment Date that is less than the sum of (i) all payments (other than redemption payments which do not reduce Distributable Items) made or declared by the Issuer since the end of the last financial year of the Issuer and prior to such Interest Payment Date on or in respect of any Parity Securities, the Securities or any Junior Securities and (ii) all payments (other than redemption payments which do not reduce Distributable Items) payable by the Issuer on such Interest Payment Date (x) on the Securities and (y) on or in respect of any Parity Securities or any Junior Securities, in the case of each of (i) and (ii), excluding any payments already accounted for in determining the Distributable Items of the Issuer.

Furthermore, no amount of any interest payment on the Securities shall be due and payable if Condition 4(a) in relation to the solvency of the Issuer is not satisfied in respect of such interest payment.

Although the Issuer may, in its sole discretion, elect to make a partial interest payment on the Securities on any Interest Payment Date, it may only do so to the extent that such partial interest payment may be made without breaching the restrictions in the preceding paragraphs.

Any interest payment which is deemed cancelled or in respect of which Condition 4(a) is not satisfied shall not be due and shall not accumulate or be payable at any time thereafter, and Securityholders shall have no rights thereto or to receive any additional interest or compensation as a result of such deemed cancellation. Furthermore, no cancellation of interest in accordance with the Conditions shall constitute a default or an event of default by the Issuer for any purpose.

See also *“CRD IV introduces restrictions on distributions that will restrict the Issuer from making interest payments on the Securities in certain circumstances, in which case the Issuer will cancel such interest payments. In addition, the PRA has the power under section 55M of the Financial Services and Markets Act 2000 to restrict or prohibit payments of interest by the Issuer to Securityholders.”* below.

4 *As a holding company, the level of the Issuer’s Distributable Items is affected by a number of factors, and insufficient Distributable Items will restrict the Issuer’s ability to make interest payments on the Securities.*

As a holding company, the level of the Issuer’s Distributable Items is affected by a number of factors, principally its ability to receive funds, directly or indirectly, from its operating subsidiaries in a manner which creates Distributable Items. Consequently, the Issuer’s future Distributable Items, and therefore the Issuer’s ability to make interest payments on the Securities, are a function of the Issuer’s existing Distributable Items, future Group profitability and performance and the ability to distribute or dividend profits from the Issuer’s operating subsidiaries up the Group structure to the Issuer. In addition, the Issuer’s Distributable Items will also be reduced by the servicing of other debt and equity instruments.

The ability of the Issuer’s subsidiaries to pay dividends and the Issuer’s ability to receive distributions and other payments from the Issuer’s investments in other entities is subject to applicable local laws and other restrictions, including their respective regulatory, capital and leverage requirements, statutory reserves, financial and operating performance and applicable tax laws, and any changes thereto. These laws and restrictions could limit the payment of dividends, distributions and other payments to the Issuer by the Issuer’s subsidiaries, which could in time restrict the Issuer’s ability to fund other operations or to maintain or increase its Distributable Items.

5 *CRD IV introduces restrictions on distributions that will restrict the Issuer from making interest payments on the Securities in certain circumstances, in which case the Issuer will cancel such interest payments. In addition, the PRA has the power under section 55M of the Financial Services and Markets Act 2000 to restrict or prohibit payments of interest by the Issuer to Securityholders.*

In addition to the capital requirements described under *“Risk Factors – Macro-prudential, regulatory and legal risks – The Group is subject to the risk of regulators imposing more onerous prudential standards, including increased capital, leverage and liquidity requirements – CRD IV Capital Requirements”* above, CRD IV also introduces capital buffer requirements that are in addition to the Pillar 1 requirements and Pillar 2A guidance and are required to be met with CET1 Capital. It introduces five new capital buffers: (i) the capital conservation buffer, (ii) the institution-specific counter-cyclical buffer, (iii) the global systemically important institutions buffer, (iv) the other systemically important institutions buffer and (v) the systemic risk buffer. Some or all of these buffers may be applicable to the Group as determined by the PRA. The “combined buffer requirement” is, broadly, the combination of the capital conservation buffer, the institution-specific counter-cyclical buffer and the higher of (depending on the institution) the systemic risk buffer, the global systemically important institutions buffer and the other systemically important institution buffer, in each case as applicable to the institution.

Under Article 141 (Restrictions on distributions) of the CRD IV Directive, Member States of the EU must require that institutions that fail to meet the “combined buffer requirement” will be subject to restricted “discretionary payments” (which are defined broadly by CRD IV as payments relating to common equity tier 1 such as the Ordinary Shares, variable remuneration and payments on additional tier 1 instruments such as the Securities).

The maximum amount of discretionary payments that are permitted under CRD IV when an institution fails to meet the combined buffer (the “maximum distributable amount”) is calculated by multiplying the profits of the institution made since the most recent decision on the distribution of profits or other discretionary payment by a scaling factor. In the bottom quartile of the combined buffer the scaling factor is 0, and all discretionary payments are prohibited. In the second quartile the scaling factor is 0.2, in the third it is 0.4 and in the top quartile it is 0.6. In the event of breach of the combined buffer requirement the Issuer will be

required to calculate its maximum distributable amount, and as a consequence it may be necessary for the Issuer to reduce discretionary payments, including potentially exercising its discretion to cancel (in whole or in part) interest payments in respect of the Securities.

The Issuer's capital requirements, including Pillar 2A guidance, are, by their nature, calculated by reference to a number of factors any one of which or combination of which may not be easily observable or capable of calculation by investors. Investors may not be able to predict accurately the proximity of the risk of discretionary payments on the Securities being prohibited from time to time as a result of the operation of Article 141. In this regard, the PRA published a Supervisory Statement (SS6/14) and a Policy Statement (PS3/14) in April 2014 which set out the expectations of the PRA on CRD IV capital buffers and provide some clarifications of the PRA rules. The Policy Statement (PS3/14) also contains the final rules implementing the capital buffers requirements of the CRD IV Directive, most of which (including Rule 4.3 which sets out the method of calculating the maximum distributable amount and restrictions on distributions on additional tier 1 instruments relating to maximum distributable amount) came into force on 1 May 2014.

The FSB's draft proposals on TLAC published in November 2014 emphasise that, throughout the duration of any breach of regulatory capital buffer requirements, the restrictions contemplated by Basel III (and implemented in the EU through Article 141 of the CRD IV Directive) on discretionary payments would apply. The FSB's TLAC requirements are yet to be finalised, but there is a risk that future regulatory developments (including the development of the TLAC proposals) could lead to the potential for further restrictions on the Issuer's ability to make interest payments on the Securities or to redeem the Securities.

In addition, the PRA has the power under section 55M of the Financial Services and Markets Act 2000 (implementing Article 104 of CRD IV Directive) to impose requirements on the Issuer to maintain specified levels of capital on a consolidated basis. These requirements could make it impossible for the Issuer to make interest payments on the Securities or to redeem the Securities without placing the Issuer in breach of its regulatory obligations concerning the consolidated capital position of the Issuer. The risk of any such intervention by the PRA is most likely to materialise if at any time the Issuer is failing, or is expected to fail, to meet its capital requirements.

6 *The Securities may be traded with accrued interest, but under certain circumstances described above, such interest may be cancelled and not paid on the relevant Interest Payment Date.*

The Securities may trade, and/or the prices for the Securities may appear, on the Hong Kong Stock Exchange and in other trading systems with accrued interest. If this occurs, purchasers of Securities in the secondary market will pay a price that reflects such accrued interest upon purchase of the Securities.

However, if a payment of interest on any Interest Payment Date is cancelled or deemed cancelled (in each case, in whole or in part) as described herein and thus is not due and payable, purchasers of such Securities will not be entitled to that interest payment (or if the Issuer elects to make a payment of a portion, but not all, of such interest payment, the portion of such interest payment not paid) on the relevant Interest Payment Date.

7 *The interest rate on the Securities will be reset on each Reset Date, which may affect the market value of the Securities.*

The Securities will bear interest at an initial fixed rate of interest to, but excluding, the First Reset Date. From, and including, the First Reset Date, and on every Reset Date thereafter, the interest rate will be reset to the Reset Rate of Interest (as described in Condition 5(d)). This reset rate could be less than the initial interest rate and/or the interest rate that applies immediately prior to such Reset Date, which could affect the amount of any interest payments under the Securities and so the market value of an investment in the Securities.

8 *The Securities will be subject to Conversion following the occurrence of the Conversion Trigger Event, in which case the Securities will be converted into Ordinary Shares.*

Upon Conversion following the Conversion Trigger Event, the Securities will be converted into Ordinary Shares on the Conversion Date. Once the Ordinary Shares have been issued and delivered to the Conversion Shares Depositary, all of the Issuer's obligations under the Securities shall be irrevocably discharged and satisfied and under no circumstances shall such released obligations be reinstated. As a result, Securityholders could lose all or part of the value of their investment in the Securities, as, following Conversion, they will receive only (i) the Ordinary Shares (if the Issuer does not elect that a Conversion Shares Offer be made), or (ii) the Conversion Shares Offer Consideration, which shall be composed of Ordinary Shares and/or cash depending on the results of the Conversion Shares Offer (if the Issuer elects

that a Conversion Shares Offer be made). Any Ordinary Shares received upon Conversion may have a market value significantly below the principal amount of the Securities held by a Securityholder. Although the market value of the Ordinary Shares received by a Securityholder on Conversion could increase in value over time, the Conversion Price at the time the Ordinary Shares are issued may not reflect the market price of the Ordinary Shares, which could be significantly lower than the Conversion Price. Furthermore, upon Conversion, Securityholders will no longer have a debt claim in relation to principal and any accrued but unpaid interest on the Securities shall be cancelled and shall not become due and payable at any time.

Any such Conversion will be irrevocable and, upon Conversion, Securityholders will not be entitled to any form of compensation in the event of the Issuer's potential recovery or change in the Group's fully loaded CET1 Ratio. In addition, on or after the occurrence of the Conversion Trigger Event, if the Issuer does not deliver Ordinary Shares to the Conversion Shares Depositary, the only claims Securityholders will have against the Issuer will be to apply to the court to obtain an order requiring the Issuer to issue and deliver such Ordinary Shares to the Conversion Shares Depositary and to participate in the liquidation proceeds of the Issuer as if the Ordinary Shares had been issued. Once the Ordinary Shares to be delivered on Conversion have been issued and delivered to the Conversion Shares Depositary, the only claims Securityholders will have will be against the Conversion Shares Depositary for delivery of Ordinary Shares or Conversion Shares Offer Consideration, as applicable.

The Conversion Trigger Event shall occur if the Issuer determines at any time that the Group's CET1 Ratio (which will be calculated on a consolidated and fully-loaded basis) is less than 7.00 per cent. on such date.

For a discussion of the risks associated with the calculation of the Group's CET1 Ratio see "*Changes to the calculation of the Group's CET1 capital and/or risk weighted assets may negatively affect the Group's CET1 Ratio, thereby increasing the risk of the occurrence of the Conversion Trigger Event which will lead to Conversion, as a result of which the Securities will automatically be converted into Ordinary Shares*".

9 *The circumstances surrounding or triggering a Conversion are inherently unpredictable and may be caused by factors outside of the Issuer's control. The Issuer has no contractual obligation to operate its business in such a way, or take any mitigating actions, to maintain or restore the Group's CET1 Ratio to avoid the occurrence of the Conversion Trigger Event. Any future losses at the Group level and actions the Group takes could result in the Group's CET1 Ratio falling and the Conversion Trigger Event occurring.*

The occurrence of the Conversion Trigger Event and, therefore, Conversion, is inherently unpredictable and depends on a number of factors, some of which may be outside of the Issuer's control. Although the Issuer currently publicly reports the Group's fully loaded CET1 Ratio only as at the end of each semi-annual financial period, the PRA, or the then relevant regulatory body with primary responsibility for the prudential supervision of the Issuer and the Group (the "Relevant Regulator"), as part of its supervisory activity, may instruct the Issuer to calculate such ratio as at any date, including if the Issuer is subject to recovery and resolution actions by the Resolution Authority, or the Issuer might otherwise determine to calculate such ratio in its own discretion. As such, Conversion could occur at any time. Moreover, it is likely that the Resolution Authority would allow the Conversion Trigger Event to occur rather than to resort to the use of public funds.

The Conversion Trigger Event could occur at any time if the Issuer determines that the Group's fully loaded CET1 Ratio is below 7.00 per cent. as at any such calculation date. The Group's fully loaded CET1 Ratio could be affected by, among other things, changes in, or the growth of, the Issuer's business and the level of the Issuer's future earnings or any losses incurred, dividend payments, regulatory changes (including changes to definitions and calculations of regulatory capital, including CET1 Capital and Risk Weighted Assets (each of which shall be calculated by the Issuer on a fully loaded, consolidated basis and such calculation shall be binding on the Trustee and on the Securityholders)), actions that the Issuer is required to take at the direction of the Relevant Regulator, costs associated with regulatory changes, including in respect of any regulatory non-compliance, and the Group's ability to manage Risk Weighted Assets in both its ongoing businesses and those which it may seek to exit. In addition, the Group has capital resources and risk weighted assets denominated in foreign currencies, and changes in foreign exchange rates will result in changes in the U.S. Dollar equivalent value of foreign currency denominated capital resources and risk weighted assets. Actions that the Group takes could also affect the Group's CET1 Ratio, including causing it to decline. The Issuer has no obligation to increase its CET1 Capital, reduce its Risk Weighted Assets or otherwise operate its business in such a way or take mitigating actions in order to prevent the Group's CET1 Ratio from falling below 7.00 per cent., to maintain or increase the Group's CET1 Ratio or to otherwise consider the interests of the Securityholders in connection with any of its business decisions that might affect the Group's CET1 Ratio.

The calculation of the Group's CET1 Ratio may also be affected by changes in applicable accounting rules, or by changes to regulatory adjustments which modify the regulatory capital impact of accounting rules.

Moreover, even if changes in applicable accounting rules, or changes to regulatory adjustments which modify accounting rules, are not yet in force as of the relevant calculation date, the Relevant Regulator could require the Issuer to reflect such changes in any particular calculation of the Group's CET1 Ratio.

Because of the inherent uncertainty regarding whether the Conversion Trigger Event will occur and there being no obligation on the Issuer's part to prevent its occurrence, it will be difficult to predict when, if at all, Conversion could occur. Accordingly, the trading behaviour of the Securities may not necessarily follow the trading behaviour of other types of subordinated securities, including the Issuer's other subordinated debt securities. Fluctuations in the Group's CET1 Ratio may be caused by changes in the amount of CET1 Capital and Risk Weighted Assets as well as changes to their respective definitions under the capital adequacy standards and guidelines set by the Relevant Regulator. Any indication that the Group's CET1 Ratio is moving towards the level which would cause the occurrence of the Conversion Trigger Event may have an adverse effect on the market price and liquidity of the Securities. Therefore, investors may not be able to sell their Securities easily or at prices that will provide them with a yield comparable to other types of subordinated securities, including the Issuer's subordinated debt securities. In addition, the risk of Conversion could drive down the price of the Ordinary Shares and have a material adverse effect on the market value of any Ordinary Shares received upon Conversion.

10 *Changes to the calculation of CET1 capital and/or risk weighted assets may negatively affect the Group's CET1 Ratio, thereby increasing the risk of the Conversion Trigger Event which will lead to Conversion, as a result of which the Securities will automatically be converted into Ordinary Shares.*

As a result of the changes under CRD IV (as to which please see "*Risk Factors – Macro-prudential, regulatory and legal risks – The Group is subject to the risk of regulators imposing more onerous prudential standards, including increased capital, leverage and liquidity requirements – CRD IV Capital Requirements*" above), the Issuer is required to calculate the Group's capital resources for regulatory purposes on the basis of CET1 Capital instead of "core tier 1 capital" which the Issuer has historically calculated and published. The Issuer is also required to calculate its "risk weighted assets", which represent assets adjusted for their associated risks, on a different basis under CRD IV than the Issuer did prior to 1 January 2014. Each of these definitions will be calculated in accordance with the capital adequacy standards and guidelines applicable to the Issuer on the relevant date.

At 31 December 2014, the Group's CET1 Ratio, giving full effect to CRD IV on a fully loaded basis, was 10.7 per cent. The Group's fully loaded CET1 Ratio is a non-IFRS measure, and the Issuer's interpretation of CRD IV and the basis of the Issuer's calculation of this financial measure may be different from those of other financial institutions. For further information, see the section entitled "Capital" of the 2014 Annual Report.

The continuing impact of CRD IV on capital ratios may be materially different as the CRD IV requirements adopted in the United Kingdom may change, whether as a result of further changes to CRD IV agreed by EU legislators, EBA Technical Standards or changes to the way in which the PRA interprets and applies these requirements to UK banks (including as regards individual model approvals granted under CRD II and III). If PRA rules, guidance or expectations in relation to capital or leverage are amended in the future in a manner other than as set out in the statements released by the PRA to date, it could be materially more difficult for the Group to maintain compliance with prudential requirements and this could affect the Group's CET1 Ratio.

Investors should be aware that the CRD IV rules and their implementation in the United Kingdom subsequent to the date hereof may individually and/or in the aggregate further negatively affect the Group's CET1 Ratio and thus increase the risk of the Conversion Trigger Event, which will lead to Conversion. Upon Conversion, provided that the Issuer issues and delivers the Ordinary Shares to the Conversion Shares Depositary in accordance with the terms described herein, investors will have no further rights against the Issuer. In addition, the realisable value of the Ordinary Shares may be below the Conversion Price. Although the market value of the Ordinary Shares received could over time increase, at the time the Ordinary Shares are issued, the Conversion Price may not reflect the market price of the Ordinary Shares, which could be significantly lower than the Conversion Price.

11 *The Securities may be subject to statutory write-down or bail-in.*

Under the Regulatory Capital Write-Down Powers in the BRRD, Resolution Authorities will have the power (and will be obliged when specified conditions are determined by the relevant Resolution Authority to have been met) to write-down, or convert into CET1 Capital instruments (e.g. ordinary shares) of the Institution and/or its EEA parent holding company, Tier 1 and Tier 2 Capital instruments issued by Institutions and/or their EEA parent holding companies before determining that the relevant Institution and/or EEA parent

holding company has reached a point of non-viability ("PONV") and, accordingly, taking any form of resolution action or applying any resolution power set out in the BRRD. These measures apply to the Securities.

Resolution Authorities will also be able to exercise Bail-In Powers to write-down certain unsecured liabilities of Institutions and/or their EEA parent holding companies that meet the conditions for resolution (which include a determination that a PONV has been reached or is likely to be reached) or to convert such unsecured liabilities into equity, either to recapitalise the relevant Institution and/or EEA parent holding company (subject to appropriate restructuring of the Institution's business) or to provide capital for any bridge institution that the Resolution Authorities establish in connection with the resolution of the Institution. Subject to certain exemptions set out in the BRRD (including secured liabilities, bank deposits guaranteed under an EU member state's deposit guarantee scheme, liabilities arising by virtue of the holding of client money, liabilities to other non-group banks or investment firms that have an original maturity of fewer than seven days and certain other exceptions), it is intended that all liabilities of Institutions and/or their EEA parent holding companies should potentially be 'bail-in-able' ("Eligible Liabilities"). Resolution Authorities will apply the Bail-In Powers to the shares and other Eligible Liabilities of a failing Institution and/or EEA parent holding company in accordance with a hierarchy prescribed by the BRRD, pursuant to which, for example, subordinated debt instruments (such as the Securities) are to be written down or converted ahead of senior unsecured debt. The Bail-In Powers that are to be given to Resolution Authorities include the ability to write-down or convert certain unsecured debt instruments into shares of the Institution, to reduce the outstanding amount due under such debt instruments (including reducing such amounts to zero) or to cancel such debt instruments.

Member States were required to transpose the requirements set out under the BRRD by 31 December 2014 and apply the requirements from 1 January 2015, although Member States were permitted to delay the application of Bail-in Powers until 1 January 2016. H.M Treasury has not taken advantage of this option and Bail-in Powers have accordingly been in force in the UK since 31 December 2014.

The Securities would, accordingly, fall within the pool of regulatory capital instruments that would be subject to the proposed Regulatory Capital Write-Down Powers. The Securities (insofar as they have not already been written down or converted under the Regulatory Capital Write-Down Powers referred to above) will also fall within the scope of the Bail-In Powers set out in the BRRD (which the UK has implemented through the Financial Services (Banking Reform) Act 2013 and secondary legislation, which introduced bail-in as a fourth stabilisation option which may be exercised by the Bank of England under the Banking Act 2009 in addition to the three previously existing stabilisation options provided under the Banking Act 2009). The determination that all or part of the principal amount of the Securities will be subject to the Regulatory Capital Write-Down Powers or Bail-In Powers may be unpredictable and may be outside of the Issuer's control. Accordingly, trading behaviour in respect of the Securities is not necessarily expected to follow trading behaviour associated with other types of securities. Any final determination that the Securities will become subject to the Regulatory Capital Write-Down Powers or Bail-In Powers set out in the BRRD could have an adverse effect on the market price of the Securities.

Potential investors should also consider the risk that a Securityholder may lose all of its investment in the Securities and claims to unpaid interest. Any amounts written-off as a result of the application of either the Regulatory Capital Write-Down Powers or the Bail-in Powers would be irrevocably lost and holders of such Securities would cease to have any claims for (i) the written-off principal amount of the Securities and (ii) any unaccrued obligations or claims arising in relation to such amounts. In circumstances where UK Resolution Authorities use their Bail-In Powers to reduce part of the principal amount of the Securities, the terms of the Securities would continue to apply in relation to the residual principal amount, subject to any modification to the amount of interest payable to reflect the reduction of the principal amount. The Regulatory Capital Write-Down Powers or the Bail-in Powers could also be exercised in respect of the Securities without the Securityholders receiving any Ordinary Shares or other compensation for the loss of their investment in the Securities.

Where UK Resolution Authorities use their Bail-In Powers, they must ensure that creditors do not incur greater losses than they would have incurred had the Institution been wound up under normal insolvency proceedings immediately before the exercise of the resolution power, however there can be no guarantee that the application of this requirement will mean that a Securityholder will not lose all of its investment in the Securities in the event that the UK Resolution Authorities use their Bail-in Powers in this way.

12 *The Issuer's obligations under the Securities are subordinated and the rights of the Securityholders will effectively be further subordinated upon Conversion into Ordinary Shares.*

The Issuer's obligations under the Securities will be unsecured and subordinated and will rank junior in priority of payment to the current and future claims of all of its senior and certain of its subordinated creditors. If a winding-up or administration occurs prior to the date on which the Conversion Trigger Event occurs, there shall be payable by the Issuer in respect of each Security (in lieu of any other payment by the

Issuer) such amount, if any, that would have been payable to a Securityholder if, on the day preceding the commencement of the winding-up or administration and thereafter, such Securityholder were the holder of a class of preference shares in the capital of the Issuer ("Notional Preference Shares") ranking in priority to the holders of the Ordinary Shares, having an equal right to a return of assets in the winding-up or such administration to, and so ranking *pari passu* with, the holders of the Existing Preference Shares (if any remain outstanding) and the holders of any securities of the Issuer ranking or expressed to rank *pari passu* with any of the Existing Preference Shares or the Securities in such winding-up or administration, and ranking in priority to the holders of any other class of shares in issue or deemed to be in issue for the time being in the capital of the Issuer but ranking junior to the holders of any shares which may be issued or deemed to be issued by the Issuer which, by their terms, rank in priority to the Notional Preference Shares in a winding-up or other return of capital, and ranking junior to the claims of Senior Creditors. If a winding-up or administration occurs at any time on or following the date on which the Conversion Trigger Event occurs but the Ordinary Shares to be issued and delivered to the Conversion Shares Depositary on the Conversion Date have not been so delivered, there shall be payable by the Issuer in respect of each Security (in lieu of any other payment by the Issuer) such amount, if any, as would have been payable to a Securityholder in a winding-up or administration if the Conversion Date had occurred immediately before the occurrence of a winding-up or administration, regardless of whether Condition 4(a) in relation to solvency had been satisfied on such date and ignoring for these purposes the Issuer's right to elect for the Conversion Shares Depositary to carry out a Conversion Shares Offer.

Subject to complying with applicable regulatory requirements, the Issuer expects from time to time to incur additional indebtedness or other obligations that will constitute senior and subordinated indebtedness, and the Securities do not contain any provisions restricting the ability of the Issuer or its subsidiaries to incur senior or subordinated indebtedness. Although the Securities may pay a higher rate of interest than comparable securities which are not so subordinated, there is a real risk that an investor in the Securities will lose all or some of its investment should the Issuer become insolvent since its assets would be available to pay such amounts only after all of its senior and more senior subordinated creditors have been paid in full.

Therefore, if a winding-up or administration were to occur, the Issuer's liquidator or administrator would first apply assets of the Issuer to satisfy all rights and claims of Senior Creditors. If the Issuer does not have sufficient assets to settle claims of such Senior Creditors in full, the claims of the Securityholders will not be settled and, as a result, Securityholders will lose the entire amount of their investment in the Securities. The Securities will share equally in payment with claims under Parity Securities (or, with claims in respect of Ordinary Shares, in the event of a winding-up or administration occurring in the intervening period between the Conversion Trigger Event and the Conversion Date) if the Issuer does not have sufficient funds to make full payments on all of them, as applicable. In such a situation, Securityholders could lose all or part of their investment.

In addition, investors should be aware that, upon Conversion of the Securities following the Conversion Trigger Event, Securityholders will be, effectively, further subordinated as they will be treated as, and subsequently become, holders of Ordinary Shares, even if other existing subordinated indebtedness and preference shares remain outstanding. There is a risk that Securityholders will lose the entire amount of their investment, regardless of whether the Issuer has sufficient assets available to settle what would have been the claims of Securityholders or of securities subordinated to the same or greater extent as the Securities, in winding-up proceedings or otherwise.

13 *The Securities do not contain events of default and the remedies available to Securityholders under the Securities are limited.*

The Conditions do not provide for any events of default. Securityholders may not at any time demand repayment or redemption of their Securities, although in a winding-up or administration prior to the occurrence of the Conversion Trigger Event, the Securityholders will have a claim for an amount equal to the principal amount of the Securities plus any accrued interest that has not otherwise been cancelled. There is no right of acceleration in the case of non-payment of principal or interest on the Securities or of the Issuer's failure to perform any of its obligations under or in respect of the Securities.

The sole remedy in the event of any non-payment of principal under the Securities subject to certain conditions as described under Condition 12 is that the Trustee, on behalf of the Securityholders may, at its discretion, or shall at the direction of the holders of at least 25 per cent. of the aggregate principal amount of the outstanding Securities subject to applicable laws, institute proceedings for the winding-up of the Issuer and/or prove for any payment obligations of the Issuer arising under the Securities in any winding-up or other insolvency proceedings in respect of such non-payment.

Prior to the occurrence of any winding-up or administration, the Securities will remain subject to Conversion upon the Conversion Trigger Event and the exercise of the Regulatory Capital Write-Down Powers or the

Bail-In Power; none of these events constitutes a default or event of default under the Conditions. The Issuer is entitled to cancel any interest payment as described under Condition 6 and such cancellation or deemed cancellation (in each case, in whole or in part) will not constitute an event of default. If Ordinary Shares are not issued and delivered to the Conversion Shares Depositary following the Conversion Trigger Event, the only claims Securityholders will have against the Issuer will be to apply to the court to obtain an order requiring the Issuer to issue and deliver such Ordinary Shares to the Conversion Shares Depositary and to participate in the liquidation proceeds of the Issuer as if the Ordinary Shares had been issued.

The remedies under the Securities are more limited than those typically available to the Issuer's unsubordinated creditors. For further detail regarding the limited remedies of the Trustee and the Securityholders, see Condition 12.

14 *Securityholders may receive Conversion Shares Offer Consideration instead of Ordinary Shares upon the Conversion Trigger Event and would not know the composition of any Conversion Shares Offer Consideration until the end of the Conversion Shares Offer Period.*

Securityholders may not ultimately receive Ordinary Shares upon the Conversion Trigger Event because the Issuer may elect, in its sole and absolute discretion, that a Conversion Shares Offer be conducted by the Conversion Shares Depositary.

If all of the Ordinary Shares are sold in the Conversion Shares Offer, Securityholders shall be entitled to receive, in respect of each Security and as determined by the Issuer, the *pro rata* share of the cash proceeds from the sale of the Ordinary Shares attributable to such Security translated, if necessary, into U.S. Dollars at the Prevailing Rate on the date specified by the Issuer (less any foreign exchange transaction costs and the *pro rata* share of any stamp duty, stamp duty reserve tax or any other tax that may arise or be paid as a consequence of the transfer of any interest in the Ordinary Shares to the Conversion Shares Depositary as a consequence of the Conversion Shares Offer). If some but not all of the Ordinary Shares are sold in the Conversion Shares Offer, Securityholders shall be entitled to receive, in respect of each Security and as determined by the Issuer, (a) the *pro rata* share of the cash proceeds from the sale of the Ordinary Shares attributable to such Security translated, if necessary, into U.S. Dollars at the Prevailing Rate on the date specified by the Issuer (less any foreign exchange transaction costs and the *pro rata* share of any stamp duty, stamp duty reserve tax or any other tax that may arise or be paid as a consequence of the transfer of any interest in the Ordinary Shares to the Conversion Shares Depositary as a consequence of the Conversion Shares Offer) together with (b) the *pro rata* share of the Ordinary Shares not sold pursuant to the Conversion Shares Offer attributable to such Security rounded down to the nearest whole number of Ordinary Shares.

No interest or other compensation is payable in respect of the period from the Conversion Date to the date of delivery of the Ordinary Shares or the cash proceeds from the sale of the Ordinary Shares in the circumstances described above.

Notice of the results of any Conversion Shares Offer will be provided to Securityholders only at the end of the Conversion Shares Offer Period. Accordingly, Securityholders would not know the composition of the Conversion Shares Offer Consideration to which they may be entitled until the end of the Conversion Shares Offer Period.

15 *As the Conversion Price is fixed at the time of issue of the Securities, Securityholders will bear the risk of fluctuation in the value of Ordinary Shares and/or the U.S. Dollar to sterling and U.S. Dollar to Hong Kong dollar exchange rates.*

Upon the occurrence of the Conversion Trigger Event, the Securities will be automatically converted into Ordinary Shares on the Conversion Date. Because the Conversion Trigger Event will occur when the Group's CET1 Ratio will have deteriorated, the Conversion Trigger Event will likely be accompanied by a prior deterioration in the market price of the Ordinary Shares, which may be expected to continue after the occurrence of the Conversion Trigger Event. Therefore, if the Conversion Trigger Event were to occur, investors would receive Ordinary Shares at a time when the market price of the Ordinary Shares is diminished. In addition, there may be a delay in a Securityholder receiving its Ordinary Shares following the Conversion Trigger Event, during which time the market price of the Ordinary Shares may further decline. See Condition 7. As a result, the realisable value of the Ordinary Shares may be below the Conversion Price. The Conversion Price was fixed on 26 March 2015 at U.S.\$11.424 per Ordinary Share, and is subject to limited anti-dilution adjustments, as described under Condition 7(e). Although the market value of the Ordinary Shares Securityholders receive could over time increase, at the time the Ordinary Shares are issued, the Conversion Price may not reflect the market price of the Ordinary Shares, which could be significantly lower than the Conversion Price.

In addition, while the Ordinary Shares are denominated in U.S. Dollars, they trade in sterling and Hong Kong dollars. As a result, the market price of the Securities may also be affected by fluctuations in the U.S. Dollar to sterling and U.S. Dollar to Hong Kong dollar exchange rates due to the Securities being denominated in U.S. Dollars. Upon Conversion, the Securities will convert into Ordinary Shares at the Conversion Price. Fluctuations in such exchange rates could therefore affect the realisable value of the Ordinary Shares to be issued for the Securities following the Conversion Trigger Event (and the cash component of any Conversion Shares Offer Consideration).

Furthermore, there may be a delay in a Securityholder receiving its Ordinary Shares following the Conversion Trigger Event (in particular if the Issuer elects that the Conversion Shares Depositary make a Conversion Shares Offer, as the Conversion Shares Offer Period may last up to forty (40) London business days after the delivery of the Conversion Shares Offer Notice), during which time the market price of the Ordinary Shares or such exchange rates may decline further.

16 *Securityholders have limited anti-dilution protection.*

The number of Ordinary Shares to be issued to the Conversion Shares Depositary on the Conversion Date will be determined by dividing the aggregate principal amount of the Securities outstanding immediately prior to Conversion on the Conversion Date by the Conversion Price prevailing on the Conversion Date. Fractions of Ordinary Shares will not be delivered to the Conversion Shares Depositary or to Securityholders upon a Conversion and no cash payment will be made in lieu thereof.

In summary, the Conversion Price will be adjusted in the event that there is a consolidation, reclassification, redesignation or subdivision of the Ordinary Shares, an issuance of Ordinary Shares in certain circumstances by way of capitalisation of profits or reserves, an Extraordinary Dividend or an issue of Ordinary Shares or certain other securities to shareholders as a class by way of rights, but only in the situations and to the extent provided in Condition 7(e). These may include any modifications as an Independent Adviser shall determine to be appropriate, including for certain situations falling between the Conversion Date and the Settlement Date. Any New Conversion Price following a Qualifying Relevant Event will be similarly adjusted, subject to any modifications by the Independent Adviser. There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Ordinary Shares. Furthermore, the adjustment events that are included are less extensive than those often included in the terms of other convertible securities. Accordingly, events in respect of which no adjustment to the Conversion Price is made may adversely affect the value of the Securities.

17 *If a Relevant Event occurs, the Securities may be convertible into shares in an entity other than the Issuer or may be fully written down.*

If a Qualifying Relevant Event occurs, then following Conversion, the Securities shall become convertible into the share capital of the Acquiror (as more fully described under Condition 7(j)) at the New Conversion Price. There can be no assurance as to the nature of any such Acquiror, or of the risks associated with becoming an actual or potential shareholder in such Acquiror and accordingly a Qualifying Relevant Event may have an adverse effect on the value of the Securities.

In addition, the Issuer and the Acquiror have certain discretion in determining whether a Qualifying Relevant Event has occurred. A Qualifying Relevant Event requires the New Conversion Condition to be satisfied. For the New Conversion Condition to be satisfied, the Issuer and the Acquiror must, not later than seven days following the occurrence of a Relevant Event, enter into arrangements to the satisfaction of the Issuer for delivery of the Relevant Shares upon a Conversion of the Securities. If the Issuer and the Acquiror are unable to enter into such arrangements within this timeframe, the New Conversion Condition would not be satisfied.

In the case of a Non-Qualifying Relevant Event, the Securities will not be subject to Conversion unless the Conversion Trigger Event occurs prior to the occurrence of the Relevant Event. If the Conversion Trigger Event occurs following the Non-Qualifying Relevant Event, the outstanding principal amount of each Security will be automatically written down to zero and the Securities will be cancelled in their entirety. Securityholders will be deemed to have irrevocably waived their right to receive repayment of the aggregate principal amount of the Securities so written down and all accrued and unpaid interest and any other amounts payable on the Securities will be cancelled, as more fully described under Condition 7(a)(vi). There can be no assurance that a Relevant Event will not be a Non-Qualifying Relevant Event, in which case investors may lose their investment in the Securities.

18 *Subject to certain conditions, including in relation to the solvency of the Issuer and regulatory approvals, the Issuer may redeem the Securities at the Issuer's option on certain dates.*

Subject, inter alia, to Condition 4(a) in relation to the solvency of the Issuer, to the Issuer giving notice to the Relevant Regulator and the Relevant Regulator granting permission (or not making any objection) (if, and only to the extent, required), to the redemption not being prohibited by CRD IV, to the non-occurrence of the Conversion Trigger Event and to compliance by the Issuer with any alternative or additional pre-conditions to redemption set out in the Capital Regulations from time to time, the Issuer may opt to redeem all, but not some only, of the Securities at their principal amount together with accrued but unpaid interest, excluding any interest which has been cancelled or deemed to be cancelled (i) at the Issuer's option on the First Reset Date or on any Reset Date thereafter, (ii) if a Tax Event has occurred and is continuing or (iii) if a Capital Disqualification Event has occurred and is continuing.

It is not possible to predict whether the events referred to above will occur and lead to circumstances in which the Issuer may elect to redeem the Securities, and if so whether or not the Issuer will satisfy the conditions, or elect, to redeem the Securities. The Issuer may also be expected to exercise its option to redeem the Securities on or after the First Reset Date if the Issuer's funding costs would be lower than the prevailing interest rate payable in respect of the Securities. If the Securities are so redeemed, there can be no assurance that Securityholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investment in the Securities. Furthermore, the redemption feature of the Securities may limit their market value, which is unlikely to rise substantially above the price at which the Securities can be redeemed.

19 *There is no limit on the amount or type of further securities or indebtedness that the Issuer may issue, incur or guarantee.*

There is no restriction on the amount of securities or other liabilities that the Issuer may issue, incur or guarantee and which rank senior to, or *pari passu* with, the Securities. The issue or guaranteeing of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Securityholders during a winding-up or administration and may limit the Issuer's ability to meet its obligations under the Securities. In addition, the Securities do not contain any restriction on the Issuer's ability to issue securities that may have preferential rights similar to those of the Securities but having different or no Conversion Trigger Event provisions.

20 *The Securities are the obligations of the Issuer only and Holders are structurally subordinated to the creditors of the Issuer's subsidiaries.*

The Securities are the obligations of the Issuer only. The Issuer is a holding company and operates its business entirely through its subsidiaries. The Issuer's subsidiaries are separate and distinct legal entities, and have no obligation to pay any amounts due or to provide the Issuer with funds to meet any of the Issuer's payment obligations under the Securities. Payments on the Securities are structurally subordinated to all existing and future liabilities and obligations of its subsidiaries. Claims of creditors of such subsidiaries will have priority as to the assets of such subsidiaries over the Issuer and its creditors, including holders of the Securities. Neither the Conditions nor the Trust Deed contain any restrictions on the ability of the Issuer or its subsidiaries or associates to incur additional unsecured or secured indebtedness.

In the event of a Newco Scheme, the Issuer may without the consent of Securityholders, at its option, procure that Newco is substituted under the Securities as the issuer of the Securities. If such a substitution occurs the claims of Securityholders will be structurally subordinated to the creditors of the subsidiaries of Newco, including the remaining creditors of the Issuer.

21 *Following Conversion, the Securities will remain in existence until the applicable Settlement Date (or, if earlier, the Final Cancellation Date) for the sole purpose of evidencing the holder's right to receive Ordinary Shares or Conversion Shares Offer Consideration, as applicable, from the Conversion Shares Depositary and the rights of the Securityholders will be limited accordingly.*

Following Conversion, the Securities will remain in existence until the applicable Settlement Date (or, if earlier, the Final Cancellation Date) for the sole purpose of evidencing the holder's right to receive Ordinary Shares or Conversion Shares Offer Consideration, as applicable. All obligations of the Issuer under the Securities shall be irrevocably released in consideration of the Issuer's issuance and delivery of the Ordinary Shares to the Conversion Shares Depositary on the Conversion Date, and under no

circumstances shall such released obligations be reinstated. The Securities shall be cancelled on the applicable Settlement Date (or, if earlier, the Final Cancellation Date).

22 *Following the occurrence of the Conversion Trigger Event the Securities may have only limited transferability. There may also be a delay in Securityholders being able to transfer any Ordinary Shares to be delivered to them following Conversion.*

Although the Issuer currently expects that beneficial interests in the Securities will be transferrable between the Conversion Date and the Suspension Date, there is no guarantee that an active trading market will exist for the Securities following Conversion. Accordingly, the price received for the sale of any beneficial interest under a Security during this period may not reflect the market price of such Security or the Ordinary Shares. Furthermore, transfers of beneficial interests in the Securities may be restricted following the Conversion Date, for example if the clearance and settlement of transactions in the Securities is suspended by DTC at an earlier time than currently expected. In such a situation it may not be possible to transfer beneficial interests in the Securities in DTC and trading in the Securities may cease through DTC.

In addition, the Issuer has been advised by DTC that it will suspend all clearance and settlement of transactions in the Securities on the Suspension Date. As a result, holders of the Securities will not be able to settle the transfer of any Securities through DTC following the Suspension Date, and any sale or other transfer of the Securities that a holder of the Securities may have initiated prior to the Suspension Date with respect to DTC that is scheduled to match or settle after the Suspension Date will be rejected by DTC and will not be matched or settled through DTC.

The Securities may cease to be admitted to trading on the Hong Kong Stock Exchange or any other stock exchange on which the Securities are then listed or admitted to trading following the Suspension Date.

Moreover, although the Securityholders will become beneficial owners of the Ordinary Shares upon the issuance of such Ordinary Shares to the Conversion Shares Depositary and the Ordinary Shares will be registered in the name of the Conversion Shares Depositary (or the relevant recipient in accordance with the terms of the Securities), no Securityholder will be able to sell or otherwise transfer any Ordinary Shares until such time as they are finally delivered to such Securityholder and registered in their name.

23 *Securityholders will have to submit a Conversion Shares Settlement Notice in order to receive delivery of the Ordinary Shares or Conversion Shares Offer Consideration.*

In order to obtain delivery of the Ordinary Shares or Conversion Shares Offer Consideration, as applicable, following Conversion, a Securityholder must deliver a Conversion Shares Settlement Notice (and the relevant Securities, if applicable) to the Conversion Shares Depositary. The Conversion Shares Settlement Notice must contain certain information, including the holder's CREST account details. Accordingly, Securityholders (or their nominee, custodian or other representative) will have to have an account with CREST in order to receive the Ordinary Shares or the Ordinary Share component, if any, of any Conversion Shares Offer Consideration, as applicable. If a Securityholder fails to properly complete and deliver a Conversion Shares Settlement Notice on or before the Notice Cut-off Date, the Conversion Shares Depositary shall continue to hold the relevant Ordinary Shares or the Conversion Shares Offer Consideration, as the case may be, until a Conversion Shares Settlement Notice (and the relevant Securities, if applicable) is or are so validly delivered. However, the relevant Securities shall be cancelled on the applicable Settlement Date (or, if earlier, the Final Cancellation Date) and any Securityholder delivering a Conversion Shares Settlement Notice after the Notice Cut-off Date will have to provide evidence of its entitlement to the relevant Ordinary Shares or Conversion Shares Offer Consideration, as applicable, satisfactory to the Conversion Shares Depositary in its sole and absolute discretion in order to receive delivery of such Ordinary Shares or Conversion Shares Offer Consideration. The Issuer shall have no liability to any Securityholder for any loss resulting from such Securityholder not receiving any Ordinary Shares or the relevant Conversion Shares Offer Consideration, as applicable, or from any delay in the receipt thereof, in each case as a result of such Securityholder failing to submit a valid Conversion Shares Settlement Notice on a timely basis or at all.

24 *Prior to the Conversion Date, Securityholders will not be entitled to any rights with respect to the Ordinary Shares, but will be subject to all changes made with respect to the Ordinary Shares.*

The exercise of voting rights and other rights related to any Ordinary Shares is only possible after delivery of the Ordinary Shares following the Conversion Date and the registration of the person entitled to the Ordinary Shares in the Issuer's share register as a shareholder in accordance with the provisions of, and

subject to the limitations provided in, the articles of association of the Issuer. Prior to such registration, Securityholders will be subject to all changes made with respect to the Ordinary Shares.

25 *As a result of Securityholders receiving Ordinary Shares upon the occurrence of the Conversion Trigger Event, they are particularly exposed to changes in the market price of the Ordinary Shares.*

Many investors in convertible or exchangeable securities seek to hedge their exposure in the underlying equity securities at the time of acquisition of the convertible or exchangeable securities, often through short selling of the underlying equity securities or through similar transactions. Prospective investors in the Securities may look to sell Ordinary Shares in anticipation of taking a position in, or during the term of, the Securities. This could drive down the price of the Ordinary Shares. Since the Securities will mandatorily convert into Ordinary Shares upon the Conversion Trigger Event, the price of the Ordinary Shares may be more volatile if the Issuer is trending toward the Conversion Trigger Event.

26 *Receipt by the Conversion Shares Depositary of the Ordinary Shares shall irrevocably discharge and satisfy the Issuer's obligations in respect of the Securities.*

Following the Conversion Trigger Event, the relevant Ordinary Shares will be issued and delivered by the Issuer to the Conversion Shares Depositary, which subject to a Conversion Shares Offer, will hold the Ordinary Shares on behalf of the Securityholders. Receipt by the Conversion Shares Depositary of the Ordinary Shares shall irrevocably discharge and satisfy the Issuer's obligations in respect of the Securities and a Securityholder shall, with effect on and from the Conversion Date, only have recourse to the Conversion Shares Depositary for the delivery to it of the relevant Ordinary Shares or, if the Issuer elects that a Conversion Shares Offer be made as described in Condition 7(b)(iii), of any Conversion Shares Offer Consideration to which such Securityholder is entitled as described herein. The Issuer shall not have any liability for the performance of the obligations of the Conversion Shares Depositary.

In addition, the Issuer has not yet appointed a Conversion Shares Depositary and the Issuer may not be able to appoint a Conversion Shares Depositary if Conversion occurs. In such a scenario, the Issuer would inform Securityholders via DTC or the Trustee or otherwise, as practicable, of any alternative arrangements in connection with the issuance and/or delivery of the Ordinary Shares or Conversion Shares Offer Consideration, as applicable, and such arrangements may be disadvantageous to, and more restrictive on, the Securityholders. For example, such arrangements may involve Securityholders having to wait longer to receive their Ordinary Shares or Conversion Shares Offer Consideration than would be the case under the arrangements expected to be entered into with a Conversion Shares Depositary. Under these circumstances, the Issuer's issuance of the Ordinary Shares to the relevant recipient in accordance with these alternative arrangements shall constitute a complete and irrevocable release of all of the Issuer's obligations in respect of the Securities.

27 *The Trust Deed contains provisions which may permit modification of the Securities without the consent of all investors.*

The Trust Deed contains provisions permitting modifications and amendments to the Securities without the consent of Securityholders in certain instances and with the consent of a specified quorum and majority of the outstanding Securities in other circumstances. Valid resolutions passed by such Securityholders will bind all Securityholders including Securityholders who did not attend and vote at the relevant meeting and Securityholders who voted in a manner contrary to the majority. For further information, see Condition 13.

28 *The market value of the Securities may be influenced by unpredictable factors.*

Many factors, most of which are beyond the Issuer's control, will influence the market value of the Securities and the price, if any, at which securities dealers may be willing to purchase or sell the Securities in the secondary market, including:

- any credit ratings assigned to the Issuer and the Securities
- the creditworthiness of the Issuer and, in particular, the level of the Group's CET1 Ratio from time to time;
- supply and demand for the Securities;
- the Reset Rate of Interest applicable to the Securities after any Reset Date;
- the trading price of the Ordinary Shares; and

- economic, financial, political or regulatory events or judicial decisions that affect the Issuer or the financial markets generally.

Accordingly, if a Securityholder sells its Securities in the secondary market, it may not be able to obtain a price equal to the principal amount of the Securities or a price equal to the price that it paid for the Securities.

29 *Changes in law may adversely affect the rights of Securityholders or may adversely affect the Group's business, financial performance and capital plans.*

Any changes in law or regulations after the date hereof that trigger a Tax Event or a Capital Disqualification Event would entitle the Issuer, at its option, to redeem the Securities, in whole but not in part, as more particularly described under Condition 8(d) and (e), respectively. See also "*Subject to certain conditions, including in relation to the solvency of the Issuer and regulatory approvals, the Issuer may redeem the Securities at the Issuer's option on certain dates*" above.

In addition, a number of regulators are currently proposing or considering legislation and rule making which may affect the Group's business, the rights of Securityholders and the market value of the Securities. Such changes in law may include changes in statutory, tax and regulatory regimes during the life of the Securities, or changes that could have a significant impact on the future legal entity structure, business mix (including potential exit of certain business activities) and management of the Group, and use of capital and requirements for loss-absorbing capacity within the Group, which may have an adverse effect on an investment in the Securities.

These and other regulatory changes, and the resulting actions taken to address such regulatory changes, may have an adverse impact on the Group's, and therefore the Issuer's, performance and financial condition, which could in turn affect the levels of CET1 Capital and Risk Weighted Assets and, therefore, the resulting fully loaded CET1 Ratio. Such legislative and regulatory uncertainty could also affect an investor's ability to accurately value the Securities and, therefore, affect the trading price of the Securities given the extent and impact on the Securities that one or more regulatory or legislative changes, including those described above, could have on the Securities. It is not yet possible to predict the detail of such legislation or regulatory rulemaking or the ultimate consequences to the Group or the Securityholders which could be material.

30 *There is no established trading market for the Securities and one may not develop.*

The Securities will have no established trading market when issued and, although application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Securities as a debt issue to professional investors on the Hong Kong Stock Exchange, one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Securities easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for the Securities, which may be especially sensitive to interest rates, currency or market risks, are designed for specific investment objectives and strategies, have been structured to meet the investment requirements of limited categories of investors and which include features such as Conversion. The Securities may have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a material adverse effect on the market value of the Securities.

31 *A downgrade, suspension or withdrawal of the rating assigned by any rating agency to the Securities could cause the liquidity or market value of the Securities to decline.*

Upon issuance, the Securities will be rated by nationally recognised statistical ratings organisations and may in the future be rated by additional rating agencies. However, the Issuer is under no obligation to ensure the Securities are rated by any rating agency and any rating initially assigned to the Securities may be lowered or withdrawn entirely by a rating agency if, in that rating agency's judgment, circumstances relating to the basis of the rating, such as adverse changes to the Issuer's business, so warrant, or if the rating methodology used by any such rating agency is amended. If the Issuer determines to no longer maintain one or more ratings, or if any rating agency lowers or withdraws its rating, such event could reduce the liquidity or market value of the Securities.

32 *The Securities are not expected to be rated investment grade by all of the rating agencies which are expected to assign ratings to the Securities on the Issue Date and are subject to the risks associated with non-investment grade securities.*

The Securities, upon issuance, will not be considered to be investment grade securities by all of the rating agencies which are expected to assign ratings to the Securities on the Issue Date, and as such the Securities will be subject to a higher risk of price volatility than higher-rated securities. Furthermore, deteriorating outlooks for the Issuer or the Group, or volatile markets, could lead to a significant deterioration in market prices of below-investment grade rated securities such as the Securities.

33 *Credit ratings may not reflect all risks.*

One or more independent credit rating agencies may assign credit ratings to the Securities. The ratings may not reflect the potential impact of all risks related to structure, market, Conversion, Regulatory Capital Write-Down Powers, Bail-In Power, additional factors discussed above and other factors that may affect the value of the Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

34 *Securityholders may be obliged to make a take-over bid following the Conversion Trigger Event if they take delivery of Ordinary Shares.*

Upon the occurrence of the Conversion Trigger Event, Securityholders receiving Ordinary Shares from the Conversion Shares Depositary may have to make a take-over bid addressed to the shareholders of the Issuer pursuant to the rules of The City Code on Takeovers and Mergers implementing the Takeovers Directive (2004/25/EC) by means of Part 28 of the United Kingdom Companies Act 2006 (the “Companies Act”) and the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs if their aggregate holdings in the Issuer exceed 30 per cent. of the voting rights in the Issuer as a result of Conversion of the Securities into Ordinary Shares.

35 *Securityholders may be subject to disclosure obligations and/or may need approval by the relevant regulator(s).*

As the Securities are mandatorily convertible into Ordinary Shares following the Conversion Trigger Event, an investment in the Securities may result in Securityholders, following such Conversion, having to comply with certain disclosure and/or approval requirements pursuant to laws and regulations applicable in the United Kingdom. For example, pursuant to Chapter 5 of the Disclosure Rules and Transparency Rules Sourcebook of the FCA Handbook, the Issuer (and the Financial Conduct Authority (the “FCA”)) must be notified by a person when the percentage of voting rights in the Issuer controlled by that person (together with its concert parties), by virtue of direct or indirect holdings of shares aggregated with direct or indirect holdings of certain financial instruments, reaches or crosses 3 per cent. and every percentage point thereafter. The Issuer, its directors, chief executives and shareholders have been granted a partial exemption from the disclosure requirements under Part XV of the SFO (as defined herein). As a result of this exemption, directors, chief executives and shareholders no longer have an obligation under the SFO to notify the Issuer of shareholding interests, and the Issuer is no longer required to maintain a register of directors’ and chief executives’ interests under section 352 of the SFO nor a register of interests of substantial shareholders under section 336 of the SFO. The Issuer is, however, required to file with the Hong Kong Stock Exchange any disclosure of interests made in the United Kingdom as set out above.

Furthermore, as the Ordinary Shares are of a parent undertaking of a number of regulated Group entities, under the laws of the United Kingdom and other jurisdictions, ownership of an interest in the Ordinary Shares to be delivered following Conversion above a certain level may require the Securityholder to obtain regulatory approval or subject the Securityholder to additional regulation.

Non-compliance with such disclosure and/or approval requirements may lead to the incurrence by Securityholders of substantial fines and/or suspension of voting rights associated with the Ordinary Shares. Each potential investor should consult its legal advisers as to the terms of the Securities and the level of holding it would have if it receives Ordinary Shares following the Conversion Trigger Event and what its related obligations may be.

36 *A Securityholder may be subject to taxes following Conversion.*

Neither the Issuer, nor any member of the Group, will pay any taxes or capital, stamp, issue and registration or transfer taxes or duties arising upon Conversion or that may arise or be paid as a

consequence of the issue and delivery of Ordinary Shares to the Conversion Shares Depositary. A Securityholder must pay any taxes and capital, stamp, issue and registration and transfer taxes or duties arising upon Conversion (other than on the transfer and delivery of any Ordinary Shares to a purchaser in any Conversion Shares Offer which in each case shall be payable by the relevant purchaser of the Ordinary Shares) and such Securityholder must pay all, if any, such taxes or duties arising by reference to any disposal or deemed disposal of such Securityholder's Security or interest therein.

37 *Implementation of and/or changes to the capital adequacy framework may result in changes to the risk-weighting of the Securities and/or loss absorption by Securityholders in certain circumstances.*

The BCBS adopted in 2004 a framework which placed enhanced emphasis on market discipline and sensitivity to risk. A comprehensive version of this framework was published in June 2006 under the title "International Convergence of Capital Measurement and Capital Standards: A Revised Framework (Comprehensive Version)" ("Basel II").

Basel II was required to be implemented in stages with the Basel II standardised approach and the foundation internal ratings based ("IRB") approach to credit risk applying from 1 January 2007, and the advanced IRB approach to credit risk and the advanced measurement approach ("AMA") to operational risk applying from 1 January 2008. However, Basel II is not self-implementing and, accordingly, implementation dates in individual countries are dependent on the national implementation processes in those countries.

In July 2009 the Basel Committee agreed changes to Basel II to address deficiencies in respect of the treatment of securitisations and market risk. Banks using internal models for determining the capital requirements of their trading book are required to calculate a stressed value-at-risk based on historical data from a 12-month period of significant stress. Banks using internal specific risk models in the trading book must also calculate an incremental risk capital charge for credit sensitive positions which captures default and migration risk. These changes were introduced from 31 December 2011 and have significantly increased the capital requirements for trading book transactions. Implementation in the EU has been effected through amendments to the Capital Requirements Directive which also applies to investment firms. A more fundamental review of the rules applicable to trading activities is currently being undertaken by the BCBS that may result in further changes. The use of external ratings is also being reviewed and on 27 October 2010 the FSB issued principles for reducing reliance on credit rating agency ratings in standards, laws and regulations.

Basel III introduces, amongst other things, new definitions of instruments eligible as regulatory capital, measures to strengthen the capital requirements for counterparty credit risk exposures arising from certain transactions, a leverage ratio and liquidity metrics.

Basel III has been implemented in the EU through a package of legislation, comprising the CRD IV Directive and the CRD IV Regulation. The CRD IV Directive must be implemented in each Member State by national legislation, while the CRD IV Regulation is directly applicable in each Member State and does not therefore require national implementing measures. Agreement on CRD IV was reached on 16 April 2013 and the final texts were published in the Official Journal of the EU on 26 June 2013. Member States were required to apply the new requirements (with certain exceptions and subject to transitional arrangements) from 1 January 2014. The changes in requirements that will be introduced through CRD IV may have an impact on incentives to hold the Securities for investors that are subject to requirements that follow the revised framework and, as a result, they may affect the liquidity and/or value of the Securities.

The Financial Services (Banking Reform) Act 2013 amended FSMA to provide HM Treasury with the power to require an institution to issue any debt instruments or to ensure that any part of its debt consists of debt instruments of a particular kind. This power is additional to the regulatory capital requirements under CRD IV. HM Treasury has indicated that it intends to use this power, as appropriate, to require certain banking groups to hold a quantity of TLAC that is expected to be subject to the Regulatory Capital Write-Down Powers and Bail-In Powers under the BRRD. These Regulatory Capital Write-Down Powers and/or Bail-In Powers may be applied to the Securities (see "*Risks related to the Securities – The Securities may be subject to statutory write-down or bail-in powers*" above). The Financial Services (Banking Reform) Act 2013 provides for the introduction of a bail-in power as the fourth stabilisation option which may be exercised by the Bank of England pursuant to the Banking Act 2009 (See further the paragraph entitled "*The business and operations of the Group may be affected by resolution measures developed by its regulators, including those introduced in accordance with the EU Bank Recovery and Resolution Directive and the Banking Act 2009*" above).

Any of the foregoing could affect the risk-weighting of the Securities for investors who are subject to capital adequacy requirements that follow, or are based on, Basel I (being the International Convergence of Capital Measurement and Capital Standards published by the BCBS in July 1988 together with the Amendment to the Capital Accord to Incorporate Market Risks published by the BCBS in January 1996, in

each case as amended by the BCBS), Basel II or Basel III (including, in the EU/EEA, banks and investment firms).

The application of write-down, conversion to equity or bail-in to the Securities may have an adverse effect on the position of holders of Securities and, as a result, may affect the liquidity and/or value of the Securities. See *“The Group is subject to the risk of regulators imposing more onerous prudential standards, including increased capital and liquidity requirements”* above.

In all other respects, the Issuer cannot predict the precise effects of potential changes that might result from the implementation of new requirements on investors’ own financial performance or the impact on the market value of the Securities. Prospective investors in the Securities should consult their own advisers as to the potential consequences to and effect on them of changes to the risk-weighted asset framework (including the Basel II and Basel III changes described above) and the relevant implementing measures, together with other changes including write-down, conversion to equity or bail-in that have been or are in the course of being proposed.

The EU is also developing a new solvency framework for insurance companies, referred to as “Solvency II”. Member States are required to implement Solvency II by 31 March 2015 and firms must comply with the new regime from 1 January 2016. The approach to investment rules for insurers adopted under Solvency II is markedly different from the approach under the current European insurance directives and the PRA rules currently in force. The Issuer cannot predict the precise effects of the potential changes that might result from the implementation of Solvency II on the market value of the Securities, or their eligibility to be used to satisfy capital requirements under Solvency II. Prospective investors in the Securities who will be subject to Solvency II should consult their own advisers as to the potential consequences to and effect on them of changes to the solvency regime and the investment rules for insurers.

38 EU Savings Directive.

Under EC Council Directive 2003/48/EC on the taxation of savings income (as amended from time to time) (the “Savings Directive”), each member state of the European Union (a “Member State”) is required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person established within its jurisdiction to (or for the benefit of) an individual resident in that other Member State or to certain limited types of entities established in that other Member State.

On 24 March 2014, the Council of the European Union adopted a Council Directive (the “Amending Directive”) which will, when implemented, amend and broaden the scope of the requirements of the Savings Directive described above. Member States are required to apply these new requirements with effect from 1 January 2017. The changes will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. The Amending Directive will also expand the circumstances in which payments must be reported or paid subject to withholding. This approach will apply to payments made to (or for the benefit of), or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or legal arrangement is established or effectively managed outside the European Union.

For a transitional period, the end of which is dependent upon the conclusion of certain other agreements relating to information exchange with certain non-EU countries, certain Member State(s) are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld). The changes referred to above will broaden the types of payments subject to withholding in the Member State(s) which still operate a withholding system when they are implemented.

A number of non-EU countries and territories have adopted similar measures.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Savings Directive or any other European Union directive or regulation implementing the conclusions of the ECOFIN council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive, neither the Issuer nor the Paying Agent nor any other person would be obliged to pay additional amounts with respect to such payment as a result of the imposition of such withholding tax. Save as provided in the Conditions, the Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to any law implementing the Savings Directive or any other European Union directive or regulation implementing the conclusions of the ECOFIN council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive, which may mitigate an element of this risk if the Securityholder is able to arrange for payment through such a Paying Agent.

39 *United States foreign account tax compliance withholding (“FATCA withholding”) may apply to payments on the Securities, including as a result of the failure of a holder or a holder’s bank or broker to comply with information reporting, certification and related requirements.*

A 30 per cent. withholding tax will be imposed on certain payments to certain non-U.S. financial institutions that fail to comply with information reporting requirements or certification requirements in respect of their direct and indirect U.S. shareholders and/or U.S. accountholders. To avoid becoming subject to the 30 per cent. withholding tax, the Issuer and other non-U.S. financial institutions may be required to report information to the U.S. Internal Revenue Service regarding the holders of Securities or Ordinary Shares and to withhold on a portion of payments under the Securities or Ordinary Shares to certain holders that fail to comply with the relevant information reporting requirements (or hold Securities or Ordinary Shares directly or indirectly through certain non-compliant intermediaries). However, such withholding will not apply to payments made before January 1, 2017. Further, the rules for implementing withholding on the Securities and Ordinary Shares have not yet been written, so it is unclear at this time what the impact of any such withholding would be on holders of Securities or Ordinary Shares. If a payment on the Securities is subject to this withholding tax, no additional amounts will be paid, and a holder of Securities will receive less than the amount of the expected payment.

Prospective investors should consult their tax advisors regarding their withholding. For more information, see “*Taxation – United States – FATCA Withholding*” below.

40 *Securityholders may be subject to U.S. tax upon adjustments (or failure to make adjustments) to the Conversion Price even though Securityholders do not receive a corresponding cash distribution.*

The Conversion Price is subject to adjustment in certain circumstances, as set out in Condition 7. If, as a result of adjustments (or failure to make adjustments), a Securityholder’s proportionate interest in the Issuer’s assets or earnings were deemed to be increased for U.S. federal income tax purposes, such Securityholder may be treated as having received a taxable distribution for these purposes, without the receipt of any cash or property. See “*Taxation—United States—Adjustment of the Conversion Price*” for a further discussion of these U.S. federal tax implications.

41 *Exchange rate risks and exchange controls.*

The Issuer will pay principal and interest on the Securities in U.S. Dollars and, in addition, the Conversion Price is fixed in U.S. Dollars. This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “Investor’s Currency”) other than U.S. Dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. Dollar or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to the U.S. Dollar would decrease (i) the Investor’s Currency-equivalent yield on the Securities, (ii) the Investor’s Currency-equivalent value of the principal payable on the Securities and (iii) the Investor’s Currency-equivalent market value of the Securities.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate and/or an investor’s right to receive payments of interest or principal. As a result, investors may receive less interest or principal than expected, or no interest or principal.

42 *Change of law.*

The Conditions are based on English law in effect as at the Issue Date. No assurance can be given as to the impact of any possible judicial decision or change to English law or any administrative practice after the Issue Date.

TERMS AND CONDITIONS OF THE SECURITIES

The following is the text of the terms and conditions ("Conditions") that, save for the text in italics, shall be applicable to the Certificates in definitive form (if any) issued in exchange for the Global Certificates representing the Securities. The full text of these terms and conditions shall be endorsed on the Certificates relating to such Securities. Provisions in italics do not form part of the Conditions.

The issue of the U.S.\$2,000,000,000 Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities (the "Securities", which expression shall, unless otherwise indicated, include any Further Securities) was (save in respect of any Further Securities) authorised pursuant to resolutions of the board of directors of Standard Chartered PLC (the "Issuer") passed on 31 July 2009 and 11 December 2013 and a resolution of a committee of the board of directors of the Issuer passed on 11 March 2015. The Securities are constituted by a trust deed (the "Trust Deed") to be dated 2 April 2015 entered into between the Issuer and BNY Mellon Corporate Trustee Services Limited (the "Trustee", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Securityholders. These terms and conditions (the "Conditions") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Certificates referred to below. An Agency Agreement (the "Agency Agreement") to be dated 2 April 2015 will be entered into in relation to the Securities between the Issuer, the Trustee, The Bank of New York Mellon (Luxembourg) S.A. as registrar and as transfer agent, The Bank of New York Mellon, London Branch as principal paying and conversion agent and calculation agent and the other paying and conversion agents named in it. The principal paying and conversion agent, the other paying and conversion agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "Principal Paying and Conversion Agent", the "Paying and Conversion Agents" (which expression shall include the Principal Paying and Conversion Agent), the "Registrar", the "Transfer Agents" (which expression shall include the Registrar) and the "Calculation Agent". Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at One Canada Square, London E14 5AL) and at the specified offices of the Paying and Conversion Agents and the Transfer Agents.

The Securityholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

Capitalised terms used but not defined in these Conditions shall have the meanings attributed to them in the Trust Deed unless the context otherwise requires or unless otherwise stated.

1 Form, Denomination and Title

The Securities are issued in registered form in specified denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

The Securities are represented by registered certificates ("Certificates") and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Securities by the same Holder.

Title to the Securities shall pass by registration in the register of the Securityholders that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "Register"). Except as ordered by a court of competent jurisdiction or as required by law, the Holder of any Security shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the Holder.

2 Transfers of Securities

(a) Transfer of Securities

One or more Securities may, subject to Condition 2(d), be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Securities to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. A new Certificate shall be issued to the transferee in respect of the Securities the subject of the relevant transfer and, in the case of a transfer of part only of a holding of Securities represented by one Certificate, a new Certificate in respect of the balance of the Securities not transferred shall be issued to the transferor. In the case of a transfer of Securities to a person who is already a Holder of Securities, a new Certificate representing the enlarged holding may be issued but only against surrender of the Certificate representing the existing holding of such person. All transfers of Securities and entries on the Register will be made subject to the detailed regulations concerning transfers of Securities scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the

prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Securityholder upon request.

In the case of Securities represented by a Global Certificate, the Conversion Trigger Notice or the Conversion Shares Offer Notice shall provide details of the Suspension Date. In such circumstances any Conversion Shares Settlement Notice delivered prior to the day following the Suspension Date shall be void.

“Suspension Date” means a date specified by the Issuer in the Conversion Trigger Notice or the Conversion Shares Offer Notice (and any notice of termination of the Conversion Shares Offer), as the case may be, as being the date on which DTC shall suspend all clearance and settlement of transactions in the Securities in accordance with its rules and procedures which date shall, in the case of a Conversion Shares Offer, be as proximate to the end of the Conversion Shares Offer Period as is reasonably practicable in accordance with the rules and procedures of DTC.

(b) Delivery of New Certificates

Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within three business days of receipt of the form of transfer and surrender of the relevant Certificate. Delivery of new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery and surrender of such form of transfer and Certificate or, as the case may be, surrender of such Certificate, shall have been made or, at the option of the relevant Holder and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the Holder entitled to the new Certificate to such address as may be so specified, unless such Holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(b), “business day” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(c) Transfers Free of Charge

Transfers of Securities and the issue of new Certificates on transfer shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(d) Closed Periods

No Securityholder may require the transfer of a Security to be registered (i) during the period of 15 days ending on the due date for redemption of the Securities pursuant to Condition 8, (ii) at any time after the second London business day following the giving of a Conversion Trigger Notice by the Issuer or (iii) during the period of seven days ending on (and including) any Record Date.

3 Status of the Securities

The Securities constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims of the Securityholders are subordinated as described in Condition 4.

4 Subordination

(a) Conditions to Payment

Other than where Condition 4(b), 4(c) or (in relation to the cash component of any Conversion Shares Offer Consideration) 7(b)(iii) applies, all payments in respect of or arising from (including any damages for breach of any obligations under) the Securities are, in addition to the provisions of Condition 6 relating to the cancellation of interest, conditional upon the Issuer being solvent at the time of payment by the Issuer and no principal, interest or other amount shall be due and payable in respect of or arising from the Securities except to the extent that the Issuer could make such payment and still be solvent immediately thereafter.

The Issuer shall, for these purposes, be considered to be solvent if both (x) it is able to pay its debts owed to its Senior Creditors as they fall due and (y) its Assets exceed its Liabilities.

A certificate as to the solvency or insolvency of the Issuer by two Authorised Signatories shall, in the absence of manifest error, be treated by the Issuer, the Trustee, the Holders and all other interested parties as correct and sufficient evidence thereof.

Any payment of interest not due by reason of this Condition 4(a) shall be cancelled as provided in Condition 6(a).

As used herein:

“Assets” means the non-consolidated gross assets of the Issuer, as shown in the latest published audited balance sheet of the Issuer, but adjusted for contingencies and subsequent events to such extent and in such manner as two directors of the Issuer or the Auditors may determine;

“Auditors” means the auditors for the time being of the Issuer or, in the event of their being unable or unwilling promptly to carry out any action requested of them pursuant to the provisions of the Securities, such other firm of accountants as may be nominated or approved by the Trustee after consultation with the Issuer;

“Liabilities” means the non-consolidated gross liabilities of the Issuer, as shown in the latest published audited balance sheet of the Issuer, but adjusted for contingencies and subsequent events to such extent and in such manner as two directors of the Issuer or the Auditors may determine; and

“Senior Creditors” means creditors of the Issuer (a) who are unsubordinated creditors, (b) whose claims are, or are expressed to be, subordinated (whether only in the event of the winding-up or administration of the Issuer or otherwise) to the claims of unsubordinated creditors of the Issuer but not further or otherwise or (c) whose claims are, or are expressed to be, junior to the claims of other creditors of the Issuer, whether subordinated or unsubordinated, other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the holders of the Securities in a winding-up or administration of the Issuer occurring prior to the Conversion Trigger Event.

(b) Winding-up prior to a Conversion Trigger Event

If at any time prior to the date on which a Conversion Trigger Event occurs:

- (i) an order is made, or an effective resolution is passed, for the winding-up of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a merger, reorganisation, reconstruction or amalgamation of the Issuer or the substitution in place of the Issuer of a successor in business of the Issuer, the terms of which merger, reorganisation, reconstruction, amalgamation or substitution (x) have previously been approved in writing by the Trustee or by an Extraordinary Resolution and (y) do not provide that the Securities shall thereby become redeemable or repayable in accordance with these Conditions); or
- (ii) an administrator of the Issuer is appointed and such administrator declares, or gives notice that it intends to declare and distribute, a dividend,

there shall be payable by the Issuer in respect of each Security (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to the Holder of such Security if, on the day preceding the commencement of the winding-up or administration and thereafter, such Holder were the holder of one of a class of preference shares in the capital of the Issuer (“Notional Preference Shares”), ranking in priority to the holders of the Ordinary Shares, having an equal right to a return of assets in the winding-up or such administration to, and so ranking *pari passu* with, the holders of the Existing Preference Shares (if any remain outstanding) and the holders of any securities of the Issuer ranking or expressed to rank *pari passu* with any of the Existing Preference Shares or the Securities in such winding-up or administration, and ranking in priority to the holders of any other class of shares in issue or deemed to be in issue for the time being in the capital of the Issuer but ranking junior to the holders of any shares which may be issued or deemed to be issued by the Issuer which, by their terms, rank in priority to the Notional Preference Shares in a winding-up or other return of capital, and ranking junior to the claims of Senior Creditors (as defined above), and on the assumption that the amount that such holder was entitled to receive in respect of each Notional Preference Share, on a return of assets in such winding-up or administration, were an amount equal to the principal amount of the relevant Security together with, to the extent not otherwise included within the foregoing, any other amounts attributable to the Security, including any accrued but unpaid interest thereon (to the extent not cancelled in accordance with these Conditions) and any damages awarded for breach of any obligations, whether or not the conditions referred to in Condition 4(a) are satisfied on the date upon which the same would otherwise be due and payable.

(c) Winding-up on or after a Conversion Trigger Event

If at any time on or after the date on which a Conversion Trigger Event occurs:

- (i) an order is made, or an effective resolution is passed, for the winding-up of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a merger, reorganisation, reconstruction or amalgamation of the Issuer or the substitution in place of the Issuer of a successor in business of the Issuer, the terms of which merger, reorganisation, reconstruction, amalgamation or substitution (x) have previously been approved in writing by the Trustee or by an Extraordinary Resolution and (y) do not provide that the Securities shall thereby become redeemable or repayable in accordance with these Conditions); or
- (ii) an administrator of the Issuer is appointed and such administrator declares, or gives notice that it intends to declare and distribute a dividend,

but the relevant Ordinary Shares to be issued and delivered to the Conversion Shares Depositary on Conversion in accordance with Condition 7 have not been so delivered, there shall be payable by the Issuer in respect of each Security (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to the Holder of such Security if, on the day preceding the commencement of the winding-up or administration and thereafter, such Holder were the holder of such number of Ordinary Shares as that Holder would have been entitled to receive on Conversion in accordance with Condition 7 (ignoring for these purposes the Issuer's right to make an election for a Conversion Shares Offer to be effected in accordance with Condition 7(b)(iii)), whether or not the conditions referred to in Condition 4(a) are satisfied on the date upon which the same would otherwise be due and payable.

(d) Set-off

Subject to applicable law, no Securityholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Securities and each Securityholder shall, by virtue of its holding of any Security be deemed to have waived all such rights of set-off, compensation or retention. Notwithstanding the preceding sentence, if any of the amounts owing to any Securityholder by the Issuer in respect of, or arising under or in connection with the Securities is discharged by set-off, such Securityholder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of its winding-up or administration, the liquidator or, as appropriate, administrator of the Issuer) and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer (or the liquidator or, as appropriate, administrator of the Issuer) and accordingly any such discharge shall be deemed not to have taken place.

(e) Trustee

The provisions of this Condition 4 apply only to the principal and interest and any other amounts payable in respect of the Securities and nothing in this Condition 4 or in Condition 7 or 12 shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof.

The Trustee shall have no responsibility for, or liability or obligation in respect of, any loss, claim or demand incurred as a result of or in connection with any non-payment of interest or other amounts by reason of Condition 4(a) or Condition 6, Conversion pursuant to Condition 7 or any cancellation of the Securities or write down of any claims in respect thereof following the occurrence of a Non-Qualifying Relevant Event pursuant to Condition 7(a)(vi)). Furthermore, the Trustee shall not be responsible for any calculation or the verification of any calculation in connection with any of the foregoing.

5 Interest

(a) Interest Rate

The Securities bear interest at the applicable Interest Rate from the Issue Date in accordance with the provisions of this Condition 5.

Subject to Conditions 4(a), 6 and 7, interest shall be payable on the Securities semi-annually in arrear on each Interest Payment Date, in each case as provided in this Condition 5.

Interest in respect of any Security shall be calculated per Calculation Amount of that Security. Subject as provided in Condition 5(c) in respect of Interest Periods commencing in the Initial Fixed Rate Interest Period, the amount of interest payable per Calculation Amount in respect of any period shall be equal to the product of the Calculation Amount, the relevant Interest Rate in respect of such period and the Day Count Fraction, rounding the resultant figure to the nearest cent (half a cent being rounded upwards). "Day Count Fraction" means, in respect of any period, the number of days in the relevant period divided by 360, where the number of days is calculated on the basis of a 360 day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed

(b) Interest Accrual

Without prejudice to Conditions 4(a), 6 and 7, the Securities will cease to bear interest from (and including) the date of redemption thereof pursuant to Condition 8 unless, upon due presentation, payment and performance of all amounts and obligations due in respect of the Securities is not properly and duly made, in which event interest shall continue to accrue on the Securities, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date (in the case of payment) or the date of performance of the relevant obligations (in the case of performance).

(c) Initial Fixed Interest Rate

For the Initial Fixed Rate Interest Period, the Interest Rate will be 6.50 per cent. per annum (the "Initial Fixed Interest Rate").

Subject to Conditions 4(a), 6 and 7, each Interest Payment for each Interest Period commencing in the Initial Fixed Rate Interest Period will (if paid in full) amount to U.S.\$32.50 per Calculation Amount.

(d) *Reset Rate of Interest*

The Interest Rate will be reset (the "Reset Rate of Interest") in accordance with this Condition 5 on each Reset Date. The Reset Rate of Interest in respect of each Reset Period will be determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Reset Reference Rate plus the Margin, converted to a semi-annual rate in accordance with market convention (rounded to three decimal places, with 0.0005 rounded down).

(e) *Determination of Reset Rate of Interest*

The Calculation Agent will, as soon as practicable after 11.00 a.m. (New York time) on each Reset Determination Date, determine the Reset Rate of Interest in respect of the relevant Reset Period.

(f) *Publication of Reset Rate of Interest*

The Issuer shall cause notice of the Reset Rate of Interest determined in accordance with this Condition 5 to be given to the Trustee, the Registrar, the Paying and Conversion Agents, any stock exchange on which the Securities are for the time being listed or admitted to trading and, in accordance with Condition 17, the Holders, in each case as soon as practicable after its determination but in any event not later than the fourth London business day thereafter.

(g) *Calculation Agent*

With effect from the Reset Determination Date relating to the first Reset Period, and so long as any Securities remain outstanding thereafter, the Issuer will maintain a Calculation Agent. The name of the initial Calculation Agent and its initial specified office is set out at the end of these Conditions.

The Issuer may, with the prior written approval of the Trustee, from time to time replace the Calculation Agent with another leading investment, merchant or commercial bank or financial institution in London. If the Calculation Agent is unable or unwilling to continue to act as the Calculation Agent or fails duly to determine the Reset Rate of Interest in respect of any Reset Period as provided in Condition 5(d) and (e), the Issuer shall forthwith appoint another leading investment, merchant or commercial bank or financial institution in London approved in writing by the Trustee to act as such in its place. The Calculation Agent may not resign its duties or be removed without a successor having been appointed as aforesaid.

(h) *Determinations of Calculation Agent Binding*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5 by the Calculation Agent shall (in the absence of manifest error) be binding on the Issuer, the Calculation Agent, the Trustee, the Paying and Conversion Agents and all Securityholders and (in the absence of wilful default and fraud) no liability to the Securityholders or the Issuer shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

6 *Interest Cancellation*

(a) *Interest Payments Discretionary*

Interest on the Securities is due and payable only at the sole and absolute discretion, subject to Conditions 4(a), 6(b) and 7(c), of the Issuer. Accordingly, the Issuer may at any time elect to cancel any Interest Payment (or any part thereof) which would otherwise be payable on any Interest Payment Date. If the Issuer does not make an Interest Payment or part thereof on the relevant Interest Payment Date, such non-payment shall evidence either the non-payment and cancellation of such Interest Payment (or relevant part thereof) by reason of it not being due in accordance with Condition 4(a), the cancellation of such Interest Payment (or relevant part thereof) in accordance with Condition 6(b) or 7(c) or, as appropriate, the Issuer's exercise of its discretion otherwise to cancel such Interest Payment (or relevant part thereof) in accordance with this Condition 6(a), and accordingly such interest shall not in any such case be due and payable.

Any Interest Payment (or relevant part thereof) which is cancelled in accordance with this Condition 6 or which is otherwise not due in accordance with Condition 4(a) or Condition 7(c) shall not become due and shall not accumulate or be payable at any time thereafter, and Holders of the Securities shall have no rights in respect thereof and any such cancellation or non-payment shall not constitute a default or event of default on the part of the Issuer for any purpose.

(b) *Restrictions on Interest Payments*

The Issuer shall cancel any Interest Payment (or, as appropriate, part thereof) on the Securities in accordance with this Condition 6 in respect of any Interest Payment Date to the extent that the Issuer has an amount of Distributable Items on such Interest Payment Date that is less than the sum of (i) all

payments (other than redemption payments which do not reduce Distributable Items) made or declared by the Issuer since the end of the last financial year of the Issuer and prior to such Interest Payment Date on or in respect of any Parity Securities, the Securities and any Junior Securities and (ii) all payments (other than redemption payments which do not reduce Distributable Items) payable by the Issuer (and not cancelled or deemed cancelled) on such Interest Payment Date (x) on the Securities and (y) on or in respect of any Parity Securities or any Junior Securities, in the case of each of (i) and (ii), excluding any payments already accounted for in determining the Distributable Items of the Issuer.

The Issuer shall be responsible for determining compliance with this Condition 6(b) and neither the Trustee nor any Paying and Conversion Agent, Transfer Agent or Calculation Agent shall be required to monitor such compliance or to perform any calculations in connection therewith.

(c) Notice of Interest Cancellation

If practicable, the Issuer shall provide at least five (5) London business days' notice of any cancellation of any Interest Payment to the Holders of the Securities in accordance with Condition 17 and to the Trustee and the Principal Paying and Conversion Agent on or prior to the relevant Interest Payment Date. However, any failure to provide such notice will not invalidate the cancellation of the relevant Interest Payment.

7 Conversion

(a) Conversion upon Conversion Trigger Event

- (i) If the Conversion Trigger Event occurs, each Security shall, subject to and as provided in this Condition 7(a), be automatically and irrevocably discharged and satisfied by its Conversion into Ordinary Shares, credited as fully paid, in the manner and in the circumstances described below and the issuance and delivery of such Ordinary Shares to the Conversion Shares Depositary, to be held on trust (on terms permitting a Conversion Shares Offer in accordance with Condition 7(b)(iii)) for the Securityholders, as provided below. Such Conversion shall occur without delay upon the occurrence of a Conversion Trigger Event.

The Securities are not convertible at the option of Securityholders or the Trustee at any time.

The "Conversion Trigger Event" shall occur if the Issuer determines at any time that the CET1 Ratio is less than 7.00 per cent. on such date.

Following the occurrence of the Conversion Trigger Event, the Issuer shall give notice thereof to the Holders of the Securities (the "Conversion Trigger Notice") in accordance with Condition 17 and to the Trustee and the Principal Paying and Conversion Agent (i) in the case of a Conversion Trigger Event that has occurred as at any Financial Period End Date, on or within five London business days (or such shorter period as the Relevant Regulator may require) after the relevant Ordinary Reporting Date and (ii) in the case of a Conversion Trigger Event that has occurred as at any other time, on or as soon as practicable after such time (and, in any event, within such period as the Relevant Regulator may require). The Conversion Trigger Notice shall specify (i) the CET1 Ratio as at the relevant Financial Period End Date or other relevant time, (ii) the Conversion Price then prevailing (which Conversion Price shall remain subject to any subsequent adjustment pursuant to Condition 7(e) up to the Conversion Date), (iii) the Conversion Date or expected Conversion Date, (iv) details of the Conversion Shares Depositary, the Notice Cut-Off Date and the Final Cancellation Date, (v) that the Issuer has the option, at its sole and absolute discretion, to elect that a Conversion Shares Offer be conducted and that the Issuer will issue a Conversion Shares Offer Notice in accordance with Condition 17 within ten (10) London business days following the Conversion Date notifying Holders of its decision as to such election and (vi) that the Securities shall remain in existence until the applicable Settlement Date (or, if earlier, the Final Cancellation Date) for the sole purpose of evidencing the Holder's right to receive Ordinary Shares or Conversion Shares Offer Consideration, as applicable, from the Conversion Shares Depositary, and that the Securities may continue to be transferable until the applicable Settlement Date (or, if earlier, the Final Cancellation Date).

- (ii) If the Conversion Trigger Event occurs, the Securities will be converted in whole and not in part on the Conversion Date as provided below, at which point all of the Issuer's obligations under the Securities shall be automatically and irrevocably discharged and satisfied by the Issuer's issuance and delivery of the relevant Ordinary Shares to the Conversion Shares Depositary on the Conversion Date.

If the Issuer has been unable to appoint a Conversion Shares Depositary, it shall make such other arrangements for the issuance and delivery of the Ordinary Shares to be issued and delivered upon Conversion to the Securityholders as it shall consider reasonable in the circumstances, which may include issuing and delivering the Ordinary Shares to another independent nominee to be held on trust (on terms permitting a Conversion Shares Offer in accordance with Condition 7(b)(iii)) for the Securityholders or to the Securityholders directly, which issuance and delivery shall irrevocably

discharge and satisfy all of the Issuer's obligations under the Securities as if the relevant Ordinary Shares had been issued and delivered to the Conversion Shares Depositary and, in which case, where the context so admits, references in these Conditions to the issue and delivery of Ordinary Shares to the Conversion Shares Depositary shall be construed accordingly and apply mutatis mutandis.

- (iii) Provided that the Issuer issues and delivers the relevant Ordinary Shares to the Conversion Shares Depositary in accordance with these Conditions, with effect from the Conversion Date no Holder of the Securities will have any rights against the Issuer with respect to the repayment of the principal amount of the Securities or the payment of interest or any other amount on or in respect of such Securities and the principal amount of the Securities shall equal zero at all times thereafter. Any interest in respect of an Interest Period ending on an Interest Payment Date falling between the date of a Conversion Trigger Event and the Conversion Date shall be deemed to have been automatically and irrevocably cancelled upon the occurrence of the Conversion Trigger Event and shall not be due and payable.
- (iv) Upon its determination that a Conversion Trigger Event has occurred, the Issuer shall immediately inform the Relevant Regulator and shall, prior to giving the Conversion Trigger Notice, deliver to the Trustee a certificate signed by two Authorised Signatories of the Issuer stating that the Conversion Trigger Event has occurred and the Trustee shall accept such certificate without any further enquiry as sufficient evidence of such matters, in which event such certificate will be conclusive and binding on the Trustee and the Securityholders.
- (v) If a Relevant Event shall occur that is a Qualifying Relevant Event, then, where the Conversion Date falls on or after the New Conversion Condition Effective Date, each Security shall, upon the occurrence of the Conversion Trigger Event, subject to and as provided in this Condition 7(a) and in Condition 7(j), be converted into Relevant Shares of the Approved Entity.
- (vi) If a Relevant Event shall occur that is a Non-Qualifying Relevant Event, then, with effect from the occurrence of such Non-Qualifying Relevant Event and unless the Conversion Date shall have occurred prior to such date, outstanding Securities shall not be subject to Conversion at any time notwithstanding that a Conversion Trigger Event may occur subsequently but, instead, upon the occurrence of a Conversion Trigger Event subsequent to a Non-Qualifying Relevant Event the full principal amount of each Security will automatically be written down to zero, each Security will be cancelled, the Securityholders will be automatically deemed to have irrevocably waived their right to receive, and no longer have any rights against the Issuer with respect to, repayment of the aggregate principal amount of the Securities written down pursuant to this Condition and all accrued but unpaid interest and any other amounts payable on each Security will be cancelled, irrespective of whether such amounts have become due and payable prior to the occurrence of the Conversion Trigger Event. For the avoidance of doubt, nothing in this Condition 7(a)(vi) shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof.
- (vii) The Ordinary Shares to be issued and delivered on Conversion shall (except where the Issuer has been unable to appoint a Conversion Shares Depositary as contemplated in Condition 7(a)(ii)) initially be registered in the name of the Conversion Shares Depositary, which (subject to the provisions of Condition 7(b)(iii)) shall hold such Ordinary Shares on trust for the Holders of the Securities. By virtue of its holding of any Security, each Securityholder shall be deemed to have irrevocably directed the Issuer to issue and deliver such Ordinary Shares to the Conversion Shares Depositary.

Provided that the Issuer so issues and delivers the Ordinary Shares to be issued and delivered on Conversion to the Conversion Shares Depositary, with effect on and from the Conversion Date, Holders of the Securities shall have recourse only to the Conversion Shares Depositary for the delivery to them of such Ordinary Shares or, subject to and as provided in Condition 7(b)(iii), the Conversion Shares Offer Consideration. Subject to Condition 4(c), if the Issuer fails to issue and deliver the Ordinary Shares to be issued and delivered on Conversion to the Conversion Shares Depositary on the Conversion Date, a Holder's only right under the Securities against the Issuer for any such failure will be to claim to have such Ordinary Shares so issued and delivered.

Following the issuance and delivery of the Ordinary Shares to be delivered on Conversion to the Conversion Shares Depositary on the Conversion Date, the Securities shall remain in existence until the applicable Settlement Date (or, if earlier, the Final Cancellation Date) for the purpose only of evidencing the Holders' right as aforesaid to receive such Ordinary Shares or the Conversion Shares Offer Consideration, as the case may be, to be delivered by the Conversion Shares Depositary.

- (viii) Subject to and as provided in Condition 7(b)(iii), the Conversion Shares Depositary shall hold the Ordinary Shares to be issued and delivered on Conversion on trust for the Holders of the Securities who shall, for so long as such Ordinary Shares are held by the Conversion Shares Depositary, be entitled to direct the Conversion Shares Depositary to exercise on their behalf all rights of an ordinary shareholder (including voting rights and rights to receive dividends) except that Holders shall not be able to sell or otherwise transfer such Ordinary Shares unless and until such time as they have been delivered to Holders in accordance with Condition 7(m).

(b) Conversion Settlement

- (i) Upon Conversion, the Issuer shall be deemed to redeem the Securities at a price equal to their principal amount and the Securityholders shall be deemed irrevocably to have directed and authorised the Issuer to apply such sum on their behalf in paying up the relevant Ordinary Shares to be issued and delivered to the Conversion Shares Depositary on Conversion of their Securities.
- (ii) In order to obtain delivery from the Conversion Shares Depositary of Ordinary Shares or, as applicable, the relevant Conversion Shares Offer Consideration following a Conversion, Securityholders will be required to deliver a Conversion Shares Settlement Notice and the relevant Certificate representing the relevant Security to the Conversion Shares Depositary (or an agent designated for the purpose in the Conversion Trigger Notice) on or before the Notice Cut-off Date in accordance with Condition 7(m). If such Conversion Shares Settlement Notice or Certificate is delivered after the end of normal business hours at the specified office of the Conversion Shares Depositary, such delivery shall be deemed for all purposes to have been made or given on the following business day. If Securityholders fail to make such delivery on or before the Notice Cut-off Date or otherwise the relevant Conversion Shares Settlement Notice shall have been determined by the Conversion Shares Depositary to be null and void, then the Conversion Shares Depositary shall continue to hold the relevant Ordinary Shares or the relevant Conversion Shares Offer Consideration, as the case may be, until a valid Conversion Shares Settlement Notice (and the Certificate representing the relevant Securities) is so delivered.
- (iii) Not later than the tenth London business day following the Conversion Date, the Issuer shall give notice to the Holders of the Securities in accordance with Condition 17 (a "Conversion Shares Offer Notice") stating whether or not it has elected, in its sole and absolute discretion, that the Conversion Shares Depositary (or an agent on its behalf) will make an offer, in the Issuer's sole and absolute discretion, of all or some of the Ordinary Shares to be delivered on Conversion to, in the Issuer's sole and absolute discretion, all or some of the Issuer's Shareholders at such time, such offer to be at a cash price per Ordinary Share being no less than the Conversion Price, all in accordance with the following provisions (the "Conversion Shares Offer"). The Issuer may, on behalf of the Conversion Shares Depositary, appoint a Conversion Shares Offer Agent to act as placement or other agent to facilitate the Conversion Shares Offer. The Issuer may not purchase any Ordinary Shares for its own account pursuant to a Conversion Shares Offer.

A Conversion Shares Offer Notice shall specify the period of time for which the Conversion Shares Offer will be open (the "Conversion Shares Offer Period"). The Conversion Shares Offer Period shall end no later than 40 London business days after the giving of the Conversion Shares Offer Notice by the Issuer.

Upon expiry of the Conversion Shares Offer Period, the Conversion Shares Depositary will provide notice to the Holders of the Securities in accordance with Condition 17 and to the Trustee and the Principal Paying and Conversion Agent of the composition of the Conversion Shares Offer Consideration (and of the deductions to the cash component, if any, of the Conversion Shares Offer Consideration (as set out in the definition of Conversion Shares Offer Consideration)) per Calculation Amount. The Conversion Shares Offer Consideration shall be held on trust by the Conversion Shares Depositary for the Securityholders. The cash component of any Conversion Shares Offer Consideration shall be payable by the Conversion Shares Depositary to the Holders of the Securities in U.S. Dollars and whether or not the conditions referred to in Condition 4(a) are satisfied.

The Issuer reserves the right, in its sole and absolute discretion, to elect that the Conversion Shares Depositary terminate the Conversion Shares Offer at any time during the Conversion Shares Offer Period. If the Issuer makes such election, it will provide at least three London business days' notice to the Holders of the Securities in accordance with Condition 17 and to the Trustee and the Principal Paying and Conversion Agent and the Conversion Shares Depositary may then, in its sole and absolute discretion, take steps to deliver to Holders of the Securities the Ordinary Shares to be delivered on Conversion at a time that is earlier than the time at which they would have otherwise received the Conversion Shares Offer Consideration had the Conversion Shares Offer been completed.

By virtue of its holding of any Security, each Holder of the Securities acknowledges and agrees that if the Issuer elects, in its sole and absolute discretion, that a Conversion Shares Offer be conducted by the Conversion Shares Depositary, such Holder shall be deemed to have: (i) irrevocably consented to any Conversion Shares Offer and, notwithstanding that such Ordinary Shares are held by the Conversion Shares Depositary on trust for the Securityholders, to the Conversion Shares Depositary using the Ordinary Shares delivered to it on Conversion to settle any Conversion Shares Offer; (ii) irrevocably consented to the transfer of the interest such Holder has in the Ordinary Shares delivered on Conversion to the Conversion Shares Depositary to one or more purchasers identified by the Conversion Shares Depositary in connection with the Conversion Shares Offer; (iii) irrevocably agreed that the Issuer and the Conversion Shares Depositary may take any and all actions necessary to conduct the Conversion Shares Offer in accordance with the terms of the Securities; and (iv) irrevocably agreed that none of the Issuer, the Trustee or the Conversion Shares Depositary shall, to the extent permitted by applicable law, incur any liability to the Holders of the Securities in respect of the Conversion Shares Offer (except for the obligations of the Conversion Shares Depositary in respect of the Holders' entitlement to, and the subsequent delivery of, any Conversion Shares Offer Consideration).

Any Conversion Shares Offer shall be made subject to applicable laws and regulations in effect at the relevant time and shall be conducted, if at all, only to the extent that the Issuer, in its sole and absolute discretion, determines that the Conversion Shares Offer is practicable. The purchasers of the Ordinary Shares sold in any Conversion Shares Offer shall bear the costs and expenses of any Conversion Shares Offer (other than the taxes and foreign exchange transaction costs referred to in Condition 7(n) and in the definition of Conversion Shares Offer Consideration), including the fees of the Conversion Shares Offer Agent, if any. Neither the occurrence of a Conversion Trigger Event nor, following the occurrence of a Conversion Trigger Event, the election (if any) by the Issuer to undertake a Conversion Shares Offer on the terms set out herein, shall preclude the Issuer from undertaking a rights issue at any time on such terms as the Issuer deems appropriate, at its sole discretion, including, for the avoidance of doubt, the offer of Ordinary Shares at or below the Conversion Price.

The Trustee shall not be responsible for monitoring any Conversion Shares Offer, nor for monitoring or enforcing the obligations of the Conversion Shares Depositary in respect thereof. Following Conversion and delivery of the Ordinary Shares to the Conversion Shares Depositary, Securityholders must look to the Conversion Shares Depositary for any Ordinary Shares or Conversion Shares Offer Consideration due to them at the relevant time.

(c) *Accrued Interest on Conversion*

Any interest in respect of an Interest Payment Date which falls on or after the date of a Conversion Trigger Event shall be deemed to have been cancelled upon the occurrence of such Conversion Trigger Event and shall not become due and payable.

(d) *Conversion Price*

The Issuer shall issue and deliver to the Conversion Shares Depositary on the Conversion Date a number of Ordinary Shares in respect of each Security determined by dividing the principal amount of such Security by the Conversion Price prevailing on the Conversion Date.

The "Conversion Price" per Ordinary Share in respect of the Securities is U.S.\$11.424, subject to adjustment in the circumstances described in Condition 7(e).

Once a Security has been converted into Ordinary Shares, there is no provision for the reconversion of such Ordinary Shares back into Securities.

(e) *Adjustment of Conversion Price*

Upon the happening of any of the events described below, the Conversion Price shall be adjusted as follows:

- (i) If and whenever there shall be a consolidation, reclassification, redesignation or subdivision in relation to the Ordinary Shares which alters the number of Ordinary Shares in issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such consolidation, reclassification, redesignation or subdivision by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate number of Ordinary Shares in issue immediately before such consolidation, reclassification, redesignation or subdivision, as the case may be; and

B is the aggregate number of Ordinary Shares in issue immediately after, and as a result of, such consolidation, reclassification, redesignation or subdivision, as the case may be.

Such adjustment shall become effective on the date the consolidation, reclassification, redesignation or subdivision, as the case may be, takes effect.

- (ii) If and whenever the Issuer shall issue any Ordinary Shares to Shareholders credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) other than (1) where any such Ordinary Shares are or are to be issued instead of the whole or part of a Cash Dividend which the Shareholders would or could otherwise have elected to receive, (2) where the Shareholders may elect to receive a Cash Dividend in lieu of such Ordinary Shares or (3) where any such Ordinary Shares are or are expressed to be issued in lieu of a dividend (whether or not a Cash Dividend equivalent or amount is announced or would otherwise be payable to the Shareholders, whether at their election or otherwise), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate number of Ordinary Shares in issue immediately before such issue; and

B is the aggregate number of Ordinary Shares in issue immediately after such issue.

Such adjustment shall become effective on the date of issue of such Ordinary Shares.

- (iii) If and whenever the Issuer shall pay any Extraordinary Dividend to the Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Ordinary Share on the Effective Date; and

B is the portion of the aggregate Extraordinary Dividend attributable to one Ordinary Share, with such portion being determined by dividing the aggregate Extraordinary Dividend by the number of Ordinary Shares entitled to receive the relevant Extraordinary Dividend. If the Extraordinary Dividend shall be expressed in a currency other than the Relevant Currency, it shall be converted into the Relevant Currency at the Prevailing Rate on the relevant Effective Date.

Such adjustment shall become effective on the Effective Date.

“Effective Date” means, in respect of this Condition 7(e)(iii), the first date on which the Ordinary Shares are traded ex-the Extraordinary Dividend on the Relevant Stock Exchange.

“Extraordinary Dividend” means any Cash Dividend that is expressly declared by the Issuer to be a capital distribution, extraordinary dividend, extraordinary distribution, special dividend, special distribution or return of value to Shareholders as a class or any analogous or similar term, in which case the Extraordinary Dividend shall be such Cash Dividend.

“Cash Dividend” means any dividend or distribution in respect of the Ordinary Shares which is to be paid or made to Shareholders as a class in cash (in whatever currency) and however described and whether payable out of share premium account, profits, retained earnings or any other capital or revenue reserve or account, and including a distribution or payment to Shareholders upon or in connection with a reduction of capital.

- (iv) If and whenever the Issuer shall issue Ordinary Shares to Shareholders as a class by way of rights, or the Issuer or any member of the Group or (at the direction or request or pursuant to arrangements with the Issuer or any member of the Group) any other company, person or entity shall issue or grant to Shareholders as a class by way of rights, any options, warrants or other rights to subscribe for or purchase Ordinary Shares, or any Relevant Securities which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, any Ordinary Shares (or shall grant any such rights in respect of existing Relevant Securities so issued), in each case at a price per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share on the Effective Date, the Conversion Price shall be adjusted by

multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Ordinary Shares in issue on the Effective Date;
- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares issued by way of rights, or for the Relevant Securities issued by way of rights, or for the options or warrants or other rights issued by way of rights and for the total number of Ordinary Shares deliverable on the exercise thereof, would purchase at such Current Market Price per Ordinary Share on the Effective Date; and
- C is the number of Ordinary Shares to be issued or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights or upon conversion or exchange or exercise of rights of subscription or purchase in respect thereof at the initial conversion, exchange, subscription or purchase price or rate,

provided that if, on the Effective Date, such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time, then for the purposes of this Condition 7(e)(iv), "C" shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Effective Date and as if such conversion, exchange, subscription, purchase or acquisition had taken place on the Effective Date.

Such adjustment shall become effective on the Effective Date.

"Effective Date" means, in respect of this Condition 7(e)(iv), the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants on the Relevant Stock Exchange.

Notwithstanding the foregoing provisions:

- (A) where the events or circumstances giving rise to any adjustment pursuant to this Condition 7(e) have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of any other events or circumstances which have already given or will give rise to an adjustment to the Conversion Price or where more than one event which gives rise to an adjustment to the Conversion Price occurs within such a short period of time that, in the opinion of the Issuer, a modification to the operation of the adjustment provisions is required to give the intended result, such modification shall be made to the operation of the adjustment provisions as may be determined in good faith by an Independent Adviser to be in its opinion appropriate to give the intended result;
- (B) such modification shall be made to the operation of these Conditions as may be determined in good faith by an Independent Adviser to be in its opinion appropriate (i) to ensure that an adjustment to the Conversion Price or the economic effect thereof shall not be taken into account more than once, (ii) to ensure that the economic effect of an Extraordinary Dividend is not taken into account more than once and (iii) to reflect a redenomination of the issued Ordinary Shares for the time being into a new currency; and
- (C) for the avoidance of doubt, the issue of Ordinary Shares upon a Conversion or upon any conversion or exchange in respect of any other Securities or the exercise of any other options, warrants or other rights shall not result in an adjustment to the Conversion Price.

(f) Determination of Consideration Receivable

For the purpose of any calculation of the consideration receivable or price pursuant to Condition 7(e)(iv), the following provisions shall apply:

- (1) the aggregate consideration receivable or price for Ordinary Shares issued for cash shall be the amount of such cash;
- (2) (x) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the conversion or exchange of any Relevant Securities shall be deemed to be the consideration or price received or receivable for any such Relevant Securities and (y) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the exercise of rights of subscription attached to any Relevant Securities or upon the exercise of any options, warrants or rights shall be deemed to be that part (which may be the whole) of the consideration or price received or receivable for such Relevant Securities or, as the

case may be, for such options, warrants or rights which are attributed by the Issuer to such rights of subscription or, as the case may be, such options, warrants or rights or, if no part of such consideration or price is so attributed, the Fair Market Value of such rights of subscription or, as the case may be, such options, warrants or rights as at the relevant Effective Date, plus in the case of each of (x) and (y) above, the additional minimum consideration receivable or price (if any) upon the conversion or exchange of such Relevant Securities, or upon the exercise of such rights of subscription attached thereto or, as the case may be, upon exercise of such options, warrants or rights and (z) the consideration receivable or price per Ordinary Share upon the conversion or exchange of, or upon the exercise of such rights of subscription attached to, such Relevant Securities or, as the case may be, upon the exercise of such options, warrants or rights shall be the aggregate consideration or price referred to in (x) or (y) above (as the case may be) divided by the number of Ordinary Shares to be issued upon such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate;

- (3) if the consideration or price determined pursuant to (1) or (2) above (or any component thereof) shall be expressed in a currency other than the Relevant Currency, it shall be converted into the Relevant Currency at the Prevailing Rate on the relevant Effective Date (in the case of (1) above) or the relevant date of first public announcement (in the case of (2) above);
- (4) in determining the consideration or price pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant Ordinary Shares or Relevant Securities or options, warrants or rights, or otherwise in connection therewith; and
- (5) the consideration or price shall be determined as provided above on the basis of the consideration or price received, receivable, paid or payable, regardless of whether all or part thereof is received, receivable, paid or payable by or to the Issuer or another entity.

(g) Decision of an Independent Adviser

If any doubt shall arise as to whether an adjustment falls to be made to the Conversion Price or as to the appropriate adjustment to the Conversion Price, the Issuer may at its discretion appoint an Independent Adviser and, following consultation between the Issuer and such Independent Adviser, a written opinion of such Independent Adviser in respect thereof shall be conclusive and binding on the Issuer and the Securityholders, save in the case of manifest error.

(h) Share Option Schemes

No adjustment will be made to the Conversion Price where Ordinary Shares or other Relevant Securities (including rights, warrants and options) are issued, offered, exercised, allotted, purchased, appropriated, modified or granted to, or for the benefit of, employees or former employees (including directors holding or formerly holding executive office or the personal service company of any such person) or their spouses or relatives, in each case, of the Issuer or any of its Subsidiaries or any associated company or to a trustee or trustees to be held for the benefit of any such person, in any such case pursuant to any share or option scheme.

(i) Rounding Down and Notice of Adjustment to the Conversion Price

On any adjustment, if the resultant Conversion Price has more decimal places than the initial Conversion Price, it shall be rounded to the same number of decimal places as the initial Conversion Price, with U.S.\$0.0005 being rounded down. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and/or any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made.

Notice of any adjustments to the Conversion Price shall be given by the Issuer to Securityholders promptly after the determination thereof in accordance with Condition 17 and to the Trustee and the Principal Paying and Conversion Agent.

The Conversion Price shall not in any event be reduced to below the nominal value of an Ordinary Share for the time being. The Issuer undertakes that it shall not take any action, and shall procure that no action is taken, that would otherwise result in an adjustment to the Conversion Price to below such nominal value.

(j) Qualifying Relevant Event

- (i) If a Qualifying Relevant Event shall occur, the Securities shall, where the Conversion Date (if any) falls on or after the New Conversion Condition Effective Date, be converted on such Conversion Date into Relevant Shares of the Approved Entity (save as provided below in this Condition 7(j)(i))

mutatis mutandis as provided in this Condition 7) at a Conversion Price that shall be the New Conversion Price. Such conversion shall be effected by the delivery by the Issuer of such number of Ordinary Shares as is determined in accordance with Condition 7(d) to, or to the order of, the Approved Entity. Such delivery shall irrevocably discharge and satisfy all of the Issuer's obligations under the Securities (but shall be without prejudice to the rights of the Trustee and the Securityholders against the Approved Entity in connection with its undertaking to deliver Relevant Shares as provided in the definition of "New Conversion Condition" in Condition 7(j)(v) below). Such delivery shall be in consideration of the Approved Entity irrevocably undertaking, for the benefit of the Securityholders, to deliver the Relevant Shares to the Conversion Shares Depositary as aforesaid. For the avoidance of doubt, the Issuer may elect that a Conversion Shares Offer be made by the Conversion Shares Depositary in respect of the Relevant Shares.

(ii) The New Conversion Price shall be subject to adjustment in the circumstances provided in this Condition 7 (with such modifications and amendments as an Independent Adviser acting in good faith shall determine to be appropriate) and the Issuer shall give notice to Securityholders of the New Conversion Price and of any such modifications and amendments in accordance with Condition 17 and to the Trustee and the Principal Paying and Conversion Agent.

(iii) In the case of a Qualifying Relevant Event:

- (1) the Issuer shall, on or prior to the New Conversion Condition Effective Date, enter into such agreements and arrangements, which may include deeds supplemental to the Trust Deed, and such amendments and modifications to the Trust Deed shall be made to ensure that, with effect from the New Conversion Condition Effective Date, the Securities shall (following the occurrence of a Conversion Trigger Event) be convertible into, or exchangeable for, Relevant Shares of the Approved Entity, mutatis mutandis in accordance with, and subject to, this Condition 7 (as may be so supplemented, amended or modified) at the New Conversion Price; and
- (2) the Issuer shall, where the Conversion Date falls on or after the New Conversion Condition Effective Date, procure the issue and/or delivery of the relevant number of Relevant Shares in the manner provided in this Condition 7, as may be supplemented, amended or modified as provided above.

The Trustee shall be obliged (at the expense of the Issuer) to concur with the Issuer in making any such amendments and modifications to the Trust Deed, and to execute any such deeds supplemental to the Trust Deed, provided that the Trustee shall not be bound to do so if any such amendments, modifications or deeds would, in the opinion of the Trustee, have the effect of (i) exposing the Trustee to any liability against which it is not indemnified and/or secured and/or pre-funded to its satisfaction, (ii) changing, increasing or adding to the obligations or duties of the Trustee or (iii) removing or amending any protection or indemnity afforded to, or any other provision in favour of, the Trustee under the Trust Deed, the Conditions and/or the Securities.

(iv) Within 10 days following the occurrence of a Relevant Event, the Issuer shall give notice thereof to the Securityholders (a "Relevant Event Notice") in accordance with Condition 17.

The Relevant Event Notice shall specify:

- (1) the identity of the Acquiror;
- (2) whether the Relevant Event is a Qualifying Relevant Event or a Non-Qualifying Relevant Event;
- (3) in the case of a Qualifying Relevant Event, the New Conversion Price;
- (4) in the case of a Non-Qualifying Relevant Event, that, with effect from the occurrence of the Relevant Event and unless the Conversion Trigger Event shall have occurred prior to the date of such Relevant Event, outstanding Securities shall not be subject to Conversion at any time notwithstanding that a Conversion Trigger Event may occur subsequently but that, instead, upon the occurrence of a subsequent Conversion Trigger Event (if any) the full principal amount of each Security will automatically be written down to zero, each Security will be cancelled, the Securityholders will be automatically deemed to have irrevocably waived their right to receive, and no longer have any rights against the Issuer with respect to, repayment of the aggregate principal amount of the Securities written down pursuant to this Condition and all accrued but unpaid interest and any other amounts payable on each Security will be cancelled, irrespective of whether such amounts have become due and payable prior to the occurrence of the Conversion Trigger Event.

(v) As used herein:

"Acquiror" means the person which, following a Relevant Event, controls the Issuer.

“Approved Entity” means a body corporate which, on the occurrence of the Relevant Event, has in issue Relevant Shares.

“EEA Regulated Market” means a market as defined by Article 4.1(14) of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

The “New Conversion Condition” shall be satisfied if by not later than seven days following the occurrence of a Relevant Event where the Acquiror is an Approved Entity, the Issuer shall have entered into arrangements to its satisfaction with the Approved Entity pursuant to which the Approved Entity irrevocably undertakes to the Trustee, for the benefit of the Securityholders, to deliver the Relevant Shares to the Conversion Shares Depositary upon a Conversion of the Securities, all as contemplated in Condition 7(j)(i).

“New Conversion Condition Effective Date” means the date with effect from which the New Conversion Condition shall have been satisfied.

“New Conversion Price” means the amount determined by the Issuer in accordance with the following formula:

$$NCP = ECP \times \frac{VWAPRS}{VWAPOS}$$

where:

NCP is the New Conversion Price.

ECP is the Conversion Price in effect on the dealing day immediately prior to the New Conversion Condition Effective Date.

VWAPRS means the average of the Volume Weighted Average Price of the Relevant Shares (translated, if necessary, into U.S. Dollars at the Prevailing Rate on the relevant dealing day) on each of the 10 dealing days ending on the dealing day prior to the date the Relevant Event shall have occurred (and where references in the definition of “Volume Weighted Average Price” to “Ordinary Shares” shall be construed as a reference to the Relevant Shares and in the definition of “dealing day”, references to the “Relevant Stock Exchange” shall be to the primary Regulated Market on which the Relevant Shares are then listed, admitted to trading or accepted for dealing).

VWAPOS is the average of the Volume Weighted Average Price of the Ordinary Shares (translated, if necessary, into U.S. Dollars at the Prevailing Rate on the relevant dealing day) on each of the 10 dealing days ending on the dealing day prior to the date the Relevant Event shall have occurred.

“Non-Qualifying Relevant Event” means a Relevant Event that is not a Qualifying Relevant Event.

“Qualifying Relevant Event” means a Relevant Event where:

- (i) the Acquiror is an Approved Entity; and
- (ii) the New Conversion Condition is satisfied.

“Regulated Market” means an EEA Regulated Market or another regulated, regularly operating, recognised stock exchange or securities market in an OECD member state.

A “Relevant Event” shall occur if any person or persons acting in concert (as defined in the Takeover Code of the United Kingdom Panel on Takeovers and Mergers) acquires control of the Issuer (other than as a result of a Newco Scheme).

For the purposes of the definition of “Relevant Event”, “control” means:

- (a) the acquisition or holding of legal or beneficial ownership of more than 50 per cent. of the issued Ordinary Shares of the Issuer; or
- (b) the right to appoint and/or remove all or the majority of the members of the board of directors of the Issuer, whether obtained directly or indirectly and whether obtained by ownership of share capital, contract or otherwise;

and “controlled” shall be construed accordingly.

“Relevant Shares” means ordinary share capital of the Approved Entity that constitutes equity share capital or the equivalent (or depositary or other receipts representing the same) which is listed and admitted to trading on a Regulated Market.

(k) Procedure for Settlement and Delivery of Ordinary Shares on Conversion

Ordinary Shares to be issued and delivered upon a Conversion in respect of the Securities shall be issued and delivered subject to and as provided below.

(l) Fractions

Fractions of Ordinary Shares will not be delivered to the Conversion Shares Depositary or to Holders of Securities upon a Conversion and no cash payment will be made in lieu thereof. However, if one or more Conversion Shares Settlement Notices and relevant Certificates are delivered to the Conversion Shares Depositary such that any Ordinary Shares (or any Ordinary Share component of any Conversion Shares Offer Consideration, as applicable) to be issued and delivered to a Holder on Conversion are to be registered in the same name, the number of Ordinary Shares to be issued and delivered in respect thereof shall be calculated on the basis of the aggregate principal amount of such Securities to be converted.

(m) Procedure for Delivery in respect of a Conversion upon Conversion Trigger Event

- (i) Subject as provided in Condition 7(m)(ii) below, in order to obtain delivery of the relevant Ordinary Shares or the Conversion Shares Offer Consideration, as applicable, following a Conversion of the Securities, the relevant Securityholder must deliver a duly completed Conversion Shares Settlement Notice, together with the relevant Certificates representing the Securities to the Conversion Shares Depositary or the specified office of its agent(s) designated for the purpose in the Conversion Trigger Notice by the Notice Cut-off Date.

If such delivery is made or notice is given after the end of normal business hours at the specified office of the Conversion Shares Depositary or, as appropriate, its designated agent as aforesaid or on a day which is not a business day in such place, such delivery or notice shall be deemed for all purposes of these Conditions to have been made or given on the following business day.

Subject as otherwise provided herein, the relevant Ordinary Shares (or the Ordinary Share component of any Conversion Shares Offer Consideration) will be delivered by or on behalf of the Conversion Shares Depositary in accordance with the instructions given in the relevant Conversion Shares Settlement Notice.

Any cash component of any Conversion Shares Offer Consideration shall be paid by transfer to a U.S. Dollar account with a bank in London or New York (as may be specified in the relevant Conversion Shares Settlement Notice) in accordance with the instructions contained in the relevant Conversion Shares Settlement Notice.

- (ii) If not previously cancelled on the relevant Settlement Date, the relevant Securities shall be cancelled on the Final Cancellation Date and any Holder of Securities delivering a Conversion Shares Settlement Notice after the Notice Cut-off Date will have to provide evidence of its entitlement to the relevant Ordinary Shares or the relevant Conversion Shares Offer Consideration, as applicable, satisfactory to the Conversion Shares Depositary in its sole and absolute discretion in order to receive delivery of such Ordinary Shares or such Conversion Shares Offer Consideration, as applicable. The Issuer shall have no liability to any Holder of the Securities for any loss resulting from such Holder not receiving any Ordinary Shares or the relevant Conversion Shares Offer Consideration, as applicable, or from any delay in the receipt thereof, in each case as a result of such Holder failing to submit a valid Conversion Shares Settlement Notice and the relevant Certificate, on a timely basis or at all.
- (iii) Any determination as to whether any Conversion Shares Settlement Notice has been properly completed and delivered together with the relevant Certificate(s) as provided in these Conditions, or whether any evidence of entitlement to Ordinary Shares or Conversion Shares Offer Consideration, as applicable, is satisfactory, shall be made by the Conversion Shares Depositary in its sole and absolute discretion and shall be conclusive and binding on the relevant Securityholders.

In the case of Securities represented by a Global Certificate, any Conversion Shares Settlement Notice delivered prior to the day following the Suspension Date shall be void.

(n) Taxes and Duties

Neither the Issuer nor any member of the Group shall be liable for any taxes or capital, stamp, issue and registration or transfer taxes or duties arising on Conversion or that may arise or be paid as a consequence of the issue and delivery of Ordinary Shares on Conversion. A Securityholder must pay any taxes and capital, stamp, issue and registration and transfer taxes or duties arising on Conversion in connection with the issue and delivery of Ordinary Shares to the Conversion Shares Depositary on behalf of such Securityholder and such Securityholder must pay all, if any, such taxes or duties arising by reference to any disposal or deemed disposal of such Securityholder's Securities or interest therein. Any taxes and capital, stamp, issue and registration and transfer taxes or duties arising on delivery or transfer of Ordinary Shares

to a purchaser in any Conversion Shares Offer shall be payable by the relevant purchaser of those Ordinary Shares.

(o) Delivery

The Ordinary Shares to be delivered on Conversion will be issued and delivered to the Conversion Shares Depositary (or as otherwise provided in these Conditions) on trust (on terms permitting a Conversion Shares Offer in accordance with Condition 7(b)(iii)) for the Holders on the Conversion Date.

Ordinary Shares (or the Ordinary Share component of any Conversion Shares Offer Consideration) will be delivered to Holders in uncertificated form through the dematerialised securities trading system operated by Euroclear UK & Ireland Limited, known as CREST, unless at the relevant time the Ordinary Shares are not a participating security in CREST, in which case Ordinary Shares will be delivered in certificated form. Where any Ordinary Shares (or the Ordinary Share component of any Conversion Shares Offer Consideration) are to be delivered to Holders by the Conversion Shares Depositary through CREST, they will be delivered to the account specified by the relevant Securityholder in the relevant Conversion Shares Settlement Notice, on the relevant Settlement Date. Where any Ordinary Shares (or the Ordinary Share component of any Conversion Shares Offer Consideration) are to be delivered to Holders in certificated form, a certificate in respect thereof will be dispatched by mail free of charge to the relevant Securityholder or as it may direct in the relevant Conversion Shares Settlement Notice (in each case uninsured and at the risk of the relevant recipient) within 28 days following delivery of the relevant Conversion Shares Settlement Notice.

The Ordinary Shares (or the Ordinary Share component of any Conversion Shares Offer Consideration) will not be available for issue or delivery (i) to, or to a nominee for, Euroclear or Clearstream, Luxembourg or any other person providing a clearance service within the meaning of Section 96 of the Finance Act 1986 of the United Kingdom or (ii) to a person, or nominee or agent for a person, whose business is or includes issuing depositary receipts within the meaning of Section 93 of the Finance Act 1986 of the United Kingdom, in each case at any time prior to the “abolition day” as defined in Section 111(1) of the Finance Act 1990 of the United Kingdom or (iii) to the CREST account of such a person described in (i) or (ii).

(p) Ordinary Shares

The Ordinary Shares issued and delivered on Conversion will be fully paid and non-assessable and will in all respects rank *pari passu* with the fully paid Ordinary Shares in issue on the Conversion Date, except in any such case for any right excluded by mandatory provisions of applicable law, and except that any Ordinary Shares so issued and delivered will not rank for (or, as the case may be, the relevant Holder shall not be entitled to receive) any rights, distributions or payments the record date or other due date for the establishment of entitlement for which falls prior to the Conversion Date.

(q) Purchase or Redemption of Ordinary Shares

The Issuer or any Subsidiary of the Issuer may exercise such rights as it may from time to time enjoy to purchase or redeem or buy back any shares or securities of the Issuer (including Ordinary Shares) or any depositary or other receipts or certificates representing the same without the consent of Securityholders.

(r) Covenants

Whilst any Security remains outstanding, the Issuer shall (if and to the extent permitted by the Capital Regulations from time to time and only to the extent that such covenant would not cause a Capital Disqualification Event to occur), save with the approval of an Extraordinary Resolution:

- (i) not make any issue, grant or distribution or take or omit to take any other action if the effect thereof would be that, on Conversion, Ordinary Shares could not, under any applicable law then in effect, be legally issued as fully paid;
- (ii) in the event of a Newco Scheme, take (or shall procure that there is taken) all necessary action to ensure that the Newco Scheme is an Exempt Newco Scheme and that immediately after completion of the Scheme of Arrangement such amendments are made to these Conditions as are necessary to ensure that the Securities may be converted into or exchanged for ordinary shares or units or the equivalent in Newco *mutatis mutandis* in accordance with and subject to these Conditions.

The Trustee shall be obliged (at the expense of the Issuer) to concur in effecting such amendments, provided that the Trustee shall not be bound so to concur if to do so would, in the opinion of the Trustee, have the effect of (i) exposing the Trustee to any liability against which it is not indemnified and/or secured and/or pre-funded to its satisfaction, (ii) changing, increasing or adding to the obligations or duties of the Trustee or (iii) removing or amending any protection or indemnity afforded to, or any other provision in favour of, the Trustee under the Trust Deed, the Conditions and/or the Securities;

- (iii) use all reasonable endeavours to ensure that the Ordinary Shares issued upon Conversion shall be admitted to listing and trading on the Relevant Stock Exchange;
- (iv) notwithstanding the provisions of Condition 7(b)(iii), at all times keep available for issue, free from pre-emptive or other preferential rights, sufficient Ordinary Shares to enable Conversion of the Securities to be satisfied in full;
- (v) in circumstances where these Conditions contemplate the appointment of a Conversion Shares Depositary, the Issuer shall use all reasonable endeavours promptly to appoint such Conversion Shares Depositary; and
- (vi) where these Conditions require or provide for a determination by an Independent Adviser, the Issuer shall use all reasonable endeavours promptly to appoint an Independent Adviser for such purpose.

8 Redemption and Purchase

(a) No Fixed Redemption Date

The Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Condition 4(a)) only have the right to repay them or purchase them in accordance with the following provisions of this Condition 8.

(b) Conditions to Redemption and Purchase

Any redemption or purchase of the Securities by or on behalf of the Issuer or its Subsidiaries in accordance with Condition 8(c), (d), (e) or (g) is subject to:

- (i) the Issuer giving notice to the Relevant Regulator and the Relevant Regulator granting permission (or, as applicable, not making any objection) to the Issuer to redeem or purchase the relevant Securities (in each case to the extent, and in the manner, required by the relevant Capital Regulations) and to such redemption or purchase not being prohibited by CRD IV;
- (ii) in respect of any redemption proposed to be made prior to the fifth anniversary of the Issue Date, if and to the extent then required under the Capital Regulations (A) in the case of redemption following the occurrence of a Tax Event, the Issuer having demonstrated to the satisfaction of the Relevant Regulator that the relevant change or event is material and was not reasonably foreseeable by the Issuer as at the Issue Date or (B) in the case of redemption following the occurrence of a Capital Disqualification Event, the Issuer having demonstrated to the satisfaction of the Relevant Regulator that the relevant change was not reasonably foreseeable by the Issuer as at the Issue Date;
- (iii) in the case of any redemption of the Securities, the Issuer being solvent (as described in Condition 4(a)) both immediately prior to and immediately following such redemption;
- (iv) in the case of any redemption of the Securities, Condition 8(f); and
- (v) compliance by the Issuer with any alternative or additional pre-conditions to redemption or purchase, as applicable, set out in the relevant Capital Regulations for the time being.

Prior to the publication of any notice of redemption pursuant to this Condition 8 (other than redemption pursuant to Condition 8(c)), the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories of the Issuer stating that the relevant event giving rise to the right to redeem has occurred and is continuing and the details thereof, and the Trustee shall be entitled to accept such certificate without any further inquiry as sufficient evidence of the satisfaction of the relevant conditions precedent, in which event such certificate shall be conclusive and binding on the Trustee and the Securityholders.

(c) Redemption at the option of the Issuer

Subject to Conditions 4(a), 8(b) and 8(f), the Issuer may, by giving not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 17, the Trustee, the Registrar and the Principal Paying and Conversion Agent, which notice shall, save as provided in Conditions 4(a), 8(b) and 8(f), be irrevocable, elect to redeem all, but not some only, of the Securities on the First Reset Date or on any Reset Date thereafter at their principal amount, together with any Accrued Interest. Upon the relevant Reset Date, the Issuer shall, subject to Conditions 4(a), 8(b) and 8(f), redeem the Securities as aforesaid.

(d) Redemption at the option of the Issuer due to a Tax Event

If at any time a Tax Event has occurred and is continuing, then the Issuer may, subject to Conditions 4(a), 8(b) and 8(f) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying and Conversion Agent, the Registrar and, in accordance with Condition 17, the Securityholders (which notice shall, subject as provided in Conditions 4(a), 8(b) and 8(f), be irrevocable), redeem in accordance with these Conditions at any time all, but not some only, of the Securities at their principal

amount, together with any Accrued Interest. Upon the expiry of such notice, the Issuer shall, subject to Conditions 4(a), 8(b) and 8(f), redeem the Securities as aforesaid.

(e) Redemption at the option of the Issuer due to a Capital Disqualification Event

If at any time a Capital Disqualification Event has occurred and is continuing, then the Issuer may, subject to Conditions 4(a), 8(b) and 8(f) and having given not less than 30 nor more than 60 days' notice to the Securityholders in accordance with Condition 17, the Trustee, the Principal Paying and Conversion Agent and the Registrar (which notice shall, subject as provided in Conditions 4(a), 8(b) and 8(f), be irrevocable), redeem in accordance with these Conditions at any time all, but not some only, of the Securities at their principal amount, together with any Accrued Interest. Upon the expiry of such notice, the Issuer shall, subject to Conditions 4(a), 8(b) and 8(f), redeem the Securities as aforesaid.

(f) Conversion Trigger Event

The Issuer may not give a notice of redemption of the Securities pursuant to this Condition 8 if a Conversion Trigger Notice has been given. If a Conversion Trigger Notice is given after a notice of redemption shall have been given by the Issuer but before the relevant redemption date, such notice of redemption shall automatically be revoked and be null and void and the relevant redemption shall not be made.

(g) Purchases

The Issuer (or any Subsidiary of the Issuer) or any holding company of the Issuer or any other Subsidiary of such holding company may, subject to Condition 8(b), at any time purchase or procure others to purchase beneficially for its account Securities in any manner and at any price, to the extent that such purchase is not prohibited by CRD IV and subject to the requirements (if any) of any stock exchange on which the Securities are listed.

(h) Cancellation

All Securities redeemed by the Issuer pursuant to this Condition 8 will forthwith be cancelled. All Securities repurchased by or on behalf of the Issuer or any Subsidiary of the Issuer may be held, reissued, resold or, at the option of the Issuer or any such Subsidiary, surrendered for cancellation to the Principal Paying and Conversion Agent. Securities so surrendered shall be cancelled forthwith. Any Securities so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Securities shall be discharged.

(i) Trustee Not Obligated to Monitor

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists within this Condition 8 and will not be responsible to Securityholders for any loss arising from any failure by it to do so. Unless and until the Trustee has actual knowledge of the occurrence of any event or circumstance within this Condition 8, it shall be entitled to assume that no such event or circumstance exists.

9 Payments

(a) Method of Payment

- (i) Payments of principal to be made to Holders in respect of Securities and payments of Accrued Interest payable on a redemption of Securities (other than on an Interest Payment Date) shall, in each case, be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in (iii) below.
- (ii) Payments of interest to be made to Holders in respect of Securities due on an Interest Payment Date shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "Record Date").
- (iii) Each payment in respect of the Securities pursuant to Condition 9(a)(i) and (ii) will be made by transfer to a U.S. Dollar account maintained by the payee with a bank in London or New York. Payment instructions (for value on the due date or, if that is not a London business day (or a business day in New York, as the case may be), for value the first following day which is a London business day (or a business day in New York, as the case may be)) will be initiated on the London business day (or business day in New York, as the case may be) preceding the due date for payment (for value the next London business day (or business day in New York, as the case may be)).
- (iv) Payments of any cash component of any Conversion Shares Offer Consideration shall be made in accordance with the provisions of Condition 7.

(b) Payments subject to laws

Save as provided in Condition 10, payments under the Securities will be subject in all cases to (i) any applicable fiscal or other laws, regulations and directives applicable thereto in any jurisdiction or other laws, regulations and directives to which the Issuer or its Paying and Conversion Agents agree to be subject and (ii) any withholding or deduction imposed or required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (the "Code"), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (or any law implementing such an intergovernmental agreement) (a "FATCA Withholding Tax"), and the Issuer will not be required to pay Additional Amounts on account of any FATCA Withholding Tax.

Save as provided in Condition 10, if any payment made by the Issuer is subject to any deduction or withholding in any jurisdiction, the Issuer shall not be required to pay any additional amount in respect of such deduction or withholding and, accordingly, the Issuer shall be acquitted and discharged of so much money as is represented by any such deduction or withholding as if such sum had been actually paid.

(c) Appointment of Agents

The initial Principal Paying and Conversion Agent, the other Paying and Conversion Agents, Registrar, Transfer Agents and Calculation Agent and their respective specified offices are listed below. Subject as provided in the Agency Agreement, the Principal Paying and Conversion Agent, the Paying and Conversion Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Securityholder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Principal Paying and Conversion Agent, any other Paying and Conversion Agent, the Registrar, any Transfer Agent or the Calculation Agent and to appoint additional or other Paying and Conversion Agents, Calculation Agents or Transfer Agents, provided that there shall at all times be (i) a Principal Paying and Conversion Agent, (ii) a Registrar, (iii) a Transfer Agent, (iv) one or more Calculation Agents where the Conditions so require, (v) such other agents as may be required by any other stock exchange on which the Securities may be listed, in each case as approved by the Trustee and (vi) a Paying and Conversion Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC (as amended from time to time) or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer shall, in the event that it would be obliged to pay additional amounts on or in respect of any Security pursuant to Condition 10 by virtue of such Security being presented for payment in the United Kingdom, appoint and at all times thereafter maintain a Paying and Conversion Agent in a jurisdiction within Europe (other than the United Kingdom) and which otherwise complies with the foregoing provisions of this Condition 9(c).

Notice of any such change or any change of any specified office shall promptly be given to the Trustee and to the Securityholders in accordance with Condition 17.

(d) Non-Business Days

If any date for payment in respect of any Security is not a business day, the Holder shall not be entitled to payment until the following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "business day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation (where presentation and surrender is required pursuant to these Conditions) and which is a London business day and a business day in New York.

10 Taxation

All payments of principal and/or interest to Securityholders by or on behalf of the Issuer in respect of the Securities shall be made without withholding or deduction for or on account of any present or future tax, duty, assessment or governmental charge of whatsoever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts ("Additional Amounts") as will result (after such withholding or deduction) in receipt by the Securityholders of the sums which would have been receivable (in the absence of such withholding or deduction) by them in respect of their Securities; except that no such Additional Amounts shall be payable with respect to any Security:

- (a) held by or on behalf of any Holder who is liable to such tax, duty, assessment or governmental charge in respect of such Security by reason of such Holder having some connection with the United Kingdom other than the mere holding of such Security; or

- (b) to, or to a third party on behalf of, a Holder if such withholding or deduction may be avoided by complying with any statutory requirement or by making a declaration of non-residence or other similar claim for exemption to any authority of or in the United Kingdom, unless such Holder proves that he is not entitled so to comply or to make such declaration or claim; or
- (c) to, or to a third party on behalf of, a Holder that is a partnership, or a Holder that is not the sole beneficial owner of the Security, or which holds the Security in a fiduciary capacity, to the extent that any of the members of the partnership, the beneficial owner or the settlor or beneficiary with respect to the fiduciary would not have been entitled to the payment of an additional amount had each of the members of the partnership, the beneficial owner, settlor or beneficiary (as the case may be) received directly its beneficial or distributive share of the payment; or
- (d) presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder thereof would have been entitled to such additional amounts on presenting or surrendering the same for payment at the expiry of such period of 30 days; or
- (e) where such withholding or deduction is imposed on a payment and is required to be made pursuant to European Council Directive 2003/48/EC (as amended from time to time) on the taxation of savings income or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (f) in respect of any Security presented or surrendered for payment by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting or surrendering the relevant Security to another Paying and Conversion Agent in a member state of the European Union.

For the avoidance of doubt, any amounts to be paid by the Issuer on the Securities will be paid net of any deduction or withholding imposed or required pursuant to any FATCA Withholding Tax, and the Issuer will not be required to pay Additional Amounts on account of any FATCA Withholding Tax.

11 Prescription

Claims against the Issuer for payment in respect of the Securities shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

12 Non-payment when due

(a) Proceedings for Winding-up

If default is made by the Issuer in the payment of principal in respect of the Securities and such default continues for a period of 14 days or more, the Trustee may institute proceedings for the winding-up of the Issuer, provided that the Issuer shall not be in default (and the Trustee may not initiate such proceedings) if during the 14 days' grace period, the Issuer satisfies the Trustee that such sums were not paid (A) in order to comply with any fiscal or other law, regulation or order of any court or competent jurisdiction, in each case applicable to such payment, the Issuer, the relevant Paying and Conversion Agent or any holder of the Securities or (B) (subject as provided in the Trust Deed) in case of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice as to such validity or applicability given at any time during the said 14 days' grace period by independent legal advisers acceptable to the Trustee. In the event of a winding-up or liquidation of the Issuer (whether or not instituted by the Trustee), the Trustee may prove in the winding-up of the Issuer and/or claim in the liquidation of the Issuer, such claim being subordinated as set out in Condition 4(b) or Condition 4(c) as applicable.

(b) Enforcement

Without prejudice to Condition 12(a), the Trustee may, at its discretion, and without notice institute such proceedings and/or take any other steps or action against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed or the Securities (other than any payment obligation of the Issuer under or arising from the Securities or the Trust Deed, including, without limitation, payment of any principal or interest in respect of the Securities, including any damages awarded for breach of any obligations but excluding any amount due to the Trustee in respect of its fees and/or expenses) and in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it pursuant to these Conditions and the Trust Deed. Nothing in this Condition 12(b) shall, however, prevent the Trustee instituting proceedings for the winding-up of the Issuer, proving in any winding-up of the Issuer and/or claiming in any liquidation of the Issuer or exercising rights under Condition 4(b) or, as applicable, 4(c) in respect of any payment obligations of the Issuer arising from or in respect of the Securities or the Trust Deed (including any damages awarded for breach of any obligations).

(c) Entitlement of Trustee

The Trustee shall not be bound to take any of the actions referred to in Condition 12(a) or (b) above against the Issuer to enforce the terms of the Trust Deed or the Securities or any other action under or pursuant to the Trust Deed unless (i) it shall have been so requested by an Extraordinary Resolution of the Securityholders or in writing by the holders of at least one-quarter in principal amount of the Securities then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

(d) Right of Securityholders

No Securityholder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up or to claim in the liquidation of the Issuer or to prove in a winding-up unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing, in which case the Securityholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 12.

(e) Extent of Securityholder's remedy

No remedy against the Issuer, other than as referred to in this Condition 12, shall be available to the Trustee or the Securityholders, whether for the recovery of amounts owing in respect of the Securities or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Securities or under the Trust Deed.

13 Meetings of Securityholders, Modification, Waiver and Substitution

(a) Meetings of Securityholders

The Trust Deed contains provisions for convening meetings of Securityholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be requisitioned by Securityholders holding not less than 10 per cent. in aggregate principal amount of the Securities for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more persons holding or representing a clear majority in aggregate principal amount of the Securities for the time being outstanding, or at any adjourned meeting one or more persons being or representing Securityholders whatever the aggregate principal amount of the Securities held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to amend any date of optional redemption of the Securities or any date for payment of interest on the Securities, (ii) to reduce or cancel the principal amount of the Securities, (iii) to reduce the rate or rates of interest in respect of the Securities or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating the amounts of any interest in respect of the Securities, (iv) to vary any method of, or basis for, calculating the amounts payable on redemption of the Securities, (v) to vary the currency or currencies of payment or denomination of the Securities, (vi) to modify the provisions concerning the quorum required at any meeting of Securityholders or the majority required to pass the Extraordinary Resolution or (vii) to modify the provisions of Condition 7 (other than pursuant to or as a result of any amendment to these Conditions and the Trust Deed made pursuant to and in accordance with Condition 7(j) and/or Condition 7(r)(ii)), in which case the necessary quorum shall be one or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate principal amount of the Securities for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Securityholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in aggregate principal amount of the Securities outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Securityholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Securityholders.

No modification to these Conditions or any other provisions of the Trust Deed (whether pursuant to this Condition 13 or otherwise) shall become effective unless the Issuer shall have given such notice as is required by, and received such permission from, the Relevant Regulator as is required by the Relevant Regulator under the Capital Regulations. The Trustee shall be entitled to request and rely upon a certificate from two Authorised Signatories of the Issuer as to the satisfaction of this condition precedent to any modification without further enquiry.

(b) Modification of the Trust Deed

The Trustee may agree, without the consent of the Securityholders, to (i) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the

opinion of the Trustee not materially prejudicial to the interests of the Securityholders. Any such modification, authorisation or waiver shall be binding on the Securityholders and, if the Trustee so requires, shall be notified to the Securityholders as soon as practicable.

(c) *Newco Scheme*

In the event of a Newco Scheme, the Issuer may, subject as provided in Condition 13(d) and the Trust Deed, without the consent of Securityholders, at its option, procure that Newco is substituted under such Securities as the Issuer.

At the request of the Issuer, the Trustee shall (subject to and in accordance with the Trust Deed), without the requirement for any consent or approval of the Securityholders, concur with the Issuer in the substitution in place of the Issuer (or any previous substituted company) as principal debtor under the Trust Deed and the Securities of Newco, subject to the provisions set out in Condition 7(r)(ii).

(d) *Substitution*

The Trust Deed contains provisions (in the case of (i) below) requiring the Trustee and (in the case of (ii) below) permitting the Trustee (subject to the Issuer giving such notice to, and receiving such permission from, the Relevant Regulator as may from time to time be required by the Relevant Regulator under the Capital Regulations) to agree, without the consent of the Securityholders, to (i) any substitution as provided in and for the purposes of Condition 13(c) or (ii) the substitution of the Issuer's successor in business in place of the Issuer, or of any previously substituted company, as principal debtor under the Trust Deed and the Securities subject to (in the case of (ii) only) the Trustee being of the opinion that such substitution will not be materially prejudicial to the interests of the Securityholders and subject to (in the case of (i) and (ii)) certain other conditions set out in the Trust Deed being complied with. In the case of such a substitution, the Trustee may agree, without the consent of the Securityholders, to a change of the law governing the Securities and/or the Trust Deed, provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Securityholders.

(e) *Entitlement of the Trustee*

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or substitution), the Trustee shall have regard to the general interests of the Securityholders as a class but shall not have regard to any interests arising from circumstances particular to individual Securityholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Securityholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Securityholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Securityholders except to the extent already provided for in Condition 10 and/or any undertaking given in addition to, or in substitution for, Condition 10 pursuant to the Trust Deed.

(f) *Notification to the Securityholders*

Any modification, abrogation, waiver, authorisation or substitution made pursuant to these Conditions and the Trust Deed shall be binding on the Securityholders and, unless the Trustee agrees otherwise, any modification or substitution shall be notified by the Issuer to the Securityholders as soon as practicable thereafter in accordance with Condition 17.

14 *Indemnification of the Trustee*

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility and liability towards the Issuer and the Securityholders, including (i) provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Securityholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, inter alia, (a) to enter into business transactions with the Issuer and/or any of the Issuer's Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of the Issuer's Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the

interests of, or consequences for, the Securityholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trustee may rely without liability to Securityholders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice in which event such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Securityholders.

15 Replacement of Securities

If a Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Registrar or such other Transfer Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Securityholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, inter alia, that if the allegedly lost, stolen or destroyed Certificate is subsequently presented for payment, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Certificates) and otherwise as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

16 Further Issues

The Issuer may, from time to time, without the consent of the Securityholders, create and issue further securities either having the same terms and conditions as the Securities in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the Securities or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Securities include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Securities. Any further securities forming a single series with the Securities constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Securityholders and the holders of securities of other series where the Trustee so decides.

17 Notices

Notices to Securityholders shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the Financial Times) and Hong Kong. If, in the opinion of the Trustee, any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Asia (which is expected to be the Asian Wall Street Journal) and Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above. If and for so long as the Securities are admitted to trading on The Stock Exchange of Hong Kong Limited or on any other stock exchange, notices will also be given in accordance with any applicable requirements of such stock exchange.

18 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Securities under the Contracts (Rights of Third Parties) Act 1999.

19 Definitions

“Accrued Interest” means any interest accrued on the Securities to their date of redemption and which is unpaid, but which excludes any interest which has been cancelled in accordance with Condition 4(a), 6 or Condition 7(c);

“Additional Amounts” has the meaning given to it in Condition 10;

“Authorised Signatory” means a director or the company secretary of the Issuer;

“business day” means unless otherwise specified herein, in relation to any place, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business in that place;

“Calculation Amount” means U.S.\$1,000;

a “Capital Disqualification Event” will occur if at any time the Issuer determines that as a result of a change (which the Relevant Regulator considers to be sufficiently certain) to the regulatory classification of the Securities under the Capital Regulations, in any such case becoming effective on or after the Issue Date, all

of the outstanding aggregate principal amount of the Securities ceases (or would cease) to be included in, or count towards, the Tier 1 Capital (howsoever defined in the Capital Regulations) of the Group;

“Capital Regulations” means, at any time, the laws, regulations, requirements, standards, guidelines and policies relating to capital adequacy (including, without limitation, as to leverage) for credit institutions then in effect in the United Kingdom including, without limitation to the generality of the foregoing, any delegated or implementing acts (such as regulatory technical standards) adopted by the European Commission and any regulations, requirements, guidelines and policies relating to capital adequacy adopted by the Relevant Regulator from time to time (whether or not such requirement, guidelines or policies are applied generally or specifically to the Issuer or to the Issuer and its Subsidiaries);

“CET1 Capital” means, at any time, the sum, expressed in U.S. Dollars, of all amounts that constitute Common Equity Tier 1 Capital of the Group as at such date, less any deductions from Common Equity Tier 1 Capital of the Group required to be made as at such date, in each case as calculated by the Issuer on a consolidated and fully loaded basis in accordance with the Capital Regulations applicable to the Group as at such date (which calculation shall be binding on the Trustee and the Holders);

“CET1 Ratio” means, at any time, the ratio of CET1 Capital as at such date to the Risk Weighted Assets as at the same date, expressed as a percentage and on the basis that all measures used in such calculation shall be calculated on a fully loaded basis;

“Clearstream, Luxembourg” means Clearstream Banking, société anonyme;

“Common Equity Tier 1 Capital” has the meaning given to it in CRD IV (as the same may be amended or replaced from time to time) as interpreted and applied in accordance with the Capital Regulations then applicable to the Group;

“Companies Act” means the Companies Act 2006;

“Conversion” means the conversion of the Securities into Ordinary Shares pursuant to Condition 7, and “convert” and “converted” shall be construed accordingly;

“Conversion Date” means the date specified in the Conversion Trigger Notice as the date on which the Conversion shall take place;

“Conversion Price” has the meaning given to it in Condition 7(d);

“Conversion Shares Depositary” means a reputable financial institution, trust company or similar entity (which in each such case is wholly independent of the Issuer) to be appointed by the Issuer on or prior to any date when a function ascribed to the Conversion Shares Depositary in these Conditions is required to be performed to perform such functions and that will hold the Ordinary Shares (and any Conversion Shares Offer Consideration) on trust for the Holders of the Securities in one or more segregated accounts, unless otherwise required to be transferred out of such accounts for the purposes of the Conversion Shares Offer, and otherwise on terms consistent with these Conditions;

“Conversion Shares Offer” has the meaning given to it in Condition 7(b)(iii);

“Conversion Shares Offer Agent” means the agent(s), if any, to be appointed on behalf of the Conversion Shares Depositary by the Issuer, in its sole and absolute discretion, to act as placement or other agent of the Conversion Shares Depositary to facilitate a Conversion Shares Offer;

“Conversion Shares Offer Consideration” means in respect of each Security and as determined by the Issuer: (i) if all of the Ordinary Shares to be issued and delivered on Conversion are sold in the Conversion Shares Offer, the *pro rata* share of the cash proceeds from the sale of such Ordinary Shares attributable to such Security translated, if necessary, into U.S. Dollars at the Prevailing Rate on the date specified by the Issuer (less any foreign exchange transaction costs), (ii) if some but not all of such Ordinary Shares are sold in the Conversion Shares Offer, (x) the *pro rata* share of the cash proceeds from the sale of such Ordinary Shares attributable to such Security translated, if necessary, into U.S. Dollars at the Prevailing Rate on the date specified by the Issuer (less any foreign exchange transaction costs) and (y) the *pro rata* share of such Ordinary Shares not sold pursuant to the Conversion Shares Offer attributable to such Security rounded down to the nearest whole number of Ordinary Shares, and (iii) if no Ordinary Shares are sold in a Conversion Shares Offer, the relevant Ordinary Shares attributable to such Security rounded down to the nearest whole number of such Ordinary Shares, subject in the case of (i) and (ii)(x) above to deduction from any such cash proceeds of an amount equal to the *pro rata* share of any stamp duty, stamp duty reserve tax, or any other capital, issue, transfer, registration, financial transaction or documentary tax that may arise or be paid as a consequence of the transfer of any interest in such Ordinary Shares to the Conversion Shares Depositary as a consequence of the Conversion Shares Offer;

“Conversion Shares Offer Notice” has the meaning given to it in Condition 7(b)(iii);

“Conversion Shares Offer Period” has the meaning given to it in Condition 7(b);

“Conversion Shares Settlement Notice” means a notice in the form for the time being currently available from the specified office of any Paying and Conversion Agent and which is required to be delivered to the Conversion Shares Depositary (or its agent(s) designated for the purpose in the Conversion Trigger Notice) in connection with a Conversion of the Securities;

“Conversion Trigger Event” has the meaning given to it in Condition 7(a);

“Conversion Trigger Notice” has the meaning given to it in Condition 7(a);

“CRD IV” means the legislative package consisting of Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (the “CRD IV Directive”) and Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms of the European Parliament and of the Council of 26 June 2013 (the “CRD IV Regulation”);

“Current Market Price” means, in respect of an Ordinary Share at a particular date, the average of the daily Volume Weighted Average Price of an Ordinary Share on each of the five consecutive dealing days (or, for the purposes of Condition 7(e)(iv), 10 consecutive dealing days) ending on the dealing day immediately preceding such date; provided that, if at any time during the said five (or 10) dealing-day period the Volume Weighted Average Price shall have been based on a price ex-dividend (or ex- any other entitlement) and during some other part of that period the Volume Weighted Average Price shall have been based on a price cum-dividend (or cum- any other entitlement), then:

- (i) if the Ordinary Shares to be issued and delivered do not rank for the dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares shall have been based on a price cum-dividend (or cum- any other entitlement) shall, for the purposes of this definition, be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend or entitlement per Ordinary Share as at the date of first public announcement relating to such dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit; or
- (ii) if the Ordinary Shares to be issued and delivered do rank for the dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares shall have been based on a price ex-dividend (or ex- any other entitlement) shall, for the purposes of this definition, be deemed to be the amount thereof increased by an amount equal to the Fair Market Value of any such dividend or entitlement per Ordinary Share as at the date of first public announcement relating to such dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit,

and provided further that, if on each of the said five dealing days (or, for the purposes of Condition 7(e)(iv), the said 10 dealing days) the Volume Weighted Average Price shall have been based on a price cum-dividend (or cum- any other entitlement) in respect of a dividend (or other entitlement) which has been declared or announced but the Ordinary Shares to be issued and delivered do not rank for that dividend (or other entitlement), the Volume Weighted Average Price on each of such dates shall, for the purposes of this definition, be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend or entitlement per Ordinary Share as at the date of first public announcement relating to such dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit,

and provided further that, if the Volume Weighted Average Price of an Ordinary Share is not available on one or more of the said five dealing days (or, for the purposes of Condition 7(e)(iv), the said 10 dealing days) (disregarding for this purpose the proviso to the definition of Volume Weighted Average Price), then the average of such Volume Weighted Average Prices which are available in that five (or, for the purposes of Condition 7(e)(iv), 10-) dealing-day period shall be used (subject to a minimum of two such prices) and if only one, or no, such Volume Weighted Average Price is available in the relevant period, the Current Market Price shall be determined in good faith by an Independent Adviser;

“dealing day” means a day on which the Relevant Stock Exchange or relevant stock exchange or securities market is open for business and on which Ordinary Shares, Relevant Securities, options, warrants or other rights (as the case may be) may be dealt in (other than a day on which the Relevant Stock Exchange or relevant stock exchange or securities market is scheduled to or does close prior to its regular weekday closing time);

“Distributable Items” has the meaning given to it in CRD IV (as the same may be amended or replaced from time to time) as interpreted and applied in accordance with the Capital Regulations then applicable to the Issuer, but amended so that any reference therein to “before distributions to holders of own funds

instruments” shall be read as a reference to “before distributions by the Issuer to holders of Parity Securities, the Securities or any Junior Securities”;

“Euroclear” means Euroclear Bank SA/NV;

“Exempt Newco Scheme” means a Newco Scheme where, immediately after completion of the relevant Scheme of Arrangement, the ordinary shares or units or equivalent of Newco (or depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco) are (i) admitted to trading on the Relevant Stock Exchange or (ii) admitted to listing on such other Regulated Market as the Issuer or Newco may determine;

“Existing Dollar Preference Shares” means the Issuer’s outstanding series of 6.409% non-cumulative redeemable preference shares of \$5 each (aggregate paid up amount of \$750,000,000) and 7.014% non-cumulative redeemable preference shares of \$5 each (aggregate paid up amount of \$750,000,000);

“Existing Preference Shares” means the Existing Dollar Preference Shares and the Existing Sterling Preference Shares;

“Existing Sterling Preference Shares” means the Issuer’s outstanding series of 8¼% non-cumulative irredeemable preference shares of £1 each (aggregate paid up amount of £99,250,000) and 7¾% non-cumulative irredeemable preference shares of £1 each (aggregate paid up amount of £96,035,000);

“Extraordinary Dividend” has the meaning given to it in Condition 7(e)(iii);

“Extraordinary Resolution” has the meaning given to it in the Trust Deed;

“Fair Market Value” means, with respect to any property on any date, the fair market value of that property as determined by an Independent Adviser in good faith, provided that (i) the Fair Market Value of a Cash Dividend shall be the amount of such Cash Dividend; (ii) the Fair Market Value of any other cash amount shall be the amount of such cash; (iii) where Relevant Securities, options, warrants or other rights are publicly traded on a stock exchange or securities market of adequate liquidity (as determined in good faith by an Independent Adviser), the Fair Market Value (a) of such Relevant Securities shall equal the arithmetic mean of the daily Volume Weighted Average Prices of such Relevant Securities and (b) of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights, in the case of (a) and (b), during the period of five dealing days on the relevant stock exchange or securities market commencing on such date (or, if later, the first such dealing day such Relevant Securities, options, warrants or other rights are publicly traded) or such shorter period as such Relevant Securities, options, warrants or other rights are publicly traded; (iv) where Relevant Securities, options, warrants or other rights are not publicly traded on a stock exchange or securities market of adequate liquidity (as aforesaid), the Fair Market Value of such Relevant Securities, options, warrants or other rights shall be determined in good faith by an Independent Adviser, on the basis of a commonly accepted market valuation method and taking account of such factors as it considers appropriate, including the market price per Ordinary Share, the dividend yield of an Ordinary Share, the volatility of such market price, prevailing interest rates and the terms of such Relevant Securities, options, warrants or other rights, including as to the expiry date and exercise price (if any) thereof. Such amounts shall, in the case of (i) above, be translated into the Relevant Currency (if declared, announced, made, paid or payable in a currency other than the Relevant Currency, and if the relevant dividend is payable at the option of the Issuer or a Shareholder in any currency additional to the Relevant Currency, the relevant dividend shall be treated as payable in the Relevant Currency) at the rate of exchange used to determine the amount payable to Shareholders who were paid or are to be paid or are entitled to be paid the Cash Dividend in the Relevant Currency; and, in any other case, shall be translated into the Relevant Currency (if expressed in a currency other than the Relevant Currency) at the Prevailing Rate on that date. In addition, in the case of (i) and (ii) above, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit;

“Final Cancellation Date” means the date on which any Securities in relation to which no Conversion Shares Settlement Notice has been received by the Conversion Shares Depositary (or its designated agent(s)) on or before the Notice Cut-off Date shall be cancelled, which date is expected to be no more than twelve (12) London business days following the Notice Cut-off Date and which will be notified to Holders in the Conversion Trigger Notice;

“Financial Period End Date” means the last day of each semi-annual financial period of the Issuer;

“First Reset Date” means 2 April 2020;

“fully loaded” means, in relation to a measure that is presented or described as being on a “fully loaded basis”, that such measure is calculated without applying the transitional provisions set out in Part Ten of the CRD IV Regulation (as the same may be amended from time to time);

“Further Securities” means any further Securities issued pursuant to Condition 16 of the Securities and consolidated and forming a single series with the then outstanding Securities;

“Group” means the Issuer and its Subsidiaries;

“Independent Adviser” means an independent financial institution of international repute appointed by the Issuer at its own expense;

“Initial Fixed Interest Rate” has the meaning given to it in Condition 5(c);

“Initial Fixed Rate Interest Period” means the period from (and including) the Issue Date to (but excluding) the First Reset Date;

“Interest Payment” means, in respect of an Interest Payment Date, the amount of interest due and payable on such Interest Payment Date;

“Interest Payment Date” means 2 April and 2 October in each year, commencing on 2 October 2015;

“Interest Period” means the period commencing on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period commencing on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

“Interest Rate” means the Initial Fixed Interest Rate and/or the relevant Reset Rate of Interest, as the case may be;

“Issue Date” means 2 April 2015;

“Junior Securities” means (i) any Ordinary Share or other securities of the Issuer ranking, or expressed to rank, junior to the Securities in a winding-up or administration of the Issuer as described in Condition 4(b) and/or (ii) any securities issued by any other member of the Group where the terms of such securities benefit from a guarantee or support agreement entered into by the Issuer which ranks, or is expressed to rank, junior to the Securities in a winding-up or administration of the Issuer as described in Condition 4(b);

“London Stock Exchange” means the London Stock Exchange plc;

“Margin” means 4.889 per cent. per annum;

“New Conversion Condition Effective Date” has the meaning given to it in Condition 7(j)(v);

“Newco Scheme” means a scheme of arrangement or analogous proceeding (“Scheme of Arrangement”) which effects the interposition of a limited liability company (“Newco”) between the Shareholders of the Issuer immediately prior to the Scheme of Arrangement (the “Existing Shareholders”) and the Issuer; provided that (i) only ordinary shares or units or equivalent of Newco or depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco are issued to Existing Shareholders; (ii) immediately after completion of the Scheme of Arrangement the only holders of ordinary shares, units or equivalent of Newco or, as the case may be, the only holders of depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco, are Existing Shareholders holding in the same proportions as immediately prior to completion of the Scheme of Arrangement; (iii) immediately after completion of the Scheme of Arrangement, Newco is (or one or more wholly-owned Subsidiaries of Newco are) the only shareholder of the Issuer; (iv) all Subsidiaries of the Issuer immediately prior to the Scheme of Arrangement (other than Newco, if Newco is then a Subsidiary of the Issuer) are Subsidiaries of the Issuer (or of Newco) immediately after completion of the Scheme of Arrangement; and (v) immediately after completion of the Scheme of Arrangement the Issuer (or Newco) holds, directly or indirectly, the same percentage of the ordinary share capital and equity share capital of those Subsidiaries as was held by the Issuer immediately prior to the Scheme of Arrangement;

“Notice Cut-off Date” means the date specified as such in the Conversion Trigger Notice, which date shall be at least 20 London business days following the Conversion Date;

“Ordinary Reporting Date” means each day on which Semi-annual Financial Information is published by the Issuer;

“Ordinary Shares” means fully paid ordinary shares in the capital of the Issuer, currently with a par value of U.S.\$0.50 each;

“outstanding” has the meaning given to it in the Trust Deed;

“Parity Securities” means (i) any preference shares in the capital of the Issuer from time to time and any other securities of the Issuer ranking, or expressed to rank, *pari passu* with the Securities and/or such preference shares in a winding-up or administration of the Issuer as described in Condition 4(b) and/or (ii) any securities issued by any other member of the Group where the terms of the securities benefit from a guarantee or support agreement entered into by the Issuer which ranks or is expressed to rank *pari passu* with the Securities and/or such preference shares in a winding-up or administration of the Issuer as described in Condition 4(b);

a “person” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity);

“Prevailing Rate” means, in respect of any currencies on any day, the spot rate of exchange between the relevant currencies prevailing as at or about 12 noon (London time) on that date as appearing on or derived from the Relevant Page or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12 noon (London time) on the immediately preceding day on which such rate can be so determined or, if such rate cannot be so determined by reference to the Relevant Page, the rate determined in such other manner as an Independent Adviser shall in good faith prescribe;

“Relevant Currency” means pounds sterling or, if at the relevant time or for the purposes of the relevant calculation or determination the London Stock Exchange is not the Relevant Stock Exchange, the currency in which the Ordinary Shares or the Relevant Shares (as applicable) are quoted or dealt in on the Relevant Stock Exchange at such time;

“Relevant Date” in respect of any payment on any Security, means the date on which such payment first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount required to be paid is made or, in the case where presentation is required pursuant to the Conditions, (if earlier) the date seven days after that on which notice is duly given to the Securityholders that, upon further presentation of the Security (or relative Certificate) being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation;

“Relevant Page” means the relevant page on Bloomberg or such other information service provider that displays the relevant information;

“Relevant Regulator” means the UK Prudential Regulation Authority, or the then relevant regulatory body with primary responsibility for the prudential supervision of the Issuer and the Group;

“Relevant Securities” means any securities including, without limitation, shares in the capital of the Issuer, or options, warrants or other rights to subscribe for or purchase or acquire shares in the capital of the Issuer (and each a “Relevant Security”);

“Relevant Stock Exchange” means the London Stock Exchange or, if at the relevant time the Ordinary Shares are not at that time listed and admitted to trading on the London Stock Exchange, the principal stock exchange or securities market (if any) on which the Ordinary Shares are then listed, admitted to trading or quoted or accepted for dealing;

“Reset Date” means the First Reset Date and each date falling five, or an integral multiple of five, years after the First Reset Date;

“Reset Determination Date” means, in respect of a Reset Period, the day falling two London business days prior to the first day of such Reset Period;

“Reset Period” means the period from (and including) the First Reset Date to (but excluding) the next Reset Date, and each successive period from and including a Reset Date to but excluding the next succeeding Reset Date;

“Reset Rate of Interest” has the meaning given to it in Condition 5(d);

“Reset Reference Rate” means, in respect of a Reset Period, the mid market swap rate for U.S. Dollar swap transactions with a maturity of five years displayed on Bloomberg page “ISDA 01” (or such other page as may replace that page on Bloomberg, or such other service as may be nominated by the person providing or sponsoring the information appearing there for the purposes of displaying comparable rates) at or around 11.00 a.m. (New York time) on the Reset Determination Date. If such swap rate does not appear on that page, the Reset Reference Rate shall instead be determined by the Calculation Agent on the basis of (i) quotations provided by the principal office of each of four major banks in the U.S. Dollar swap market of the mid-swap rate in U.S. Dollar quoted by such banks at approximately 11.00 a.m. (New York time) on the Reset Determination Date to participants in the U.S. Dollar swap market for a five year period and (ii) the arithmetic mean expressed as a percentage and rounded, if necessary, to the nearest 0.0001 per cent. (0.00005 per cent. being rounded upwards) of such quotations. If two or fewer of such banks provide such quotations on any Reset Determination Date, the Reset Rate of Interest in respect of the Interest Period to which such Reset Determination Date relates shall be determined by the Calculation Agent to be equal to the Interest Rate in effect in respect of the Interest Period immediately preceding the Interest Period to which such Reset Determination Date relates. For the purposes of the foregoing, the mid-swap rate means in each case the arithmetic mean, rounded, if necessary, to the nearest 0.00001 per cent. (0.000005 per cent. being rounded upwards), of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating U.S. Dollar interest rate swap transaction with a term equal to five years commencing on that Reset Determination Date, where the floating leg, calculated on an

Actual/360 day count basis is equivalent to the three month London Interbank offered rate for U.S. Dollars (where the terms “30/360 day count basis” and “Actual/360 day count basis” have the meanings given to the terms “30/360” and “Actual/360”, respectively, in the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc.);

“Risk Weighted Assets” means, at any time, the aggregate amount, expressed in U.S. Dollars, of the risk weighted assets of the Group as at such date, as calculated by the Issuer on a consolidated and fully loaded basis in accordance with the Capital Regulations applicable to the Group on such date (which calculation shall be binding on the Trustee and the Holders) and where the term “risk weighted assets” means the risk weighted assets or total risk exposure amount, as calculated by the Issuer in accordance with the Capital Regulations applicable to the Group at the relevant time;

“Securityholder” or “Holder” means the person in whose name a Security is registered;

“Semi-annual Financial Information” means the financial information of the Group published in respect of each six (6) month period ending on a Financial Period End Date;

“Settlement Date” means:

- (i) with respect to any Security in relation to which a Conversion Shares Settlement Notice is received by the Conversion Shares Depositary or its designated agent on or before the Notice Cut-off Date where the Issuer has not elected that the Conversion Shares Depositary will carry out a Conversion Shares Offer, the date that is two London business days after the latest of (a) the Conversion Date, (b) the date on which the Issuer announces that it will not elect for the Conversion Shares Depositary to carry out a Conversion Shares Offer (or, if no such announcement is made, the last date on which the Issuer is entitled to give the Conversion Shares Offer Notice) and (c) the date on which the relevant Conversion Shares Settlement Notice has been received by the Conversion Shares Depositary or its designated agent;
- (ii) with respect to any Security in relation to which a Conversion Shares Settlement Notice is received by the Conversion Shares Depositary or its designated agent on or before the Notice Cut-off Date where the Issuer has elected that the Conversion Shares Depositary will carry out a Conversion Shares Offer, the date that is the later of (a) two London business days after the day on which the Conversion Shares Offer Period expires or is terminated and (b) two London business days after the date on which the relevant Conversion Shares Settlement Notice has been so received by the Conversion Shares Depositary or its designated agent; and
- (iii) with respect to any Security in relation to which a Conversion Shares Settlement Notice is not so received by the Conversion Shares Depositary or its designated agent on or before the Notice Cut-off Date, the date on which the Conversion Shares Depositary delivers the relevant Ordinary Shares or Conversion Shares Offer Consideration, as applicable, to Securityholders;

“Shareholders” means the holders of Ordinary Shares;

“Subsidiary” has the meaning given to it in Section 1159 of the Companies Act;

“successor in business” has the meaning given to it in the Trust Deed;

a “Tax Event” is deemed to have occurred if:

- (i) as a result of a Tax Law Change, in making any payments on the Securities, the Issuer has paid or will or would on the next payment date be required to pay Additional Amounts; and/or
- (ii) a Tax Law Change would:
 - (a) result in the Issuer not being entitled to claim a deduction in respect of any payments in respect of the Securities in computing its taxation liabilities or materially reduce the amount of such deduction;
 - (b) prevent the Securities from being treated as loan relationships for United Kingdom tax purposes;
 - (c) as a result of the Securities being in issue, result in the Issuer not being able to have losses or deductions set against the profits or gains, or profits or gains offset by the losses or deductions, of companies with which it is or would otherwise be grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at the date of issue of the Securities or any similar system or systems having like effect as may from time to time exist);
 - (d) result in a United Kingdom tax liability, or the receipt of income or profit which would be subject to United Kingdom tax, in respect of a write-down of the principal amount of the Securities or the conversion of the Securities into Ordinary Shares; or

- (e) result in a Security or any part thereof being treated as a derivative or an embedded derivative for United Kingdom tax purposes,

provided that, in each such case, the Issuer could not avoid the foregoing in connection with the Securities by taking measures reasonably available to it;

“Tax Law Change” means a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of the United Kingdom, or any political subdivision or authority therein or thereof, having the power to tax, including any treaty to which the United Kingdom is a party, or any change in any generally published application or official interpretation of such laws, including a decision of any court or tribunal or any change in the generally published application or official interpretation of such laws by any relevant tax authority or any generally published pronouncement by any tax authority, which change, amendment or pronouncement (x) (subject to (y)) becomes, or would become, effective on or after the Issue Date, or (y) in the case of a change or proposed change in law, if such change is enacted (or, in the case of a proposed change, is expected to be enacted) by United Kingdom Act of Parliament or implemented by statutory instrument, on or after the Issue Date;

“Tier 1 Capital” has the meaning given to it by the Relevant Regulator from time to time;

“United Kingdom” means the United Kingdom of Great Britain and Northern Ireland;

“U.S.\$” and “U.S. Dollar” means the lawful currency for the time being of the United States of America;

“Volume Weighted Average Price” means, in respect of an Ordinary Share or Relevant Security on any dealing day, the order book volume-weighted average price of an Ordinary Share or Relevant Security published by or derived (in the case of an Ordinary Share) from the relevant Bloomberg page or (in the case of a Relevant Security (other than Ordinary Shares), options, warrants or other rights) from the principal stock exchange or securities market on which such Relevant Securities, options, warrants or other rights are then listed or quoted or dealt in, if any or, in any such case, such other source as shall be determined in good faith to be appropriate by an Independent Adviser on such dealing day, provided that if on any such dealing day such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of an Ordinary Share, Relevant Security, option, warrant or other right, as the case may be, in respect of such dealing day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding dealing day on which the same can be so determined or determined as an Independent Adviser might otherwise determine in good faith to be appropriate; and

“£” and “pounds sterling” means the lawful currency for the time being of the United Kingdom.

References to any act or statute or any provision of any act or statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such statutory modification or re-enactment.

References to “ordinary share capital” have the meaning provided in Section 1119 of the Income and Corporation Taxes Act 2010 and “equity share capital” has the meaning provided in Section 548 of the Companies Act.

References to any issue or offer or grant to Shareholders or Existing Shareholders “as a class” or “by way of rights” shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders or Existing Shareholders, as the case may be, other than Shareholders or Existing Shareholders, as the case may be, to whom, by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

In making any calculation or determination of Current Market Price or Volume Weighted Average Price, such adjustments (if any) shall be made as an Independent Adviser determines in good faith to be appropriate to reflect any consolidation or sub-division of the Ordinary Shares or any issue of Ordinary Shares by way of capitalisation of profits or reserves, or any like or similar event.

For the purposes of Condition 7(a), (b), (e), (h), (n) and (r), (1) references to the “issue” of Ordinary Shares or Ordinary Shares being “issued” shall, unless otherwise expressly specified in those paragraphs, include the delivery of Ordinary Shares, whether newly issued and allotted or previously existing or held by or on behalf of the Issuer or any of its Subsidiaries, and (2) Ordinary Shares held by or on behalf of the Issuer or any of its respective Subsidiaries (and which, in the case of Condition 7(e)(iv), do not rank for the relevant right or other entitlement) shall not be considered as or treated as “in issue” or “issued” or entitled to receive the relevant dividend, right or other entitlement.

Unless the context otherwise requires, references to (i) “principal” shall be deemed to include any Additional Amounts relating to principal that may be payable under Condition 10 or any undertaking given in addition to or in substitution for it under the Trust Deed in respect of any such amount and all other amounts in the nature of principal payable pursuant to these Conditions or any amendment or supplement

to them and (ii) “interest” shall be deemed to include any Additional Amounts relating to interest that may be payable under Condition 10 or any undertaking given in addition to or in substitution for it under the Trust Deed in respect of any such amount.

20 Governing Law and Jurisdiction

(a) Governing Law

The Trust Deed and the Securities and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) Jurisdiction

The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Trust Deed or the Securities and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or any Securities (“Proceedings”) may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of the courts of England in respect of any such Proceedings.

SUMMARY OF PROVISIONS RELATING TO THE SECURITIES WHILE IN GLOBAL FORM

1. Initial Issue

The Unrestricted Global Certificates and the Restricted Global Certificates have been deposited with a custodian for DTC.

Upon the initial registration of Securities in the name of any nominee of DTC and delivery of the Global Certificates to a custodian for DTC, DTC will credit each subscriber with a principal amount of Securities equal to the principal amount thereof for which it has subscribed and paid.

2. Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of DTC as the holder of a Security represented by a Global Certificate must look solely to DTC for his share of each payment made by the Issuer to the holder of the underlying Securities, as the case may be, and in relation to all other rights arising under the Global Certificate, subject to and in accordance with the respective rules and procedures of DTC. Such persons shall have no claim directly against the Issuer in respect of payments due on the Securities for so long as the Securities are represented by such Global Certificate and such obligations of such Issuer will be discharged by payment to the holder of the underlying Securities, as the case may be, in respect of each amount so paid.

3. Exchange

Transfers of the holding of Securities represented by a Global Certificate pursuant to Condition 2(a) may only be made in part:

- 3.1 if DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to such Global Certificate, or ceases to be a "clearing agency" registered under the Exchange Act, or is at any time no longer eligible to act as such and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or
- 3.2 if principal in respect of any Securities is not paid when due; or
- 3.3 with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to 3.1 or 3.2 above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

4. Exchange Date

"Exchange Date" means five days after that on which the notice requiring exchange of Securities is given and on which banks are open for business in the city in which the specified office of the Principal Paying and Conversion Agent is located and in the city in which the relevant clearing system is located.

Amendment to Conditions

The Global Certificates contain provisions that apply to the Securities that they represent, some of which modify the effect of the Conditions set out in this document. The following is a summary of certain of those provisions:

1. Payments

No payment falling due after the Exchange Date will be made unless exchange for an interest in Securities is improperly withheld or refused.

All payments in respect of Securities represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment (the "Record Date"), where Clearing System Business Day means a day when DTC is open for business.

2. Prescription

Claims against the Issuer in respect of the Securities will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 19).

3. Meetings

All holders of Securities are entitled to one vote in respect of each Security comprising such Securityholder's holding, whether or not represented by a Global Certificate.

4. Cancellation

Cancellation of any Security represented by a Global Certificate that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the principal amount of the relevant Global Certificate in the Register.

5. Issuer's Option

Any option of the Issuer provided for in the Conditions while the Securities are represented by a Global Certificate shall be exercised by the Issuer giving notice to the Securityholders within the time limits set out in and containing the information required by the Conditions.

6. Trustee's Powers

In considering the interests of Securityholders while any Securities are registered in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Securities and may consider such interests as if such accountholders were the holders of the Securities represented by a Global Certificate.

7. Notices

So long as the Securities are represented by a Global Certificate and such Global Certificate is held on behalf of DTC or any other clearing system, notices to the holders of Securities may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of such Global Certificate.

8. Suspension

Any Conversion Shares Offer Notice shall provide details of the Suspension Date (if not previously specified in the Conversion Trigger Notice) and the notice requirements contained in Conditions 7(a)(i) and 7(b)(iii) shall be amended accordingly (including that notice shall be given, if required, of any amendment to the Notice Cut-off Date and Final Cancellation Date previously specified in the Conversion Trigger Notice).

The Issuer may specify a Suspension Date in the Conversion Trigger Notice and then subsequently amend that date in the Conversion Shares Offer Notice (and any notice of termination of the Conversion Shares Offer).

"Suspension Date" means a date specified by the Issuer in the Conversion Trigger Notice or the Conversion Shares Offer Notice (and any notice of termination of the Conversion Shares Offer), as the case may be, as being the date on which DTC shall suspend all clearance and settlement of transactions in the Securities in accordance with its rules and procedures which date shall, in the case of a Conversion Shares Offer, be as proximate to the end of the Conversion Shares Offer Period as is reasonably practicable in accordance with the rules and procedures of DTC.

Delivery of the Conversion Shares Offer Consideration, if applicable, following a Conversion of the Securities shall be made by the Conversion Shares Depositary in accordance with DTC practices from time to time. The Conversion Shares Settlement Notice must be given in accordance with the standard procedures of DTC (which may include, without limitation, delivery of the notice to the Conversion Shares Depositary by electronic means) and in a form acceptable to DTC and the Conversion Shares Depositary. Any Conversion Shares Settlement Notice delivered prior to the day following the Suspension Date shall be void.

USE OF PROCEEDS

The net proceeds from the issue of the Securities will be used for the general business purposes of the Group and to strengthen further the regulatory capital base of the Group.

THE ISSUER

The Issuer is the ultimate holding company of the Group and was incorporated and registered in England and Wales on 18 November 1969 as a company limited by shares. Its ordinary shares and preference shares are listed on the Official List and traded on the London Stock Exchange. The Issuer's ordinary shares are also listed on The Stock Exchange of Hong Kong Limited, and through Indian Depository Receipts on the Bombay Stock Exchange and National Stock Exchange of India. The Issuer operates under the Companies Act 2006 and its registered number is 966425. The Issuer's registered office and principal place of business in the United Kingdom is at 1 Basinghall Avenue, London EC2V 5DD. The Issuer's telephone number is +44 (0)20 7885 8888. The Issuer adopted new articles of association on 7 May 2010.

The Group is an international banking and financial services group particularly focused on the markets of Asia, Africa and the Middle East. As at 31 December 2014, the Group had a total workforce of more than 90,000 employees across 71 markets, representing 133 nationalities.

The Group has a structure of eight geographic regions: Greater China, Middle East, North Africa and Pakistan ('MENAP'), The Association of South East Asian Nations ('ASEAN'), North East Asia, South Asia, Africa, Europe and The Americas.

The Group is organised in three client segment groups, namely Corporate and Institutional Clients, Commercial and Private Banking Clients, and Retail Clients, which are serviced by five global product groups: Financial Markets, Corporate Finance, Transaction Banking, Wealth Management and Retail Products.

Client Segment Groups

The Group is a client-centric bank focused on providing its clients with investment expertise and innovative products and solutions. The Group works closely with its clients to understand and meet their Corporate & Institutional, Commercial, Private Banking and Retail financial needs.

Corporate and Institutional Clients

Corporate and Institutional Clients: offers a range of capabilities including working capital and cash management solutions, clearing, trade finance, foreign exchange and investment solutions that support business expansion.

Global Corporates: comprises major multinational corporations and large business groups which have sophisticated, cross-border needs requiring high levels of international service.

Local Corporates: typically comprises clients with operations in three geographies or less.

Financial Institutions: covers Banks, Investor clients, Insurance companies, Broker Dealers, Public Sector names (including Central Banks, Sovereign Wealth Funds and Development Organisations) and other types of financial institutions.

Commercial and Private Banking Clients

Commercial Clients: serves medium-sized business clients who are managed by named relationship managers, which broadly speaking implies corporate clients with sales turnover from U.S.\$10 million to U.S.\$100 million – U.S.\$150 million.

Private Banking Clients: dedicated to giving high net worth clients highly personalised service, access to top-tier global and local investment managers and first-class credit and transaction banking facilities from its highly-rated commercial bank.

Retail Clients

Priority & International Clients: is responsible for managing and servicing high value segment customers and delivering a distinct and differentiated customer experience to them.

Personal & Preferred Clients: provides banking products and services to a broader consumer market. Operating under a portfolio driven model, Personal Banking (including Preferred Banking) provides consistently high quality services through multiple and convenient channels like phone-banking, ATMs, internet, mobile and SMS banking.

Business Clients: serves small business clients, sole proprietors, partnerships and private companies offering solutions such as working capital, business expansion, business protection and yield enhancement.

Product Groups

Financial Markets: spans FX, Rates & Credit Trading, Commodities, Equities, Capital Markets and Asset & Liability Management across origination, trading, sales and structuring.

Corporate Finance: provides bespoke solutions in the areas of Advisory & Infrastructure Finance, Strategic Finance, Structured Trade Finance & Financing Solutions, Structured Finance and Principal Finance.

Transaction Banking: provides integrated working capital solutions such as Cash Management, Trade and Securities Services.

Wealth Management: oversees and sources Funds, Structured Products, Treasury Services and Insurance.

Retail Products: provides consumer banking services such as Transaction Banking, Mortgages, Credit Cards and Personal Loans.

Subsidiaries

As at 31 December 2014, the principal subsidiary undertakings of the Issuer principally engaged in the business of banking and provision of other financial services, were as follows: SCB, Standard Chartered Bank (Hong Kong) Limited, Standard Chartered Bank Korea Limited, Standard Chartered Bank (Singapore) Limited, Standard Chartered Bank Malaysia Berhad, Standard Chartered Bank (Thai) Public Company Limited, Standard Chartered Bank (China) Limited, Standard Chartered Bank (Taiwan) Limited, Standard Chartered Bank (Pakistan) Limited, Standard Chartered Bank Nigeria Limited, Standard Chartered Bank Kenya Limited, and Standard Chartered Private Equity Limited.

All the above are directly or indirectly wholly owned subsidiaries of the Issuer, except Standard Chartered Bank (Thai) Public Company Limited, which is 99.99 per cent. directly owned by SCB, Standard Chartered Bank (Pakistan) Limited, which is 98.99 per cent. directly owned by SCB, and Standard Chartered Bank Kenya Limited, which is 74.3 per cent. indirectly owned by SCB.

Directors

The directors of the Issuer and their respective principal outside activities, where significant to the Issuer or SCB, are as follows:

Sir John Peace* *Non-Executive Chairman*¹

Chairman Burberry Group plc

P A Sands* *Group Chief Executive, Director and Chairman of SCB*¹

Non-Executive Director of the Board of the Department of Health, and Board Member of the Institute of International Finance and World Economic Forum

O P Bhatt *Non-Executive Director*¹

Non-Executive Director of Hindustan Unilever Limited, Oil and Natural Gas Corporation, Tata Consultancy Services, India, and Tata Steel Limited

J S Bindra* *Group Executive Director, Chief Executive Officer, Asia and Director of SCB*²

Non-Executive Director of Reckitt Benckiser Group plc

Dr K M Campbell *Non-Executive Director*¹

Chairman and Chief Executive Officer of Asia Group LLC

Dr L C Y Cheung *Non-Executive Director*¹

Non-Executive Director of Fubon Financial Holding Co Limited and Director of Boyu Overseas Services Limited

Dr B E Grote *Non-Executive Director*¹

Non-Executive Director of Unilever plc and Unilever NV, Anglo American plc and Akzo Nobel NV

A N Halford *Group Finance Director and Director of SCB*¹

Non-Executive Director of Marks and Spencer Group plc

Dr Han Seung-soo, KBE *Non-Executive Director*¹

Non-Executive Director of the Seoul Semiconductor Inc and Advisor to Kim & Chang law firm

C M Hodgson *Non-Executive Director*¹

Non-Executive Director of Ladbrokes PLC and Director of Capgemini UK plc

S J Lowth *Non-Executive Director*¹

Director of BG Group plc

N Kheraj *Non-Executive Director*¹

R Markland *Non-Executive Director*¹

Non-Executive Director of The Sage Group plc and Arcadis NV

A M G Rees *Deputy Group Chief Executive and Director of SCB*¹

P D Skinner CBE *Non-Executive Director*¹

Non-Executive Director of the Tetra Laval International SA, L'Air Liquide SA, and the Public Interest Body of PricewaterhouseCoopers LLP. Member of the Advisory Body of Norton Rose Fulbright LLP

V Shankar *Group Executive Director, CEO Europe, Middle East, Africa, Americas and Director of SCB*³

Non-Executive Director of Majid Al Futtaim Holding LLC

Dr L T Thunell *Non-Executive Director*¹

Director of Kosmos Energy, Non-Executive Director and Vice Chairman of Sithe Global LLP, and Senior Advisor of Blackstone Group

* On 26 February 2015, the Issuer announced the following changes to its board of directors (the "Board"):

- William Thomas Winters will join the Issuer on 1 May 2015. He will be appointed to the Board as Group Chief Executive in June 2015;
- Peter Sands will stand down from the Board and as Group Chief Executive in June 2015;
- Sir John Peace has indicated an intention to step down from the Board during the course of 2016;
- Jaspal Bindra will be stepping down from the Board with effect from 30 April 2015 and will leave the Group shortly thereafter;
- Ruth Markland and Paul Skinner will step down from the Board by the end of 2015; and
- Gay Huey Evans and Jasmine Whitbread will be appointed to the Board as independent Non-Executive Directors with effect from 1 April 2015.

The Group continues to streamline the Board and the intention is for the Board to consist of 14 directors in due course.

The above appointments have received the necessary regulatory approval.

Notes:

1. The business address should be regarded for the purposes of this document as:
1 Basinghall Avenue
London EC2V 5DD
2. The business address should be regarded for the purposes of this document as:
Standard Chartered Bank (Hong Kong) Limited
32nd Floor, 4-4A Des Voeux Road
Central, Hong Kong
3. The business address should be regarded for the purposes of this document as:
Standard Chartered Bank, Dubai Branch
DIFC Level 7, DIFC Bur Dubai
Dubai 999

There are no existing or potential conflicts of interest between any duties of the directors named above owed to the Issuer and/or their private interests and other duties.

CAPITALISATION AND INDEBTEDNESS OF THE ISSUER

The following table sets out the unaudited consolidated capitalisation and indebtedness of the Group as at 31 December 2014 prepared in accordance with IFRS.

Capitalisation	31 December 2014 (U.S.\$ million)
Shareholders' equity	
Allotted, called-up and fully paid share capital	
Ordinary shares	1,236
Share premium	5,482
Merger reserve	12,421
Reserves and retained earnings	27,293
Total parent company shareholders' equity	46,432
Non-controlling interest	306
Total shareholders' equity	46,738
Subordinated loan capital – issued by subsidiary undertakings	
£700 million 7.75 per cent subordinated notes 2018	1,208
£675 million 5.375 per cent undated step up subordinated notes (callable 2020)	706
£600 million 8.103 per cent step up callable perpetual preferred securities (callable 2016)	1,013
£200 million 7.75 per cent undated step up subordinated notes (callable 2022)	400
€1.1 billion 5.875 per cent subordinated notes 2017	1,474
U.S.\$1 billion 6.4 per cent subordinated notes 2017	1,099
U.S.\$750 million 5.875 per cent subordinated notes 2020	802
U.S.\$700 million 8.0 per cent subordinated notes 2031	641
BWP 127.26 million 8.2 per cent subordinated notes 2022 (callable 2017)	13
BWP 70 million floating rate subordinated notes 2021 (callable 2016)	7
BWP 50 million floating rate notes 2022 (callable 2017)	5
JPY 10 billion 3.35 per cent subordinated notes 2023 (callable 2018)	87
KRW 270 billion 4.67 per cent subordinated debt 2021 (callable 2016)	247
KRW 90 billion 6.05 per cent subordinated debt 2018	92
PKR 2.5 billion floating rate notes 2022 (callable 2017)	25
SGD 750 million 4.15 per cent subordinated notes 2021 (callable 2016)	541
SGD 450 million 5.25 per cent subordinated notes 2023 (callable 2018)	355
TZS 10 billion 11 per cent subordinated notes 2020 (callable 2015)	6
UGX 40 billion 13 per cent subordinated notes 2020 (callable 2015)	14
	8,735
Issued by Company:	
Primary capital floating rate notes	
U.S.\$400 million	44
U.S.\$300 million (Series 2)	80
U.S.\$400 million (Series 3)	64
U.S.\$200 million (Series 4)	50
£150 million	47
£900 million 5.125 per cent subordinated debt 2034	1,588
U.S.\$2 billion 5.7 per cent subordinated debt 2044	2,341
U.S.\$2 billion 3.95 per cent subordinated debt 2023	1,952
U.S.\$1.25 billion 4 per cent subordinated notes 2022 (callable 2017)	1,242
U.S.\$1 billion 5.7 per cent subordinated notes 2022	989
U.S.\$1 billion 5.2 per cent subordinated debt 2024	996
U.S.\$750 million 5.3 per cent subordinated debt 2043	774
€1.25 billion 4 per cent subordinated debt 2025 (callable 2020)	1,599
€750 million 3.625 per cent subordinated notes 2022	968
€500 million 3.125 per cent subordinated debt 2024	604
SGD700 million 4.4 per cent subordinated notes 2026 (callable 2021)	515
	13,853
Other borrowings – issued by the Issuer	
£96 million 7.375 per cent. Irredeemable Preference Shares	177
£99 million 8.25 per cent. Irredeemable Preference Shares	182
	359
Total for Group	22,947
Total Capitalisation and Indebtedness	69,685

- All subordinated liabilities are unsecured, unguaranteed and subordinated to the claims of other creditors including without limitation, customer deposits and deposits by banks. The Group has the right to settle these debt instruments in certain circumstances as set out in the contractual agreements.
- Liabilities denominated in foreign currencies are translated into US Dollars at market exchange rates prevailing at 31 December 2014. The exchange rates used were £1.00 = U.S.\$1.7109; U.S.\$1.00 = HK\$7.7477; U.S.\$1.00 = BWP 8.7961; U.S.\$1.00 = KRW1,011.7343; U.S.\$1.00 = TZS 1,657.0782; U.S.\$1.00 = EURO 0.7302; U.S.\$1.00 = PKR 98.7639; U.S.\$1.00 = MYR 3.2107; U.S.\$1.00 = TWD 29.8907; U.S.\$1.00 = UGX 2605.15; U.S.\$1.00 = JPY 101.2883; U.S.\$1.00 = SGD 1.2464.
- Contingent liabilities amounted to U.S.\$43 billion as at 31 December 2014, of which U.S.\$33 billion related to guarantees and irrevocable letters of credit.
- The total amount of all other borrowings and indebtedness as at 31 December 2014 was U.S.\$521 billion, comprising deposits by banks U.S.\$55 billion, customer accounts U.S.\$414 billion and debt securities in issue (including certificates of deposits) U.S.\$81 billion. These obligations are unsecured and are not guaranteed. However, U.S.\$10 billion of the

deposits by banks and U.S.\$6.3 billion of the customer accounts include liabilities under repurchase agreements, which are collateralised with treasury bills/bonds.

5. Details of subordinated debt issued between 1 January 2014 and 31 December 2014:

- a) On 23 January 2014, the Issuer issued SGD700 million 4.4 per cent fixed interest rate notes due January 2026.
- b) On 26 March 2014, the Issuer issued \$2 billion 5.7 per cent fixed interest rate notes due March 2044.
- c) On 6 June 2014, the Issuer issued £900 million 5.125 per cent fixed interest rate notes due June 2034.
- d) On 19 November 2014, the Issuer issued €500 million 3.125 per cent fixed interest rate notes due November 2024.

6. Details of subordinated debt redeemed since 1 January 2014:

- a) On 13 March 2014, Standard Chartered Bank Korea Limited exercised its right to redeem its KRW300 billion 7.05 per cent subordinated debt in full on the first optional call date.
- b) On 28 October 2014, Standard Chartered Bank (Taiwan) Limited exercised its right to redeem its TWD 10 billion 2.9 per cent subordinated debt due 2019 in full on the first optional call date.
- c) On 24 December 2014, Standard Chartered Bank exercised its right to redeem its \$1.5 billion 9.5 per cent Step up perpetual preferred securities in full on the first optional call date.

Note:

Save as disclosed in this document, there has been no material change in the authorised and issued share capital and no material change in total capitalisation and indebtedness and contingent liabilities (including guarantees) of the Issuer as set out in the above table since 31 December 2014.

SELECTED FINANCIAL INFORMATION

The following table sets out summary financial information relating to the Group for the five financial years ended 31 December 2014. Except for the total capital resources, dividends per share, net asset value per share, ratios, capital ratios and where otherwise indicated, this information has been extracted without material adjustment from the Group's audited consolidated financial statements for the five years ended 31 December 2014, other than for comparative restatements.

The total capital resources, dividends per share, net asset value per share, ratios and capital ratios for the years ended 31 December 2014, 31 December 2013, 31 December 2012, 31 December 2011 and 31 December 2010 have been extracted from the unaudited "Supplementary Financial Information" section of the Group's annual report for the year ended 31 December 2014.

	2014 U.S.\$million	2013 U.S.\$million	2012 U.S.\$million	2011 U.S.\$million	2010 U.S.\$million
Operating profit before impairment losses and taxation.....	7,289	8,584	8,061	7,720	7,039
Impairment losses on loans and advances and other credit risk provisions.....	(2,141)	(1,617)	(1,196)	(908)	(883)
Other impairment.....	(1,161)	(1,129)	(196)	(111)	(76)
Profit before taxation.....	4,235	6,064	6,851	6,775	6,122
Profit attributable to shareholders.....	2,613	4,090	4,887	4,849	4,332
Loans and advances to banks ¹	83,890	83,702	67,797	65,981	52,058
Loans and advances to customers ¹	284,695	290,708	279,638	266,790	240,358
Total assets.....	725,914	674,380	631,208	592,686	516,560
Deposits by banks ¹	54,391	43,517	36,427	35,296	28,551
Customer accounts ¹	405,353	381,066	372,874	345,726	306,992
Shareholders' equity.....	46,432	46,246	45,362	40,714	38,212
Total capital resources ²	69,685	67,238	64,643	58,092	54,804
Information per ordinary share					
Basic earnings per share.....	102.2c	164.4c	199.7c	200.8c	196.3c
Normalised earnings per share ³	145.9c	204.0c	225.2c	198.0c	197.0c
Dividends per share.....	86.00c	86.00c	84.00c	76.00c	69.15c
Net asset value per share.....	1,833.6c	1,872.8c	1,852.3c	1,653.2c	1,573.2c
Net tangible asset value per share.....	1,610.9c	1,597.6c	1,526.5c	1,355.6c	1,273.4c
Return on assets ⁴	0.4%	0.6%	0.8%	0.8%	0.9%
Ratios					
Normalised return on ordinary shareholders' equity ³	7.8%	11.2%	12.8%	12.2%	14.1%
Basic cost-income ratio.....	60.2%	54.3%	57.1%	56.2%	56.2%
Cost-income ratio – normalised basis ³	58.9%	54.4%	53.7%	56.5%	55.9%
Capital ratios:					
CET1/Tier 1 capital ⁵	10.5%	10.9%	13.4%	13.7%	14.0%
Total capital ⁵	16.7%	17.0%	17.4%	17.6%	18.4%

¹ Excludes amounts held at fair value through profit or loss.

² Shareholders' equity, non-controlling interests and subordinated loan capital.

³ Results on a normalised basis reflect the Group's results, excluding amortisation and impairment of intangible assets, gains and losses of a capital nature, and gains and losses on repurchase of subordinated liabilities.

⁴ Represents profit attributable to shareholders divided by the total assets of the Group.

⁵ Unaudited.

The following table sets out summary financial information relating to the Group for the years ended 31 December 2013 and 31 December 2014. Except where otherwise stated, this information has been extracted without material adjustment from the unaudited "Supplementary Financial Information" section of the Group's annual report for the year ended 31 December 2014. The summary financial information in the table below should be read in conjunction with such annual report.

	Year ended 31.12.14 U.S.\$million	Year ended 31.12.13 U.S.\$million
Results		
Operating income (excludes own credit adjustment) ¹	18,234	18,671
Impairment losses on loans and advances and other credit risk provisions.....	(2,141)	(1,617)
Goodwill impairment	(758)	(1,000)
Other impairment	(403)	(129)
Profit before taxation, goodwill impairment, own credit adjustment and civil monetary penalty	5,193	6,958
Profit before taxation.....	4,235	6,064
Profit attributable to parent company shareholders	2,613	4,090
Profit attributable to ordinary shareholders ²	2,512	3,989
Balance sheet		
Total assets	725,914	674,380
Total equity	46,738	46,841
Total capital base (CRD IV) transitional	57,099	56,369
Information per ordinary share	Cents	Cents
Earnings per share.....		
– normalised ³	145.9	204.0
– basic.....	102.2	164.4
Dividend per share ⁴	86.00	86.00
Net asset value per share	1,833.6	1,872.8
Tangible net asset value per share	1,610.9	1,597.5
Ratios	%	%
Return on ordinary shareholders' equity - normalised basis ³	7.8	11.2
Cost to income ratio - normalised basis ³	58.9	54.4
Capital ratios:		
Common Equity Tier 1 (CRD IV) transitional	10.5	10.9
Common Equity Tier 1 (CRD IV) end point basis	10.7	11.2
Total capital (CRD IV) transitional	16.7	17.0
Leverage ratio ⁵	4.5	4.7

1 Excludes own credit adjustment of \$100 million (2013: \$106 million).

2 Profit attributable to ordinary shareholders is after the deduction of dividends payable to the holders of those non-cumulative redeemable preference shares classified as equity.

3 Results on a normalised basis reflect the results of the Issuer and its subsidiaries, excluding items presented in note 14 on page 254 of the 2014 Annual Report.

4 Further details are set out in note 13 on page 254 of the 2014 Annual Report.

5 The Leverage end point ratio at 31 December 2013 is not directly comparable; its calculation was on a different basis, following prevailing PRA guidance for the year.

The following table sets out summary financial information relating to the Group for the financial years ended 31 December 2014 and 31 December 2013. This information has been extracted without material adjustment from the Group's audited consolidated financial statements for the year ended 31 December 2014 (including comparative figures for the year ended 31 December 2013), each prepared in accordance with IFRS.

	<i>Year ended 31 December</i>	
	<i>2014</i>	<i>2013</i>
	<i>(U.S.\$ million)</i>	
Operating profit before impairment losses and taxation.....	7,289	8,584
Impairment losses on loans and advances and other credit risk provisions.....	(2,141)	(1,617)
Other impairment.....		
Goodwill impairment.....	(758)	(1,000)
Other.....	(403)	(129)
Profit from associates and joint ventures.....	248	226
Profit before taxation.....	4,235	6,064
Profit attributable to parent company's shareholders	2,613	4,090
Loans and advances to banks	83,890	83,702
Loans and advances to customers	284,695	290,706
Total assets	725,914	674,380
Deposits by banks.....	54,391	43,517
Customer accounts.....	405,353	381,066
Total parent company shareholders' equity	46,432	46,246
Total capital base (CRD IV) transitional	57,099	56,369

THE GROUP

Set out on pages 97 to 116 of this document are extracts from the Group Finance Director's review, Segmental Analysis and Geographic Analysis extracted without material adjustment from the Group's results for the year ended 31 December 2014, announced on 4 March 2015 (the "Announcement").

The following commentary reflects movements compared to the year ended 31 December 2013, unless otherwise indicated.

Performance summary

	2014 U.S.\$million	2013 U.S.\$million	Better / (worse) %
Client income ¹	16,623	16,872	(1)
Other income	1,611	1,799	(10)
Operating income¹	18,234	18,671	(2)
Other operating expenses	(10,198)	(9,946)	(3)
Restructuring costs	(181)	(12)	nm ²
UK bank levy	(366)	(235)	(56)
Total operating expenses	(10,745)	(10,193)	(5)
Operating profit before impairment losses and taxation¹	7,489	8,478	(12)
Impairment losses on loans and advances and other credit risk provisions	(2,141)	(1,617)	(32)
Other impairment	(403)	(129)	(212)
Profit from associates and joint ventures	248	226	10
Profit before taxation (excluding goodwill impairment, civil monetary penalty and own credit adjustment)	5,193	6,958	(25)
Own credit adjustment	100	106	(6)
Civil monetary penalty	(300)	-	nm ²
Goodwill impairment	(758)	(1,000)	24
Profit before taxation	4,235	6,064	(30)
Normalised earnings per share (cents)	145.9	204.0	(28)
Dividend per share (cents)	86.00	86.00	-
Common Equity Tier 1 on a transitional basis	10.5%	10.9%	

¹ Excludes \$100 million (2013: \$106 million) benefit relating to own credit adjustment

² Not meaningful

Group performance

2014 performance was disappointing, impacted by a challenging market environment and by the significant programme of restructuring and repositioning actions taken during the year. Reported profit before tax was down 30 per cent to U.S.\$4,235 million compared to 2013.

The Group's results have also been affected by the following items which are less reflective of the underlying performance of the franchise:

The Group has incurred restructuring costs of U.S.\$181 million in the year. Approximately a quarter relates to redundancy programs in Korea with the balance reflecting the realignment of the client segments and product groups under the new organisation structure, including a number of business exits.

The UK bank levy has risen a significant 56 per cent to U.S.\$366 million in the year.

In August the Group reached a settlement with the US authorities of U.S.\$300 million. See note 23 on page 93 of the Announcement for further details.

And more recently, the Group carried out a detailed review of the outlook for its Korean business. Whilst the Group is encouraged by the Personal Debt Rehabilitation Scheme (PDRS) trends - and hence the opportunity to improve upon the business' recent disappointing financial performance - it is nonetheless currently loss making and hence the Group is writing off the remaining goodwill of U.S.\$726 million - on top of the U.S.\$1 billion write-down last year. The Group has also impaired a further U.S.\$32 million of goodwill relating to the closure of its cash equities business. These write-offs have no cash flow impact and do not affect Group capital ratios, as goodwill is already fully deducted for prudential purposes.

The main normalising items are therefore the goodwill impairment, US settlement and the own credit adjustment.

On this basis adjusted profit before tax for the year was U.S.\$5.2 billion, down 25 per cent.

Normalised earnings per share were down 28 per cent to 146 cents and normalised Return on Equity was 7.8 per cent.

The balance sheet remains in good shape. The Group's Basel III transitional Common Equity Tier 1 ratio of 10.5 per cent was flat at the end of the year despite absorbing 30 basis points of headwinds including model changes and the further foreseeable dividend as well as having taken greater provisions on the Group's commodities exposure.

Corporate and Institutional Clients

Corporate and Institutional ("C&I") clients comprises Global Corporates, Local Corporates and Financial Institutions.

Operating profit down 21 per cent impacted by de-risking activities, challenging market conditions and increased impairments:

- Financial Markets income down 11 per cent, impacted by challenging industry-wide conditions, RMB band widening and lower Rates income in North East Asia.
- Higher Loan impairments and Other impairments due to commodity financing exposures in Greater China. Other impairment was also driven by write-downs on strategic investments in Europe.
- De-risking of certain Local Corporate and correspondent banking clients resulted in a material drag to income but an improved risk profile for the business.

Progress against strategic objectives

- Good progress on reshaping the Group's business to address the challenges the Group faces, in particular the de-risking of certain client portfolios which resulted in improved risk profile.
- Successful reallocation of resources to higher returning businesses, including a U.S.\$8.5 billion RWA reduction on target group of clients, delivering revenue and income return on risk weighted assets uplift.
- Continued strong cost management despite the impact of restructuring charges in the fourth quarter. C&I is on-track to deliver its target cost efficiencies in 2015.
- Record Investors segment performance with income up 18 per cent from growth in Europe and Greater China.
- Deeper and broader client penetration, with average number of products per client up 6 per cent to 6.3 and average number of markets per client up 7 per cent to 2.8 for the year. The percentage of clients generating 80 per cent of the Group's income increased to 19.7 per cent, up from 17.7 per cent in 2013.

Financial performance

The following table provides an analysis of financial performance for Corporate and Institutional Clients:

	2014 U.S.\$million	2013 U.S.\$million	Better / (worse) %
Transaction Banking	3,223	3,253	(1)
Financial Markets ¹	3,192	3,594	(11)
Corporate Finance	2,462	2,486	(1)
Lending and Portfolio Management	767	767	-
Asset and Liability Management	429	375	14
Principal Finance	358	181	98
Operating income¹	10,431	10,656	(2)
Operating expenses	(5,191)	(4,954)	(5)
Loan impairment	(991)	(488)	(103)
Other impairment	(307)	(113)	(172)
Profit from associates and joint ventures	198	156	27
Operating profit¹	4,140	5,257	(21)
Client income ¹	9,174	9,312	(1)
Customer loans and advances	157,970	160,906	(2)
Customer deposits	244,731	211,051	16
Risk weighted assets	244,595	221,660	10
Return on risk weighted assets	1.7%	2.4%	

¹ Excludes U.S.\$100 million (2013: U.S.\$106 million) in respect of own credit adjustment

C&I delivered a resilient income performance in 2014 despite the challenging market conditions and the impact of management actions to reshape the business, in particular the de-risking of certain client portfolios.

Operating income fell 2 per cent compared with 2013. Client income, constituting over 85 per cent of operating income, declined 1 per cent, or U.S.\$138 million, to U.S.\$9,174 million. Excluding the impact of de-risking, client income rose 1 per cent and operating income was flat.

Income from Financial Institution clients rose 9 per cent, driven by a record performance from the Group's Investors segment. Local Corporates income fell 3 per cent compared to 2013 impacted by de-risking actions. Excluding the impact of de-risking, income was resilient, up 2 per cent, led by growth in the Group's aircraft leasing business. Global Corporates income fell 4 per cent reflecting lower syndicated loan volumes and a reduced contribution from leveraged finance

Own account income fell 6 per cent as higher ALM and Principal Finance income was more than offset by lower Financial Markets income.

Income from Transaction Banking was down by 1 per cent reflecting lower global volumes in trade finance. Despite intense competition, the Group maintained Trade margins, while market share rose slightly. Income from Cash Management & Custody rose 3 per cent with increased fee income reflecting record US dollar clearing volumes and strong growth in the Group's Securities Services business.

Financial Markets income fell 11 per cent compared to 2013 driven by low market volatility leading clients to reduce hedging activity and by a decline in capital market income. 2014 performance was also impacted by factors specific to the Group's footprint including RMB band widening and lower structured notes income in North East Asia. These factors were partially offset by strong growth in Cash FX volumes for the year.

Corporate Finance income fell 1 per cent, with strong growth in M&A advisory fees offset by increased levels of repayments.

Principal Finance income almost doubled compared to 2013 primarily as a result of increased levels of realised gains on investment exits. ALM income rose 14 per cent, driven by robust accrual income.

Operating expenses were up U.S.\$237 million, or 5 per cent, to U.S.\$5,191 million driven by increased regulatory and compliance costs and restructuring charges in the fourth quarter of 2014. This was partially offset by a reduction in variable compensation costs.

Loan impairment increased by U.S.\$503 million, or 103 per cent, to U.S.\$991 million driven by specific impairments in Greater China and ASEAN, largely in respect of lending secured by Commodities. The Group is actively managing its commodity credit exposure and a detailed breakdown of its portfolio is on page 34 of the Announcement.

Other impairment was higher by U.S.\$194 million at U.S.\$307 million, largely due to commodity financing positions in Greater China and impairments against certain strategic investments within the Europe region.

Operating profit fell by U.S.\$1,117 million, or 21 per cent, to U.S.\$4,140 million.

Balance sheet

Customer loans and advances fell 2 per cent, impacted by declining commodity prices, lower market-wide trade levels and de-risking activities.

Risk weighted assets (RWA) increased by 10 per cent primarily due to the impact of Basel III and policy, methodology and model changes. Excluding this impact, RWAs were flat with actions to manage RWAs offsetting asset growth and the impact of credit migration. Operating profit return on RWA declined from 2.4 per cent to 1.8 per cent.

Customer deposits increased 16 per cent compared to 2013 largely reflecting increased term deposits and higher Cash Management balances with an improved Current and Savings Accounts ("CASA") ratio.

Commercial Clients

The Commercial client segment was established in 2014 and serves medium-sized businesses who are managed by dedicated relationship managers.

2014 was a year of transition with significant management action taken to reposition the business, including an extensive client due diligence ("CDD") remediation programme. Operating profit fell 66 per cent due to weaker income from Principal Finance and Financial Markets, the impact of client exits and from increased impairment:

- Principal Finance income fell due to lower mark to market valuations, while the decline in Financial Markets income was driven by RMB band widening.
- As the Group worked through its CDD remediation programme, the Group exited or moved clients to other client segments if their risk profile did not fit into the Commercial Clients model. The Group also exited its SME business in the UAE in line with the NYSDFS order.
- Total impairment rose 45 per cent driven by a small number of specific loan impairments and a write-down on a strategic investment.

Progress against strategic objectives

- The Group addressed potential operational and credit risk by de-risking the client base and upgrading its level of client due diligence. These de-risking actions included an extensive CDD remediation programme and significant number of client exits.
- As part of the Group's ongoing commitment to raising the bar on CDD quality, the Group successfully migrated 74 per cent its client base onto an electronic platform.
- The Group began to build a globally consistent and enhanced operating platform, which included moving towards a globally consistent organisational model and appointing new Commercial Clients heads in all 20 countries.
- These actions have impacted 2014 performance but have created a more robust and competitively differentiated platform from which to grow the business going forward.

Financial performance

The following table provides an analysis of financial performance for Commercial Clients:

	2014 U.S.\$million	2013 U.S.\$million	Better / (worse) %
Transaction Banking	560	640	(13)
Financial Markets	208	262	(21)
Corporate Finance	25	33	(24)
Lending and Portfolio Management	259	298	(13)
Wealth Management	121	140	(14)
Retail Products	10	5	100
Asset and Liability Management	32	37	(14)
Principal Finance	(33)	96	(134)
Operating income	1,182	1,511	(22)
Operating expenses	(739)	(731)	(1)
Loan impairment	(212)	(157)	(35)
Other impairment	(35)	(13)	(169)
Profit from associates and joint ventures	22	37	(41)
Operating profit	218	647	(66)
Client income	1,128	1,321	(15)
Customer loans and advances	14,651	17,802	(18)
Customer deposits	22,787	33,705	(32)
Risk weighted assets	24,652	25,696	(4)
Return on risk weighted assets	0.9%	2.5%	

Operating income fell 22 per cent compared to 2013 and client income fell 15 per cent. Financial Markets income fell 21 per cent as the RMB band widening actions in the first half of 2014 reduced client demand for hedging, disrupting the flow of FX revenues in the Greater China region.

Income from both Transaction Banking and Lending declined 13 per cent impacted by CDD remediation, de-risking and client exits as well by the weaker market-wide trade volumes.

Other income was down due to lower income from Principal Finance as a result of lower mark to market valuations and reduced levels of realisations compared to 2013.

Expenses rose 1 per cent with increased costs from CDD remediation offset by a reduction in business volume related costs.

Loan impairment increased by U.S.\$55 million to U.S.\$212 million, driven by a small number of exposures in Hong Kong and China. Other impairment rose U.S.\$22 million due to the impairment of an associate investment.

Operating profit fell by U.S.\$429 million, or 66 per cent, to U.S.\$218 million.

Balance sheet

Customer loans and advances decreased by 18 per cent as a result of client exits as a part of CDD remediation and lower Trade balances.

Risk weighted assets fell 4 per cent as the impact of client exits during the year more than offset policy, methodology and model changes. Despite this fall, the return on risk weighted assets declined from 2.5 per cent to 0.9 per cent primarily due to lower income performance.

Customer deposits fell 32 per cent reflecting client exits, increased levels of competition in Hong Kong and Singapore and optimisation of the Group's funding mix. Commercial clients, however, remain a net liquidity generator for the Group.

Private Banking Clients

The Private Banking client segment is dedicated to providing high net worth clients with a highly personalised service and a comprehensive suite of products and services tailored to meet their financial needs.

Operating profit fell 14 per cent due to the exit of the Group's Geneva and Korean businesses and an impairment of a strategic investment. Operating profit rose 11 per cent excluding these items, reflecting a strong underlying income performance in Greater China and ASEAN regions coupled with disciplined cost control.

Progress against strategic objectives

- In 2014, the Group set a new strategy for Private Banking, taking a number of actions to align the business to the Group's corporate client base and markets.
- The Group exited peripheral Private Banking businesses, focussing the business on the international wealth centres of Hong Kong, Singapore and London. The Group increased the number of relationship managers despite exiting its Geneva business.
- The Group added 1,300 clients in 2014. The Group now has an internal referral pilot scheme in place aimed at capturing client opportunities across the Private Banking, Commercial and C&I segments.
- The Group deepened client relationships and saw improved investment product penetration up from 46 per cent to 51 per cent of AUM. This will continue to be a focus in 2015.
- In 2014, the Group defined and started to execute on a three-year technology and operations programme to upgrade client experience and improve front office productivity.

Financial performance

The following table provides an analysis of financial performance for Private Banking Clients:

	2014 U.S.\$million	2013 U.S.\$million	Better / (worse) %
Transaction Banking	1	3	(67)
Wealth Management	406	378	7
Retail Products	189	196	(4)
Asset and Liability Management	16	9	78
Operating income	612	586	4
Operating expenses	(447)	(407)	(10)
Loan impairment	-	(8)	100
Other impairment	(16)	-	nm ¹
Profit from associates and joint ventures	-	2	(100)
Operating profit	149	173	(14)
Client income	586	566	4
Customer loans and advances	18,056	17,159	5
Customer deposits	29,621	32,212	(8)
Risk weighted assets	7,409	5,634	32
Return on risk weighted assets	2.3%	3.0%	

¹ Not meaningful

Operating income and client income rose 4 per cent compared to 2013 or 6 per cent excluding the impact of business exits in Korea (2013) and Geneva (2014).

The growth in income was driven by strong performances by the Greater China and ASEAN regions with good growth in both assets under management and Lending. This was partly offset by client de-leveraging in Europe and margin compression in Deposits. 2014 saw good momentum in net new money with assets under management ("AUM") increasing 3 per cent to U.S.\$60 billion. Excluding the impact of business exits, AUM increased 8 per cent as a result of a refocused approach to client asset acquisition.

Expenses were up U.S.\$40 million, or 10 per cent, compared to 2013 primarily due to costs related to the exit of the Geneva business. Excluding these costs, expenses rose 3 per cent.

Other impairment increased to U.S.\$16 million following a write-down of an associate investment, impacted by business exits and other impairment charge.

Operating profit fell by U.S.\$24 million or 14 per cent.

Balance sheet

Customer loans and advances increased by 5 per cent reflecting good growth in Wealth lending. Mortgages were broadly flat compared to 2013 due to client deleveraging.

Risk-weighted assets have increased by 32 per cent compared to 2013 primarily due to policy, methodology and model changes and growth in Wealth Management lending. Operating profit return on risk weighted assets fell to 2.3 per cent from 3.0 per cent.

Customer deposits fell 8 per cent as the Group exited higher cost Time Deposit products, coupled with the impact of closing Geneva.

Retail Clients

Retail Clients serves Priority, Personal and Business Clients.

Operating Profit fell by 6 per cent with 2 per cent growth in income offset by higher expenses:

- Retail Products income fell 4 per cent as a result of continued de-risking of the unsecured lending portfolio.
- Income from Wealth Management rose 26 per cent benefitting from the renewal of a multi-country distribution agreement with Prudential.
- Expenses were up 4 per cent driven by restructuring charges.

Progress against strategic objectives

- In 2014, Retail Clients reconfirmed its strategy of focusing on affluent clients.
- The shift to the affluent segment accelerated, with the share of revenue from Priority and Business Clients increasing to 40 per cent in 2014 from 37 per cent in 2013.
- A significant repositioning and restructuring programme was initiated to improve expense efficiency and the business is on-track to deliver its target efficiency saves in 2015.
- Continued progress on de-risking the unsecured lending portfolio.
- Strengthening of conduct continued to be a key focus. During 2014, Retail Clients exited its third-party sales force to improve controls.

Financial performance

The following tables provide an analysis of financial performance for Retail Clients:

	2014 U.S.\$million	2013 U.S.\$million	Better / (worse) %
Transaction Banking	18	15	20
Wealth Management	1,174	931	26
Retail Products	4,641	4,845	(4)
Asset and Liability Management	176	127	39
Operating income	6,009	5,918	2
Operating expenses	(4,002)	(3,866)	(4)
Loan impairment	(938)	(964)	3
Other impairment	(45)	(3)	nm ¹
Profit from associates and joint ventures	28	31	(10)
Operating profit	1,052	1,116	(6)
Client income	5,735	5,673	1
Customer loans and advances	97,922	100,148	(2)
Customer deposits	117,050	114,003	3
Risk weighted assets	64,992	69,261	(6)
Return on risk weighted assets	1.6%	1.6%	

¹ Not meaningful

Operating income rose 2 per cent to U.S.\$6,009 million with client income up 1 per cent compared to 2013. Income growth during the year was impacted by continued de-risking of the unsecured lending portfolio in select markets, this was more than offset by strong growth in Wealth Management income.

Wealth Management income grew 26 per cent with strong growth from bancassurance products, benefitting from the renewal of a multi-country distribution agreement with Prudential in the current year. Non-bancassurance revenue rose 9 per cent, with AUM up 11 per cent. Credit Cards and Personal Loans ("CCPL") income declined 8 per cent, or U.S.\$212 million, driven by regulatory changes, rate caps and continued de-risking of the personal lending portfolio which impacted Korea and Thailand in particular. Income from Mortgages and Auto also declined mainly due to property cooling measures in Hong Kong and Singapore and the continued run-off of the auto financing book. Income from Deposits increased with strong growth in CASA volumes and the exit of higher cost Time Deposits.

Expenses were up 4 per cent at U.S.\$4,002 million driven by restructuring costs.

Loan impairment was down 3 per cent at U.S.\$938 million due to lower levels of unsecured lending impairments in Korea as the level of PDRS filings declined. This was partly offset by higher charges in Thailand.

Other impairment rose U.S.\$42 million primarily due to an impairment of an associate investment.

Operating profit fell by U.S.\$64 million, or 6 per cent, to U.S.\$1,052 million.

Balance Sheet

Loans and advances to customers fell by 2 per cent with the unsecured lending portfolio down U.S.\$2.2 billion compared to 2013 from continued de-risking of the personal lending portfolio, regulatory changes and currency translation impact. This decline was partly offset by the growth of mortgages in Korea and Hong Kong.

Risk weighted assets fell by 6 per cent reflecting the de-risking actions. Operating profit return on risk weighted assets was flat at 1.6 per cent.

Customer deposits rose 3 per cent driven by growth in CASA funding which was partly offset by a reduction in higher cost Time Deposits.

Operating income by product and segment

Income by product and client segment is set out below:

2014					
	Total U.S.\$million	Corporate & Institutional U.S.\$million	Commercial U.S.\$million	Private Banking U.S.\$million	Retail U.S.\$million
Transaction Banking	3,802	3,223	560	1	18
Trade	1,956	1,635	302	1	18
Cash Management and Custody	1,846	1,588	258	-	-
Financial Markets	3,400	3,192	208	-	-
Foreign Exchange	1,321	1,166	155	-	-
Rates	749	721	28	-	-
Commodities and Equities	495	482	13	-	-
Capital Markets	437	434	3	-	-
Credit and Other ¹	398	389	9	-	-
Corporate Finance	2,487	2,462	25	-	-
Lending and Portfolio Management	1,026	767	259	-	-
Wealth Management	1,701	-	121	406	1,174
Retail Products	4,840	-	10	189	4,641
Cards, Personal Loans and Unsecured Lending	2,576	-	-	-	2,576
Deposits	1,222	-	10	132	1,080
Mortgage and Auto	938	-	-	56	882
Other Retail Products	104	-	-	1	103
Asset and Liability Management	653	429	32	16	176
Principal Finance	325	358	(33)	-	-
Total Operating income ¹	18,234	10,431	1,182	612	6,009

¹ Excludes U.S.\$100 million relating to own credit adjustment

2013					
	Total U.S.\$million	Corporate & Institutional U.S.\$million	Commercial U.S.\$million	Private Banking U.S.\$million	Retail U.S.\$million
Transaction Banking	3,911	3,253	640	3	15
Trade	2,069	1,715	336	3	15
Cash Management and Custody	1,842	1,538	304	-	-
Financial Markets	3,856	3,594	262	-	-
Foreign Exchange	1,413	1,195	218	-	-
Rates	917	900	17	-	-
Commodities and Equities	507	492	15	-	-
Capital Markets	558	553	5	-	-
Credit and Other ¹	461	454	7	-	-
Corporate Finance	2,519	2,486	33	-	-
Lending and Portfolio Management	1,065	767	298	-	-
Wealth Management	1,449	-	140	378	931
Retail Products	5,046	-	5	196	4,845
Cards, Personal Loans and Unsecured Lending	2,788	-	-	-	2,788
Deposits	1,193	-	5	140	1,048
Mortgage and Auto	997	-	-	54	943
Other Retail Products	68	-	-	2	66
Asset and Liability Management	548	375	37	9	127

Principal Finance	277	181	96	-	-
Total Operating income ¹	18,671	10,656	1,511	586	5,918

¹ Excludes U.S.\$106 million relating to own credit adjustment

Transaction Banking:

Income fell 3 per cent with Trade income down 5 per cent and Cash Management and Custody income flat compared to 2013. Trade balance sheet volumes were lower as a result of management actions and the continuing slow trade environment which saw overall market volumes decline. This was in part offset by a marginal increase in Trade NIM. Cash volumes were up year on year driven by record clearing levels, supporting fee growth. Custody income benefitted from the continued roll-out of the Group's global platform and to a lesser extent the acquisition of a custodial business in South Africa in the second half of 2013.

Financial Markets: Income decreased 12 per cent compared to 2013 driven by low market volatility leading clients to reduce hedging activity and also from the impact of RMB band widening in the first quarter of the year.

Rates income fell 18 per cent reflecting lower levels of client hedging due to the continuing low interest rate environment which impacted structured products in particular.

FX income fell 7 per cent year on year due to lower spreads reflecting low levels of volatility across the Group's markets although pockets of volatility returned in the second half of the year. Volumes remained strong, however, and Cash FX notional increased by 47 per cent compared to 2013. Income from FX options was adversely impacted by the RMB band widening which reduced client demand for hedging.

Capital Markets income fell 22 per cent impacted by margin compression, lower fees and negative mark to market movements on syndicated loans.

Corporate Finance: Income fell 1 per cent with significant market challenges and high liquidity resulting in increased repayment levels. This was partially offset by a significant rise in M&A advisory fees and increased origination activity in the Group's financing businesses.

Lending and Portfolio Management: Income fell 4 per cent reflecting lower average balances as the Group exited lower returning relationships.

Wealth Management: Income growth of 17 per cent driven by strong growth in bancassurance income, which benefitted from the renewal of a strategic multi-year bancassurance partnership in the second half of the year. AUM also grew strongly primarily in Hong Kong and Singapore due to a stronger value proposition and favourable market conditions in the first half of the year. This was partly offset by lower income from structured products which was impacted by low levels of volatility.

Retail Products: Income fell 4 per cent compared to 2013 due to de-risking actions, regulatory changes and adverse mortgage market conditions in certain markets. De-risking actions included the exit of personal loans originations in riskier segments in Korea and Thailand and the replacement of third-party sales channels with internal staff. Mortgage transactions were lower due to property cooling measures by the government in Hong Kong and Singapore. Deposits income increased 2 per cent as the Group replaced higher cost Time Deposits with higher margin CASA products.

Asset and Liability Management: Income rose 19 per cent reflecting improved accrual income which more than offset lower income from securities sales.

Principal Finance: income was up 17 per cent benefitting from increased levels of realised gains from investment exits, partially offset by lower mark to market valuations. The majority of the realisations in 2014 benefits the Corporate & Institutional client segment compared to the Commercial client segment in 2013.

Performance by geography

The following tables provide an analysis of operating profit by geographic regions:

	2014								Total
	Greater China	North East Asia	South Asia	ASEAN	MENAP	Africa	Americas	Europe	
	U.S.\$million								
Operating income ¹	5,446	1,459	1,855	3,716	1,843	1,829	861	1,225	18,234
Operating profit ^{1,2}	2,101	(125)	806	916	769	673	171	(118)	5,193

¹ Excludes U.S.\$100 million in respect of own credit adjustment (Greater China U.S.\$94 million, ASEAN (U.S.\$3) million and Europe U.S.\$9 million)

² Excludes U.S.\$300 million civil monetary penalty in Americas, U.S.\$32 million for goodwill impairment charge in Greater China and U.S.\$726 million goodwill impairment charge in North East Asia

	2013								Total
	Greater China	North East Asia	South Asia	ASEAN	MENAP	Africa	Americas	Europe	
	U.S.\$million								
Operating income ¹	5,198	1,639	2,040	4,011	1,865	1,751	858	1,309	18,671
Operating profit ^{1,2}	2,331	(3)	897	1,620	858	619	311	325	6,958

¹ Excludes U.S.\$106 million in respect of own credit adjustment (Greater China U.S.\$(1) million, North East Asia U.S.\$2 million, ASEAN U.S.\$45 million and Europe U.S.\$60 million)

² Excludes U.S.\$1 billion relating to goodwill impairment charge on Korea business in North East Asia

Greater China

The following table provides an analysis of performance in the Greater China region:

	2014 U.S.\$million	2013 U.S.\$million	Better / (worse) %
Client income ¹	5,029	4,846	4
Other income	417	352	18
Operating income¹	5,446	5,198	5
Operating expenses	(2,911)	(2,772)	(5)
Loan impairment	(469)	(242)	(94)
Other impairment ²	(142)	1	nm ³
Profit from associates and joint ventures	177	146	21
Operating profit	2,101	2,331	(10)
Net Interest margin (%)	1.7	1.8	
Customer loans and advances ⁴	89,646	89,846	-
Customer deposits ⁴	151,644	145,282	4
Risk weighted assets	66,585	63,284	5

¹ Excludes U.S.\$94 million (2013: U.S.\$(1) million) in respect of own credit adjustment

² Excludes U.S.\$32 million goodwill impairment in 2014

³ Not meaningful

⁴ Based on the location of the customers rather than booking location

Income in Greater China was up U.S.\$248 million, or 5 per cent, to U.S.\$5,446 million.

Income growth remains broad based and resilient across most client segments as well as across major product categories. In Retail, income grew 10 per cent, in Private Banking, income was up 18 per cent, in Corporate & Institutional, income grew 7 per cent while in Commercial Clients, income was lower by 26 per cent year on year.

There was strong growth in Assets under Management, driving Wealth Management income up compared to 2013. Income from retail deposits also grew strongly, benefitting from improved spreads as well as good growth in balances. This was partly offset by a decline in CCPL income as the Group de-risked the portfolio.

Income from Corporate Finance increased, driven by the continued expansion of the leasing portfolios. There was also good growth achieved in Capital Markets from higher deal flows.

Financial Markets income rose marginally with good growth achieved in own account, particularly ALM, offsetting lower derivatives sales income. Derivatives sales income had been affected by low market volatilities resulting in spread compression affecting Rates and Foreign Exchange while volumes remained good. The RMB band widening in the first quarter of 2014 also resulted in lower income from FX options compared to 2013 as client hedging reduced.

Corporate lending income rose as volumes increased.

Cash Management income increased with slight improvements in margins. In Trade, however, income declined due to lower volumes as trade flows slowed although margins improved.

Costs remain well managed and operating expenses grew 5 per cent. Excluding the impact of higher depreciation from the Group's leasing business, expenses rose 4 per cent. The Group continued to invest to improve its infrastructure and opened a flagship wealth management centre in Hong Kong. The Group expanded its workforce, increasing front-line staff as well as in compliance areas.

Loan impairment was U.S.\$227 million higher at U.S.\$469 million and other impairment rose U.S.\$143 million to U.S.\$142 million. Loan impairment rose primarily due to higher provisions taken on the corporate exposures in China, and also includes provisions on commodities financing transactions. Other impairment primarily relates to charges against commodities transactions.

As a result of higher impairment charges, operating profit fell U.S.\$230 million, or 10 per cent, to U.S.\$2,101 million.

Balance sheet

Customer loans and advances were flat compared to 2013. Growth in Retail balances was offset by lower lending to Commercial clients as the Group de-risked the portfolio.

Risk weighted assets rose 5 per cent.

Customer deposits rose 4 per cent as the Group grew CASA balances across the region, with reduced reliance on higher cost structured deposits.

North East Asia

The following table provides an analysis of performance in the North East Asia region:

	2014 U.S.\$million	2013 U.S.\$million	Better / (worse) %
Client income ¹	1,323	1,462	(10)
Other income	136	177	(23)
Operating income¹	1,459	1,639	(11)
Operating expenses	(1,179)	(1,186)	1
Loan impairment	(394)	(427)	8
Other impairment ²	(11)	(29)	62
Operating loss	(125)	(3)	nm³
Net Interest margin (%)	2.0	2.1	
Customer loans and advances ⁴	29,582	30,618	(3)
Customer deposits ⁴	32,616	34,059	(4)
Risk weighted assets	23,990	26,701	(10)

¹ Excludes U.S.\$2 million benefit in respect of own credit adjustment in 2013

² Excludes U.S.\$726 million (2013: U.S.\$1 billion) relating to goodwill impairment charge on Korea business

³ Not meaningful

⁴ Based on the location of the customers rather than booking location

Income was down U.S.\$180 million or 11 per cent, to U.S.\$1,459 million. Korea represents over 94 per cent of income within this region.

Client income fell 10 per cent reflecting both difficult market conditions and the impact of management action to return the franchise to profitability. Retail Clients income fell 10 per cent, the majority of this reduction was due to a loss of unsecured income as the Group continued to de-risk the personal lending portfolio in light of high credit losses. Corporate and Institutional Clients income fell 14 per cent. The majority of the decrease came from reduced Financial Markets income driven by lower sales of structured products. Reduced client activity also impacted Transaction Banking, where Trade income fell due to lower volumes and Cash Management income was impacted by a reduction in the size and tenor of balances.

Income earned from Korean businesses elsewhere in the Group's network grew 3 per cent.

Expenses were marginally lower by 1 per cent at U.S.\$1,179 million. The Group has continued to progress an aggressive campaign of cost reduction, with two Special Retirement Plan exercises in Korea helping to drive headcount down to its lowest level since 2010 for a cost of U.S.\$52 million. In addition a further 50 retail branches were closed in Korea during the year reducing the network footprint from 343 to 283.

Loan impairment fell by U.S.\$33 million, or 8 per cent. In Retail Clients loan impairment related to the Personal Debt Rehabilitation Scheme ("PDRS") filings fell reflecting the impact of the maintenance of tightened credit underwriting criteria. In December 2014 the adverse impact of PDRS filings on the franchise were at their lowest level since December 2012 and reflect a sustained improvement.

The operating loss in the region increased by U.S.\$122 million compared to 2013 to a loss of U.S.\$125 million. However, there was a marked improvement in the second half of the year as the operating loss improved by U.S.\$107 million to a loss of U.S.\$9 million compared to the first half. This reflects stronger second half income driven by increased Private Equity realisations and the fact that restructuring charges were predominantly phased into the first half of the year.

Balance sheet

Customer loans and advances reduced by 3 per cent, the continued decline in unsecured lending balances more than offsetting the growth in mortgage assets which grew as the Group took advantage of a relaxation in regulatory restrictions on mortgage lending.

Risk weighted assets fell 10 per cent primarily due to the continuing de-risking actions on the unsecured portfolio.

Customer deposits fell 4 per cent with increased CASA balances offset by reducing Time Deposits.

South Asia

The following table provides an analysis of performance in the South Asia region:

	2014 U.S.\$million	2013 U.S.\$million	Better / (worse) %
Client income	1,725	1,770	(3)
Other income	130	270	(52)
Operating income	1,855	2,040	(9)
Operating expenses	(793)	(823)	4
Loan impairment	(183)	(215)	15
Other impairment	(73)	(105)	30
Operating profit	806	897	(10)
Net Interest margin (%)	3.8	3.9	
Customer loans and advances ¹	22,859	25,608	(11)
Customer deposits ¹	15,533	16,128	(4)
Risk weighted assets	26,522	26,721	(1)

¹ Based on the location of the customers rather than booking location

Income fell U.S.\$185 million, or 9 per cent, to U.S.\$1,855 million. On a constant currency basis, income fell 6 per cent. Around 78 per cent of the income in this region is from India, which continues to focus on partnering with global corporate to leverage the Group's network.

Client income was 3 per cent lower compared to 2013 primarily due to reduced income from Transaction Banking and FM products. Transaction Banking income fell due to lower average balances across Trade and Cash Management, as the Group consciously reduced low returning exposures. The fall in FM income

reflected lower spreads and reduced fee income due to a smaller number of deals in Capital Markets in the current year. This was partly offset by higher Lending income as margins improved. Income from CCPL fell as margins and balances declined as the Group de-risked the unsecured portfolio. Own account income also fell due to lower de-risking activity in the current year and lower Principal Finance realisations.

Operating expenses across the region fell U.S.\$30 million, or 4 per cent, to U.S.\$793 million, as the Group continued to manage costs tightly.

Loan impairment fell U.S.\$32 million, or 15 per cent, to U.S.\$183 million and though lower than last year, remains at elevated levels reflective of the stress in the banking sector.

Other impairment fell 30 per cent to U.S.\$73 million due to reduced Private Equity impairments in the current year.

Operating profit fell U.S.\$91 million to U.S.\$806 million.

Balance sheet

Customer lending (which includes lending to India clients that are booked in other regions) fell 11 per cent compared to 2013. Onshore lending rose 3 per cent with portfolio growth impacted by the current economic environment. Lending booked offshore fell 22 per cent due to maturities and lower deal origination.

Onshore risk weighted assets were flat compared to 2013 as de-risking actions offset portfolio growth.

Onshore customer deposits fell 4 per cent as there was a continued focus on generating low cost CASA with higher cost deposits being run-off.

ASEAN

The following table provides an analysis of performance in the ASEAN region:

	2014 U.S.\$million	2013 U.S.\$million	Better / (worse) %
Client income ¹	3,482	3,646	(4)
Other income	234	365	(36)
Operating income¹	3,716	4,011	(7)
Operating expenses	(2,078)	(2,075)	-
Loan impairment	(698)	(396)	(76)
Other impairment	(86)	2	nm ²
Profit from associates and joint ventures	62	78	(21)
Operating profit	916	1,620	(43)
Net Interest margin (%)	1.8	1.8	
Customer loans and advances ³	78,541	82,852	(5)
Customer deposits ³	94,208	95,908	(2)
Risk weighted assets	82,603	80,377	3

¹ Excludes U.S.\$(3) million (2013: U.S.\$45 million) in respect of own account credit adjustment

² Not meaningful

³ Based on the location of the customers rather than booking location

Operating income was down U.S.\$295 million, or 7 per cent, to U.S.\$3,716 million.

Client income decreased by 4 per cent. compared to 2013 due to difficult market conditions and regulatory headwinds, together with margin compression. Wealth Management income increased, benefiting from the renewed multi-year bancassurance partnership with Prudential and growth in secured lending. Transaction Banking income fell due to increased competition amidst market slow down and soft commodities pricing. FM income was also down due to continued margin compression and fall in Commodities business as a result of global decline in oil prices. Corporate Finance income fell as higher income from the M&A advisory business was offset by high liquidity in the market. Income from Retail products fell as regulatory measures impacted major ASEAN markets such as Singapore, Malaysia and Indonesia and the Group took actions to de-risk its sales model in Thailand. Own account income was impacted by challenging market conditions of sustained low volatility and stable interest rate environment.

Operating expenses were flat at U.S.\$2,078 million, reflecting enhanced productivity and tight management of discretionary costs.

Loan impairment was up by U.S.\$302 million, or 76 per cent, to U.S.\$698 million. Although impairment levels in Singapore fell, this was more than offset by higher provisions on a small number of corporate clients in Indonesia, Thailand and Malaysia, in part due to weaker commodity markets, and Personal Loan deterioration in Thailand and Indonesia.

Other impairment was up by U.S.\$88 million, to U.S.\$86 million, which relates primarily to the impairment of an associate investment.

As a result, ASEAN delivered an operating profit of U.S.\$916 million, down 43 per cent compared to 2013.

Balance sheet

Customer loans and advances fell 5 per cent largely as the Group reduced exposures to low returning clients and reflecting lower Trade balances.

Risk weighted assets rose 3 per cent largely due to policy and model methodology changes.

Customer deposits fell 2 per cent, with the proportion of CASA balances increasing as more expensive term deposits were rolled off.

Middle East, North Africa and Pakistan (MENAP)

The following table provides an analysis of performance in the MENAP region:

	2014 U.S.\$million	2013 U.S.\$million	Better / (worse) %
Client income	1,625	1,663	(2)
Other income	218	202	8
Operating income	1,843	1,865	(1)
Operating expenses	(984)	(960)	(3)
Loan impairment	(89)	(47)	(89)
Other impairment	(1)	-	nm ²
Operating profit	769	858	(10)
Net Interest margin (%)	2.8	2.9	
Customer loans and advances ¹	22,775	23,535	(3)
Customer deposits ¹	22,447	22,520	-
Risk weighted assets	29,775	29,402	1

¹ Based on the location of the customers rather than booking location

² Not meaningful

Operating income fell U.S.\$22 million, or 1 per cent, to U.S.\$1,843 million. Client income fell 2 per cent across the region primarily due to high levels of liquidity, the absence of market volatility and the resurgence of competition from regional banks. Strong performances in the Group's markets across the region have largely offset a softer performance in the UAE.

Continued spread compression as a result of the low volatility, low interest rate environment offset good levels of customer activity in FX and Rates. Transaction Banking income rose slightly, as margin compression in Cash Management was offset by higher average balances. Income from Corporate Finance was lower, as deal flow slowed, and Lending income was impacted by repayments and continued balance sheet optimisation as the Group adhered to its criteria for risk and return. Volumes in CCPL and Mortgages increased as market conditions improved, offsetting margin compression from competitive pricing and surplus liquidity.

Own account income rose due to lower income from commodities and EM rates which was more than offset by higher income from de-risking activities in ALM.

Operating expenses in the region were U.S.\$24 million, or 3 per cent, higher at U.S.\$984 million predominantly driven by incremental costs from the Group's newly launched Iraq operations and restructuring provisions.

Loan impairment increased by U.S.\$42 million to U.S.\$89 million.

Operating profit was down U.S.\$89 million, or 10 per cent, to U.S.\$769 million.

Balance sheet

Customer loans and advances fell 3 per cent primarily as a result of material repayments as origination activities were impacted by excess market liquidity.

Risk weighted assets increased 1 per cent and customer deposits remained broadly flat as CASA outflows were offset by increased term deposits.

Africa

The following table provides an analysis of performance in the Africa region:

	2014 U.S.\$million	2013 U.S.\$million	Better / (worse) %
Client income	1,539	1,560	(1)
Other income	290	191	52
Operating income	1,829	1,751	4
Operating expenses	(990)	(862)	(15)
Loan impairment	(175)	(270)	35
Other impairment	(1)	-	nm ¹
Profit from associates and joint ventures	10	-	nm ¹
Operating profit	673	619	9
Net Interest margin (%)	4.7	5.6	
Customer loans and advances ²	13,103	13,122	-
Customer deposits ²	11,224	11,686	(4)
Risk weighted assets	20,289	19,729	3

¹ Not meaningful

² Based on the location of the customers rather than booking location

Operating income in Africa grew 4 per cent to U.S.\$1,829 million, with client income falling 1 per cent. There was significant currency depreciation against the US dollar across a number of markets during the year and on a constant currency basis, income rose 15 per cent and client income was up 8 per cent.

Transaction Banking income fell due to ongoing margin compression, currency depreciation and the impact of falling commodity prices which reduced overall trade average balances. This was partly offset by an increase in Cash Management volumes. FM income rose with strong volume growth partly offset by margin compression as competition intensified across the region. Corporate Finance income remains well diversified with an increase in deals closed of 7 per cent year on year.

Retail demonstrated good performance as income grew largely driven by Wealth Management and Mortgages & Auto Loans. Growth in unsecured lending continued to focus on employee banking relationships, with margin compression partly offsetting volume growth.

Operating expenses in Africa were 15 per cent higher than 2013 (or 25 per cent higher on a constant currency basis). The growth was primarily as a result of restructuring costs, flow through of prior year investments, investments in new markets and inflationary pressures.

Loan impairment fell U.S.\$95 million, or 35 per cent, mainly attributable to lower specific provisions in the Corporate & Institutional client segment.

Operating profit rose 9 per cent compared to 2013 to U.S.\$673 million. On a constant currency basis, operating profit grew 20 per cent.

Balance sheet

The overall shape of the balance sheet remains strong, with customer loans broadly flat compared to 2013.

Risk weighted assets grew 3 per cent.

Customer deposits fell 4 per cent as the Group repositioned away from Time Deposits and increased the proportion of funding derived from CASA.

Americas

The following table provides an analysis of performance in the Americas region:

	2014 U.S.\$million	2013 U.S.\$million	Better / (worse) %
Client income	802	799	-
Other income	59	59	-
Operating income	861	858	-

Operating expenses¹	(668)	(536)	(25)
Loan impairment	(21)	(11)	(91)
Other impairment	(1)	-	nm ²
Operating profit	171	311	(45)
Net Interest margin (%)	0.6	0.7	
Customer loans and advances ³	10,952	10,429	5
Customer deposits ³	34,019	15,406	121
Risk weighted assets	13,692	12,454	10

¹ Excludes U.S.\$300 million in respect of civil monetary penalty in 2014

² Not meaningful

³ Based on the location of the customers rather than booking location

Operating income was resilient at U.S.\$861 million, flat to 2013, with increased client activity and higher volumes in Trade and Cash Management and across FX products. Transaction Banking revenues were flat year on year as a strong increase in client business volumes was more than offset by lower margins due to excess liquidity and decreased spreads on cash liabilities due to low USD interest rates. Lending income rose as a result of increased volumes and financing fees earned from clients. Corporate Finance income also increased as margins improved and pipeline deals executed.

Own account income was impacted by low volatility and reduced bid-offer spreads, and lower commodity prices. This was offset by improved FX and Rates income as increased volumes helped offset spread compression and by improved ALM income on higher reinvestment yields.

Operating expenses were U.S.\$132 million, or 25 per cent, higher at U.S.\$668 million primarily driven by increase of regulatory compliance costs. Staff costs also increased due to restructuring initiatives.

Operating profit fell U.S.\$140 million, or 45 per cent, to U.S.\$171 million.

Balance sheet

Customer loans and advances increased 5 per cent with almost three-quarters of the portfolio having a tenor of less than one year.

Customer Deposits increased strongly primarily due to efforts to improve liability mix by growing corporate Time Deposits.

Europe

The following table provides an analysis of performance in the Europe region:

	2014 U.S.\$million	2013 U.S.\$million	Better / (worse) %
Client income ¹	1,098	1,126	(2)
Other income	127	183	(31)
Operating income¹	1,225	1,309	(6)
Operating expenses	(1,142)	(979)	(17)
Loan impairment	(112)	(9)	nm ²
Other impairment	(88)	2	nm ²
Profit from associates and joint ventures	(1)	2	nm ²
Operating (loss)/profit	(118)	325	(136)
Net Interest margin (%)	0.8	1.0	
Customer loans and advances ³	21,141	20,005	6
Customer deposits ³	52,498	49,982	5
Risk weighted assets	89,592	74,389	20

¹ Excludes U.S.\$9 million (2013: U.S.\$60 million) in respect of own credit adjustment

² Not meaningful

³ Based on the location of the customers rather than booking location

Income was down U.S.\$84 million, or 6 per cent to U.S.\$1,225 million.

Client income declined U.S.\$28 million, or 2 per cent to U.S.\$1,098 million, largely as a result of de-risking actions. Transaction Banking income was up on strong growth from Trade Loans to Financial Institution clients. Financial Markets income increased as FX volumes grew strongly on the roll-out of an e-commerce electronic trading platform, and debt capital markets income increased on rising bond markets. Income from other Financial Market products declined as low levels of market volatility reduced client hedging requirements and investment opportunities. Corporate Finance income was down reflecting net repayments, increased competition and margin compression. In the Advisory business, the volume of deals was broadly flat year on year, but average fees declined. Income from Wealth Management and Retail products provided to Private Banking clients was down due to lower advisory fees and real estate lending in a challenging investment and market trading environment.

Own Account income declined 31 per cent primarily due to low FX volatility, falling commodity prices and the impact of higher holdings of liquid assets.

Operating expenses rose U.S.\$163 million, or 17 per cent, to U.S.\$1,142 million driven by an increase in the UK bank levy of U.S.\$131 million to U.S.\$366 million and costs incurred in restructuring the Group's presence in Europe through exiting the Private Banking operations in Geneva, selling the Retail Business in Germany and closing the offices in Russia and Austria.

Loan Impairment was higher by U.S.\$103 million to U.S.\$112 million, with higher provisions against commodity clients.

Other impairment increased U.S.\$90 million to U.S.\$88 million following provisions against strategic and associate investments and a share of a commodity fraud loss.

Operating profit fell by U.S.\$443 million to a loss of U.S.\$118 million.

Balance sheet

Customer loans and advances booked in the region increased 6 per cent as the Group continued to reduce exposures to low returning clients and the impact of lower Trade volumes and Corporate Finance repayments.

Risk weighted assets increased 20 per cent primarily due to policy, methodology and model changes coupled with credit migration.

Customer deposits rose 5 per cent as the Group continued to build its liquid assets.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2014

	2014	2013
	<i>U.S.\$million</i>	<i>U.S.\$million</i>
Interest income.....	16,984	17,593
Interest expense.....	(5,981)	(6,437)
Net interest income.....	11,003	11,156
Fees and commission income.....	4,651	4,581
Fees and commission expense.....	(472)	(480)
Net trading income.....	1,896	2,514
Other operating income.....	1,256	1,006
Non-interest income.....	7,331	7,621
Operating income.....	18,334	18,777
Staff costs.....	(6,788)	(6,750)
Premises costs.....	(910)	(877)
General administrative expenses.....	(2,708)	(2,032)
Depreciation and amortisation.....	(639)	(714)
Operating expenses.....	(11,045)	(10,193)
Operating profit before impairment losses and taxation.....	7,289	8,584
Impairment losses on loans and advances and other credit risk provisions.....	(2,141)	(1,617)
Other impairment.....		
Goodwill impairment.....	(758)	(1,000)
Other.....	(403)	(129)
Profit from associates and joint ventures.....	248	226
Profit before taxation.....	4,235	6,064
Taxation.....	(1,530)	(1,864)
Profit for the period.....	2,705	4,200
Profit attributable to:		
Non-controlling interests.....	92	110
Parent company shareholders.....	2,613	4,090
Profit for the period.....	2,705	4,200
Earnings per share:	<i>cents</i>	<i>cents</i>
Basic earnings per ordinary share.....	102.2	164.4
Diluted earnings per ordinary share.....	101.6	163.0
Dividends per ordinary share:		
Interim dividend paid.....	28.80	28.80
Final proposed dividend ¹	57.20	57.20

	<i>U.S.\$million</i>	<i>U.S.\$million</i>
Total dividend:		
Total interim dividend paid.....	710	696
Final proposed dividend.....	1,414	1,385

¹ The final proposed dividend in respect of 2014 will be accounted for in 2015 as explained in note 10 in the 2014 Annual Report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2014

	2014 <i>U.S.\$million</i>	2013 <i>U.S.\$million</i>
Profit for the year	2,705	4,200
Other comprehensive income:		
Items that will not be reclassified to income statement:		
Actuarial (losses)/gains on retirement benefit obligations.....	(61)	79
Items that may be reclassified subsequently to income statement:		
Exchange differences on translation of foreign operations:		
Net losses taken to equity.....	(1,090)	(1,206)
Net gains/(losses) on net investment hedges.....	20	(35)
Share of other comprehensive income from associates and joint ventures.....	17	(15)
Available-for-sale investments:		
Net valuation gains taken to equity.....	479	171
Reclassified to income statement.....	(423)	(248)
Cash flow hedges:		
Net losses taken to equity.....	(116)	(83)
Reclassified to income statement.....	13	6
Taxation relating to components of other comprehensive income.....	(22)	34
Other comprehensive income for the period, net of taxation.....	(1,183)	(1,297)
Total comprehensive income for the year	1,522	2,903
Total comprehensive income attributable to:		
Non-controlling interests.....	63	79
Parent company shareholders.....	1,459	2,824
	1,522	2,903

CONSOLIDATED BALANCE SHEET
As at 31 December 2014

	2014 U.S.\$million	2013 U.S.\$million
Assets		
Cash and balances at central banks.....	97,282	54,534
Financial assets held at fair value through profit or loss.....	32,623	29,335
Derivative financial instruments.....	65,834	61,802
Loans and advances to banks.....	83,890	83,702
Loans and advances to customers.....	284,695	290,708
Investment securities.....	104,238	102,716
Other assets.....	38,689	33,570
Current tax assets.....	362	234
Prepayments and accrued income.....	2,647	2,510
Interests in associates and joint ventures.....	1,962	1,767
Goodwill and intangible assets.....	5,190	6,070
Property, plant and equipment.....	7,984	6,903
Deferred tax assets.....	518	529
Total assets	725,914	674,380
Liabilities		
Deposits by banks.....	54,391	43,517
Customer accounts.....	405,353	381,066
Financial liabilities held at fair value through profit or loss.....	22,390	23,030
Derivative financial instruments.....	63,313	61,236
Debt securities in issue.....	71,951	64,589
Other liabilities.....	31,274	27,338
Current tax liabilities.....	891	1,050
Accruals and deferred income.....	5,915	4,668
Subordinated liabilities and other borrowed funds.....	22,947	20,397
Deferred tax liabilities.....	246	176
Provisions for liabilities and charges.....	92	107
Retirement benefit obligations.....	413	365
Total liabilities	679,176	627,539
Equity		
Share capital.....	1,236	1,214
Reserves.....	45,196	45,032
Total parent company shareholders' equity.....	46,432	46,246
Non-controlling interests.....	306	595
Total equity	46,738	46,841
Total equity and liabilities	725,914	674,380

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2014

	<i>Share capital</i>	<i>Share premium account</i>	<i>Capital and capital redemption reserve¹</i>	<i>Merger reserve</i>	<i>Available- for-sale reserve</i>	<i>Cash flow hedge reserve</i>	<i>Translation reserve</i>	<i>Retained earnings</i>	<i>Parent company shareholders equity</i>	<i>Non- controlling interests</i>	<i>Total</i>
	<i>U.S.\$million</i>	<i>U.S.\$million</i>	<i>U.S.\$million</i>	<i>U.S.\$million</i>	<i>U.S.\$million</i>	<i>U.S.\$million</i>	<i>U.S.\$million</i>	<i>U.S.\$million</i>	<i>U.S.\$million</i>	<i>U.S.\$million</i>	<i>U.S.\$million</i>
At 1 January 2013.....	1,207	5,476	18	12,421	478	81	(885)	26,566	45,362	693	46,055
Profit for the year.....	—	—	—	—	—	—	—	4,090	4,090	110	4,200
Other comprehensive income.....	—	—	—	—	(32)	(66)	(1,221)	53 ²	(1,266)	(31)	(1,297)
Distributions.....	—	—	—	—	—	—	—	—	—	(77)	(77)
Shares issued, net of expenses.....	5	19	—	—	—	—	—	—	24	—	24
Net own shares adjustment.....	—	—	—	—	—	—	—	(124)	(124)	—	(124)
Share option expense, net of taxation.....	—	—	—	—	—	—	—	240	240	—	240
Capitalised on scrip dividend.....	2	(2)	—	—	—	—	—	—	—	—	—
Dividends, net of scrip.....	—	—	—	—	—	—	—	(2,068)	(2,068)	—	(2,068)
Other decreases ³	—	—	—	—	—	—	—	(12)	(12)	(100)	(112)
At 31 December 2013.....	1,214	5,493	18	12,421	446	15	(2,106)	28,745	46,246	595	46,841
Profit for the year.....	—	—	—	—	—	—	—	2,613	2,613	92	2,705
Other comprehensive income.....	—	—	—	—	10	(72)	(1,042)	(50) ²	(1,154)	(29)	(1,183)
Distributions.....	—	—	—	—	—	—	—	—	—	(60)	(60)
Shares issued, net of expenses.....	3	8	—	—	—	—	—	—	11	—	11
Net own shares adjustment.....	—	—	—	—	—	—	—	(93)	(93)	—	(93)
Share option expense, net of taxation.....	—	—	—	—	—	—	—	247	247	—	247
Capitalised on scrip dividend.....	19	(19)	—	—	—	—	—	—	—	—	—
Dividends, net of scrip.....	—	—	—	—	—	—	—	(1,451)	(1,451)	—	(1,451)
Other increases/(decreases) ⁴	—	—	—	—	—	—	—	13	13	(292)	(279)
At 31 December 2014	1,236	5,482	18	12,421	456	(57)	(3,148)	30,024	46,432	306	46,738

¹ Includes capital reserve of \$5 million and capital redemption reserve of U.S.\$13 million

² Comprises actuarial losses, net of taxation and non-controlling interests of U.S.\$47 million (2013: gain of U.S.\$58 million)

³ Relate to the impact of losing control in a subsidiary after divesting from the company

⁴ Relates mainly to redemption of U.S.\$300 million 7.267% Hybrid Tier 1 securities issued by Standard Chartered Bank Korea Limited

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2014

	2014 U.S.\$million	2013 U.S.\$million
Cash flows from operating activities		
Profit before taxation.....	4,235	6,064
Adjustments for:		
Non-cash items and other adjustments included within income statement.....	4,470	4,121
Change in operating assets.....	(13,657)	(44,138)
Change in operating liabilities.....	59,3321	45,252
Contributions to defined benefit schemes.....	(98)	(168)
UK and overseas taxes paid.....	(1,708)	(1,716)
Net cash from operating activities.....	52,563	9,415
Cash flows from investing activities		
Purchase of property, plant and equipment.....	(189)	(205)
Disposal of property, plant and equipment.....	67	156
Acquisition of associates and joint ventures, net of cash acquired.....	(64)	(46)
Purchase of investment securities.....	(196,054)	(142,892)
Disposal and maturity of investment securities.....	192,055	137,161
Dividends received from investment in subsidiaries, associates and joint ventures.....	13	5
Net cash used in investing activities.....	(4,172)	(5,821)
Net cash flows from financing activities		
Issue of ordinary and preference share capital, net of expenses.....	11	24
Purchase of own shares.....	(110)	(154)
Exercise of share options through ESOP.....	17	30
Interest paid on subordinated liabilities.....	(1,090)	(813)
Gross proceeds from issue of subordinated liabilities.....	4,684	5,448
Repayment of subordinated liabilities.....	(2,114)	(2,616)
Repayment of non-controlling interests.....	(298)	(104)
Interest paid on senior debts.....	(740)	(563)
Gross proceeds from issue of senior debts.....	6,579	6,816
Repayment of senior debts.....	(6,408)	(3,730)
Dividends paid to non-controlling interests and preference shareholders, net of scrip.....	(161)	(178)
Dividends paid to ordinary shareholders, net of scrip.....	(1,350)	(1,967)
Net cash (used in)/from financing activities.....	(980)	2,193
Net increase in cash and cash equivalents.....	47,411	5,787
Cash and cash equivalents at beginning of year.....	84,156	79,518
Effect of exchange rate movements on cash and cash equivalents.....	(1,697)	(1,149)
Cash and cash equivalents at end of year.....	129,870	84,156

DESCRIPTION OF THE ORDINARY SHARES

1. Share Capital

The Issuer's share capital consists of its ordinary shares of U.S\$0.50 each in the capital of the Issuer (the "Ordinary Shares") and four classes of preference shares (the "Existing Preference Shares"), namely (i) 6.409 per cent. non-cumulative redeemable preference shares of U.S\$5.00 each, (ii) 7.014 per cent. non-cumulative redeemable preference shares of U.S\$5.00 each ((i) and (ii) being the "Existing Dollar Preference Shares"), (iii) 8¼ per cent. non-cumulative irredeemable preference shares of £1.00 each, and (iv) 7¾ per cent. non-cumulative irredeemable preference shares of £1.00 each ((iii) and (iv) being the "Existing Sterling Preference Shares").

As at close of business on 25 March 2015, the number of outstanding shares in the capital of the Issuer was as follows:

Class of Share	Number
Ordinary Shares	2,474,962,481
6.409 per cent. non-cumulative redeemable preference shares	7,500
7.014 per cent. non-cumulative redeemable preference shares	7,500
8.25 per cent. non-cumulative irredeemable preference shares	99,250,000
7.375 per cent. non-cumulative irredeemable preference shares	96,035,000

2. Memorandum and Articles of Association

The Issuer's articles of association (the "Articles of Association") were adopted by special resolution of the Issuer on 7 May 2010. A summary of the material provisions of the Articles of Association in respect of the Ordinary Shares is set out below. As resolved at the annual general meeting of the Issuer held on 7 May 2010 and in accordance with changes in English company law with effect from 1 October 2009, the Issuer deleted all provisions of its Memorandum of Association which, by virtue of Section 28 of the Companies Act, are to be treated as part of the Articles of Association, including those provisions dealing with the Issuer's objects.

3. Objects of the Issuer

The objects of the Issuer are unrestricted.

4. General

There are no limitations imposed by English law or the Articles of Association restricting the rights of non-residents of the UK or non-citizens of the UK to hold or vote shares of the Issuer.

5. Shares

Ordinary Shares rank *pari passu* with each other in all respects. Fully paid Ordinary Shares confer identical rights in respect of capital, dividends (save where and to the extent that any such share is issued on terms providing that it shall rank for dividend as from a particular date), voting and otherwise.

The Existing Preference Shares and any further preference shares which may be issued in the future confer the rights determined by the Board prior to their allotment.

6. Voting Rights

For the purposes of determining which persons are entitled to attend or vote at a meeting of the Issuer and how many votes such persons may cast, the Issuer may, pursuant to the Uncertificated Securities Regulations 2001 (as amended) (the "Regulations"), specify in the notice of the meeting a time, not more than 48 hours before the time fixed for the meeting, by which a person must be entered on a register of members of the Issuer kept pursuant to the Companies Act. Every holder of Ordinary Shares who is entitled to be and is present in person (including any corporation by its duly authorised representative) at a general meeting of the Issuer and is entitled to vote will have one vote on a show of hands and, on a poll, if present in person or by proxy, will have one vote for every U.S\$2 nominal value of Ordinary Shares held by him.

Unless the Board decides otherwise, no member is entitled to attend or vote at a general meeting in respect of any Ordinary Share held by him unless all calls or other sums presently payable in respect of that Ordinary Share have been paid. Restrictions on the right of a member to attend or vote at a general meeting may be imposed on any member who has a holding of at least 0.25 per cent. in number or nominal value of the Issuer's issued Ordinary Share capital if the member fails to comply within the relevant period with a statutory notice issued by the Issuer under the Companies Act requiring disclosure of interests in the Ordinary Shares or, in purported compliance with such a notice, makes a statement which is false or inadequate in any material particular.

Holders of Existing Preference Shares do not have any right to attend or vote at general meetings except where any relevant dividend due is not paid in full, where a resolution is proposed varying or abrogating the rights, preferences, privileges, limitations or restrictions of the relevant shares, or in other circumstances as the Board determined prior to the allotment of the Existing Preference Share.

7. General Meetings

The Issuer must give at least 21 clear days' notice in writing of an annual general meeting. All other general meetings may be called by at least 14 clear days' notice in writing. The Board may direct that persons wishing to attend any general meeting should submit to such searches or other security arrangements or restrictions as the Board shall consider appropriate in the circumstances. In any such case, the Board will direct that the meeting be held at a specified place, where the chairman of the meeting shall preside, and make arrangements for simultaneous attendance and participation by shareholders and proxies at other locations. The chairman of a general meeting shall take such action or give such directions for such action to be taken as he thinks fit to promote the orderly conduct of the business of the meeting as laid down in the notice of the meeting. The chairman of a general meeting has express authority to adjourn the meeting if, in his opinion, it has become necessary to do so in order to secure the proper conduct of the meeting. Annual general meetings of the Issuer are to be held at such time and in such place as the Board may determine.

8. Dividends and other Distributions and Return of Capital

The Issuer may, by ordinary resolution, declare dividends to be paid to holders of Ordinary Shares, but no dividend shall exceed the amount recommended by the Board. The Board may pay interim dividends and any dividend payable at a fixed rate at intervals settled by the Board as appear to the Board to be justified by the financial position of the company.

The Board may, with the prior authority of an ordinary resolution, offer to any holder of Ordinary Shares the right to elect to receive assets, in particular paid up shares or debentures of any other company, instead of cash in respect of any dividend specified by the ordinary resolution. At the annual general meeting of the Issuer held on 8 May 2014, shareholders gave authority to the directors to offer a scrip dividend in respect of any dividend declared and paid for any financial period of the Issuer ending on or before 31 December 2018.

On any distribution by way of capitalisation, the amount to be distributed will be appropriated amongst the shareholders as if it were distributed by way of dividend and in the same proportions, on the footing that it is applied either in or towards paying up the amounts unpaid at the relevant time on any shares in the company held by those shareholders respectively or in paying up in full shares, debentures or other obligations of the company to be allotted and distributed credited as fully paid up among those members.

The Existing Preference Shares carry the right in priority to the payment of any dividend to the holders of Ordinary Shares and any other class of shares (other than other preference shares that rank *pari passu* or in priority as regards income) to a non-cumulative preferential dividend payable in such currency at such rates and on such terms as the Board may determine prior to the allotment of such shares.

A dividend will not be payable on the Existing Preference Shares if payment of the dividend would cause the Issuer not to meet the applicable capital adequacy requirements of the PRA or if the profits of the Issuer available for distribution are not sufficient to enable it to pay in full dividends of any relevant preference shares.

All dividends shall be apportioned and paid proportionately to the percentage of the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid. Subject to the rights attaching to any shares, any dividend or other monies payable in respect of a share may be paid in such currency as the Board may determine.

Any dividend unclaimed after a period of 12 years from the date of declaration of such dividend may be forfeited and revert to the Issuer. No dividends or other monies payable on or in respect of a share shall bear interest against the Issuer.

On a return of capital, whether in a winding-up or otherwise, the Ordinary Shares will rank equally in all respects and the preference shares in the Issuer will be entitled to the rights attaching to them on issue.

9. Variation of Rights and Alteration of Capital

The rights attached to any class of shares in the Issuer may (subject to their terms of issue) be varied or abrogated in such manner (if any) as may be provided by the rights contained in the Articles of Association or, in the absence of such provision, with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of that class (excluding any shares held in treasury) or with the sanction of a special resolution passed at a separate meeting of the holders of shares of that class. At any such separate meeting, the provisions of the Articles of Association relating to general meetings will apply, but the necessary quorum at any such meeting will be two persons holding or representing by proxy

at least one-third in nominal value of the issued shares of that class (except at an adjourned meeting, at which the quorum shall be any holder of shares of the class, present in person or by proxy) and any such person may demand a poll.

As a matter of English law, the Issuer may:

- by ordinary resolution, increase its share capital, consolidate and divide all or any of its shares into shares of larger amount, sub-divide all or any of its shares into shares of smaller amount and cancel any shares not taken or agreed to be taken by any person; and
- by special resolution, reduce its share capital, any capital redemption reserve, share premium account or other undistributable reserve in any way.

10. Transfer of Shares

All transfers of shares which are in certificated form may be effected by an instrument of transfer in writing in any usual form or in any other form approved by the Board. Such instrument must be executed by or on behalf of the transferor and, if the shares thereby transferred are not fully paid up, by or on behalf of the transferee. The transferor will be deemed to remain the holder of the shares transferred until the name of the transferee is entered in a register of members of the Issuer in respect thereof. All transfers of shares which are in uncertificated form may be effected by means of a computer based system and procedures which enable title to units of a security to be evidenced and transferred without a written instrument (a "relevant system").

The Board may refuse to register any transfer of shares which is not a fully paid share. The Board may also refuse to register a transfer of uncertificated shares in such other circumstances as may be permitted or required by the Regulations and the relevant system or if the transfer is to joint holders and the number of joint holders exceeds four.

To be registered, a transfer of shares must:

- be in relation to shares which are fully paid up and on which the Issuer does not have any lien;
- relate to one class of shares;
- be in favour of a single transferee or not more than four persons; and
- be duly stamped or certificated (if required).

Subject to applicable law, any class of shares may be held, registered, converted to, transferred or otherwise dealt with, in uncertificated form or certificated form and converted from uncertificated form to certificated form.

11. Disclosure of Holdings Exceeding Certain Percentages

The Disclosure and Transparency Rules of the UK Financial Conduct Authority require the Issuer's shareholders to notify the Issuer if the voting rights held by such shareholders (including by way of certain financial instruments) reach, exceed or fall below 3 per cent and each 1 per cent. threshold thereafter up to 100 per cent. Under the Disclosure and Transparency Rules, certain voting rights in the Issuer may be disregarded.

If a shareholder or any person appearing to be interested in shares in the Issuer has been sent a notice under section 793 of the Companies Act (which confers upon public companies the power to require information from any person whom the Issuer knows or has reasonable cause to believe to be interested in the shares) and has failed in relation to any shares (the "default shares"), to supply the information requested within the period set out in the notice, then unless the Board otherwise determines, the shareholder is not entitled to be present at or to vote the default shares at any general meeting of the Issuer or to exercise any other right conferred by being a shareholder of the Issuer. Unless the Board otherwise determines, if the default shares represent at least 0.25 per cent. in nominal value of the issued shares of that class, any dividend shall be withheld by the Issuer without interest, no election may be made for any scrip dividend alternative, and no transfer of any shares held by the shareholder will be registered except in limited circumstances.

12. Mandatory Takeover-Bids, Squeeze-Out and Sell-Out Rules

Other than as provided by the Companies Act and the Takeover Code of the United Kingdom, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules in relation to the Ordinary Shares.

13. Untraced Members

The Issuer is empowered to sell, at the best price reasonably obtainable, any share registered in the name of a member remaining untraced for 12 years who fails to communicate with the Issuer within three months

following the publication of advertisements in the UK, Hong Kong and in the area of the last known address of the relevant member, of the Issuer's intention to make such a disposal; provided that during the 12-year period at least three cash dividends have become payable, no such dividend has been claimed, as far as any director of the company is aware no communication has been received by the shareholder, and a notice has been made by the Issuer to the Hong Kong Stock Exchange on which the shares are listed of the Issuer's intention to make such sale.

The Issuer will be obliged to account to the member for the proceeds of the disposal but no interest will be payable to the member in respect of such proceeds or account for any money earned on them.

14. Forfeiture and Lien

If a member fails to pay in full any call or instalment of a call on or before the due date for payment, then, following notice by the Board requiring payment of the unpaid amount with any accrued interest and any expenses incurred, such share may be forfeited by a resolution of the Board to that effect (including all dividends declared and other moneys payable in respect of the forfeited share and not actually paid before forfeiture). A member whose shares have been forfeited will cease to be a member in respect of the shares, but will, notwithstanding the forfeiture, remain liable to pay to the Issuer all monies which at the date of forfeiture were presently payable together with interest without any allowance for the value of the shares at the time of forfeiture or for any consideration received on their disposal.

A forfeited share becomes the property of the Issuer, and it may be sold, re-allotted, otherwise disposed of or cancelled as the Board may determine.

The Issuer has a first and paramount lien on every share which is not fully paid, to the extent and in the circumstances permitted by the Companies Act.

The Board may sell all and any of the shares subject to any lien as it may determine, where monies have been called or are payable and a demand has been made in respect thereof. Any share on which the Issuer has a lien may be sold on the terms set out in the Articles of Association. The proceeds of sale shall first be applied towards payment of the amount in respect of the lien insofar as it is still payable and then on surrender of the share certificate for cancellation (in the case of shares in certificated form), to the person entitled to the shares at the time of sale.

15. Winding-Up

Subject to applicable insolvency laws and the Articles of Association, on a winding-up of the Issuer, holders of the Existing Preference Shares have the right to receive out of assets available for distribution to members, in priority to any payment to holders of Ordinary Shares and any other class of shares (other than other preference shares that rank *pari passu* or in priority as regards repayment of capital), a sum equal to any unpaid dividend on the relevant shares and the amount paid up on the relevant shares together with such premium (if any) as may be determined by the Board prior to the allotment thereof.

On a winding-up of the Issuer, the Ordinary Shares rank equally in all respects and distributions of the Issuer's assets to holders of Ordinary Shares will be made in accordance with applicable insolvency laws.

16. Admission to Trading of the Ordinary Shares

The Ordinary Shares have dual primary listing in the United Kingdom and in Hong Kong.

In the United Kingdom, the Ordinary Shares currently in issue are listed on the Official List of the UK Listing Authority and are admitted to trading on the main market of the London Stock Exchange's regulated market for listed securities.

The London Stock Exchange is a key element of the financial infrastructure in the United Kingdom. It dates back to 1801 and the London Stock Exchange's regulated market is regulated by the UK Financial Conduct Authority.

On 25 March 2015, the daily trading volume (in terms of value) of all order book trading on the London Stock Exchange was approximately £6,167,579,456. Price and trading information is available on the London Stock Exchange's website which is continually updated with a 15 minute time delay. The trading prices of the Ordinary Shares and daily trading volumes are published on the London Stock Exchange's website and in the London Stock Exchange's Daily Official List, as well as on the Issuer's website. The ISIN of the Ordinary Shares is GB0004082847.

Further information about the London Stock Exchange can be obtained from the website of the London Stock Exchange at www.londonstockexchange.com.

In Hong Kong, the Ordinary Shares currently in issue are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK"). The SEHK operates and maintains the only recognised stock exchange in Hong Kong.

The roots of the Hong Kong stock market stretch back to 1891, when the first formal stock exchange was formed. The SEHK, being the current operator of the Hong Kong stock market, was created from the merger of the Hong Kong Stock Exchange, Far East Exchange, Kam Ngan Stock Exchange and Kowloon Stock Exchange in 1986. The principal regulator of Hong Kong's securities and futures markets, including the Main Board of the SEHK, is the Securities and Futures Commission.

On 25 March 2015, the SEHK had a daily trading volume (in terms of value) of HK\$83,210,918,893. Stock price information on the Ordinary Shares is available on the website of Hong Kong Exchanges and Clearing Limited which is continually updated with a delay of at least 15 minutes.

Further information about the SEHK can be obtained from the website of Hong Kong Exchanges and Clearing Limited at <http://www.hkex.com.hk/>.

The past and future performance of the Ordinary Shares and their volatility may be obtained from: <http://investors.sc.com/en/stockquote.cfm>.

TAXATION

The comments below are of a general nature based on the Issuer's understanding of current tax law and practice in the United Kingdom, the European Union and Hong Kong, respectively, as at the date of this document and may be subject to change, possibly with retroactive effect. They are not exhaustive. Except as described under "*FATCA Withholding*", they do not address United States tax consequences to non-U.S. holders (meaning holders who are not U.S. holders as defined below under "*United States*") because non-U.S. holders generally will not be subject to United States tax consequences in respect of the Securities or Ordinary Shares. However, a non-U.S. holder who is (i) engaged in a United States trade or business to which its income with respect to the Securities or Ordinary Shares is "effectively connected", (ii) present in the United States for 183 or more days during the taxable year, or (iii) otherwise subject to United States taxation generally, should consult its own tax advisor regarding United States tax consequences. All non-U.S. holders and investors should read "*FATCA Withholding*". The comments below do not necessarily apply where the income is deemed for tax purposes to be the income of any other person. They relate only to the position of persons who are the absolute beneficial owners of their Securities and may not apply to certain classes of persons such as dealers, to whom special rules may apply. They relate to the deduction from payments of interest on the Securities for or on the account of tax in the United Kingdom and to certain aspects of Hong Kong tax and the laws of the European Union. Prospective Securityholders who may be unsure of their tax position or who may be subject to tax in any other jurisdiction should consult their own professional advisers.

United Kingdom

Withholding of tax on interest

The Taxation of Regulatory Capital Securities Regulations 2013 (the "Regulations") provide an exemption such that payments of interest by the Issuer on the Securities can be made without withholding or deduction for or on account of United Kingdom income tax so long as the Securities qualify, or have qualified, as (i) Additional Tier 1 instruments and form, or have formed, a component of Additional Tier 1 capital or (ii) Tier 2 instruments and form, or have formed, a component of Tier 2 capital (in either case for the purposes of the Commission Regulation (EU) No 575/2013) provided that there are no arrangements the main purpose, or one of the main purposes, of which is to obtain a tax advantage for any person as a result of the application of the Regulations in respect of the Securities.

Irrespective of whether interest may be paid by the Issuer without withholding or deduction for or on account of United Kingdom tax in accordance with the Regulations, while the Securities are listed on a "recognised stock exchange" within the meaning of section 1005 of ITA, payments of interest on the Securities may be made without withholding or deduction for or on account of United Kingdom income tax. The Hong Kong Stock Exchange is a recognised stock exchange for these purposes. The Securities will be treated as listed on a recognised stock exchange if they are admitted to trading on the Main Board of the Hong Kong Stock Exchange.

Interest on the Securities may also be paid without deduction or withholding for or on account of United Kingdom income tax where the Issuer reasonably believes at the time the payment is made that it is an "excepted payment" under section 930 of ITA. A payment is an excepted payment where (a) the person beneficially entitled to the income in respect of which payment is made is (i) a UK resident company; or (ii) a non-UK resident company that carries on a trade in the UK through a permanent establishment and the payment is one that is required to be brought into account for calculating the profits chargeable to corporation tax of the non-UK resident company; or (b) the person to whom payment is made is one of the further classes of bodies or persons, and meets any relevant conditions, set out in sections 935 to 937 of ITA, provided that HM Revenue & Customs has not given a direction that the interest should be paid under deduction of tax in circumstances where it has reasonable grounds to believe that the payment will not be an excepted payment of interest at the time the payment is made.

In all other cases yearly interest on Securities will generally be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Securityholder, the Securityholder can apply to HM Revenue & Customs to issue a notice to the Issuer to pay interest to the Securityholder without any withholding or deduction for or on account of tax (or for interest to be paid with tax withheld or deducted at the rate provided for in the relevant double tax treaty).

HM Revenue & Customs have powers to obtain information, including in relation to interest or payments treated as interest and payments derived from securities. This may include details of the beneficial owners of the Securities (or the persons for whom the Securities are held), details of the persons to whom payments derived from the Securities are or may be paid and information in connection with transactions relating to the Securities. Information obtained by HM Revenue & Customs may be provided to tax

authorities in other countries.

The references to “interest” and “principal” above mean “interest” and “principal” as understood in United Kingdom tax law. The statements above do not take account of any different definitions of “interest” or “principal” which may prevail under any other law or which may be created by the Conditions or any related documentation.

EU Savings Directive

Under the Savings Directive, each Member State is required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person established within its jurisdiction to (or for the benefit of) an individual resident in that other Member State or to certain limited types of entities established in that other Member State.

On 24 March 2014, the Council of the European Union adopted the Amending Directive which will, when implemented, amend and broaden the scope of the requirements of the Savings Directive described above. Member States are required to apply these new requirements with effect from 1 January 2017. The changes will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. The Amending Directive will also expand the circumstances in which payments must be reported or paid subject to withholding. This approach will apply to payments made to (or for the benefit of), or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or legal arrangement is established or effectively managed outside the European Union.

However, for a transitional period, the end of which is dependent upon the conclusion of certain other agreements relating to information exchange with certain non-EU countries, certain Member State(s) are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld. The changes referred to above will broaden the types of payments subject to withholding in the Member State(s) which still operate a withholding system when they are implemented.

A number of non-EU countries and territories have adopted similar measures.

Hong Kong

1. Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Securities or in respect of any capital gains arising from the resale of the Securities.

2. Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Securities may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) interest on the Securities is derived from Hong Kong and is received by or accrues to a company carrying on a trade, profession or business in Hong Kong; or
- (ii) interest on the Securities is derived from Hong Kong and is received by or accrues to a person, other than a company, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or
- (iii) interest on the Securities is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong) and arises through or from the carrying on by the financial institution of its business in Hong Kong.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Securities will be subject to profits tax.

Sums derived from the sale, disposal or redemption of Securities will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Securities are acquired and disposed.

3. Stamp Duty

No stamp duty is payable on the issue, transfer (for so long as the register of holders of the Securities is outside Hong Kong) or conversion of the Securities.

No stamp duty will be chargeable upon the issue of the Ordinary Shares upon conversion of the Securities. Stamp duty may be payable on any transfer of the Ordinary Shares if the relevant transfer is required to be registered in Hong Kong. If stamp duty is payable in respect of the transfer of Ordinary Shares it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by the seller and 0.1 per cent. is payable by the purchaser) normally by reference to the consideration or its value. If, in the case of either the sale or purchase of such Ordinary Shares, stamp duty is not paid, both the seller and the purchaser may be liable jointly and severally to pay any unpaid stamp duty and also any penalties for late payment. If stamp duty is not paid on or before the due date (two days after the sale or purchase if effected in Hong Kong or 30 days if effected elsewhere) a penalty of up to 10 times the duty payable may be imposed. In addition, stamp duty is payable at the fixed rate of HK\$5.00 on each instrument of transfer executed in relation to any transfer of the Ordinary Shares if the relevant transfer is required to be registered in Hong Kong.

United States

This section describes the material U.S. federal income tax consequences of owning and disposing of the Securities and the Ordinary Shares which may be received upon the conversion of the Securities. Except as discussed under “*FATCA Withholding*”, this section only applies to U.S. holders (as defined below) that hold their Securities or Ordinary Shares as capital assets for tax purposes and that are not a member of a special class of holders subject to special rules, such as:

- a dealer in securities or currencies,
- a trader in securities that elects to use a mark to market method of accounting for its securities holdings,
- a bank or other financial institution,
- a life insurance company,
- a tax-exempt organization,
- a person subject to the alternative minimum tax,
- a person that owns Securities that are a hedge or that are hedged against interest rate risks,
- a person that purchases or sells Securities or Ordinary Shares as part of a wash sale for tax purposes,
- a person that owns Securities or Ordinary Shares as part of a straddle or conversion transaction for tax purposes, or
- a U.S. holder (as defined below) whose functional currency for tax purposes is not the U.S. Dollar.

This section does not address the U.S. federal estate, gift or alternative minimum tax consequences, if any, to holders of the Securities or Ordinary Shares, or any state, local or foreign tax consequences to holders. The Issuer has not sought, nor will it seek, any ruling from the U.S. Internal Revenue Service with respect to matters discussed below. There are no authorities addressing the tax consequences of debt instruments with terms similar to the Securities. As a result, the consequences discussed below are subject to substantial uncertainty. There can be no assurance that the U.S. Internal Revenue Service will not take a different position concerning the tax consequences of the purchase, ownership, Conversion or disposition of the Securities or Ordinary Shares or that any such position would not be sustained.

This summary is based on the Internal Revenue Code of 1986, as amended (the “Code”), existing and proposed Treasury regulations promulgated thereunder, published rulings and judicial decisions, all as in effect as of the date of this document. These laws are subject to change, possibly on a retroactive basis. The foregoing authorities are subject to change or differing interpretations at any time with possible retroactive effect, which could result in U.S. federal income tax consequences different from those discussed below.

If an entity treated as a partnership for U.S. federal income tax purposes holds Securities or Ordinary Shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding Securities or Ordinary Shares should consult its tax adviser with regard to the U.S. federal income tax treatment of an investment in the Securities or Ordinary Shares.

A holder is a “U.S. holder” if it is a beneficial owner of Securities or Ordinary Shares and is:

- a citizen or resident of the United States,

- a domestic corporation,
- an estate whose income is subject to U.S. federal income tax regardless of its source, or
- a trust, if a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust.

POTENTIAL INVESTORS ARE URGED TO CONSULT THEIR TAX ADVISERS AS TO THE TAX CONSEQUENCES OF OWNERSHIP OF SECURITIES AND ORDINARY SHARES DESCRIBED BELOW AND AS TO THE APPLICATION OF STATE, LOCAL, OR OTHER TAX LAWS TO THEIR INVESTMENT IN THE SECURITIES AND ORDINARY SHARES.

Distributions on the Securities and Ordinary Shares. In general, the interest payments with respect to the Securities and distributions with respect to Ordinary Shares will be treated as dividends to the extent of the Issuer's current or accumulated earnings and profits as determined for U.S. federal income tax purposes. Because the Issuer does not currently maintain calculations of its earnings and profits under U.S. federal income tax principles, it is expected that all interest payments on the Securities and distributions on the Ordinary Shares will generally be reported to U.S. holders as dividends.

Subject to the discussion under "*PFIC Considerations*" below, interest payments the Issuer makes with respect to the Securities and distributions with respect to the Ordinary Shares that are treated as dividends for U.S. federal income tax purposes generally will be qualified dividend income taxable to holders at the preferential rates applicable to long-term capital gains provided that holders hold the Securities and/or Ordinary Shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date, which in the case of the Securities is generally the relevant Record Date in respect of the applicable Interest Payment Date, and meet other holding period requirements. Amounts the Issuer pays with respect to the Securities and with respect to the Ordinary Shares will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations.

The amount of an interest payment on the Securities and distributions on the Ordinary Shares will include amounts, if any, withheld in respect of U.K. taxes. For more information on U.K. withholding taxes, please see the discussion above under "*Taxation—United Kingdom*". Amounts the Issuer pays with respect to the Securities and Ordinary Shares will be considered foreign-source income to U.S. holders. Subject to applicable limitations, some of which vary depending upon a holder's circumstances, U.K. income taxes withheld from interest payments on the Securities and distributions on Ordinary Shares to a U.S. holder not eligible for an exemption from U.K. withholding tax (under the U.S.-U.K. income tax treaty or otherwise) will be creditable against the U.S. holder's U.S. federal income tax liability. The rules governing foreign tax credits are complex, and holders should consult their tax advisers regarding the creditability of foreign taxes in a holder's particular circumstances.

Conversion of the Securities into Ordinary Shares. A U.S. holder generally will not recognise any gain or loss in respect of the receipt of the Ordinary Shares following a Conversion. A U.S. holder's tax basis of the Ordinary Shares received will equal the tax basis of the Securities converted, and the holding period of such Ordinary Shares will generally include the period during which the Securities were held prior to such Conversion. In general, a holder's tax basis in its Securities will be equal to the price it paid for them. Where different blocks of Securities were acquired at different times or at different prices, the tax basis and holding period of the Ordinary Shares may be determined by reference to each such block of Securities.

Sale or Redemption of the Securities and Ordinary Shares. Subject to the discussion below under "*PFIC Considerations*", holders will generally recognize capital gain or loss upon the sale or redemption of their Securities (other than a conversion of the Securities into Ordinary Shares, as discussed above) in an amount equal to the difference between the amount they receive at such time and their tax basis in the Securities. In general, a holder's tax basis in its Securities will be equal to the price it paid for them. Holders should generally recognize capital gain or loss upon the sale of their Ordinary Shares in an amount equal to the difference between the amount they receive (or, in cases where they receive amounts other than in U.S. Dollars, the U.S. Dollar value of the amount they receive) in respect of the Ordinary Shares sold and their tax basis in such Ordinary Shares. Such capital gain or loss will be long-term capital gain or loss if holders held their Securities and Ordinary Shares for more than one year. Long-term capital gain of a non-corporate U.S. holder is generally taxed at preferential rates. The deductibility of capital losses is subject to limitations. Such gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

Adjustment of the Conversion Price. The Conversion Price is subject to adjustment under certain circumstances. U.S. Treasury Regulations promulgated under Section 305 of the Code may treat a U.S. holder of the Securities as having received a constructive distribution if and to the extent that certain adjustments (or, in some cases, certain failures to make adjustments) to the fixed conversion rates increase a U.S. holder's proportionate interest in our assets or earnings. If adjustments that do not qualify as being pursuant to a bona fide reasonable adjustment formula are made (or, in some cases, adjustments that do

so qualify that fail to be made), U.S. holders of Securities will be treated as having received a distribution even though they have not received any cash or property. For example, increases in the Conversion Price to reflect an Extraordinary Dividend to Shareholders will generally give rise to a constructive taxable distribution to the U.S. holders of the Securities. Any constructive distribution will be includable in such U.S. holder's income at its then fair market value in a manner described above under "*Distributions on the Securities and Ordinary Shares*". If a U.S. holder is treated as having received a constructive dividend, backup withholding tax applicable to such dividend may be deducted from the interest payments made on the Securities and possibly the principal amount of the Securities if backup withholding were to apply as described below under "*Backup Withholding and Information Reporting*". Generally, a U.S. holder's adjusted tax basis in the Securities will be increased to the extent any such constructive distribution is treated as a dividend. Adjustments to the Conversion Price made pursuant to a bona fide reasonable adjustment formula that has the effect of preventing dilution of the interest of the U.S. holder of the Securities, however, will generally not be considered to result in a constructive distribution to the U.S. holder.

PFIC Considerations. The Issuer does not expect to be a passive foreign investment company ("PFIC") for U.S. federal income tax purposes, and therefore believes that the Securities and Ordinary Shares should not be treated as stock of a PFIC, but this conclusion is a factual determination made annually and thus may be subject to change. In general, the Issuer will be a PFIC with respect to a holder if, for any taxable year in which a holder holds the Securities or Ordinary Shares, either (i) at least 75 per cent. of the gross income of the Issuer for the taxable year is passive income or (ii) at least 50 per cent. of the value, determined on the basis of a quarterly average, of the Issuer's assets is attributable to assets that produce or are held for the production of passive income (including cash). To the extent the Issuer owns (directly or indirectly) at least 25 per cent. (by value) of the stock of another corporation, for the purpose of determining whether the Issuer is a PFIC, the Issuer is treated as if it holds its proportionate share of the assets and income of such corporation. If the Issuer were to be treated as a PFIC, U.S. holders of Securities or Ordinary Shares would be required (i) to pay a special addition to tax on certain distributions and gains on sale and (ii) to pay tax on any gain from the sale or other disposition of Securities or Ordinary Shares at ordinary income (rather than capital gains) rates in addition to paying the special addition to tax on this gain. Additionally, in certain circumstances, the receipt of the Ordinary Shares following a Conversion could be treated as a taxable disposition of the Securities. Holders should consult their tax advisers regarding the potential application of the PFIC regime.

Medicare Tax. A U.S. holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, is subject to a 3.8% tax on the lesser of (1) the U.S. holder's "net investment income" (or "undistributed net investment income" in the case of an estate or trust) for the relevant taxable year and (2) the excess of the U.S. holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals is between \$125,000 and \$250,000, depending on the individual's circumstances). A holder's net investment income generally includes its dividend income and its net gains from the disposition of Securities or Ordinary Shares, unless such dividend income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). A U.S. holder that is an individual, estate or trust, is urged to consult its tax advisers regarding the applicability of the Medicare tax to income and gains in respect of its investment in the Securities or Ordinary Shares.

Information With Respect to Foreign Financial Assets. Owners of "specified foreign financial assets" with an aggregate value in excess of \$50,000 (and in some circumstances, a higher threshold) may be required to file an information report with respect to such assets with their tax returns. "Specified foreign financial assets" may include financial accounts maintained by foreign financial institutions (which would include interests of a foreign financial institution that are not regularly traded on an established securities market, such as the Securities), as well as the following, but only if they are held for investment and not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-U.S. persons, (ii) financial instruments and contracts that have non-U.S. issuers or counterparties, and (iii) interests in foreign entities. Holders are urged to consult their tax advisors regarding the application of this reporting requirement to their ownership of the Securities or Ordinary Shares.

Backup Withholding and Information Reporting. Information reporting requirements, on U.S. Internal Revenue Service Form 1099, generally will apply to dividend payments or other taxable distributions made to non-corporate U.S. holders within the United States and the payment of proceeds to such holders from the sale of Securities or Ordinary Shares effected at a U.S. office of a broker. Additionally, backup withholding may apply to such payments if the U.S. holder fails to comply with applicable certification requirements or such holder is notified by the U.S. Internal Revenue Service that it has failed to report all interest and dividends required to be shown on its federal income tax returns.

Payment of the proceeds from the sale of Securities or Ordinary Shares effected at a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, a sale effected at a foreign office of a broker could be subject to information reporting in the same manner as a sale within

the United States (and in certain cases may be subject to backup withholding as well) if (i) the broker has certain connections to the United States, (ii) the proceeds or confirmation are sent to the United States or (iii) the sale has certain other specified connections with the United States.

U.S. holders generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed their income tax liability by filing a refund claim with the U.S. Internal Revenue Service.

FATCA Withholding. A 30 per cent. withholding tax will be imposed on certain payments to certain non-U.S. financial institutions that fail to comply with information reporting requirements or certification requirements in respect of their direct and indirect U.S. shareholders and/or U.S. accountholders. To avoid becoming subject to the 30 per cent. withholding tax, the Issuer and other non-U.S. financial institutions may be required to report information to the U.S. Internal Revenue Service regarding the holders of Securities or Ordinary Shares and to withhold on a portion of payments under the Securities or Ordinary Shares to certain holders that fail to comply with the relevant information reporting requirements (or hold Securities or Ordinary Shares directly or indirectly through certain non-compliant intermediaries). However, such withholding will not apply to payments made before January 1, 2017. Further, the rules for implementing withholding on the Securities and Ordinary Shares have not yet been written, so it is unclear at this time what the impact of any such withholding would be on holders of Securities or Ordinary Shares.

If withholding is required in respect of this withholding tax, the Issuer will not be required to pay any additional amounts with respect to any amounts withheld. A beneficial owner of Securities and Ordinary Shares that is not a foreign financial institution generally will be entitled to a refund of any amounts withheld in respect of this withholding tax, but this may entail significant administrative burden. Holders are urged to consult their tax advisors and any banks or brokers through which they will hold the Securities and Ordinary Shares as to the consequences of these rules to them.

SUBSCRIPTION AND SALE

The Securities are being offered to professional investors only and are not suitable for retail investors. Investors should not purchase the Securities in the primary or secondary markets unless they are professional investors. Investing in the Securities involves risks. Prospective investors should have regard to the factors described under the section of this document headed "Risk Factors", which includes the risk that the Securities may be converted into Ordinary Shares of the Issuer and/or may be subject to statutory write-down or bail-in.

Subject to the terms and on the conditions contained in a Subscription Agreement dated 27 March 2015 (the "Subscription Agreement"), between the Issuer and the Joint Lead Managers, the Joint Lead Managers have severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe for the Securities.

Each Joint Lead Manager named below has agreed severally, and not jointly, to purchase the principal amount of the Securities set out opposite its name below:

<i>Joint Lead Manager</i>	<i>Principal amount</i>
Barclays Capital Inc.	U.S.\$333,334,000
Standard Chartered Bank	U.S.\$333,334,000
Goldman, Sachs & Co.	U.S.\$333,333,000
J.P. Morgan Securities LLC	U.S.\$333,333,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	U.S.\$333,333,000
UBS Securities LLC	U.S.\$333,333,000
Total	U.S.\$2,000,000,000

The Issuer will pay to the Joint Lead Managers a commission as agreed between the Issuer and the Joint Lead Managers in respect of Securities subscribed by it. The Issuer has agreed to reimburse the Joint Lead Managers for certain of their expenses incurred in connection with the issuance of the Securities.

The Issuer has agreed to indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Securities. The Subscription Agreement entitles the Joint Lead Managers to terminate and be released and discharged from their obligations under the Subscription Agreement in certain circumstances prior to payment for the Securities being made to the Issuer.

The Securities are a new issue of securities and there is currently no established trading market for the Securities. In addition, the Securities are subject to certain restrictions on resale and transfer as described under "*Transfer Restrictions*." The Joint Lead Managers have advised the Issuer that they intend to make a market in the Securities, but they are not obligated to do so. The Joint Lead Managers may discontinue any market making in the Securities at any time in their sole discretion. Accordingly, the Issuer can make no assurances that a liquid trading market will develop for the Securities, that the Securities will be able to be sold at a particular time or that the prices the Securities sell for will be favourable.

United States

Neither the Securities nor the Ordinary Shares into which they may be converted have been or will be registered under the Securities Act, or may be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Manager has represented and agreed, except as permitted by the Subscription Agreement, that it will not offer or sell Securities (other than Securities offered or sold in accordance with Rule 144A), (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of an identifiable tranche of which such Securities are a part (the "Distribution Compliance Period") as determined, and certified to each relevant Manager, by the Principal Paying and Conversion Agent, within the United States or to, or for the account or benefit of, U.S. persons and, at or prior to confirmation of sale of Securities, it will have sent to each distributor, dealer, or person receiving a selling concession, fee or other remuneration to which it sells Securities during the Distribution Compliance Period (other than resales of Securities pursuant to Rule 144A) a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for, the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

The Securities are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. The Subscription Agreement provides that the Joint Lead Managers may directly or through their respective agents or affiliates which are U.S. registered broker-dealers arrange for the offer and resale of Securities in the United States only to QIBs in accordance with Rule 144A.

In addition, until 40 days after the commencement of the offering of the Securities, an offer or sale of such Securities within the United States by any dealer (whether or not participating in the offering of the Securities) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

This document has been prepared by the Issuer for use in connection with the offer and sale of the Securities outside the United States to non-U.S. persons, the offer, sale and resale of Securities in the United States to QIBs in reliance upon Rule 144A and for the listing of the Securities on the Hong Kong Stock Exchange. The Issuer and the Joint Lead Managers reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than the number of Securities which may be offered. This document does not constitute an offer to any person in the United States or to any U.S. person other than any QIB to whom an offer has been made directly by one of the Joint Lead Managers or a U.S. broker-dealer affiliate of one of the Joint Lead Managers. Distribution of this document by any non-U.S. person outside the United States or by any QIB in the United States to any U.S. person or to any other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB, is prohibited.

United Kingdom

Each Manager has represented and agreed that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Securities in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Securities in, from or otherwise involving the United Kingdom.

Hong Kong

Each Manager has represented and agreed that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “CWUMPO”) or which do not constitute an offer to the public within the meaning of the CWUMPO; and (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

PRC

Each Manager has represented and agreed that the offer of the Securities is not an offer of securities within the meaning of the securities laws and regulations of the PRC and the Securities are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (which, for such purposes, shall not include the Hong Kong and Macau Special Administrative Regions or Taiwan), except as otherwise permitted by the securities laws and regulations of the PRC.

Japan

Each Manager has acknowledged that the Securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the “Financial Instruments and Exchange Act”). Accordingly, each Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Securities in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other applicable laws and regulations and guidelines of Japan.

France

Each of the Joint Lead Managers and the Issuer has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, any Securities to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this document or any other offering material relating to the Securities and any offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties and/or (b) qualified investors (*investisseurs qualifiés*) and/or (c) a limited circle of investors (*cercle restreint*) acting for their own account, all as defined in, and in accordance with, articles L.411-1, L.411-2 and D.411-1 to D.411-4 of the French *Code monétaire et financier*.

This document has not been submitted to the clearance procedures of the AMF.

Italy

The offering of the Securities has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("CONSOB") pursuant to Italian securities legislation and, accordingly, each Manager has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver any Securities or any copy of this document or any other document relating to the Securities in the Republic of Italy ("Italy") except:

- (a) to qualified investors (*investitori qualificati*), pursuant to Article 100 of Legislative Decree no. 58 of 24 February 1998 (the "Consolidated Financial Services Act") and Article 34-ter, paragraph 1, letter (b) of CONSOB regulation No. 11971 of 14 May 1999 (the "CONSOB Regulation"), all as amended; or
- (b) in any other circumstances where an express exemption from compliance with the restrictions on offers to the public applies, as provided under the Consolidated Financial Services Act or the CONSOB Regulation.

Moreover, and subject to the foregoing, any offer, sale or delivery of the Securities or distribution of copies of this document or any other document relating to the Securities in Italy under (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Consolidated Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the "Banking Act") and CONSOB Regulation No. 16190 of 29 October 2007, all as amended;
- (ii) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority; and
- (iii) in compliance with Article 129 of the Banking Act as amended and the implementing guidelines of the Bank of Italy, pursuant to which the Bank of Italy may request information on the offering and issue of securities in Italy.

Any investor purchasing any Securities is solely responsible for ensuring that any offer or resale of the Securities occurs in compliance with applicable laws and regulations.

This document and the information contained herein are intended only for the use of its recipient and are not to be distributed to any third-party resident or located in Italy for any reason. No person resident or located in Italy other than the original recipients of this document may rely on it or its contents.

The Netherlands

The Securities (or any interest therein) are not and may not, directly or indirectly, be offered, sold, pledged, delivered or transferred in the Netherlands, on the Issue Date or at any time thereafter, and neither this document nor any other document in relation to any offering of the Securities (or any interest therein) may be distributed or circulated in the Netherlands, other than to qualified investors as defined in Directive 2003/71/EC (as amended, including pursuant to Directive 2010/73/EU, to the extent implemented in the Netherlands), provided that these parties acquire the Securities for their own account or that of another qualified investor.

Singapore

Each Manager has acknowledged that this document has not been registered as a prospectus with the Monetary Authority of Singapore (the "MAS"). Accordingly, each Manager has represented and agreed that it has not offered or sold any Securities or caused such Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell such Securities or cause such Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this document or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Securities, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Note:

This document has not been registered as a prospectus with the MAS. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Securities may not be circulated or distributed, nor may the Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under section 274 of the SFA, (ii) to a relevant person pursuant to section 275(1), or any person pursuant to section 275(1A), and in accordance with the conditions specified in section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Securities pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 32 of the Securities and Futures (Offer of Investments)(Share and Debentures) Regulations 2005 of Singapore.

General

No action has been taken in any jurisdiction that would permit a public offering of any of the Securities, or possession or distribution of this document or any other offering material, in any country or jurisdiction where action for that purpose is required.

Each Manager has agreed that it will, to the best of its knowledge and belief, comply with all relevant securities laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers Securities

or has in its possession or distributes this document or any other offering material, in all cases at its own expense.

Certain of the Joint Lead Managers or their affiliates have performed investment banking, financial advisory, commercial banking and other services for the Issuer from time to time for which they have received customary fees and expenses. The Joint Lead Managers or their affiliates may, from time to time, engage in transactions with and perform services for the Issuer in the ordinary course of business, for which they will receive customary fees in connection with these services. In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve debt securities and/or instruments of the Issuer or the Issuer's affiliates. If any of the Joint Lead Managers or their affiliates has a lending relationship with the Issuer, certain of those Joint Lead Managers or their affiliates may hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, these Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the Securities offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Securities offered hereby. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Pre-issue Trades Settlement

It is expected that delivery of Securities will be made against payment therefor on the Issue Date, which could be more than three business days following the date of pricing. Under Rule 15c6-I of the U.S. Securities and Exchange Commission under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Securities in the United States on the date of pricing or the next succeeding business days until the Issue Date will be required, by virtue of the fact that the Securities initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Securities may be affected by such local settlement practices and purchasers of Securities who wish to trade Securities between the date of pricing and the Issue Date should consult their own adviser.

CLEARING AND SETTLEMENT

The following is a summary of the rules and procedures of DTC, currently in effect, as they relate to clearing and settlement of transactions involving the Securities. The rules and procedures of these systems are subject to change at any time.

DTC

DTC has advised us that it is a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“DTC participants”) deposit with DTC. DTC also facilitates the post-trade settlement among DTC participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between DTC participants’ accounts. This eliminates the need for physical movement of securities certificates. DTC participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly (“Indirect DTC participants”). The rules applicable to DTC’s participants are on file with the Commission. More information about DTC can be found at its Internet Web site at www.dtcc.com, a website the contents of which are not incorporated by reference into this document.

Clearstream, Luxembourg

Clearstream, Luxembourg holds securities for its participating organisations (“Clearstream, Luxembourg participants”) and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg participants through electronic book-entry changes in accounts of Clearstream, Luxembourg participants, thereby eliminating the need for physical movement of certificates. Clearstream, Luxembourg provides to Clearstream, Luxembourg participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also interfaces with domestic securities markets in several countries. Clearstream, Luxembourg is registered as a bank in Luxembourg, and as such is subject to regulation by the Commission de Surveillance du Secteur Financier, and the Banque Centrale du Luxembourg which supervise and oversee the activities of Luxembourg banks. Clearstream, Luxembourg participants are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations, and may include the Agents. Indirect access to Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with a Clearstream, Luxembourg participant. Clearstream, Luxembourg has established an electronic bridge with Euroclear as the operator of the Euroclear system (the “Euroclear Operator”) in Brussels to facilitate settlement of trades between Clearstream, Luxembourg and the Euroclear Operator.

Distributions with respect to Securities held beneficially through Clearstream, Luxembourg will be credited to cash accounts of Clearstream, Luxembourg participants in accordance with its rules and procedures, to the extent received by the depository for Clearstream, Luxembourg.

Euroclear

Euroclear holds securities and book-entry interests in securities for participating organisations (“Euroclear participants”) and facilitates the clearance and settlement of securities transactions between Euroclear participants, and between Euroclear participants and participants of certain other securities intermediaries through electronic book-entry changes in accounts of such participants or other securities intermediaries. Euroclear provides Euroclear participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations, and may include the Agents. Non-participants in Euroclear may hold and transfer beneficial interests in a Global Note through accounts with a Euroclear participant or any other securities intermediary that holds a book-entry interest in

a Global Note through one or more securities intermediaries standing between such other securities intermediary and Euroclear.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the “Terms and Conditions”). The Terms and Conditions governs transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear participants, and has no record or relationship with persons holding through Euroclear participants.

Distributions with respect to Securities held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Terms and Conditions, to the extent received by the depository for Euroclear.

Book-Entry Ownership

Global Certificates

Securities issued pursuant to Rule 144A initially will be represented by one or more Restricted Global Certificates. Notes issued in reliance on Regulation S initially will be represented by one or more Unrestricted Global Certificates. Upon issuance, the Global Certificates will be deposited with a custodian for DTC, in New York, New York, and registered in the name of DTC or its nominee, in each case for credit to an account of a direct or indirect participant in DTC as described below. Beneficial interests in the Restricted Global Certificates may not be exchanged for beneficial interests in the Unrestricted Global Certificates at any time except in the limited circumstances described below under “*Transfers of Securities*”.

Payments of the principal of, and interest on, the Global Certificates registered in the name of DTC's nominee will be to or to the order of its nominee as the registered owner of the Global Certificates. The Issuer expects that the nominee, upon receipt of any such payment, will immediately credit DTC participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the Global Certificates as shown on the records of DTC or the nominee. The Issuer also expects that payments by DTC participants to owners of beneficial interests in the Global Certificates held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. None of the Issuer nor any Paying Agent or any Transfer Agent (each an “Agent”) will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Global Certificates or for maintaining, supervising or reviewing any records relating to such ownership interests.

Individual definitive Securities will only be available in amounts of U.S.\$200,000, or higher integral multiples of U.S.\$1,000, in certain limited circumstances described below.

Individual Definitive Securities

Registration of title to Securities in a name other than a depository or its nominee for DTC will not be permitted unless (i) DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Global Certificates, or ceases to be a “clearing agency” registered under the Exchange Act, or is at any time no longer eligible to act as such and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC, (ii) if principal in respect of any Securities is not paid if and when due or (iii) the Issuer provides its consent. In such circumstances, the Issuer will cause sufficient individual definitive Securities to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Securityholder(s). A person having an interest in a Global Certificate must provide the Registrar with:

- (i) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Securities; and
- (ii) in the case of a Restricted Global Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous resale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Individual definitive Securities issued pursuant to this paragraph (ii) shall bear the legends applicable to transfers pursuant to Rule 144A.

Transfers of Securities

Transfers of ownership or other interests in Securities in DTC may be made only through DTC participants. Indirect DTC participants are required to effect transfers through a DTC participant. DTC has no knowledge of the actual beneficial owners of the Securities. DTC's records reflect only the identity of the DTC participants to whose accounts the Securities are credited, which may not be the beneficial owners. DTC participants will remain responsible for keeping account of their holdings on behalf of their customers and for forwarding all notices concerning the Securities to their customers.

So long as DTC, or its nominee, is a registered owner of the Global Certificates, payments of principal and interest, if any, on the Securities will be made in immediately available funds in accordance with their respective holdings shown on DTC's records. Payments by DTC participants or Indirect DTC participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers registered in "street name", and it will be the responsibility of such DTC participants and Indirect DTC participants and not the responsibility of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Paying Agent. Disbursement of payments to DTC participants will be DTC's responsibility, and disbursement of payments to the beneficial owners will be the responsibility of DTC participants and Indirect DTC participants.

Because DTC can only act on behalf of DTC participants, who in turn act on behalf of Indirect DTC participants, and because owners of beneficial interests in the Securities holding through DTC will hold interests in the Securities through DTC participants or Indirect DTC participants, the ability of the owners of beneficial interests to pledge the Securities to persons or entities that do not participate in DTC, or otherwise take actions with respect to the Securities, may be limited.

Ownership of interests in the Securities held by DTC will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC, the DTC participants and the Indirect DTC participants. The laws of some jurisdictions require that certain persons take physical delivery in definitive form of securities which they own. Consequently, the ability to transfer beneficial interests in the Securities held by DTC is limited to that extent. Euroclear and Clearstream, Luxembourg may hold interests in the Global Certificates as DTC Participants.

Transfers may be made at any time by a holder of an interest in the Unrestricted Global Certificate to a transferee who wishes to take delivery of such interest through the Restricted Global Certificate for the Securities provided that any such transfer made on or prior to the expiration of the Distribution Compliance Period (as defined in "Subscription and Sale") relating to the Securities represented by the Unrestricted Global Certificate will only be made upon receipt by the Registrar or any Transfer Agent of a written certificate from DTC to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities law of any state of the United States or any other jurisdiction. Any such transfer made thereafter of the Securities represented by the Unrestricted Global Certificate will only be made upon request through DTC by the holder of an interest in the Unrestricted Global Certificate to the Principal Paying and Conversion Agent and receipt by the Principal Paying and Conversion Agent of details of that account at DTC to be credited with the relevant interest in the Restricted Global Certificate. Transfers at any time by a holder of any interest in the Restricted Global Certificate to a transferee who takes delivery of such interest through the Unrestricted Global Certificate will only be made upon delivery to the Registrar or any Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S and giving details of the account at DTC to be credited and debited, respectively, with an interest in the relevant Global Certificate.

Euroclear and Clearstream, Luxembourg may hold interests in the Global Certificates as DTC Participants. Payments, deliveries, transfers, exchanges, notices and other matters relating to the Securities made through Euroclear or Clearstream, Luxembourg must comply with the rules and procedures of those systems. Those systems could change their rules and procedures at any time. The Issuer has no control over those systems or their participants and the Issuer takes no responsibility for their activities. Transactions between participants in Euroclear or Clearstream, Luxembourg, on the one hand, and participants in DTC, on the other hand, will also be subject to DTC's rules and procedures.

For a further description of restrictions on transfer of Securities, see "Transfer Restrictions".

DTC will take any action permitted to be taken by a holder of Securities (including, without limitation, the presentation of a Global Certificate for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in the Global Certificate are credited and only in respect of such portion of the aggregate principal amount of the Global Certificate as to which such participant or participants has or have given such direction. However, in the circumstances described above, DTC will surrender the Global Certificate for exchange for individual definitive Securities (which, in the case of

Securities represented by the Restricted Global Certificate, will bear the legend applicable to transfers pursuant to Rule 144A).

While a Global Certificate is lodged with DTC or the Custodian, Securities represented by individual definitive Securities will not be eligible for clearing or settlement through DTC.

For a description of the operational mechanics in the event of a Conversion Trigger Event, see “Terms and Conditions of the Securities—Conversion”.

TRANSFER RESTRICTIONS

Restricted Securities

Each purchaser of Securities within the United States pursuant to Rule 144A ("Restricted Securities"), by accepting delivery of this document, will be deemed to have represented, agreed and acknowledged that:

- (1) it is (a) a QIB, (b) acquiring such Restricted Securities for its own account or for the account of a QIB and (c) aware, and each beneficial owner of such Restricted Securities has been advised, that the sale of such Restricted Securities to it is being made in reliance on Rule 144A;
- (2) it understands that such Restricted Securities and any Ordinary Shares to be delivered upon conversion of such Restricted Securities have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any State of the United States;
- (3) it understands that if the Restricted Securities are converted into Ordinary Shares, such Ordinary Shares may only be transferred in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S so long as such Ordinary Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act;
- (4) it understands that such Restricted Securities, unless the Issuer determines otherwise in compliance with applicable law, will bear a legend to the following effect:

THIS SECURITY AND ANY ORDINARY SHARES TO BE DELIVERED UPON CONVERSION OF THIS SECURITY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. ANY ORDINARY SHARES DELIVERED UPON CONVERSION OF THIS SECURITY MAY ONLY BE TRANSFERRED IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT SO LONG AS SUCH ORDINARY SHARES ARE RESTRICTED SECURITIES WITHIN THE MEANING OF RULE 144(a)(3) UNDER THE SECURITIES ACT. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THIS SECURITY OR ANY ORDINARY SHARES TO BE DELIVERED UPON CONVERSION OF THIS SECURITY. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A;

- (5) it understands that the Restricted Securities offered in reliance on Rule 144A will be represented by the Restricted Global Certificate. Before any interest in the Restricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws; and
- (6) it acknowledges that the Issuer, the Registrar, the Joint Lead Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Restricted Securities for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Prospective purchasers are hereby notified that sellers of the Securities may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Unrestricted Securities

Each purchaser of Securities outside the United States pursuant to Regulation S ("Unrestricted Securities") and each subsequent purchaser of such Unrestricted Securities in resales prior to the expiration of the Distribution Compliance Period (as defined in "Subscription and Sale"), by accepting delivery of this document and the Unrestricted Securities, will be deemed to have represented, agreed and acknowledged that:

- (1) it is, or at the time Unrestricted Securities are purchased will be, the beneficial owner of such Unrestricted Securities and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate;
- (2) it understands that such Unrestricted Securities and any Ordinary Shares to be delivered upon conversion of such Unrestricted Securities have not been and will not be registered under the Securities Act and that, prior to the expiration of the Distribution Compliance Period, it will not offer, sell, pledge or otherwise transfer such Unrestricted Securities except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States;
- (3) it understands that the Unrestricted Securities, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend to the following effect:

THIS SECURITY AND ANY ORDINARY SHARES TO BE DELIVERED UPON CONVERSION OF THIS SECURITY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT;
- (4) it understands that the Unrestricted Securities offered in reliance on Regulation S may be represented by the Unrestricted Global Certificate. Prior to the expiration of the Distribution Compliance Period, before any interest in the Unrestricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Restricted Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws; and
- (5) the Issuer, the Registrar, the Joint Lead Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

GENERAL INFORMATION

1. Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Securities by way of a debt issue to professional investors only and such permission is expected to become effective on or around 8 April 2015. The Securities will be traded and settled in U.S. Dollars only. The listing of Securities on the Hong Kong Stock Exchange will be expressed as a percentage of their principal amount. The Securities will not be cleared or settled through the Central Clearing and Settlement System of Hong Kong Exchanges and Clearing Limited.

2. Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Ordinary Shares to be issued upon Conversion of the Securities. Upon the occurrence of the Conversion Trigger Event, application will be made to the United Kingdom Listing Authority for the Ordinary Shares to be issued upon Conversion of the Securities to be admitted to trading on the Regulated Market of the London Stock Exchange.

3. The Issuer has obtained all necessary consents, approvals and authorisations in the United Kingdom in connection with the issue and performance of the Securities. The issue of the Securities was authorised by resolutions of the Issuer's Board of Directors passed on 31 July 2009 and 11 December 2013 and of a duly authorised committee of the Issuer's Board of Directors passed on 11 March 2015.

4. There has been no significant change in the financial or trading position of the Issuer and its subsidiaries since 31 December 2014. There has been no material adverse change in the prospects of the Issuer and its subsidiaries since 31 December 2014.

5. As discussed in the "Regulatory compliance, reviews, requests for information and investigations" section on page 103 of the 2014 Annual Report (which is incorporated by reference herein), in 2012, the Group reached settlements with the US authorities regarding US sanctions compliance in the period 2001 to 2007, involving a Consent Order by the New York Department of Financial Services ("NYDFS"), a Cease and Desist Order by the Board of Governors of the Federal Reserve System ("Fed"), Deferred Prosecution Agreements with each of the Department of Justice ("DOJ") and the New York County District Attorney's Office ("DANY") (each a "DPA") and a Settlement Agreement with the Office of Foreign Assets Control (together, the "Settlements"). In addition to the civil penalties totalling U.S.\$667 million, the terms of the Settlements include a number of conditions and ongoing obligations with regard to improving sanctions, Anti-Money Laundering ("AML") and Bank Secrecy Act ("BSA") controls such as remediation programmes, reporting requirements, compliance reviews and programmes, banking transparency requirements, training measures, audit programmes, disclosure obligations and, in connection with the NYDFS Consent Order, the appointment of an independent monitor (the "Monitor"). These obligations are managed under a programme of work referred to as the US Supervisory Remediation Program ("SRP"). The SRP comprises work streams designed to ensure compliance with the remediation requirements contained in all of the Settlements. In 2013, the Group also established a Financial Crime Risk Mitigation Programme ("FCRMP"), which is a comprehensive, multi-year programme designed to review and enhance many aspects of the Group's existing approach to money laundering prevention and to combating terrorism finance and the approach to sanctions compliance and the prevention of bribery and corruption. Many of the deliverables under the SRP are reliant on, or led by, individuals or functions outside the US, and in some cases represent the US implementation of Group-wide remediation or upgrade activity managed under the FCRMP. Consequently, there is a close working relationship between the SRP and FCRMP for the purpose of project coordination and delivery. As part of the FCRMP, the Group or its advisors may identify new issues, potential breaches or matters requiring further review or further process improvements that could impact the scope or duration of the FCRMP.

The Group is engaged with all relevant authorities to implement these programmes and meet the obligations under the Settlements.

On 19 August 2014, the Group announced that it had reached a final settlement with the NYDFS regarding deficiencies in the anti-money laundering transaction surveillance system in its New York branch (the "Branch"). The system, which is separate from the sanctions screening process, is one part of the Group's overall financial crime controls and is designed to alert the Branch to unusual transaction patterns that require further investigation on a post-transaction basis.

The settlement provisions are summarised as follows:

- (i) a civil monetary penalty of U.S.\$300 million;
- (ii) enhancements to the transaction surveillance system at the Branch;

- (iii) a two-year extension to the term of the Monitor; and
- (iv) the following set of temporary remediation measures, which will remain in place until the transaction surveillance system's detection scenarios are operating to a standard approved by the Monitor:
 - (a) the Branch will not, without prior approval of the NYDFS in consultation with the Monitor, open a U.S. Dollar demand deposit account for any client that does not already have such an account with the Branch;
 - (b) requirements for inclusion of identifying information for originators and beneficiaries of some affiliate and third-party payment messages cleared through the Branch;
 - (c) a restriction on U.S. Dollar clearing services for certain Hong Kong retail business clients; and
 - (d) enhanced monitoring of certain small and medium sized enterprise clients in the United Arab Emirates. The Group decided to exit this business as part of its broader efforts to sharpen its strategic focus, withdrawing from or re-aligning non-strategic businesses, including those where increased regulatory costs undermine their economic viability. The exit process is largely complete and, in accordance with the settlement agreement, U.S. Dollar clearance restrictions were implemented effective 17 November 2014.

The remit of the SRP has been expanded to cover the management of these obligations.

On 9 December 2014, the Group announced that the DOJ, DANY and the Group had agreed to a three-year extension of the DPAs until 10 December 2017, and to the retention of a monitor to evaluate and make recommendations regarding the Group's sanctions compliance programme. The DOJ agreement acknowledges that the Group has taken a number of steps to comply with the requirements of the original DPAs and to enhance and optimise its sanctions compliance, including the implementation of more rigorous US sanctions policies and procedures, certified staff training, hiring of senior legal and financial crime compliance staff and recently implementing additional measures to block payment instructions for countries subject to US sanctions laws and regulations. The Group will work closely with the authorities to make additional substantial improvements to its US sanctions programme to reach the standard required by the DPAs.

The DOJ agreement also indicates that the Group is co-operating with an investigation relating to possible historical violations of US sanctions laws and regulations, but that additional time is needed for the authorities to complete the investigation and determine whether any violations have occurred. The Group remains committed to full cooperation with the authorities during this investigation, alongside an extensive programme of compliance improvements. At the current stage of this investigation, the Group cannot predict the nature or timing of its outcome. There is a range of potential penalties for sanctions compliance violations, which could ultimately include substantial monetary penalties, additional compliance and remediation requirements, and/or additional business restrictions.

The Group recognises that its compliance with historical, current and future sanctions, as well as AML and BSA requirements, and customer due diligence practices, not just in the US but throughout its footprint, are and will remain a focus of the relevant authorities.

As part of their remit to oversee market conduct, regulators and other agencies in certain markets are conducting investigations or requesting reviews into a number of areas of regulatory compliance and market conduct, including sales and trading, involving a range of financial products, and submissions made to set various market interest rates and other financial benchmarks, such as foreign exchange. At relevant times, certain of the Group's branches and/or subsidiaries were (and are) participants in some of those markets, in some cases submitting data to bodies that set such rates and other financial benchmarks. The Group is contributing to industry proposals to strengthen financial benchmarks processes in certain markets and continues to review its practices and processes in the light of the investigations, reviews and the industry proposals.

The Group is co-operating with all relevant ongoing reviews, requests for information and investigations. The outcome of these reviews, requests for information and investigations is uncertain and could result in further actions, penalties or fines but it is not possible to predict the extent of any liabilities or other consequences that may arise.

In meeting regulatory expectations and demonstrating active risk management, the Group also takes steps to restrict or restructure or otherwise to mitigate higher risk business activities which could include divesting or closing businesses that exist beyond risk tolerances.

Save in relation to the matters described above, there are no, nor have there been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the twelve months preceding the date of this document, which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer and/or the Group nor is the Issuer aware that any such proceedings are pending or threatened.

6. The Securities have been accepted for trading in book entry form by DTC. The International Securities Identification Number (ISIN) for the Restricted Global Certificates is US853254AT77 and the ISIN for the Unrestricted Global Certificates is USG84228CE61. The Committee on the Uniform Security Identification Procedure (CUSIP) number applicable to the Restricted Global Certificates is 853254AT7 and the CUSIP number applicable to the Unrestricted Global Certificates is G84228CE6.

7. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg.

8. From the date of this document and for so long as any Securities are outstanding, the following documents will be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the registered office of the Issuer and at the office of the Principal Paying and Conversion Agent:

- (i) the Trust Deed (which includes the form of the Global Certificates and the Certificates);
- (ii) the Agency Agreement;
- (iii) the Articles of Association of the Issuer;
- (iv) the audited annual consolidated financial statements of the Issuer for the years ended 31 December 2013 and 31 December 2014; and
- (v) a copy of this document or any further offering circular or supplementary offering circular.

9. Copies of the latest annual report and accounts of the Issuer may be obtained, and copies of the Trust Deed will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Securities is outstanding.

10. KPMG Audit Plc, chartered accountants (authorised and regulated by the FCA for designated investment business), have audited, and rendered unqualified audit reports on, the accounts of the Issuer for the two years ended 31 December 2014. The report of the Issuer's auditors contained the following statement: "This report is made solely to the Company's members as a body and subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions."

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