

Prospectus dated 19 June 2018



## Standard Chartered PLC

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

## Standard Chartered Bank

(Incorporated with limited liability in England by Royal Charter with reference number ZC18)

# U.S. \$77,500,000,000 Debt Issuance Programme

Under the Debt Issuance Programme described in this document (the "Programme") (which supersedes and replaces the Prospectus dated 14 June 2017 and each supplement thereto), Standard Chartered PLC ("SCPLC") and Standard Chartered Bank ("SCB") (each of SCPLC and SCB in such capacity an "Issuer" and together, the "Issuers"), subject to compliance with all relevant laws, regulations and directives, may each from time to time issue debt securities (the "Notes"). The Notes may rank as senior obligations of the relevant Issuer ("Senior Notes") or subordinated obligations of the relevant Issuer ("Dated Subordinated Notes"). The aggregate principal amount of Notes outstanding will not at any time exceed U.S.\$77,500,000,000 (or the equivalent in other currencies and subject to increase as provided herein).

Application has been made to the Financial Conduct Authority under Part VI (Official Listing) of the Financial Services and Markets Act 2000 ("FSMA") (the "UK Listing Authority") for Notes issued by SCPLC or SCB under the Programme within 12 months of the date of this document to be admitted to the official list of the UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for such Notes to be admitted to trading on the Main Market of the London Stock Exchange (the "Market"). The Market is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council (the "Markets in Financial Instruments Directive").

Application has also been made to The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") for the listing of the Programme on the Hong Kong Stock Exchange by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "HKSE Rules")) and to professional investors (as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (together, "Professional Investors") only. This document is for distribution to Professional Investors only. **Investors should not purchase the Notes in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Notes are only suitable for Professional Investors.**

**The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Programme and the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Issuers or the quality of disclosure in this document.** Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange 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.

The relevant Final Terms (as defined below) or Pricing Supplement (as defined below) in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List and admitted to trading on the Market and/or listed on the Hong Kong Stock Exchange (or listed on any other stock exchange).

This Prospectus includes particulars given in compliance with the HKSE Rules for the purpose of giving information with regard to SCPLC and SCB and the Notes. SCPLC and SCB accept full responsibility for the accuracy of the information contained in this Prospectus in respect of SCPLC and SCB, respectively and confirm, having made all reasonable enquiries, that to the best of the knowledge and belief of SCPLC and SCB there are no other facts the omission of which would make any statement herein misleading in respect of SCPLC and SCB, respectively.

The Notes may be issued in bearer form only ("Bearer Notes"), in registered form only ("Registered Notes"), or in bearer form exchangeable for Registered Notes ("Exchangeable Bearer Notes"). Bearer Notes and Exchangeable Bearer Notes will be offered and sold only outside the United States to non-U.S. persons in reliance on Regulation S under the U.S. Securities Act of 1933 (the "Securities Act"). The Notes have not been and will not be registered under the Securities Act. Registered Notes may be offered and sold (i) in the United States or to U.S. persons in reliance on Rule 144A under the Securities Act ("Rule 144A") only to qualified institutional buyers ("QIBs") as defined in Rule 144A and (ii) outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act ("Regulation S"). Prospective purchasers are hereby notified that the seller of Registered Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Each Series (as defined in "Overview of the Programme") of Bearer Notes or Exchangeable Bearer Notes will initially be represented on issue by a temporary global note in bearer form (each a "Temporary Global Note") or a permanent global note in bearer form (each a "Permanent Global Note"). Interests in a Temporary Global Note will be exchangeable, in whole or in part, for interests in a Permanent Global Note on or after the Exchange Date, upon certification as to non-U.S. beneficial ownership. Each Series of Registered Notes will initially be represented by a global registered certificate (each a "Global Certificate"), without coupons. Global Notes in respect of Notes offered and sold outside the United States to non-U.S. persons in reliance upon Regulation S (irrespective of their form) may be either (i) in the case of Global Notes which are stated in the applicable Final Terms to be issued in new global note ("NGN") form by SCPLC or SCB the Global Notes will be delivered on or prior to the original issue date of the relevant Tranche (as defined below) to a common safekeeper (the "Common Safekeeper") for Euroclear Bank SA/NV ("Euroclear"), and Clearstream Banking, SA ("Clearstream, Luxembourg") or (ii) in the case of Global Notes which are not stated in the applicable Final Terms to be issued in NGN form by SCPLC or SCB ("Classic Global Notes" or "CGNs") the Global Notes will be deposited on the issue date of the relevant Tranche with a common depository on behalf of Euroclear and Clearstream, Luxembourg (the "Common Depository") or (iii) in either case, lodged on or before the issue date with a sub-custodian for the Central Money Markets Unit Service operated by the Hong Kong Monetary Authority (the "CMU Service"). Global Certificates in respect of Registered Notes offered and sold outside the United States to non-U.S. persons in reliance upon Regulation S (irrespective of their form) may be either (i) in the case of Global Certificates which are stated in the applicable Final Terms to be held under the New Safekeeping Structure (the "NSS") the Global Certificates will be delivered on or prior to the original issue date of the relevant Tranche to the Common Safekeeper for Euroclear and Clearstream, Luxembourg or (ii) in the case of Global Certificates which are not stated in the applicable Final Terms to be held under the NSS the Global Certificates will be deposited on the issue date of the relevant Tranche with the Common Depository or (iii) in either case, lodged on or before the issue date with a sub-custodian for the CMU Service. Global Certificates in respect of Registered Notes offered and sold in the United States or to U.S. persons in reliance upon Rule 144A will initially be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company ("DTC"). Beneficial interests in Global Notes or Global Certificates held in book-entry form through Euroclear, Clearstream, Luxembourg and/or the CMU Service will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg, or the CMU Service, as the case may be. Beneficial interests in Registered Notes represented by Global Certificates held through DTC will be shown on, and transfers thereof will be effected only through, records maintained by DTC. The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "Summary of Provisions Relating to the Notes while in Global Form". Certain provisions governing restrictions on transfer of Registered Notes are described in "Transfer Restrictions".

In relation to any Tranche (as defined in "Overview of the Programme"), the aggregate nominal amount of the Notes of such Tranche, the interest (if any) payable in respect of the Notes of such Tranche, the issue price and any other terms and conditions not contained herein which are applicable to such Tranche will be set out in a final terms document ("Final Terms") which, with respect to Notes to be listed on the Market, will be delivered to the UK Listing Authority and the London Stock Exchange on or before the date of issue of the Notes of such Tranche and with respect to Notes to be listed on the Hong Kong Stock Exchange, will be delivered to the Hong Kong Stock Exchange on or before the date of issue of the Notes of such Tranche. References in this Prospectus to "PD Exempt Notes" are to Notes for which no prospectus is required to be published pursuant to EU Directive 2003/71/EC, as amended and to the extent that such amendments have been implemented in the relevant member state of the European Economic Area (the "Prospectus Directive"). Information contained in this Prospectus regarding PD Exempt Notes shall not be deemed to form part of this Prospectus and the UK Listing Authority has neither approved nor reviewed information contained in this Prospectus in connection with the offering and sale of PD Exempt Notes. In the case of PD Exempt Notes, notice of the aforesaid information which is applicable to each Tranche will be set out in a pricing supplement document ("Pricing Supplement"). Accordingly, in the case of PD Exempt Notes, each reference in this Prospectus to information being specified or identified in the applicable Final Terms shall be read and construed as a reference to such information being specified or identified in the applicable Pricing Supplement unless the context requires otherwise.

As at the date of this Prospectus, i) SCPLC's long term senior debt ratings are A2 by Moody's Investors Service Singapore Pte. Ltd ("Moody's Singapore"), BBB+ by Standard & Poor's Hong Kong Limited ("S&P") and A+ by Fitch Ratings Ltd ("Fitch"); and ii) SCB's long term senior debt ratings are A1 by Moody's Singapore, A by S&P and A+ by Fitch. Moody's Singapore 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 Singapore 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 Singapore. 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.

Notes issued under the Programme may be rated or unrated. When an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme. The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Issuers may agree with any Dealer and BNY Mellon Corporate Trustee Services Limited (the "Trustee") that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event (in the case of Notes to be admitted to the Official List and to trading on the Market only) a supplemental prospectus or further prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes. In the case of PD Exempt Notes, the relevant provisions relating to such PD Exempt Notes will be included in the applicable Pricing Supplement.

Investing in Notes issued under the Programme involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Prospectus and in the applicable Final Terms and the merits and risks of investing in a particular issue of Notes in the context of their financial position and particular circumstances. Investors should also have the financial capacity to bear the risks associated with an investment in Notes. Investors should not purchase Notes unless they understand and are able to bear risks associated with Notes. **NOTES ISSUED UNDER THE PROGRAMME WILL BE OFFERED TO PROFESSIONAL INVESTORS ONLY AND ARE NOT SUITABLE FOR RETAIL INVESTORS. INVESTORS SHOULD NOT PURCHASE THE NOTES IN THE PRIMARY OR SECONDARY MARKET UNLESS THEY ARE PROFESSIONAL INVESTORS. INVESTING IN THE NOTES INVOLVES RISKS. PROSPECTIVE INVESTORS SHOULD HAVE REGARD TO AND SHOULD HAVE SUFFICIENT KNOWLEDGE AND EXPERTISE TO EVALUATE THE EFFECT OF OR THE LIKELIHOOD OF THE OCCURRENCE OF THE FACTORS DESCRIBED UNDER THE SECTION HEADED "RISK FACTORS" IN THIS DOCUMENT, WHICH INCLUDES THE RISK THAT THE NOTES MAY BE CONVERTED INTO ORDINARY SHARES AND/OR MAY BE SUBJECT TO STATUTORY WRITE-DOWN OR BAIL-IN, WHICH MAY RESULT IN LOSS ABSORPTION BY INVESTORS.**

Individual Registered Notes will only be available in certain limited circumstances as described herein. See "Cleaning and Settlement".

J.P. Morgan Cazenove

Joint Arrangers

Standard Chartered Bank

Barclays  
Deutsche Bank  
Lloyds Bank Corporate Markets  
UBS Investment Bank

Dealers  
BNP PARIBAS  
Goldman Sachs International  
Standard Chartered Bank

BoFA Merrill Lynch  
J.P. Morgan Cazenove  
Standard Chartered Bank (Hong Kong) Limited

## 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 includes the SCPLC Prospectus and the SCB Prospectus. Investors should note that:

1. the SCPLC Prospectus comprises this document with the exception of the documents incorporated by reference in paragraphs 1 and 2 on pages 7 and 8 in the section entitled “*Documents Incorporated by Reference*”, the information contained in the sections entitled “*Standard Chartered Bank*” and “*Capitalisation and Indebtedness of Standard Chartered Bank*” and paragraphs 4 and 6 in the section entitled “*General Information*”; and
2. the SCB Prospectus comprises this document with the exception of the information contained in the sections entitled “*Standard Chartered PLC*” and “*Capitalisation and Indebtedness of Standard Chartered PLC*”.

The SCPLC Prospectus and the SCB Prospectus each comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive for the purpose of giving information with regard to SCPLC and SCPLC and its subsidiaries taken as a whole and to SCB and SCB and its subsidiaries taken as a whole, respectively, and Notes to be issued by SCPLC or SCB during the period of 12 months from the date of this document, which, according to the particular nature of such Issuers and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of such Issuers. A copy of this document has been filed with the Financial Conduct Authority for the purposes of section 3.2 of the prospectus rules of the UK Listing Authority (the “Prospectus Rules”).

This Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area (“EEA”) 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 Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Prospectus as completed by final terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the relevant Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the relevant Issuer or any Dealer 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).*

SCPLC accepts responsibility for the information contained in the SCPLC Prospectus and any applicable Final Terms in relation to Notes issued by it. To the best of the knowledge and belief of SCPLC, which has taken all reasonable care to ensure that such is the case, the information contained in the SCPLC Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

SCB accepts responsibility for the information contained in the SCB Prospectus and any applicable Final Terms in relation to Notes issued by it. To the best of the knowledge and belief of SCB, which has taken all reasonable care to ensure that such is the case, the information contained in the SCB Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

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 Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuers, any of the Dealers or the Arrangers (as defined in “*Overview of the Programme*”). 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 any Issuer since the date hereof or the date upon which this document has been most recently amended or supplemented or that there has been no adverse change in the financial position of any Issuer since the date hereof or the date upon which this document has been most recently amended or supplemented or that any other information supplied in connection with the Programme 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 Notes in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by the Issuers, the Dealers and the Arrangers to inform themselves about and to observe any such restriction.

**THE NOTES 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 NOTES MAY INCLUDE BEARER NOTES THAT ARE SUBJECT TO U.S.**

**TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE NOTES MAY NOT BE OFFERED OR SOLD OR, IN THE CASE OF BEARER NOTES, DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S).**

**THE NOTES ARE BEING OFFERED AND SOLD OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S AND IN THE CASE OF REGISTERED NOTES, IF PROVIDED IN THE RELEVANT FINAL TERMS, WITHIN THE UNITED STATES TO QIBs IN RELIANCE ON RULE 144A. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF REGISTERED NOTES 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 NOTES AND THE DISTRIBUTION OF THIS DOCUMENT, SEE “SUBSCRIPTION AND SALE” AND “TRANSFER RESTRICTIONS”.**

**THE NOTES 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 NOTES OR THE ACCURACY OR ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.**

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); (ii) a customer within the meaning of Directive 2002/92/EC (as amended, "IMD"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "Prospectus Directive"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**MIFID PRODUCT GOVERNANCE/TARGET MARKET** – The applicable Final Terms in respect of any Notes will include a legend entitled “MiFID II product governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the “MiFID Product Governance Rules”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

Amounts payable under the Notes may be calculated by reference to one of LIBOR, LIBID, LIMEAN, EURIBOR, HIBOR or SIBOR, as specified in the relevant Final Terms. As at the date of this Prospectus, the administrator of LIBOR, the ICE Benchmark Administration Limited appears on, but the administrators of LIBID, LIMEAN, EURIBOR, HIBOR and SIBOR do not appear on, the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (“ESMA”) pursuant to article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011) (the “Benchmark Regulation”). As far as the Issuers are aware, the transitional provisions in article 51 of the Benchmark Regulation apply, such that the administrators of LIBID, LIMEAN, EURIBOR, HIBOR and SIBOR are not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).

This document does not constitute an offer of, or an invitation by or on behalf of the Issuers or the Dealers to subscribe for or purchase, any Notes.

To the fullest extent permitted by law, none of the Dealers or the Arrangers accept any responsibility for the contents of this document or for any other statement, made or purported to be made by the Arrangers or a Dealer or on its behalf in connection with the Issuers or the issue and offering of the Notes. Each of the Arrangers and each Dealer 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 Programme or the Notes is intended to provide the

basis of any credit or other evaluation or should be considered as a recommendation by any of the Issuers, the Arrangers or the Dealers that any recipient of this document or any other financial statements or information supplied in connection with the Programme or the Notes or any document incorporated by reference should purchase the Notes. Each potential purchaser of Notes 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 Programme or the Notes and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arrangers undertakes to review the financial condition or affairs of any of the Issuers during the life of the arrangements contemplated by this document nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arrangers.

Each potential investor in any Notes 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 relevant Notes, the merits and risks of investing in the relevant Notes 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 relevant Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the potential risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency and that the entire principal amount of the Notes 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 relevant Notes and be familiar with the behaviour of any relevant indices and 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.

Some Notes are complex financial instruments and 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 Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes 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) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules. See also "*Risk Factors - Risks related to the Notes generally - Implementation of and/or changes to the capital adequacy framework may result in changes to the risk-weighting of the Notes and/or loss absorption by Noteholders 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.\$", "U.S. dollars" and "cents" are to the lawful currency of the United States of America, to "CNY", "Chinese yuan", "Renminbi" and "RMB" are to the lawful currency of the PRC, 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 "AED" are to the lawful currency of the United Arab Emirates, to "INR" are to the lawful currency of India, to "SGD" and "Singapore dollars" are to the lawful currency of Singapore and references to "Pounds sterling", "Sterling" and "£" are to the lawful currency of the United Kingdom (the "**United Kingdom**" or the "**UK**"). 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 excluding the Hong Kong and Macau Administrative Regions and Taiwan.

**In connection with the issue of any Tranche (as defined in "*Overview of the Programme*"), the Dealer or Dealers (if any) named as the stabilising manager(s) (the "*Stabilising Manager(s)*") (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that**

**which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche is made and, if begun, cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.**

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## 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 and which have been filed with the Financial Conduct Authority (“FCA”):

1. the audited annual accounts of SCB for the year ended 31 December 2016 (including the audit report thereon);
2. the audited annual accounts of SCB for the year ended 31 December 2017 (including the audit report thereon);
3. the Annual Report and audited accounts of SCPLC, its subsidiaries and subsidiary undertakings (the “Group”) for the year ended 31 December 2016 (the “2016 Annual Report”);
4. the Annual Report and audited accounts of the Group for the year ended 31 December 2017 (the “2017 Annual Report”);
5. the “Standard Chartered PLC statement on the Bank of England 2017 stress test results” released by SCPLC on 28 November 2017;
6. the interim management statement for the first quarter of 2018 announced by SCPLC on 2 May 2018 (the “Interim Management Statement”);
7. the document entitled “Pillar 3 Disclosures 2017” released by SCPLC on 27 February 2018;
8. the document entitled “Pillar 3 Disclosures 31 March 2018” released by SCPLC on 2 May 2018;
9. the document entitled “IFRS 9 Transition Document” released by SCPLC on 28 March 2018;
10. the section headed “Terms and Conditions of the Notes” on pages 22 to 49 of the prospectus dated 7 November 2007 prepared in connection with the U.S.\$15,000,000,000 Debt Issuance Programme established by SCPLC, SCB, Standard Chartered Bank (Hong Kong) Limited (“SCBHK”) and Standard Chartered First Bank Korea Limited (“SC First Bank”);
11. the section headed “Terms and Conditions of the Notes” on pages 26 to 53 of the prospectus dated 5 November 2008 prepared in connection with the U.S.\$20,000,000,000 Debt Issuance Programme established by SCPLC, SCB, SCBHK and SC First Bank;
12. the section headed “Terms and Conditions of the Notes” on pages 27 to 54 of the prospectus dated 5 November 2009 prepared in connection with the U.S.\$27,500,000,000 Debt Issuance Programme established by SCPLC, SCB, SCBHK and SC First Bank;
13. the section headed “Terms and Conditions of the Notes” on pages 34 to 62 of the prospectus dated 10 November 2010 prepared in connection with the U.S.\$35,000,000,000 Debt Issuance Programme established by SCPLC, SCB, SCBHK and SC First Bank;
14. the section headed “Terms and Conditions of the Notes” on pages 35 to 57 of the prospectus dated 11 November 2011 prepared in connection with the U.S.\$42,500,000,000 Debt Issuance Programme established by SCPLC, SCB, SCBHK and SC First Bank;
15. the section headed “Terms and Conditions of the Notes” on pages 39 to 59 of the prospectus dated 10 October 2012 prepared in connection with the U.S.\$50,000,000,000 Debt Issuance Programme established by SCPLC, SCB and SCBHK;
16. the section headed “Terms and Conditions of the Notes” on pages 42 to 62 of the prospectus dated 10 October 2013 prepared in connection with the U.S.\$57,500,000,000 Debt Issuance Programme established by SCPLC, SCB and SCBHK;
17. the section headed “Terms and Conditions of the Notes” on pages 43 to 66 of the prospectus dated 10 October 2014 prepared in connection with the U.S.\$70,000,000,000 Debt Issuance Programme established by SCPLC, SCB and SCBHK;
18. the section headed “Terms and Conditions of the Notes” on pages 43 to 66 of the prospectus dated 9 October 2015 prepared in connection with the U.S.\$77,500,000,000 Debt Issuance Programme established by SCPLC, SCB and SCBHK;
19. the section headed “Terms and Conditions of the Notes” on pages 44 to 67 of the prospectus dated 11 October 2016 prepared in connection with the U.S.\$77,500,000,000 Debt Issuance Programme established by SCPLC, SCB and SCBHK; and
20. the section headed “Terms and Conditions of the Notes” on pages 43 to 67 of the prospectus dated 14 June 2017 prepared in connection with the U.S.\$77,500,000,000 Debt Issuance Programme established by SCPLC and SCB.

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 for SCPLC and SCB as detailed in paragraphs 1, 2, 3 and 4 listed 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 the SCPLC Prospectus or the SCB Prospectus (as detailed at paragraphs 1 and 2 on page 2 of this Prospectus respectively) are either not relevant for investors or are covered elsewhere within the SCPLC Prospectus or the SCB Prospectus respectively.

Copies of the documents incorporated by reference in this document may be obtained from each 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>.



## **SUPPLEMENTARY PROSPECTUS**

If at any time SCPLC or SCB shall be required to prepare a supplementary prospectus pursuant to section 87G of the FSMA or if at any time SCPLC or SCB shall be required to prepare supplementary particulars pursuant to the HKSE Rules, as the case may be, such Issuer will prepare and make available an appropriate amendment or supplement to this document or a further prospectus which, in respect of any subsequent issue of Notes to be listed on the Official List and admitted to trading on the Market shall constitute a supplementary prospectus as required by the UK Listing Authority and section 87G of the FSMA and in respect of any subsequent issue of Notes to be listed on the Hong Kong Stock Exchange shall constitute supplementary particulars as required by the HKSE Rules.

Each Issuer has given an undertaking to the Dealers that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this document which is capable of affecting the assessment of (i) the assets and liabilities, financial position, profits and losses, and prospects of such Issuer and/or (ii) the rights attaching to any Notes, such Issuer shall prepare an amendment or supplement to this document or publish a replacement document for use in connection with any subsequent offering of the Notes by it and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request.

## **AVAILABLE INFORMATION**

Each relevant Issuer has agreed that, for so long as any of the Notes 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, each Issuer will furnish the Trustee with copies of its audited annual accounts.

## **ENFORCEABILITY OF JUDGMENTS**

SCPLC is a company incorporated as a public limited company in England and Wales with registered number 966425 and SCB is a company incorporated with limited liability in England by Royal Charter with reference number ZC18. Most of the directors of the Issuers are not residents of the United States, and all or a substantial portion of the assets of the Issuers 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 Issuers 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 Issuers' and their subsidiaries' future strategies, business plans and results and are based on the current expectations of the directors of the relevant 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”, “intend”, “anticipate”, “believe”, “expect”, “should” and similar expressions, as they relate to the Issuers, their 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 Issuers do 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 PROGRAMME

*This overview must be read as an introduction to this document. Any decision to invest in any Notes should be based on a consideration of this document as a whole, including the documents incorporated by reference.*

<b>Issuers</b>	Standard Chartered PLC and Standard Chartered Bank.
<b>Description of Issuers</b>	SCPLC and SCB are companies within the Group, an international banking and financial services group particularly focused on the markets of Asia, Africa and the Middle East. SCPLC was incorporated in England and Wales as a public limited company in 1969. SCB was incorporated in England with limited liability by Royal Charter in 1853.
<b>Risk Factors</b>	There are certain factors which may affect the Issuers' ability to fulfil their obligations under the Notes issued under the Programme. These are set out under the section entitled " <i>Risk Factors</i> " and include (i) business, macroeconomic and geopolitical risks, (ii) macro-prudential, regulatory and legal risks, and (iii) operational risks. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme (see the section entitled " <i>Risk Factors</i> ").
<b>Description</b>	Debt Issuance Programme.
<b>Programme Limit</b>	Up to U.S.\$77,500,000,000 (or the equivalent in other currencies at the date of issue) aggregate principal amount of Notes outstanding at any one time. The Issuers may increase this amount in accordance with the Programme Agreement.
<b>Joint Arrangers</b>	J.P. Morgan Securities plc and SCB (each an "Arranger" and together the "Arrangers").
<b>Dealers</b>	Barclays Bank PLC BNP Paribas Deutsche Bank AG, London Branch Goldman Sachs International J.P. Morgan Securities plc Lloyds Bank Corporate Markets plc Merrill Lynch International SCB Standard Chartered Bank (Hong Kong) Limited UBS Limited  The Issuers may from time to time terminate the appointment of any dealer or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this document to "Permanent Dealers" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "Dealers" are to all Permanent Dealers and all persons appointed as a dealer in respect of the Programme, a syndicated issue or one or more Tranches.
<b>Trustee</b>	BNY Mellon Corporate Trustee Services Limited.
<b>Issuing and Paying Agent</b>	The Bank of New York Mellon ("BONY").
<b>CMU Paying Agent and CMU Lodging Agent</b>	BONY.
<b>Currencies</b>	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the relevant Issuer and the relevant Dealers.

## Denomination

Definitive Notes will be in such denominations as may be agreed between the Issuer and the relevant Dealer and as specified in the relevant Final Terms save that (i) the minimum denomination of each Note admitted to trading on a EEA exchange and/or offered to the public in an EEA State in circumstances which require the publication of a prospectus under the Prospectus Directive will be at least €100,000 (or the equivalent amount in another currency) or such other higher amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant currency and (ii) unless otherwise permitted by then current laws and regulations, Notes issued by SCPLC which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by SCPLC in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA will have a minimum denomination of £100,000 (or its equivalent in other currencies). Notes sold in reliance on Rule 144A will be in minimum denominations of U.S.\$200,000 (or its equivalent in another currency) and integral multiples of U.S.\$1,000 (or its equivalent in another currency) in excess thereof, in each case subject to compliance with all legal and/or regulatory requirements applicable to the relevant jurisdiction.

## Form of Notes

The Notes may be issued in bearer form only ("Bearer Notes"), in bearer form exchangeable for Registered Notes ("Exchangeable Bearer Notes") or in registered form only ("Registered Notes") and Bearer Notes may be issued in NGN form. Each Tranche of Bearer Notes and Exchangeable Bearer Notes will be represented on issue by a Temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in "*Overview of the Programme – Selling Restrictions*"), otherwise such Tranche will be represented by a Permanent Global Note. Registered Notes will be evidenced by Certificates without coupons. Certificates evidencing Registered Notes that are registered in the name of a nominee or common depository for one or more clearing systems are referred to as "Global Certificates".

Registered Notes of each Tranche of a Series which are sold in an "offshore transaction" within the meaning of Regulation S ("Unrestricted Notes") will initially be represented by interests in a global unrestricted Registered Certificate (each an "Unrestricted Global Certificate"), without interest coupons, either (i) in the case of an Unrestricted Global Certificate which is stated in the applicable Final Terms to be held under the NSS, delivered to the Common Safekeeper for Euroclear and Clearstream, Luxembourg on or prior to its original issue date or (ii) in the case of an Unrestricted Global Certificate which is not stated in the applicable Final Terms to be held under the NSS, deposited with a nominee for, and registered in the name of a common depository of, Clearstream, Luxembourg and/or Euroclear on its issue date or (iii) in either case, lodged on or before the issue date with a sub-custodian in Hong Kong for the CMU Service. Registered Notes of such Tranche sold in the United States to QIBs pursuant to Rule 144A ("Restricted Notes") will initially be represented by a global restricted Registered Certificate (each a "Restricted Global Certificate"), without interest coupons, deposited with a custodian for, and registered in the name of a nominee of, DTC on their issue date. Any Restricted Global Certificate and any individual definitive Restricted Notes will bear a legend applicable to purchasers who purchase the Registered Notes as described under "*Transfer Restrictions*".

<b>Maturities</b>	Subject to compliance with all relevant laws, regulations and directives, Senior Notes may have any maturity that is one month or greater and Dated Subordinated Notes will have a minimum maturity of five years and one day.
<b>Issue Price</b>	Notes may be issued at their principal amount or at a discount or premium to their principal amount.
<b>Method of Issue</b>	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a “Series”), having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “Tranche”), on the same or different issue dates. The specific terms of each Tranche (save in respect of the issue date, issue price, first payment of interest and principal amount of the Tranche), will be identical to the terms of other Tranches of the same Series and will be set out in a set of Final Terms.
<b>Fixed Rate Notes</b>	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.
<b>Reset Notes</b>	Reset Notes will, in respect of an initial period, bear interest at the initial fixed rate of interest specified in the applicable Final Terms. Thereafter, the fixed rate of interest will be reset on one or more date(s) specified in the applicable Final Terms by reference to a Mid-Swap Rate, a Benchmark Gilt Rate or a Reference Bond Rate and for a period equal to the reset period, as adjusted for any applicable margin, in each case as may be specified in the applicable Final Terms. Interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.
<b>Floating Rate Notes</b>	Floating Rate Notes will bear interest set separately for each Series by reference to an underlying rate or benchmark which may be either LIBOR, LIBID, LIMEAN, EURIBOR, HIBOR or SIBOR as adjusted for any applicable margin for the duration specified in the Final Terms. Interest periods will be specified in the relevant Final Terms.
<b>Zero Coupon Notes</b>	Zero Coupon Notes may be issued at their principal amount or at a discount to it and will not bear interest, other than in the case of late payment.
<b>Remedies for Non-Payment</b>	In respect of (i) any Dated Subordinated Notes, (ii) any Senior Notes for which Restrictive Events of Default are specified in the Final Terms or (iii) any Senior Notes for which Non-Restrictive Events of Default are specified in the Final Terms but to which Condition 9(b) applies pursuant to Condition 9(f), the remedies available to the Trustee (on behalf of the holders of such Notes) for non-payment will be limited. In particular, other than upon certain events of a winding-up, the Trustee (on behalf of the holders of such Notes) will not have the right to give notice to an Issuer that such Notes are due and payable at their Early Redemption Amount plus accrued interest, as described under “ <i>Terms and Conditions of the Notes, 9(b)</i> ”, “ <i>Terms and Conditions of the Notes, 9(c)</i> ” and “ <i>Terms and Conditions of the Notes, 9(f)</i> ”.
<b>Redemption</b>	The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes issued by SCPLC which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by SCPLC in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
<b>Optional Redemption</b>	The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity

at the option of the relevant Issuer (either in whole or in part) and/or the Noteholders and if so, the terms applicable to such redemption.

**Early Redemption**

Except as provided in “*Optional Redemption*” above, Notes will be redeemable at the option of the relevant Issuer prior to maturity only for tax reasons or, if specified in the relevant Final Terms in relation to Dated Subordinated Notes, upon the occurrence of a Regulatory Capital Event or, if specified in the relevant Final Terms in relation to Senior Notes, in certain circumstances upon the occurrence of Loss Absorption Disqualification Event. See “*Terms and Conditions of the Notes – Redemption, Purchase and Options*”.

**Withholding Tax**

All payments of principal and interest in respect of the Notes and the Coupons will be made free and clear of withholding taxes of the United Kingdom unless required by law. In that event (save in respect of the payment of principal on the Dated Subordinated Notes), the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders or Couponholders (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 customary exceptions, all as described in “*Terms and Conditions of the Notes – Taxation*”.

**Status of Notes**

The Senior Notes will constitute direct, unsubordinated and unsecured obligations of the relevant Issuer and the Dated Subordinated Notes will constitute direct, subordinated and unsecured obligations of the relevant Issuer, all as described in “*Terms and Conditions of the Notes – Status*”.

**Negative Pledge**

None.

**Cross Default**

None.

**Listing**

Application has been made for Notes (other than PD Exempt Notes) issued by SCPLC or SCB under the Programme to be listed on the Official List and to be admitted to trading on the Market and for the Programme to be listed on the Hong Kong Stock Exchange.

PD Exempt Notes may be unlisted and/or may be admitted to trading on another market or stock exchange, as set out in the applicable Pricing Supplement.

**Ratings**

As at the date of this Prospectus, i) SCPLC's long term senior debt ratings are A2 by Moody's Singapore, BBB+ by S&P and A+ by Fitch; and ii) SCB's long term senior debt ratings are A1 by Moody's Singapore, A by S&P and A+ by Fitch.

Notes issued under the Programme may be rated or unrated. When an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme. The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**Governing Law**

The Notes will be governed by and construed in accordance with English law.

**Selling Restrictions**

The United States, the EEA, the United Kingdom, Hong Kong, Japan, PRC, France, Italy, The Netherlands, Singapore and such other restrictions as may be required in connection with a particular issue of Notes. See “*Subscription and Sale*” and “*Transfer Restrictions*”.

The Notes will be issued in compliance with U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”) (the “D Rules”), unless (i) the relevant Final Terms state that Notes are issued in compliance with U.S. Treasury

Regulations §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (the “C Rules”) or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“TEFRA”), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable. In the case of a distribution under Rule 144A, Notes will be issued in registered form, as defined in U.S. Temp. Treas. Reg. §5f.103-1(c).

**PRIIPs Regulation**

No PRIIPs Regulation key information document has been prepared as the Notes are not available to retail investors in the EEA.

**Transfer Restrictions**

There are restrictions on the transfer of Notes sold pursuant to Rule 144A. See “*Terms and Conditions of the Notes*”, “*Transfer Restrictions*” and “*Subscription and Sale*”.

## RISK FACTORS

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

*Factors which each Issuer believes may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

*Each Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but an Issuer may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons and none of the Issuers represents that the statements below regarding the risks of holding any Notes are exhaustive.*

**PROSPECTIVE INVESTORS SHOULD HAVE REGARD TO AND SHOULD HAVE SUFFICIENT KNOWLEDGE AND EXPERTISE TO EVALUATE THE EFFECT OF OR THE LIKELIHOOD OF THE OCCURRENCE OF THE FACTORS DESCRIBED IN THE SECTIONS BELOW, WHICH INCLUDE THE RISK THAT THE NOTES MAY BE CONVERTED INTO ORDINARY SHARES AND/OR MAY BE SUBJECT TO STATUTORY WRITE-DOWN OR BAIL-IN, WHICH MAY RESULT IN LOSS ABSORPTION BY INVESTORS.** *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

#### **1 The Group is exposed to macroeconomic risks**

The Group operates across more than 60 markets 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 have impacted and may continue to impact the Group's financial condition and results of operations.

Asia remains the main driver of global growth supported by internal drivers, led by China. Debt levels in China and the pace of transition to more consumption-led growth remain a concern. In addition, highly trade oriented economies such as Hong Kong and Singapore with close ties to China would weaken in the event of an economic slowdown in China. Regional supply chain economies such as Korea, Taiwan and Malaysia would be impacted from a fall in economic activity. Greater China and South East Asian economies remain key strategic regions for the Group.

Significant increases in interest rates from the historically low levels currently prevailing in many markets could have an impact on the highly leveraged corporate sector, as well as countries with high current account deficits or high foreign currency share of domestic debt. Property, commodities and asset prices would also come under pressure. Such sharp increases in interest rates could adversely impact the credit quality of the Group's exposures, and the Group's ability to reprice these exposures in response to changes in the interest rate environment.

#### **2 The Group is exposed to geopolitical risks**

The Group faces risks associated with geopolitical uncertainty. Geopolitical tensions or conflicts in areas where the Group operates could impact trade flows, economic activity and related levels of financial transactions, customers' ability to pay, and the Group's ability to manage capital, liquidity or operations across borders.

In particular:

- The Group has a significant revenue stream from supporting cross-border trade and material off-shore support operations. The adoption of protectionist policies driven by nationalist agendas could disrupt established supply chains and invoke retaliatory actions. Countries could introduce tariffs on goods and services available domestically or from other economies. Such actions would impact global trade. In addition, several authorities in the Group's footprint continue to adopt stringent standards on outsourcing or offshoring activities and there is an increased focus on priority sector lending requirements.



- The Group has a material presence in South Korea and nearby countries. Tensions on the Korean peninsula could adversely affect investment spending and low growth in the developed world in addition to the effects on South Korea and such nearby countries.
- The Group has a material presence across the Middle East. In June 2017, the governments of Kingdom of Saudi Arabia, Bahrain, United Arab Emirates and Egypt announced that they were severing diplomatic ties with Qatar escalating tensions in the Middle East region. A number of prominent Saudi Arabian princes, government ministers, and business people were arrested in Saudi Arabia in November 2017. The recognition by the U.S. of Jerusalem as the capital of Israel, and the U.S. having moved its embassy from Tel Aviv to Jerusalem, has the potential to further increase tensions across the Middle East.
- The exit of the UK from the European Union (“Brexit”) could have implications on economic conditions globally because of changes in policy direction, which might in turn influence the economic outlook for the eurozone. The uncertainties linked to the Brexit negotiations process could delay corporate investment decisions until there is more clarity. Both the EU and UK have indicated their support for a transition period following the UK’s formal departure from the EU in March 2019, although it is not clear how long this period will be for. The full implications of Brexit are not yet known. The first order impact of Brexit on the Group is limited given the nature of the Group’s activity.

The occurrence or continuance of any of the above risks could have a material adverse effect on the Group’s financial condition, results of operations and, if severe or prolonged, its prospects.

### **3 Climate related physical risks and transition risks**

Many national governments have, through the UN Framework Convention on Climate Change (“UNFCCC”) process and Paris Agreement, made commitments to enact policies which support the transition to a lower-carbon economy, limiting global warming to less than 2°C and therefore mitigating the most severe physical effects of climate change.

Such policies may however have significant impacts, for example, on energy infrastructure developed in the Group’s markets, and thus present ‘transition’ risks for the Group’s clients. Conversely, if governments fail to enact policies which limit global warming, the Group’s markets are particularly susceptible to ‘physical’ risks of climate change such as droughts, floods, sea level change and average temperature change.

There is growing stakeholder interest in these risks, including investors, regulators and civil society.

The occurrence or continuance of any of the above risks could have a material adverse effect on the Group’s financial condition, results of operations and, if severe or prolonged, its prospects.

### **4 Regulatory changes and tax reforms**

Revised rules have been defined in many key areas of regulation that could impact the Group’s business model and how the Group manages its capital and liquidity. In particular, the upcoming Basel III proposed changes to capital calculation methodology for credit and operational risk, revised framework for Securitisation and Credit Valuation Adjustment (“CVA”) risk, Fundamental Review of the Trading Book, Large Exposures and implementation of Margin Reforms, and Bank Recovery and Resolution Directive (“BRRD”) for Total Loss Absorbing Capacity (“TLAC”).

Increased global efforts in detecting tax evasion through the use of offshore bank accounts and facilitating cross-border tax compliance require the Group to comply with five extraterritorial client tax information regimes. These tax regimes impact the jurisdictions in which the Group operates, as well as all client segments and products.

There may be implications for cross-border tax compliance for the Group’s clients following the recent US tax reform.

There is increasing regulatory scrutiny and emphasis on local responsibilities of remotely booked business. The degree of reliance on global controls is reducing, and the focus is on local controls and governance.

The occurrence or continuance of any of the above risks could have a material adverse effect on the Group’s financial condition, results of operations and, if severe or prolonged, its prospects.

## **5 New technologies and digitisation**

New technologies, accompanied by changes in consumer behaviour and digitisation, are likely to significantly disrupt both the basis of competition and the economics of many elements of banking.

The banking landscape for retail banking, for example, is witnessing a significant change where start-ups, Fintech and existing payment players are able to offer traditional retail banking products and services in real-time with competitive pricing. In addition, regulators are also encouraging Fintech and start-ups. The impact to the banking sector arises by way of migration of clients and balances to competition or Fintech due to a more user-friendly client experience.

There is a risk of business model disruption arising from inability or failure of the Group to adapt to changing client and regulatory requirements or expectations due to rapidly evolving product and technology innovation.

The occurrence or continuance of any of the above risks could have a material adverse effect on the Group's financial condition, results of operations and, if severe or prolonged, its prospects.

## **6 The Group is exposed to competition in the markets in which it operates**

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 loans 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.

In addition, the wider banking industry is witnessing several significant technology related trends, which is increasingly leading to competition from non-bank technology companies, primarily in areas such as peer-to-peer lending, payments and cross-border remittances.

The above matters, individually or in combination, may have a material adverse effect on the Group's financial condition, results of operations and prospects.

## **7 Regulatory reviews and investigations, legal proceedings**

Regulatory reviews and investigations and internal practice and process reviews may result in adverse consequences for 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 and conduct, resulting in an increasing number of regulatory reviews, requests for information (including subpoenas and requests for documents) and investigations, often with enforcement consequences, involving banks.

The Group has been, and continues to be, subject to regulatory actions, reviews, requests for information and investigations in various jurisdictions which relate to compliance with applicable laws and regulations. The Group is also party to legal proceedings from time to time which may give rise to financial losses or adversely impact the Group's reputation in the eyes of its customers, investors and other stakeholders. The Group is co-operating with a number of reviews, requests for information and investigations and actively managing its legal proceedings in respect of legacy issues, but both the nature and timing of the outcome of these matters is uncertain and difficult to predict. As such, it is not possible to predict the extent of any liabilities or other adverse consequences that may arise for the Group. Regulatory and enforcement authorities have broad discretion to pursue prosecutions and impose a wide range of penalties for non-compliance with laws and regulations. Penalties imposed by authorities have included substantial monetary penalties, additional compliance and remediation requirements and additional business restrictions. In recent

years, such authorities have exercised their discretion to impose increasingly severe penalties on financial institutions that have been determined to have violated laws and regulations, and there can be no assurance that future penalties will not be of a different type or increased severity. As a result, the outcome of such reviews, requests for information and investigations may, in turn, have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In particular:

- In 2012, the Group reached settlements with certain U.S. authorities regarding U.S. 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 ("DPAs") with each of the Department of Justice ("DOJ") and the New York County District Attorney's Office ("DANY") and a Settlement Agreement with the Office of Foreign Assets Control (together, the "Settlements" and together the foregoing authorities, the "U.S. authorities"). In addition to the civil penalties totalling U.S.\$667 million, the terms of these 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 ("Monitor"). These obligations are managed under a programme of work referred to as the U.S. Supervisory Remediation Program ("SRP"). The SRP comprises work streams designed to ensure compliance with the remediation requirements contained in all of the Settlements and the Group is engaged with all relevant authorities to implement these programmes and meet the Group's obligations under the Settlements.
- 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, resulting in the subsequent retention of the Monitor to evaluate and make recommendations regarding the Group's sanctions compliance programme. On 9 November 2017, the Group announced the further extension of the DPAs until 28 July 2018. The November 2017 DPA extension agreement noted that the Group had taken a number of steps and made significant progress to comply with the requirements of the DPA and enhance its sanctions compliance programme, but that the programme had not at the time reached the standard required by the DPA. The Group is committed to ongoing cooperation with the authorities and to continuing to implement a comprehensive programme of improvements to its financial crime controls.
- 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 (which, on 21 April 2017, was further extended to operate until 31 December 2018); and (iv) a 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. These temporary remediation measures include a restriction on opening, without prior approval of the NYDFS, a U.S. dollar demand deposit account for any client that does not already have such an account with the Branch, a restriction on U.S. dollar clearing services for certain clients in Hong Kong and enhanced monitoring of certain high-risk clients in the UAE. The remit of the SRP covers the management of these obligations.
- The Group continues to cooperate with an investigation by the U.S. Authorities relating to historical violations of U.S. sanctions laws and regulations. In contrast to the 2012 settlements, which focused on the period before the Group's 2007 decision to stop doing new business with known Iranian parties, the ongoing investigation is focused on examining the extent to which conduct and control failures permitted clients with Iranian interests to conduct transactions through SCB after 2007 and the extent to which any such failures were shared with relevant U.S. authorities in 2012. The Group is engaged in ongoing discussions with the relevant U.S. authorities regarding the resolution of this investigation, and such resolution may involve a range of civil and criminal penalties for sanctions compliance violations including substantial monetary penalties combined with other compliance measures such as remediation requirements and/or business restrictions.
- SCB is also engaged in ongoing discussions with the FCA regarding an investigation concerning its financial crime controls. The investigation is looking at the effectiveness and governance of those controls within the correspondent banking business carried out by SCB's London branch, particularly in relation to the business carried on with respondent banks from outside the European Economic

Area, and the effectiveness and governance of those controls in one of SCB's overseas branches and the oversight exercised at Group level over those controls. Any resolution of the investigation could involve a substantial monetary penalty and other civil measures available to the FCA.

- 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 and responding to inquiries and investigations by relevant authorities, and the Group is facing regulatory investigations and proceedings in various jurisdictions related to foreign exchange trading. There may be penalties or other financial consequences to the Group as a result. 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, review and the industry proposals. It is not practicable to estimate the financial impact of these matters as there are many factors that may affect the range of possible outcomes; however, the resulting financial impact could be substantial.
- The Securities and Futures Commission ("SFC") in Hong Kong has been investigating Standard Chartered Securities (Hong Kong) Limited's ("SCSHK") role as a joint sponsor of an initial public offering of China Forestry Holdings Limited, which was listed on the Hong Kong Stock Exchange in 2009. The SFC is pursuing disciplinary action against SCSHK, and there may be financial consequences for SCSHK in connection with this action.

In meeting regulatory expectations and demonstrating active risk management, the Group is also reviewing its portfolio and taking steps to restrict or restructure or otherwise mitigate higher-risk business activities, which could include divesting or closing businesses that exist beyond risk appetite.

The Group continues to train and educate its people on conduct, conflicts of interest, information security and financial crime compliance in order to reduce its exposure to legal and regulatory proceedings.

The Group's compliance with historical, current and future sanctions, as well as AML and BSA requirements and customer due diligence practices are, and will remain, a focus of relevant authorities.

Any breach of law, regulation, settlement agreement (including DPAs), or orders, or non-compliance with or weakness in, the Group's policies, procedures, systems, controls and assurance for its AML, BSA, sanctions, compliance, corruption and tax crime prevention efforts may give rise to the adverse consequences described above, any of which could have a material adverse impact on the Group, including its reputation, business, results of operations, financial condition and prospects.

## **Principal risks**

### **Credit risk**

#### ***1 The Group is exposed to risks associated with changes in the credit quality and the recoverability of loans and amounts due from counterparties***

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, and adverse changes arising from a deterioration (including a prolonged or severe deterioration) in global or country-specific economic conditions or asset values, have reduced but could continue to reduce the recoverability and value of the Group's assets and require an increase in the Group's level provisions for bad and doubtful debts or write-downs experienced by the Group. The Group may also experience these effects if a systemic failure in one or more financial systems were to occur.

Economic conditions have seen some improvements which have positively impacted sectors such as commodities that have in recent years experienced stress, leading to lower loan impairments. Any adverse change in economic conditions in the future may have an adverse impact on the Group.

Direct or indirect regulatory interventions may also impact the operating environment adversely. These measures could be based on fundamental policies such as house-hold debt levels, money supply control, etc. but also at times influenced by populist measures. Industry wide forbearances, capping of debts to overleverage customers, capping unsecured debt limits and controlling property prices are some example of measures which can impact a customer's ability and intention to serve debt obligations.

Fraud risk, particularly in the retail segment, is a material emerging risk. In recent times, the industry has observed both systematic and isolated fraud patterns which have resulted in failure of customers to meet their obligations. Fraud could occur from lending activities, fabrication or misrepresentation of facts during transaction processing and in the digital space. Frequently, such losses manifest themselves in credit losses thus fraud remains a relevant cause for potential losses.

The occurrence of any of the above 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, if severe or prolonged, its prospects.

## ***2 The Group is exposed to systemic risk resulting from failures by banks, other financial institutions and corporates***

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 as 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. In turn, the soundness of these institutions could have an adverse effect on the Group's ability to raise new funding and could have a material impact on the Group's business, financial condition, results of operations and prospects.

### **Market risk**

## ***3 The Group is exposed to risks associated with changes in interest rates, exchange rates, commodity prices, and credit spreads and other market risks***

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; including the risk arising from changes in the credit spread of its derivatives' counterparties through CVA accounting;
- currency exchange risk: arising from changes in exchange rates and implied volatilities on foreign exchange options; and
- commodity price risk: arising from changes in commodity prices and implied volatilities on commodity options, covering energy, precious metals, base metals and agriculture.

The occurrence or continuance of unexpected events resulting in significant market dislocation could have a material adverse effect on the Group's financial condition and results of operations and, if severe or prolonged, its prospects. Failure to manage these risks effectively may also have a material adverse effect on the Group's financial condition and results of operations and, if such failure is significant or prolonged, its prospects.

## ***4 The Group is exposed to the risks associated with volatility and dislocation affecting financial markets and asset classes***

Volatility and dislocation affecting certain financial markets and asset classes, whether unexpected, prolonged or elevated, are factors that have had and may continue to have a material adverse effect on the Group's assets, financial condition and results of operations. In particular, these factors have had, and may continue to have, a negative impact on the mark-to-market valuations of assets in the Group's "Available for Sale" and trading portfolios. Treasury Markets hold over U.S.\$100 billion of High Quality Liquid Assets for regulatory purposes under "Available for Sale" accounting rules. Under the CRD IV Regulation, any Profit or Loss under Available for Sale impacts the Group's Common Equity Tier 1 Capital ("CET1 Capital") position directly. In addition, if such volatility or dislocation were to be severe or prolonged, this may also adversely affect the Group's prospects.

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. Failure to manage such risks therefore may have a material adverse effect on the Group's financial condition, results or operations and, if such failure is significant or prolonged, its prospects.

## **5 The Group is exposed to pension risk**

Pension risk is the potential for loss due to requirements on having to meet an actuarially assessed shortfall in the Group's pension schemes. In the event of such 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 financial condition, results of operations and prospects.

### **Capital and liquidity risk**

## **6 The Group's business is exposed to risks resulting from restrictions on, and decisions relating to, the management of its balance sheet and capital resources**

The Group must ensure the effective management of its capital position in order to operate its business, 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, or capital, strategic, operational or financial 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 The Group is exposed to risks associated with any downgrade to the Group's credit ratings**

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/or downward changes in outlook on such ratings. Factors leading to any such downgrade or change in outlook may not be within the control of the Group (for example, a change in the methodology or approach used by any applicable agency that rates the Group or its securities).

Since November 2015, certain of the Group's ratings were downgraded by Fitch Ratings Limited ("Fitch"), Moody's Investors Services Hong Kong Limited ("Moody's Hong Kong") and Standard & Poor's Hong Kong Limited ("S&P") for various reasons. The impact of these downgrades was not considered significant by the Group. The ratings agencies each rely on their own methodologies to assess the Group's ratings. Common drivers include operating environment, profitability, capital, liquidity, asset risk, government/affiliate support and debt buffers. Material changes in these drivers along with other subjective assessments could adversely impact the assessments of the Group's ratings. Notwithstanding the methodologies, rating agencies have also specifically identified a number of factors based on their most recent assessment of the Group that could result in a downward change to the Group's ratings in the near future, some of which may be referred to in the ratings agencies' public statements on the Group's ratings from time to time.

These factors include (but are not limited to) financial performance of the Group, balance sheet metrics of the Group on which elements of the ratings are based, external events affecting the Group or the broader banking sector and/or the potential for deterioration in the Group's operating environment. If these factors materialise, other events could occur (for example, a change in the methodology used by any applicable agency that rates the Group or its securities) or other factors not yet identified could emerge, which could lead to a further downgrade of SCPLC's and/or the Issuer's ratings. For example, some agencies have taken and/or maintained a negative view of the operating environment in some of the Group's key markets, such as China and Hong Kong.

Although the Group currently has a highly liquid and well-funded balance sheet, a material downward change in the short-term or long-term credit ratings in the future could impact the volume, price and source of its funding, or adversely impact the Group's competitive position, all of which could have a material adverse effect on the Group's financial condition, results of operations and prospects.

## **8 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, for example, U.S. dollars, Pounds sterling, Korean won, Hong Kong dollars, Singapore dollars, Taiwan dollars, Chinese yuan, Indian rupees and a number of African currencies), 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.

In addition, although the Group monitors adverse exchange rate movements (and, in some cases, may seek to hedge against such 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 such changes in economic and market conditions, or a failure by the Group to manage such risks effectively, could have a material adverse effect on the Group's financial condition, results of operations and, if severe or prolonged, its prospects.

## **9 The Group is exposed to liquidity and funding risks**

Liquidity and funding risk is the potential for loss where the Group may not have sufficient stable or diverse sources of funding or financial resources to meet its obligations as they fall due.

Although the Group currently has a highly liquid and well funded balance sheet, liquidity and funding 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, its policy is to manage its liquidity prudently in all geographic locations so as to ensure each country operates within predefined liquidity limits and remain in compliance with Group liquidity policies and practices, as well as local regulatory requirements.

However, any reoccurrence or prolonged continuation of such conditions could have an adverse effect on the Group's financial condition and results of operations and, if severe, its 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.

## **10 The Group is exposed to the risk of regulators imposing new prudential standards, including increased capital, leverage, loss-absorbing capacity and liquidity requirements**

The Group's lead supervisor, the Prudential Regulation Authority (the "PRA"), determines the minimum level of capital, liquidity and leverage that the Group is required to hold by reference to its balance sheet, off-balance sheet, counterparty and risk exposures.

The Group is subject to Basel III, as 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 PRA has implemented the relevant provisions of CRD IV through statements of policy, rules and supervisory statements in the UK for banks, building societies and PRA-designated investment firms.

Currently, the Group meets the minimum standards under CRD IV. However, the Group is exposed to the risk that the PRA or Bank of England could (beyond the changes described below):

- apply more stringent stress-test scenarios in determining the required minimum capital for the Group and any of its UK regulated firms (including SCB);
- increase the minimum regulatory requirements set for the Group or any of its UK regulated firms;
- introduce changes to the basis on which capital, liquidity, leverage and risk weighted assets ("RWA") are computed;
- impose additional capital, liquidity and leverage buffers;
- impose new regulatory requirements; and/or
- change the manner in which it applies existing requirements to the Group or any of its UK regulated firms.

As a result, the Group may be required to raise capital and/or liquidity to meet any of the foregoing requirements (or to meet any changes, or changes to the application of, such requirements) 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 also be affected by a number of factors, including its RWA and exposures, post-tax profit, exchange rate movements 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.

### **Capital requirements**

Under CRD IV, banks are subject to a total capital requirement 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 the UK, banks are subject to Pillar 2A capital requirements set by the PRA which capture risks not addressed adequately by the Pillar 1 capital requirements. At least 56 per cent. of the Pillar 2A requirement must be met with CET1 Capital and no more than 25 per cent. with Tier 2 Capital.

In addition, banks are required to maintain a capital conservation buffer of 2.5 per cent. of RWA, a countercyclical capital buffer of typically up to 2.5 per cent. of RWA and, where applicable, additional buffers set by regulators to reflect the systemic importance of an institution. Each of these capital buffer requirements must be met with CET1 Capital.

The Group remains a Global Systemically Important Bank ("G-SIB") with a 1.0 per cent. G-SIB CET1 buffer which began to be phased in from 1 January 2016 and will be fully implemented by 1 January 2019. The buffer phases in at a rate of 0.25 per cent. per year. If the Group were categorised as a G-SIB with a greater than 1 per cent. requirement this would increase the Group's minimum CET1 Capital requirement. Certain of the Group's non-UK entities have been, and others may be, designated domestic systemically-important banks (referred to in the EU as other systemically-important institutions, or O-SIIs) in the markets in which they operate in accordance with the approach developed by the Basel Committee on Banking Supervision ("BCBS") and FSB, which may in the future result in higher capital requirements for them.

From time to time, the Group may also be subject to a PRA buffer. The PRA buffer is intended to ensure the Group remains well capitalised during periods of stress. When setting the Group's PRA buffer, it is understood that the PRA considers results from the BoE stress test, the biennial exploratory scenario, bank-specific scenarios undertaken as part of Internal Capital Adequacy Assessment Processes ("ICAAPs") as well as other relevant information. The PRA buffer is additional to the existing CRD IV buffer requirements, and is applied if and to the extent that the PRA considers the existing CRD IV buffers do not adequately address the Group risk profile. The PRA buffer is not disclosed.

An increase in the regulatory capital requirements and buffers may increase the amount of capital that the Group is required to hold. This may have an adverse effect on the Group's financial condition, results of operation, prospects and ability to make distributions.

### **Leverage requirements**

The PRA adopted the BoE's Financial Policy Committee ("FPC") proposed changes to the UK leverage ratio framework. UK banks are now subject to a minimum leverage ratio of 3.25 per cent. In addition, a supplementary leverage ratio buffer is applicable, set at 35 per cent. of the corresponding G-SIB capital buffer and the countercyclical capital buffer, as those buffers are applicable to individual banks and are phased in. The FPC also made a recommendation to the PRA to exclude qualifying claims on central bank exposures from the leverage exposure measure in the UK leverage ratio framework and to compensate for the resulting reduction in capital required by increasing the minimum leverage requirement from 3.0 per cent. to 3.25 per cent.

Any increase in the Group's G-SIB or countercyclical capital buffer requirements would increase the Group's leverage ratio requirement.

### **Loss-absorbing capacity requirements**

In November 2016, the BoE released its final statement of policy on its approach to setting a minimum requirements for own funds and eligible liabilities ("MREL"). The BoE's policy implements the FSB's standards on TLAC for G-SIBs and the requirement under the BRRD for Member States to ensure that EU banks and investment firms meet MREL. For institutions for which bail-in is the appropriate resolution strategy, MREL will be introduced in three phases. From 1 January 2019, G-SIBs with resolution entities incorporated in the UK ("UK G-SIBs") will be required to meet the minimum requirements set out in the FSB's TLAC standard of the higher of 16 per cent. of RWAs or 6 per cent. of leverage exposures. From 1 January 2020, UK G-SIBs will be required to meet an interim MREL equivalent to the higher of (i) their Pillar 2A requirement plus two times their Pillar 1 requirement; or (ii) two times the applicable leverage ratio requirement. UK G-SIBs will be required to meet their end-state MREL-equivalent from 1 January 2022, which will be the higher of (i) two times the sum of the firm's Pillar 1 and Pillar 2A; or, (ii) the higher of (a) two times the applicable leverage



ratio requirement; or (b) 6.75 per cent. of leverage exposures. However, before the end of 2020, prior to setting end-state MRELS, the BoE will review its general approach to the calibration of MREL and the final transition date. In doing so, the BoE will have particular regard to any intervening changes in the UK regulatory framework as well as institutions' experience in issuing MREL resources to meet their interim MRELS. The BoE will also take into account any changes to regulatory capital requirements, including the likely changes to the capital framework arising from the work of the BCBS.

The BoE confirmed the Group's non-binding, indicative MREL. As at 31 December 2017 the Group estimates that its MREL requirement is 16.0 per cent. of RWA in 2019 rising to 19.1 per cent. of RWA in 2020 and 22.2 per cent. of RWA from 1 January 2022. The Group's combined buffer (comprising the capital conservation, G-SIB and countercyclical buffers) sits above any MREL requirement, resulting in a TLAC requirement of 26.0 per cent. of RWA from 1 January 2022 based on the Group's CRD IV capital buffers that are known at this time.

The PRA prohibits CET1 capital used to meet MREL to be used to meet the combined buffer, the PRA buffer or the leverage ratio buffers. A firm which does not have or expects that it will not have sufficient CET1 capital, in addition to the CET1 capital counted towards its MREL, to meet its CRD IV combined buffer or the PRA buffer can expect enhanced supervisory action and to be required to prepare a capital restoration plan. This requirement could materially increase the Group's cost of doing business due to the Group having to issue increased MREL-eligible liabilities to meet it.

In addition to holding external TLAC, the FSB's standards require G-SIBs to hold 'internal TLAC', which refers to loss-absorbing capacity that resolution entities (i.e. entities to which resolution tools will be applied in accordance with the resolution strategy for the G-SIB) have committed to 'material sub-groups'. Under the TLAC term sheet, internal TLAC requirements for each material sub-group should be set at 75 to 90 per cent. of the external minimum TLAC requirement that would apply if the material sub-group was itself a resolution group.

In October 2017, the BoE released a consultation relating to their approach to setting MREL within groups. The actual internal TLAC or MREL requirements will be set by the host authorities in consultation with the home authority of the resolution group. In June 2018, the BoE published a policy statement following that consultation, in which it stated that it will retain the general approach to internal MREL that was proposed in the consultation paper, including as to the scope and calibration of internal MREL. As the European Commission's proposed package of amendments to legislation relevant to MREL, including to the BRRD and CRD IV, remain under negotiation, the final outcome of any amendments and the timing of their implementation remains uncertain. The policy statement therefore stated that the BoE would assess as necessary whether to make any changes to its MREL framework as a result of such amendments, and it is uncertain how any amendments would affect the Group. It is possible that the requirement to hold internal TLAC or MREL could adversely impact the operations and profitability of the Group.

As noted above, the European Commission is proposing amendments to CRD IV, the BRRD and the Single Resolution Mechanism Regulation. Any proposed reforms remain subject to change and until the proposals are in final form it is uncertain how they will affect the Group.

These requirements could materially increase the Group's cost of doing business due to the Group having to issue increased debt to meet the requirements.

### **Stress Testing**

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.

The 2017 BoE concurrent stress test included two scenarios. Alongside the Annual Cyclical Scenario ("ACS"), the BoE introduced the first Biennial Exploratory Scenario ("BES"). The aim of the scenario is to consider how the UK banking system might evolve if recent headwinds to banks' profitability persist or intensify. The BES is not focused on capital adequacy but on how banks would meet regulatory requirements and build sustainable business models in such an environment.

In November 2017, the BoE released the results of the 2017 stress test exercise. The results showed that, under the ACS, the Group exceeded all hurdle rates and systemic reference points after strategic management actions. The Group has a strong and liquid balance sheet and these results demonstrate the benefits of the actions recently undertaken by the Group to improve its resilience to an extreme stress scenario.

The BoE has indicated that the results of the stress tests will be used to inform the FPC/PRA's setting of regulatory capital requirements at both a macro- and micro-prudential level.

If the regulatory capital, leverage, loss-absorbing capacity, liquidity 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 license) or significant reputational harm, which in turn may have a material adverse effect on the Group's financial condition, results of operations and prospects.

Unless otherwise defined herein, "CET1 Capital" and "Tier 1 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.

### ***Regulations under consultation or yet to be finalised***

The Group may 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 regulatory changes include the proposed amendments by the European Commission to CRD IV, the BRRD and the Single Resolution Mechanism Regulation. Any proposed reforms remain subject to change and until the proposals are in final form it is uncertain how they will affect the Group.

In December 2017, the BCBS published final details of its Basel III reforms. National discretion and how these reforms might be transposed into law make it difficult to reliably estimate the impact but based on the 31 December 2017 balance sheet, the Group's early assessment is an increase in RWAs of 10-15 per cent.

In February 2018 the PRA issued a final policy setting out how they will measure and assess Pillar 2 liquidity risks, including the introduction of a Cashflow Mismatch Risk ("CFMR") Framework from 1 July 2019. Under this framework, banks will be expected to survive an LCR scenario of daily granularity to ensure they hold sufficient high quality liquid assets to cover their cumulative liquidity needs. This is likely to lead to increased high-quality liquid asset ("HQLA") holdings.

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

### ***Application of capital requirements by local regulators***

Local regulators may require entities in their jurisdiction to hold higher levels of capital than are required to meet PRA requirements and buffers. Such regulations 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. In addition, local regulators may require changes to the structure of entities, including subsidiarisation, which may lead to higher capital requirements and therefore a reduction in the ability of the entity to pay dividends to the Group.

### ***Liquidity standards***

The Net Stable Funding Ratio ("NSFR"), yet to become a regulatory requirement, measures 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.

Final rules for NSFR are being discussed at a European level and there is no agreed date for implementation yet. Calibration and implementation of NSFR will be captured under the proposed regulatory package containing revisions to capital requirements rules known as "CRD V".

Although the Group currently meets minimum liquidity regulatory standards, there can be no assurance that future changes to applicable liquidity requirements would not have an adverse effect on the Group's financial condition, results of operations and prospects.

## **Operational risk**

### ***11 The Group is exposed to operational risks***

Operational risk is the potential for loss resulting from inadequate or failed internal processes and systems, human error, or from the impact of external events. Operational losses can result, for example, from the failure to execute client facing transactions appropriately, failure to detect or prevent external or internal fraud, failure to design and/or meet product management standards and product-related regulatory requirements, failure to manage change projects, failure to prevent a significant business interruption, failure to maintain systems, failure to appropriately manage vendor services and meet related regulatory requirements, failure to meet appropriate data standards, failure to enforce the collateral and legal documentation, failure to comply with laws and regulations for financial books and records and financial reporting, failure to comply with tax laws and regulations, failure to meet standards for people management including relevant regulations, failure to create a safe, secure, and healthy environment for staff and clients, failure in the design or use of models, and failure to comply with laws and regulations on corporate governance and exchange listing rules.

The Group seeks to manage operational risks in a timely and effective manner through a framework of policies and procedures. The occurrence or continuation of one or more of the foregoing risks which are inherent in banking activities, or any failure to manage one or more of such risks effectively, may have a material adverse effect on the Group's financial condition, results of operations and prospects.

## **Country risk**

### **12 The Group is exposed to country risk**

The Group is exposed to the risk of:

- Country cross border risk is the loss arising from counterparty losses on foreign currency and cross border transactions. Losses may be a result of government actions such as confiscation, expropriation, nationalisation or closure of the capital account and/or foreign exchange market which results in otherwise solvent counterparties defaulting on their foreign currency obligations to SCB. Country cross border risk also captures non-government actions such as inability to obtain foreign currency due to foreign currency scarcity. Country cross border risk is based on the domicile of the counterparty, unless suitable mitigation is in place to transfer the exposure to an alternative country of risk (e.g. parental support; offshore cash collateral; comprehensive credit insurance).
- Domestic risk: risk of counterparty losses on local currency facilities due deteriorating economic conditions in a country or political interference which prevents repayment on local currency obligations to the Group.
- Sovereign risk: the risk of a government failing to meet its obligations in a timely manner. This includes local currency and foreign currency exposures.

## **Reputational risk**

### **13 The Group's business is subject to reputational risk**

Reputational risk is the risk for loss of earnings or market capitalisation as a result of stakeholders taking a negative view of the organisations or its actions.

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. As such, a failure to manage reputational risk effectively could materially affect the Group's business, results of operations and prospects.

## **Compliance risk**

### **14 The Group is exposed to risks associated with operating in some markets that have relatively less developed judicial and dispute resolution systems**

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. Conversely, 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, this exacerbates the risk of there being an outcome which is unexpected, and an adverse outcome to such proceedings could have a material adverse effect on the Group's financial condition, results of operations and prospects.

### **15 The Group is exposed to penalties or loss through a failure on its part to comply with laws or regulations.**

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:

- as a result of changes in applicable laws and regulations or in their application or interpretation; this may cause losses and 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 the Group operates; the standards or sanctions in respect of such requirements 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 requiring action to be taken 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;

- in connection with the 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;
- as a result of the title to and ability to control the assets of the Group (including the intellectual property of the Group, such as its trade names) not being adequately protected; and
- as a result of allegations being made against the Group, or claims (including through legal proceedings) being brought against the Group; regardless of whether such allegations or claims have merit, the outcome of legal proceedings is inherently uncertain and could result in financial loss (including as a result of the Group being liable to pay damages).

Failure to manage legal and regulatory risks properly has, in some cases, resulted (and may, in some cases, continue to result) in a variety of adverse consequences for the Group that, individually or in combination, could have an adverse impact on the Group's business, financial condition, results of operations and prospects. For example:

- the Group has been, and continues to be, subject to regulatory actions, reviews, requests for information and investigations relating to compliance with applicable laws and regulations (see further the risk factor entitled "Regulatory reviews and investigations and internal practice and process reviews may result in adverse consequences for the Group");
- the Group may incur costs and expenses in connection with proceedings resulting from non-compliance by the Group (or its employees, representatives, agents or third party service providers) with applicable laws and regulations, or a suspicion or perception of such non-compliance (including costs associated with the conduct of such proceedings and any associated liability for damages) and such non-compliance may also give rise to reputational damage; and
- a failure by the Group to comply with applicable laws or regulations may result in the Group deciding to implement restrictions on its businesses or the markets in which it operates (or offering to relevant regulators to implement such restrictions or accepting proposed restrictions or being required by relevant regulators to do so). These restrictions may be accompanied by a requirement on the Group to make periodical attestations to the relevant regulators as to its compliance with the relevant restrictions (and, if the Group does not comply with such restrictions, or is unable to give any required attestations, this may give rise to the adverse consequences described above).

#### **16 The Group is exposed to the risks of operating in a highly regulated industry and changes to banking and financial services laws and regulations**

The Group's businesses are subject to a complex framework of banking and financial services laws and regulations which give rise to associated legal and regulatory risks, including the effects of changes in laws, regulations, policies, regulatory interpretations 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 laws and 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.

Legislative and regulatory changes, and changes to governmental or regulatory policy, that could adversely impact the Group's business include:

- the monetary 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 and/or loss-absorbing capacity instruments, 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; and
- further developments in relation to financial reporting, including changes in accounting and auditing standards, corporate governance, conduct of business and employee compensation.

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), 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, and further changes are proposed (see further the risk factors entitled “*The Group is exposed to the risk of regulators imposing new prudential standards, including increased capital, leverage, loss-absorbing capacity and liquidity requirements*” above, 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 BRRD and the Banking Act 2009*” above).

These new requirements could, to differing extents, significantly impact 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.

While there is growing international regulatory co-operation 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.

The UK’s withdrawal from the EU, which may occur as early as March 2019, following the referendum on the UK’s membership of the EU is likely to lead to significant changes to the UK’s legislative and regulatory framework.

**17 *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 to enable them 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. The exercise or prospective 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 recoverability of the Group, 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, Bail-in and other Resolution Powers***

The European Parliament and the Council adopted the BRRD on 15 May 2014 to create a framework for the recovery and resolution of credit institutions 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 Dated Subordinated Notes) 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 Notes) of an Institution and/or certain of its parent holding companies (among others) 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 or other 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. The Bail-in Powers have been in force in the UK since 1 January 2015.

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. In line with the BRRD, 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, among others, banks and other deposit-taking institutions 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) where it is not reasonably likely that action will be taken to satisfy those threshold conditions. The Banking Act 2009 sets out a special resolution regime which comprises two insolvency procedures and five stabilisation options.

The insolvency procedures are:

- 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
- 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.

The stabilisation options provide for:

- private sector transfer of all or part of the business of the relevant bank or deposit-taking institution;
- transfer of all or part of the business of the relevant bank or deposit-taking institution to a bridge bank wholly owned by the Bank of England, which may limit the capacity of such entity to meet its repayment obligations;
- transfer of all or part of the business of the relevant bank or deposit-taking institution to an asset management vehicle owned and controlled by the Bank of England;
- temporary public ownership (nationalisation) of all or part of the relevant bank or deposit-taking institution or its UK holding company; and
- writing down certain claims of unsecured creditors of the relevant bank or deposit-taking institution (including Notes) which write-down may result in the reduction of such claims to zero, and/or converting certain unsecured debt claims (including Notes) to equity or other instruments of ownership (the Bail-in Power), which equity or other instruments could also be subject to any future cancellation, transfer or dilution.

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.

Additional powers available to Resolution Authorities include powers to:

- 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;
- 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;
- transfer assets, rights and liabilities of an Institution free from any legal or contractual restriction on such transfers;
- 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
- require the transfer of property located in non-EU jurisdictions.

### ***Early intervention powers and powers to remove barriers to resolvability***

The BRRD also extends 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 subsidiarise certain businesses or critical services).

### ***Contractual recognition of bail-in***

Article 55 of the BRRD introduced a new requirement in respect of contracts relating to the liabilities of an Institution established in the EU such as SCB (including its branches) 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 write-down and conversion 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 those 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 write-down and conversion powers in respect of the relevant liability.

In November 2015, the PRA published a modification by consent, disappling its rules implementing Article 55 for certain liabilities in circumstances where compliance was adjudged impracticable. In June 2016, the PRA published a policy statement on permanent amendments to its rule implementing Article 55. Under the amended rule, firms are expected to make their own reasoned assessment with regard to impracticability.

The European Commission is currently consulting on proposals for the reform of the BRRD. It is currently unclear whether the Commission's proposals will be implemented in their current form. When implemented, the reforms might result in changes to the rules on the contractual recognition of bail-in.

As implementation with clients occurs, there is a risk that this requirement could affect the ability of the Group's non-EEA branches to raise and maintain funding and deposits in their local markets, increase the cost of such funding, give rise to a competitive disadvantage for the Group relative to its non-EEA competitors, impact funding in periods of stress and give rise to additional operational requirements. The Group's assessment of impracticability and therefore its implementation may change over time. There is also a risk that the authorities could disagree with the Group's assessment of impracticability and impose regulatory sanctions and / or require further implementation. There is also a risk that the above rules change in line with recommendations made by the European Banking Authority and/or following the implementation of the European Commission's proposals on changes to the BRRD.

### ***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), and the need to undertake work to improve the resolvability of the Institution, represents a significant operational burden.

### ***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, the UK has consulted on, and is expected to make use of, a discretion under the BRRD to establish resolution funding arrangements through annual mandatory contributions from banks. This discretion effectively enables the UK to treat the UK bank levy as the chosen source of annual funding, and this is expected to be the approach pursued by the UK government, supplementing this annual bank levy contribution where appropriate with extraordinary contributions. The cost of such contributions (through the UK bank levy and/or extraordinary contributions) could represent a material cost to SCB or the Group. Institutions, including the Group, 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.

**18 The Group expects to face increased compliance costs as a result of the introduction of the OECD's Common Reporting Standard**

The Organisation for Economic Co-operation and Development (the "OECD") has developed a Common Reporting Standard ("CRS") and a Model Competent Authority Agreement ("MCAA") to enable the bilateral and multilateral, automatic exchange of financial account information. The CRS does not include a tax withholding element. Under the CRS, financial institutions must identify and report the tax residence status, and financial account information of customers. In December 2014, the European Union incorporated the CRS into a revised Directive on Administration Cooperation (Council Directive 2014/107/EU amending Directive 2011/16/EU) ("DAC") providing the CRS with a legal basis within the EU. Members States were required to adopt and publish legislation necessary to comply with the revised DAC by 31 December 2015, and to comply with the revised DAC's provisions from 1 January 2016. The increased due diligence of customer information and the reporting of information to tax authorities will increase operational and compliance costs for banks, including the Group. 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 the CRS: (i) with respect to the implementation of the CRS into local legislation; (ii) in respect of the Group's particular business sectors; or (iii) specifically in relation to the Group. Any one or more 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.

**19 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 the Group. 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 U.S. regulatory system 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). The legislation also introduces registration and oversight of key entities engaging in swaps. The Group is not a U.S. Person and it is registered with the Commodity Futures Trading Commission ("CFTC") as a Non-U.S. 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 U.S. 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.



## **20 Changes in the Group's accounting policies or in accounting standards could affect its capital ratios and how it reports its financial condition and results of operations**

Changes in the Group's accounting policies or in accounting standards could affect its capital ratios and how it reports its financial condition and results of operations. From time to time, the International Accounting Standards Board (the "IASB") and/or the European Union change the international financial reporting standards issued by the IASB, as adopted by the European Commission for use in the European Union ("IFRS") that govern the preparation of the Group's financial statements. These changes could materially impact how the Group records and reports its financial condition and results of operations. In some cases, the Issuer could be required to apply a new or revised standard retroactively, resulting in restating prior period financial statements.

On 1 January 2018 the Group adopted IFRS 9 Financial Instruments ("IFRS 9"), which replaces IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for: the classification and measurement of financial instruments, the recognition and measurement of credit impairment provisions, and provides for a simplified approach to hedge accounting.

Under transitional rules some components of IFRS 9 are phased in over five years resulting in a negligible day-one impact on the CET1 ratio. The estimated impact on the Group of adopting IFRS 9 on 1 January 2018 is an increase in credit provisions of U.S.\$1.2 billion and, in line with previous guidance, a reduction in the Group's CET1 ratio by approximately 15 basis points.

### **Conduct risk**

#### **21 The Group is exposed to conduct risk**

Conduct risk encompasses the risk of detriment to the Group's customers, investors, shareholders, market integrity, competition and counter-parties or from the inappropriate supply of financial services, including instances of wilful or negligent misconduct. Failure to deliver fair customer outcomes and to protect the integrity of the markets may lead to regulatory censure, financial loss and reputational damage.

### **Information and cyber security risk**

#### **22 The Group is exposed to information and cyber security risk**

Cybercrime is rising and becoming more globally coordinated. The Group's business depends on its ability to process large volumes of transactions efficiently and accurately, and is increasingly reliant on digital technologies, computer and email services, software and networks. This dependency on secure processing, storage and transmission of confidential and other information in its computer systems and networks increases the Group's risk to cybercrime including risks related to fraud, vandalism and damage to critical infrastructure.

### **Financial crime risk**

#### **23 The Group is exposed to financial crime risk**

The Group, through its size and strategic intent, continues to be exposed to money laundering and sanctions risks. These risks are inherent in the Group's operations and may arise from, among other things, the Group offering different banking products via multiple channels across regions to diverse customer types; the Group's defences being overcome by criminals; and/or regulators assessing deficiencies in the Group's design and/or governance over controls operating across the Group's client or counterparty due diligence and surveillance. The Group continues to pursue its Financial Crime Risk Mitigation Programme to enhance its approach to money laundering prevention, combating terrorist financing and compliance with sanctions.

## **Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme**

### **1 Risks related to the structure of a particular issue of Notes**

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

#### **Holding company structure and the structural subordination of Notes**

SCPLC is a holding company and operates its business entirely through its subsidiaries, including SCB. SCB also operates part of its business through its subsidiaries. Payments on Notes issued by SCPLC or SCB are structurally subordinated to all existing and future liabilities and obligations of each company's subsidiaries. Claims of creditors of such subsidiaries will have priority as to the assets of such subsidiaries over SCPLC or SCB and their creditors, including holders of any Notes issued by SCPLC or SCB. Each Issuer's obligation to make payments on the Notes issued by it is solely an obligation of that Issuer and will not be guaranteed

by any of its subsidiaries or associates. Neither the terms and conditions of the Notes, nor the Trust Deed contain any restrictions on the ability of SCPLC's or SCB's subsidiaries or associates to incur additional unsecured or secured indebtedness.

In addition, as holding companies, SCPLC's and SCB's ability to make payments depends, substantially in the case of SCPLC, and partly, in the case of SCB, upon the receipt of dividends, distributions or advances from their respective subsidiaries and associates. The ability of each company's subsidiaries and associates to pay dividends or such other amounts will be subject to their profitability, to applicable laws and regulations, to the evolution of their capital adequacy position and to restrictions on making payments contained in financing or other agreements.

### ***Notes subject to optional redemption by the Issuer***

Dated Subordinated Notes may, in the circumstances set out, and subject as provided in Conditions 5(c), 5(d) and 5(e), be redeemed at the option of the Issuer at their Early Redemption Amount together with any interest accrued to the date fixed for redemption. Senior Notes may, in the circumstances set out, and subject as provided in Condition 5(c), 5(d) and 5(f), be redeemed at the option of the Issuer at their Call Option Redemption Amount (subject to any Maximum Call Option Redemption Amount or Minimum Call Option Redemption Amount) together with any interest accrued to the date fixed for redemption. In addition, Notes may be redeemed at the option of the Issuer in circumstances set out, and subject as provided, in the Terms and Conditions of the Notes.

An optional redemption feature is likely to limit the market value of Notes. During any period when an Issuer may elect to redeem Notes, or if there is a perception that the Notes may be so redeemed, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

An Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

### ***Fixed/Floating Rate Notes***

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such conversion may affect the secondary market and the market value of such Notes as the change of interest basis may result in a lower interest return for Holders. If the Notes convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than the then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

### ***Reset Notes***

Reset Notes will initially bear interest at the Initial Rate of Interest until (but excluding) the First Reset Date. On the First Reset Date, the Second Reset Date (if applicable) and each Subsequent Reset Date (if any) thereafter, the interest rate will be reset to the sum of (i) the applicable Mid-Swap Rate, Benchmark Gilt Rate or Reference Bond Rate and (ii) the First Margin or Subsequent Margin (as applicable) as determined by the Calculation Agent on the relevant Reset Determination Date (each such interest rate, a "Subsequent Reset Rate"). The Subsequent Reset Rate for any Reset Period could be less than the Initial Rate of Interest or the Subsequent Reset Rate for prior Reset Periods and could affect the market value of an investment in the Reset Notes.

### ***Notes issued at a substantial discount or premium***

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

### ***The Issuers' obligations under Dated Subordinated Notes are subordinated***

An Issuer's obligations under Dated Subordinated Notes will be unsecured and subordinated and will rank junior in priority to the claims of Senior Creditors (as defined in "*Terms and Conditions of the Notes*" herein). Although Dated Subordinated Notes may pay a higher rate of interest than comparable Notes which are not

subordinated, there is a real risk that an investor in Dated Subordinated Notes will lose all or some of his investment should the relevant Issuer become insolvent.

### ***Restricted remedy for non-payment***

The remedies against an Issuer available to the Trustee on behalf of the holders of (i) Dated Subordinated Notes, (ii) any Series of Senior Notes for which Restrictive Events of Default are specified in the Final Terms or (iii) any Series of Senior Notes for which Non-Restrictive Events of Default are specified in the Final Terms but to which Condition 9(b) applies pursuant to Condition 9(f) will be limited. Subject to certain conditions, as described under Condition 9(d), including a requirement that the Trustee shall have been indemnified and/or secured and/or prefunded to its satisfaction, in most circumstances the sole remedy available to the Trustee to recover any amounts owing in respect of the principal of or interest on such Notes will be to institute proceedings for the winding-up of the relevant Issuer in its jurisdiction of incorporation. See “*Terms and Conditions of the Notes, Condition 9(b)*” and “*Terms and Conditions of the Notes, Condition 9(c)*”.

In respect of any Series of Senior Notes for which Non-Restrictive Events of Default are specified in the Final Terms, upon the occurrence of a Loss Absorption Disqualification Event as a result of Condition 9(a), Condition 9(f) would have the effect of applying Condition 9(b) to such Senior Notes and accordingly to limit the remedies available to the Trustee (on behalf of the holders of such Senior Notes). In particular, other than upon certain events of a winding-up, the Trustee (on behalf of the holders of such Senior Notes) will lose the right to give notice to an Issuer that such Senior Notes are due and payable at their Early Redemption Amount plus accrued interest. See “*Terms and Conditions of the Notes, Condition 9(b)*”, “*Terms and Conditions of the Notes, Condition 9(c)*” and “*Terms and Conditions of the Notes, Condition 9(f)*”.

### ***Notes where denominations involve integral multiples***

In the case of any Notes which have denominations consisting of a minimum Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Denomination. In such a case, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Denomination will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase or sell a principal amount of Notes such that it holds an amount equal to one or more Denominations.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Denomination may be illiquid and difficult to trade.

### ***Notes denominated in a different currency to the currency in which principal and/or interest are payable***

An Issuer may issue Notes where principal and/or interest are payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors in such Notes should be aware that, depending on the terms of the Notes, (i) they may receive no interest or a limited amount of interest, (ii) payment of principal or interest may occur at a different time or in a different currency than expected, and (iii) they may lose a substantial portion of their investment. Movements in currency exchange rates may be subject to significant fluctuations that may not correlate with changes in interest rates or other indices, and the timing of changes in the exchange rates may affect the actual yield to investors, even if the average level is consistent with their expectations. Payments of principal and interest or other obligations of the Issuer in respect of any Series of Notes may be restricted upon the occurrence of certain disruption events described in the applicable Final Terms.

The market price of such Notes may be volatile and, if the amount of principal and/or interest payable are dependent upon movements in currency exchange rates, may depend upon the time remaining to the redemption maturity date and the volatility of currency exchange rates. Movements in currency exchange rates may be dependent upon economic, financial and political events in one or more jurisdictions. The value of any currency, including those currencies specified in any indicative transaction, may be affected by complex political and economic factors.

### ***Notes issued under the Programme may be subject to statutory write-down or bail-in***

Under the Regulatory Capital Write-Down Powers in the BRRD, Resolution Authorities have the power (and are obliged when specified conditions are determined by the relevant Resolution Authority or Competent 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 in certain specific cases, including where they determine that the relevant Institution, EEA parent holding company and/or group has reached a point of non-viability (“PONV”) and, upon such determination, may take any form of resolution action or apply any resolution power set out in the BRRD. These measures applied to Tier 1 and/or Tier 2 Capital instruments in issue when they took effect and, consequently, no transitional rules apply.

Resolution Authorities are also 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 a 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 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 or other instruments of ownership, to reduce the outstanding amount due under such debt instruments (including reducing such amounts to zero), to cancel such debt instruments or to vary the terms of such debt instruments (e.g. the variation of maturity of a debt instrument). Any financial public support available to support Institutions is only to be used as a last resort, after the resolution tools (including the Bail-in Powers) have been exploited to the maximum extent practicable. Bail-in Powers have been in force in the UK since 31 December 2014.

Accordingly, Dated Subordinated Notes issued under the Programme fall within the pool of regulatory capital instruments that could be subject to the exercise of the Regulatory Capital Write-Down Powers. Senior Notes and Dated Subordinated Notes issued under the Programme (insofar as they have not already been written-down or converted under the Regulatory Capital Write-Down Powers referred to above) 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 Notes will be subject to the Regulatory Capital Write-Down Powers or the Bail-In Powers may be unpredictable and may be outside of the Issuer's control. Accordingly, trading behaviour in respect of the Notes which are subject to such write-down or conversion powers is not necessarily expected to follow trading behaviour associated with other types of securities. Any final determination, or actual or perceived increase in the likelihood, that the Notes 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 relevant Notes.

Potential investors should also consider the risk that a Noteholder may lose all of its investment in such Notes 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 Notes would cease to have any claims for (i) the written-off principal amount of the Notes and (ii) any unaccrued obligations or claims arising in relation to such amounts if the full principal amount of a Note is written-off. In circumstances where UK Resolution Authorities use their Bail-In Powers to reduce part of the principal amount of the Notes, the terms of the Notes 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. Furthermore there is a risk that the Resolution Authorities could use other resolution tools at their disposal if SCB were in resolution, either individually or in combination, to sell all or part of the business, including shares or other instruments of ownership issued by an institution, any assets, rights or liabilities, to another firm or to a bridge institution, and/or to transfer assets, rights or liabilities to a bridge institution and/or one or more asset management vehicles.

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 Noteholder will not lose all of its investment in the Notes in the event that the UK Resolution Authorities use their Bail-in Powers in this way.

***The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing such "benchmarks"***

Interest rates and indices which are deemed to be "benchmarks" are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a "benchmark". The Regulation (EU) 2016/1011 (the "Benchmarks Regulation") was published in the Official Journal of the European Union on 29 June 2016 and has applied since 1 January 2018. The Benchmarks Regulation applies

to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the European Union. It, among other things, (i) requires benchmark administrators to be authorised or registered (or, if non-European Union based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of “benchmarks” of administrators that are not authorised or registered (or, if non-European Union based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Notes linked to or referencing a “benchmark”, in particular, if the methodology or other terms of the “benchmark” are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the “benchmark”.

More broadly, any of the national or international reforms, or the general increased regulatory scrutiny of “benchmarks”, could increase the costs and risks of administering or otherwise participating in the setting of a “benchmark” and complying with any such regulations or requirements. Such factors may have the following effects on certain “benchmarks”: (i) discourage market participants from continuing to administer or contribute to the “benchmark”; (ii) trigger changes in the rules or methodologies used in the “benchmark” or (iii) lead to the disappearance of the “benchmark”. Any of the above changes or any other consequential changes as a result of national or international reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a “benchmark”.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Notes linked to or referencing a “benchmark”.

***The Group is subject to risks relating to the structure of particular Notes linked to LIBOR, or any other benchmark***

On 27 July 2017, Andrew Bailey, the Chief Executive of the FCA, announced the FCA’s intention to cease sustaining the London Interbank Offered Rate (“LIBOR”) from the end of 2021. The FCA has indicated that the current panel of banks will voluntarily sustain LIBOR until this point, but the FCA will no longer persuade or compel the panel of banks to do so thereafter. It is possible that the LIBOR administrator, ICE Benchmark Administration, and the panel of banks could continue to produce LIBOR voluntarily on the current basis after 2021. However, the survival of LIBOR in its current form, or at all, after 2021 is not guaranteed. The potential discontinuation of LIBOR or changes to the manner in which LIBOR is administered could lead to adverse consequences in respect of any Floating Rate Notes or Reset Notes where the interest rate applicable to such Notes is determined by reference to LIBOR. This could have a material adverse effect on the market value of an investment in, and the amount payable under, affected Notes.

Investors should be aware that if LIBOR, or any other benchmark, were discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes and Reset Notes which are linked to or which reference such benchmark will be determined for the relevant period by the fallback provisions applicable to such Notes. The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a published benchmark, such as LIBOR, (including any page on which such benchmark may be published (or any successor service)) becomes unavailable. These fallback arrangements may require or result in adjustments to the interest calculation provisions of the Terms and Conditions of the Notes. Even prior to the implementation of any changes to any benchmark, or to the interest calculation provisions based on such benchmark, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect the operation of such benchmark during the term of the relevant Notes, as well as potentially adversely affecting both the return on any Notes which are linked to or which reference such benchmark and the trading market for such Notes.

In certain situations in relation to Floating Rate Notes and/or Reset Notes, including the relevant benchmark (or the relevant component part(s) thereof) ceasing to be administered, where (in the case of Floating Rate Notes) the Primary Source for the Floating Rate is a Page or (in the case of Reset Notes) Mid-Swap Rate is specified to apply (any such Notes being “Relevant Notes”), the fallback arrangements referenced in the preceding paragraph will include the possibility that:

- (A) the relevant rate of interest (or, as applicable, component thereof) could be set or, as the case may be, determined by reference to a successor rate or an alternative rate (as applicable) determined by an Independent Advisor appointed by the Issuer or, if the Issuer is unable to appoint an Independent Advisor (having used reasonable endeavours) or the Independent Advisor appointed by the Issuer fails to make such determination, the Issuer; and
- (B) such successor rate or alternative rate (as applicable) may be adjusted (if required) by the relevant Independent Advisor or the Issuer (as applicable),

in each such case, with the Independent Adviser or Issuer (as applicable) acting in good faith and in a commercially reasonable manner, as more fully described in the Terms and Conditions of the Notes.

No consent of the Noteholders shall be required in connection with effecting any successor rate or alternative rate (as applicable). In addition, no consent of the Noteholders shall be required in connection with any other related adjustments and/or amendments to the Terms and Conditions of the Notes (or any other document) which are made in order to effect any successor rate or alternative rate (as applicable).

In certain circumstances, the ultimate fallback for a particular Interest Period or Reset Period (as applicable), including where no successor or alternative rate (as applicable) is determined, may be that the rate of interest for the last preceding Interest Period or Reset Period (as applicable) is used for the following Interest Period or Reset Period (as applicable). In addition, no successor or alternative rate (as applicable) will be adopted if and to the extent that, in the sole determination of the Issuer, the same prejudices, or could reasonably be expected to prejudice, the qualification of the Notes to form part of the Capital Resources of the Issuer or of the Group or the eligibility of the Notes to count towards the Issuer's or the Group's minimum requirements for own fund and eligible liabilities. This may result in the effective application of a fixed rate for Floating Rate Notes or Reset Notes (as applicable). In addition, due to the uncertainty concerning the availability of successor rates and alternative rates and the involvement of an Independent Adviser, the relevant fallback provisions may not operate as intended at the relevant time.

Any such consequences could have a material adverse effect on the value of and return on any such Notes. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant rate could affect the ability of the Issuer to meet its obligations under the Floating Rate Notes or Reset Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes or Reset Notes. Investors should note that, in the case of Relevant Notes, the relevant Independent Adviser or the Issuer (as applicable) will have discretion to adjust the relevant successor rate or alternative rate (as applicable) in the circumstances described above. Any such adjustment could have unexpected commercial consequences and there can be no assurance that, due to the particular circumstances of each Noteholders, any such adjustment will be favourable to each Holder. An Independent Adviser will be required to act in good faith as an expert and (in the absence of bad faith or fraud) shall have no liability whatsoever to the Issuer, the Trustee, the Paying Agents, the Noteholders or the Couponholders for any determination made by it or for any advice given to the Issuer in connection with any determination made by the Issuer in such circumstances.

Investors should consider all of these matters when making their investment decision with respect to the relevant Floating Rate Notes or Reset Notes.

## **2 Risks related to Notes denominated in Renminbi**

There are certain special risks associated with investing in any Notes denominated in Renminbi ("RMB Notes"). The Issuers believe that the factors described below represent the principal risks inherent in investing in RMB Notes issued, but the inability of an Issuer to pay interest, principal or other amounts on or in connection with RMB Notes may occur for other reasons and the Issuers do not represent that the statements below regarding the risks of holding RMB Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

### ***The Renminbi is not freely convertible and there are significant restrictions on remittance of Renminbi into and outside the PRC***

The Renminbi is not freely convertible at present. The government of the PRC (the "PRC government") continues to regulate conversion between the Renminbi and foreign currencies, including the Hong Kong dollar, despite the significant reduction of control over the years by the PRC government over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

Remittance of Renminbi by foreign investors into the PRC for the purposes of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually.

In respect of Renminbi foreign direct investments ("FDI"), on 13 October 2011, People's Bank of China (the "PBOC") issued the Measures on Administration of the RMB Settlement in relation to FDI (the "PBOC RMB FDI Measures"), to implement PBOC's detailed RMB FDI administration system. The system covers almost all aspects in relation to FDI, including capital injection, payment of purchase price in the acquisition of PRC domestic enterprises, repatriation of dividends and other distributions, as well as Renminbi denominated cross-border loans. On 14 June 2012, PBOC issued a circular setting out the operational guidelines for FDI. Under the PBOC RMB FDI Measures, special approval for RMB FDI and shareholder loans from the PBOC

which was previously required is no longer necessary. In some cases however, post-event filing with the PBOC may still be necessary.

On 3 December 2013, the Ministry of Commerce of the PRC (“MOFCOM”) promulgated the Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment (the “MOFCOM Circular”), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM Circular, the appropriate office of MOFCOM and/or its local counterparts will grant written approval for each FDI and specify “Renminbi Foreign Direct Investment” and the amount of capital contribution in the approval. Unlike previous MOFCOM regulations on FDI, the MOFCOM Circular removes the approval requirement for foreign investors who intend to change the currency of its existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular also clearly prohibits the FDI funds from being used for any investment in securities and financial derivatives (except for investment in the PRC listed companies as strategic investors) or for entrustment loans in the PRC.

The regulations referred to above will be subject to interpretation and application by the relevant PRC authorities.

Subject to the prior receipt of all necessary governmental approvals, an Issuer may remit the net proceeds from the offering of RMB Notes into the PRC. There is no assurance that such approvals will be granted and, if granted, will not be revoked or amended in the future. Although starting from 1 October 2016, the Renminbi has been added to the Special Drawing Rights basket created by the International Monetary Fund, there is no assurance that the PRC government will continue to gradually liberalise the control over cross-border RMB remittances in the future or that new PRC regulations will not be promulgated in the future which would have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. An Issuer may need to source Renminbi offshore to finance its obligations under RMB Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC which may be affected in the event that funds cannot be repatriated outside the PRC in Renminbi.

***There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of RMB Notes and an Issuer’s ability to source Renminbi outside China to service RMB Notes***

As a result of the restrictions imposed by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside of the PRC is limited. Since February 2004, in accordance with arrangements between the PRC central government and the Hong Kong government, licensed banks in Hong Kong may offer limited Renminbi-denominated banking services to Hong Kong residents and specified business customers. PBOC, the central bank of the PRC, has also established a Renminbi clearing and settlement system for participating banks in Hong Kong. On 19 July 2010, further amendments were made to the Settlement Agreement on the Clearing of RMB Business (the “Settlement Agreement”) between the PBOC and Bank of China (Hong Kong) Limited (the “RMB Clearing Bank”) to further expand the scope of RMB business for participating banks in Hong Kong. Pursuant to the revised arrangements, all corporations are allowed to open RMB accounts in Hong Kong; there is no longer any limit (other than as provided in the following paragraph) on the ability of corporations to convert RMB; and there will no longer be any restriction on the transfer of RMB funds between different accounts in Hong Kong. In addition, the PBOC has now established Renminbi clearing and settlement systems with financial institutions in other major global financial centres (each also a “RMB Clearing Bank”), including London, Frankfurt and Singapore to further internationalise the Renminbi.

However, the current size of Renminbi-denominated financial assets outside China is limited. Renminbi business participating banks do not have direct Renminbi liquidity support from PBOC. The Renminbi Clearing Bank will only have access to onshore liquidity support from PBOC to square open positions of participating banks for limited types of transactions and is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from the offshore market to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Agreement will not be terminated or amended in the future, which will have the effect of restricting availability of Renminbi offshore. The limited availability of Renminbi outside the PRC may affect the liquidity of RMB Notes. To the extent an Issuer is required to source Renminbi in the offshore market to service RMB Notes, there is no assurance that such Issuer will be able to source such Renminbi on satisfactory terms, if at all. If the Renminbi is not available in certain circumstances as described under “*Terms and Conditions of the Notes – Payments and Talons – Inconvertibility, Non-transferability or Illiquidity*”, the relevant Issuer can make payments under the Renminbi Notes in a currency other than Renminbi.

***Investment in RMB Notes is subject to exchange rate risks***

The value of the Renminbi against the U.S. dollar, the Hong Kong dollar and other currencies fluctuates and is affected by changes in the PRC and international, political and economic conditions and by many other

factors. In August 2015, PBOC implemented changes to the way it calculates the midpoint of the Renminbi against the U.S. dollar to take into account market-maker quotes before announcing the daily midpoint. This change, and others that may be implemented, may increase the volatility in the value of the Renminbi against other currencies. An Issuer will make all payments of interest and principal with respect to RMB Notes in Renminbi. As a result, the value of these Renminbi payments in foreign currency may vary with the prevailing exchange rates in the marketplace. For example, when an investor buys RMB Notes, such investor may need to convert foreign currency to Renminbi at the exchange rate available at that time. If the value of Renminbi depreciates against the relevant foreign currency between then and the time that the Issuer pays back the principal of RMB Notes in Renminbi at maturity, the value of the investment in the relevant foreign currency will have declined. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from an investment in the RMB Notes.

***Payments in respect of RMB Notes will only be made to investors in the manner specified in RMB Notes***

All payments to investors in respect of RMB Notes will be made solely (i) for so long as RMB Notes are represented by a Global Note or Global Certificate, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures, or (ii) for so long as RMB Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The relevant Issuer cannot be required to make payment by any other means (including in any other currency (unless this is specified in the Final Terms of the RMB Notes) or by transfer to a bank account in the PRC).

**3 *Risks related to the Notes generally***

Set out below is a brief description of certain risks relating to the Notes generally:

***Modification, waivers and substitution***

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of any of the Issuers, in the circumstances described in Condition 10 of the Terms and Conditions of the Notes. Any amendment to the Terms and Conditions of the Dated Subordinated Notes or to the Trust Deed is subject to the relevant Issuer having given notice to, and having received no objection from, the PRA (provided there is a requirement to give such notice).

***Changes to regulatory capital requirements***

***Implementation of and/or changes to the capital adequacy framework may result in changes to the risk-weighting of the Notes and/or loss absorption by Noteholders 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 Notes 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 Notes.

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 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. The Notes may be subject to these Regulatory Capital Write-Down Powers and/or Bail-In Powers (see *“Risks related to the structure of a particular issue of Notes – Notes issued under the Programme may be subject to statutory write-down or bail-in”* 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 BRRD and the Banking Act 2009”* above).

Any of the foregoing could affect the risk-weighting of the Notes 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 Notes may have an adverse effect on the position of holders of Senior Notes and/or Dated Subordinated Notes and, as a result, may affect the liquidity and/or value of the Notes. See *“The Group is exposed to the risk of regulators imposing new prudential standards, including increased capital, leverage, loss-absorbing capacity and liquidity requirements”* above.

In all other respects, the Issuers 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 Notes. Prospective investors in the Notes 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 also developed a new solvency framework for insurance companies, referred to as “Solvency II”. EU Member States were required to implement the Solvency II Directive by 31 March 2015 and firms had to 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 previous European insurance directives.

The Issuers cannot yet predict further the precise effects of the potential changes that might result from the implementation of Solvency II on the market value of the Notes, or their eligibility to be used to satisfy capital requirements under Solvency II. Prospective investors in the Notes 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.

### **Change of law**

The Terms and Conditions of the Notes are based on English law in effect as at the date of issue of the relevant Notes. 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 date of issue of the relevant Notes.

### **Notes issued under the Programme may be adversely affected by the Financial Institutions (Resolution) Ordinance**

On 7 July 2017, the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong (the “FIRO”) came into operation. The FIRO provides for, among other things, the establishment of a resolution regime for authorised institutions (such as SCB) and other within scope financial institutions in Hong Kong which may

be designated by the relevant resolution authorities. The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing authorised institution or within scope financial institution in Hong Kong. Where an authorised institution or within scope financial institution may be resolved, the relevant resolution authorities have the right to decide instead to resolve the authorised institution's or within scope financial institution's holding company (such as SCPLC) under certain circumstances. Subject to certain safeguards, the relevant resolution authorities are provided with powers to affect contractual and property rights as well as payments that creditors would receive in resolution. These may include, but are not limited to, powers to cancel, write off, modify, convert or replace all or a part of the Notes or the principal amount of, or interest on, the Notes, and powers to amend or alter the contractual provisions of the Notes, all of which may adversely affect the value of the Notes and may result in Noteholders suffering a loss of some or all of their investment. As FIRO is a relatively new legislation and certain details relating to FIRO remain to be set out through secondary legislation and supporting rules, at this time, it is not possible to assess the full impact of FIRO on the Group, the Group's counterparties, its operations and/or its financial position.

#### **4 Risks related to the market generally**

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

##### ***The secondary market generally***

Notes may have no established trading market when issued, and one may never develop (for example, Notes may be allocated to a limited pool of investors). If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes 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 Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have an adverse effect on the market value of Notes.

##### ***Exchange rate risks and exchange controls***

An Issuer will pay principal and interest on the Notes in the currency specified (the "Currency"). 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 the Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Currency 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 Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

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.

##### ***Interest rate risks***

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

##### ***Credit ratings assigned to Notes issued under the Programme***

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be suspended, reduced or withdrawn by the rating agency at any time. Each rating should be evaluated independently of any other rating. The suspension, reduction or withdrawal of a credit rating assigned to the Notes, or assignment of an unsolicited rating, might affect the trading behaviour of the relevant Notes and could have an adverse effect on their market price.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions (“Conditions”) that, save for the text in italics and subject to completion and minor amendment and as supplemented or varied in accordance with the provisions of the relevant Final Terms or Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each series of Notes (each a “Series”). Either (i) the full text of these terms and conditions together with the relevant provisions of the Final Terms or Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Final Terms or Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued under the Programme. Provisions in italics do not form part of the Conditions. References to the “Issuer” are to Standard Chartered PLC (“SCPLC”) or Standard Chartered Bank (“SCB”) as applicable as the relevant Issuer of the Notes as specified in the Final Terms or Pricing Supplement.*

*These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Final Terms or Pricing Supplement in relation to such Series.*

The Notes are constituted by an Amended and Restated Trust Deed dated 19 June 2018, which amends and restates an Amended and Restated Trust Deed dated 14 June 2017, and as further amended and/or supplemented as at the date of issue of the Notes (the “Issue Date”) (the “Trust Deed”) between SCPLC, SCB 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 Noteholders (as defined below). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Coupons and Talons referred to below. An Amended and Restated Agency Agreement dated 14 June 2017, which amends and restates an Amended and Restated Agency Agreement dated 10 October 2014 (and as amended and/or supplemented as at the Issue Date (the “Agency Agreement”)), was entered into in relation to the Notes between SCPLC, SCB, the Trustee and The Bank of New York Mellon, London Office as issuing and paying agent, paying agent, transfer agent and calculation agent, The Bank of New York Mellon SA/NV Luxembourg Branch as paying agent, registrar and transfer agent, The Bank of New York Mellon as CMU Paying Agent and CMU Lodging Agent (the “CMU Lodging Agent”, which expression shall include any successor CMU lodging agents), and The Bank of New York Mellon as exchange agent, paying agent and registrar and the other agents named therein. The issuing and paying agent, the paying agents, the registrars, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the “Issuing and Paying Agent”, the “Paying Agents” (which expression shall include the Issuing and Paying Agent and the CMU Lodging Agent), the “Registrar”, the “Transfer Agents” (which expression shall include the Registrar) and the “Calculation Agent(s)”. Copies of the Trust Deed and the Agency Agreement referred to above are available for inspection free of charge during usual business hours at the registered office of the Trustee (presently at One Canada Square, London E14 5AL) and at the specified offices of the Paying Agents and the Transfer Agents, save that, if any Series of Notes is neither admitted to trading on a regulated market within the European Economic Area (“EEA”) nor offered in the EEA in circumstances where a prospectus is required to be published pursuant to European Union Directive 2003/71/EC, as amended, to the extent that such amendments have been implemented in the relevant member state of the EEA (the “Prospectus Directive”), the applicable pricing supplement will only be available for inspection by a Noteholder holding one or more Notes of the Series and such Noteholder must produce evidence satisfactory to the relevant Issuer and the Trustee or, as the case may be, the relevant Paying Agent as to its holding of such Notes and identity. For the purposes of these Conditions, all references (other than in relation to the determination of interest and other amounts payable in respect of the Notes) to the Issuing and Paying Agent shall, with respect to a Series of Notes to be held in the Hong Kong Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the “CMU Service”), be deemed to be a reference to the CMU Lodging Agent and all such references shall be construed accordingly.

The Noteholders, the holders of the interest coupons (the “Coupons”) appertaining to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the “Talons”) (the “Couponholders”), are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the applicable Final Terms or Pricing Supplement and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

The Final Terms or Pricing Supplement (as applicable) for this Note (or the relevant provisions thereof) are attached to or endorsed on this Note. Part A of the Final Terms or Pricing Supplement (as applicable) supplements these Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify these Conditions for the purposes of this Note. References to the “applicable Final Terms” are to the Final Terms (or relevant provisions thereof) attached to or endorsed on this Note. References to the “applicable Pricing Supplement” are to the Pricing Supplement (or relevant provisions thereof) attached to or endorsed on this Note.

As used in these Conditions, “Tranche” means Notes which are identical in all respects.

## **1. Form, Denomination and Title**

The Notes are issued in bearer form (“Bearer Notes”, which expression includes Notes that are specified to be Exchangeable Bearer Notes), in registered form (“Registered Notes”) or in bearer form exchangeable for Registered Notes (“Exchangeable Bearer Notes”) in each case in the Denomination(s) specified hereon save that the minimum denomination of each Note admitted to trading on a European Economic Area exchange and/or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be at least €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency) or such other higher amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Relevant Currency.

*All Registered Notes shall have the same Denomination. Where Exchangeable Bearer Notes are issued, the Registered Notes for which they are exchangeable shall have the same Denomination as the lowest denomination of Exchangeable Bearer Notes. Unless otherwise permitted by the then current laws and regulations, Notes issued by SCPLC which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by SCPLC in the United Kingdom or whose issue would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (“FSMA”) will have a minimum Denomination of £100,000 (or its equivalent in other currencies). Notes sold in reliance on Rule 144A will be in minimum Denominations of U.S.\$200,000 (or its equivalent in another currency) and integral multiples of U.S.\$1,000 (or its equivalent in another currency) in excess thereof, subject to compliance with all legal and/or regulatory requirements applicable to the relevant jurisdiction.*

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Notes that do not bear interest in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable.

Registered Notes are represented by registered certificates (“Certificates”) and, save as provided in Condition 2(c), each Certificate shall represent a holder's entire holding of Registered Notes.

Title to the Bearer Notes and the Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “Register”). The Issuer may appoint a registrar (the “Alternative Registrar”) in accordance with the provisions of the Agency Agreement other than the Registrar in relation to any Series comprising Registered Notes. In these Conditions, “Registrar” includes, if applicable, in relation to any Series comprising Registered Notes, the Registrar or, as the case may be, the Alternative Registrar, as specified hereon. Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Coupon or Talon 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 an 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.

In these Conditions, “Noteholder” means the bearer of any Bearer Note or the person in whose name a Registered Note is registered (as the case may be), “holder” (in relation to a Note, Coupon or Talon) means the bearer of any Bearer Note, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

## **2. Exchanges of Exchangeable Bearer Notes and Transfers of Registered Notes**

### **(a) Exchange of Exchangeable Bearer Notes**

Subject as provided in Condition 2(f), Exchangeable Bearer Notes may be exchanged for the same aggregate principal amount of Registered Notes at the request in writing of the relevant Noteholder and upon surrender of each Exchangeable Bearer Note to be exchanged, together with all unmatured Coupons and Talons relating to it, at the specified office of any Transfer Agent; provided, however, that where an Exchangeable Bearer Note is surrendered for exchange after the Record Date (as defined in Condition 6(b)) for any payment of interest, the Coupon in respect of that payment of interest need not be surrendered with it. Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Denomination may not be exchanged for Bearer Notes of another Denomination. Bearer Notes that are not Exchangeable Bearer Notes may not be exchanged for Registered Notes.

### **(b) Transfer of Registered Notes**

One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require without service charge and subject to payment of

any taxes, duties and other governmental charges in respect of such transfer. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor.

**(c) Exercise of Options or Partial Redemption in Respect of Registered Notes**

In the case of an exercise of an Issuer's or Noteholder's option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

**(d) Delivery of New Certificates**

Each new Certificate to be issued pursuant to Conditions 2(a), (b) or (c) shall be available for delivery within three business days of receipt of the request for exchange, form of transfer or Exercise Notice or surrender of the Certificate for exchange. Delivery of the 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 or surrender of such request for exchange, form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant request for exchange, form of transfer, Exercise Notice 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 Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "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.

**(e) Exchange Free of Charge**

Exchange and transfer of Notes and Certificates on registration, transfer or exercise of an option 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).

**(f) Closed Periods**

No Noteholder may require the transfer of a Registered Note to be registered or an Exchangeable Bearer Note to be exchanged for one or more Registered Note(s) (i) during the period of 15 days ending on the due date for redemption of that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 5(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date. An Exchangeable Bearer Note called for redemption may, however, be exchanged for one or more Registered Note(s) in respect of which the Certificate is simultaneously surrendered not later than the relevant Record Date.

**3. Status**

**(a) Status of Senior Notes**

The Senior Notes (being those Notes that specify their Status as Senior) and the Coupons relating to them constitute direct and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Senior Notes and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.

**(b) Status of Dated Subordinated Notes**

The Dated Subordinated Notes (being those Notes that specify their Status as Dated Subordinated) and the Coupons relating to them constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves.

The rights and claims of Noteholders and Couponholders against the Issuer to payment in respect of the Dated Subordinated Notes (including, without limitation, any payments in respect of damages awarded for breach of any obligations) are, in the event of the winding-up of the Issuer or in an administration of the Issuer following notice by the administrator of an intention to declare and distribute a dividend, subordinated in right of payment in the manner provided in the Trust Deed to the claims of all Senior Creditors (as defined below). Accordingly, amounts (whether principal, interest or otherwise) in respect of the Notes and Coupons shall be payable in such winding-up or such administration following notice by the administrator of an intention to declare and distribute a dividend, only if and to the extent that the Issuer could be considered solvent at the time of payment thereof and still be considered solvent immediately thereafter. For this purpose, the Issuer shall be considered solvent if both (i) it is able to pay its debts to Senior Creditors as they fall due and (ii) its Assets exceed its Liabilities to Senior Creditors.

A report as to the solvency of the Issuer by two Directors of the Issuer or, in certain circumstances as provided in the Trust Deed, the Auditors or, if the Issuer is being wound up, its liquidator shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee and the Dated Subordinated Noteholders and Couponholders as correct and sufficient evidence thereof.

**(c) Set-off and excess payment**

Subject to applicable law, no Noteholder or Couponholder may exercise, claim or plead any right of set-off, counter-claim or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Senior Notes, the Dated Subordinated Notes or the Coupons in respect of them and each Noteholder and Couponholder shall, by virtue of being the holder of any Senior Note, Dated Subordinated Note or, as the case may be, Coupon in relation to them, be deemed to have waived all such rights of such set-off, counter-claim or retention. Notwithstanding the preceding sentence, if any of the amounts owing to any Noteholder or Couponholder by the Issuer under or in connection with the Senior Notes and/or Dated Subordinated Notes is discharged by set-off, such Noteholder or Couponholder, as the case may be, 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 administrator as appropriate 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 administrator as appropriate of the Issuer (as the case may be), and accordingly any such discharge shall be deemed not to have taken place.

For the purposes of Conditions 3(b) and (c):

“*Assets*” means the non-consolidated gross assets of the Issuer as shown by the then latest published balance sheet of the Issuer but adjusted for contingencies and for subsequent events and to such extent as two Directors of the Issuer, the Auditors or the liquidator of the Issuer (as the case may be) may determine to be appropriate;

“*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 Trust Deed, 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 by the then latest published balance sheet of the Issuer but adjusted for contingencies and for subsequent events and to such extent as two Directors of the Issuer, the Auditors or the liquidator of the Issuer (as the case may be) may determine to be appropriate; and

“*Senior Creditor*” means any creditor of the Issuer (and, for the purposes of Condition 10(c) only, any creditor of a Holding Company of the Issuer that is substituted for such Issuer in which case references in (i) and (ii) below to the Issuer shall be construed as referring to such Holding Company) whose claims have been accepted by the liquidator in the winding-up of the Issuer, not being a creditor:

(i) whose right to repayment ranks or is expressed to rank postponed to or subordinate to that of unsubordinated creditors of the Issuer; or

(ii) whose right to repayment is made subject to a condition or is restricted (whether by operation of law or otherwise) or is expressed to be restricted in each case such that the amount which may be claimed for his own retention by such creditor in the event that the Issuer is not solvent is less than in the event that the Issuer is solvent; or

(iii) whose debt is irrecoverable or expressed to be irrecoverable unless the persons entitled to payment of principal and interest in respect of the Dated Subordinated Notes recover the amounts of such principal and interest which such persons would be entitled to recover if payment of such principal and interest to such persons were not subject to any condition.

#### **4. Interest and other Calculations**

##### **(a) Interest Rate and Accrual**

Each Note bears interest on its outstanding principal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Interest Rate, such interest being payable in arrear on each Interest Payment Date.

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which event interest shall continue to accrue (after as well as before judgment) at the Interest Rate in the manner provided in this Condition 4 to the Relevant Date.

The amount of interest payable shall be determined in accordance with Condition 4(h).

##### **(b) Business Day Convention**

If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (i) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such date shall be brought forward to the immediately preceding Business Day and (B) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (ii) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (iii) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (iv) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

##### **(c) Interest Rate on Floating Rate Notes**

If the Interest Rate is specified as being Floating Rate, the Interest Rate for each Interest Accrual Period shall be determined by the Calculation Agent at or about the Relevant Time on the Interest Determination Date in respect of each Interest Accrual Period in accordance with the following:

- (i) subject to Condition 4(f), if the Primary Source for the Floating Rate is a Page, subject as provided below, the Interest Rate shall be:
  - (A) the Relevant Rate (where such Relevant Rate on such Page is a composite quotation or is customarily supplied by one entity); or
  - (B) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Page,

in each case appearing on such Page at the Relevant Time on the Interest Determination Date;

- (ii) subject to Condition 4(f), if the Primary Source for the Floating Rate is Reference Banks or if sub-paragraph (i)(A) applies and no Relevant Rate appears on the Page at the Relevant Time on the Interest Determination Date or if sub-paragraph (i)(B) above applies and fewer than two Relevant Rates appear on the Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Interest Rate shall be the arithmetic mean of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre at the Relevant Time on the Interest Determination Date, as determined by the Calculation Agent;
- (iii) if paragraph (ii) above applies and the Calculation Agent determines that fewer than two Reference Banks are so quoting Relevant Rates, subject as provided below, the Interest Rate shall be the arithmetic mean of the rates per annum (expressed as a percentage) that the Calculation Agent determines to be the rates (being the nearest equivalent to the Benchmark) in respect of a Representative Amount of the Relevant Currency that at least two out of five leading banks selected by the Calculation Agent in the principal financial centre of the country of the Relevant Currency or, if the Relevant Currency is euro, in the Eurozone (the "Principal Financial Centre") are quoting at or about the Relevant Time on the date on which such banks would customarily quote such rates for a period commencing on the Effective Date for a period equivalent to the Specified Duration (x) to leading banks carrying on business in Europe, or (if the Calculation Agent determines that fewer than two of such banks are so quoting to leading banks in Europe) (y) to leading banks carrying on business in the Principal Financial Centre; except that, if fewer than two of such banks are so quoting to leading banks in the Principal Financial Centre, the Interest Rate shall be the Interest Rate determined on the previous Interest Determination Date (after readjustment for any difference

between any Margin, Rate Multiplier or Maximum or Minimum Interest Rate applicable to the preceding Interest Accrual Period and to the relevant Interest Accrual Period).

Where Linear Interpolation is specified hereon as applicable in respect of an Interest Accrual Period, the Interest Rate for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the Relevant Rate, one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period provided however that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

**(d) Interest Rate on Zero Coupon Notes**

Where a Note the Interest Rate of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Interest Rate for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as determined in accordance with Condition 5(b)).

**(e) Interest Rate on Reset Notes**

(i) If Notes are specified as being Reset Notes (each a "Reset Note"), each Reset Note shall bear interest:

- (A) from (and including) the Interest Commencement Date specified hereon until (but excluding) the First Reset Date at the rate per annum equal to the Initial Rate of Interest;
- (B) from (and including) the First Reset Date until (but excluding) the Second Reset Date or, if no such Second Reset Date is specified hereon, the Maturity Date, at the rate per annum equal to the First Reset Rate of Interest; and
- (C) for each Subsequent Reset Period thereafter (if any), at the rate per annum equal to the relevant Subsequent Reset Rate of Interest,

in each case, payable in arrear on each Interest Payment Date. The first payment of interest will be made on the first Interest Payment Date following the Interest Commencement Date.

(ii) Subject to Condition 4(f), if Mid-Swap Rate is specified hereon and on any Reset Determination Date the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page, the Calculation Agent shall request each of the Reference Banks (as defined below) to provide the Calculation Agent with its Mid-Market Swap Rate Quotation as at approximately 11.00 a.m. in the principal financial centre of the Relevant Currency on the Reset Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with Mid-Market Swap Rate Quotations, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the relevant Reset Period shall be the sum of the arithmetic mean (rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the relevant Mid-Market Swap Rate Quotations and the First Margin or Subsequent Margin (as applicable), all as determined by the Calculation Agent. If on any Reset Determination Date only one or none of the Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this paragraph, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) shall be determined to be the Interest Rate as at the last preceding Reset Date or, in the case of the first Reset Determination Date, the First Reset Rate of Interest shall be the Initial Rate of Interest.

(iii) For the purposes of this Condition 4(e):

*"Benchmark Gilt"* means, in respect of a Reset Period, such United Kingdom government security having a maturity date on or about the last day of such Reset Period as the Calculation Agent, with the advice of the Reference Banks, may determine to be appropriate;

*"Benchmark Gilt Rate"* means, in respect of a Reset Period, the gross redemption yield (as calculated by the Calculation Agent in accordance with generally accepted market practice at such time) on a semi-annual compounding basis (converted to an annualised yield and rounded up (if necessary) to four decimal places) of the Benchmark Gilt in respect of that Reset Period, with the price of the Benchmark Gilt for this purpose being the arithmetic average (rounded up (if necessary) to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered prices of such Benchmark Gilt quoted by the Reference Banks at 3.00 p.m. (London time) on the relevant Reset Determination Date on a dealing basis for settlement on the next following dealing day in London. If at least four quotations are provided, the Benchmark Gilt Rate will be the rounded



arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two or three quotations are provided, the Benchmark Gilt Rate will be the rounded arithmetic mean of the quotations provided. If only one quotation is provided, the Benchmark Gilt Rate will be the rounded quotation provided. If no quotations are provided, the Benchmark Gilt Rate will be determined by the Calculation Agent in its sole discretion following consultation with the Issuer;

*“dealing day”* means a day, other than a Saturday or Sunday, on which the London Stock Exchange (or such other stock exchange on which the Benchmark Gilt is at the relevant time listed) is ordinarily open for the trading of securities;

*“First Margin”* means the margin specified hereon;

*“First Reset Date”* means the date specified hereon;

*“First Reset Period”* means the period from (and including) the First Reset Date until (but excluding) the Second Reset Date or, if no such Second Reset Date is specified hereon, the Maturity Date;

*“First Reset Rate of Interest”* means, in respect of the First Reset Period and subject to Condition 4(e)(ii) (where applicable), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Reset Rate and the First Margin;

*“Initial Rate of Interest”* has the meaning specified hereon;

*“Interest Rate”* means the Initial Rate of Interest, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest, as applicable;

*“Mid-Market Swap Rate”* means for any Reset Period the mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the frequency with which scheduled interest payments are payable on the Notes during the relevant Reset Period (calculated on the day count basis customary for fixed rate payments in the Relevant Currency as determined by the Calculation Agent) of a fixed-for-floating interest rate swap transaction in the Relevant Currency which transaction (i) has a term equal to the relevant Reset Period and commencing on the relevant Reset Date, (ii) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (iii) has a floating leg based on the Mid-Swap Floating Leg Benchmark Rate for the Mid-Swap Maturity (calculated on the day count basis customary for floating rate payments in the Relevant Currency as determined by the Calculation Agent);

*“Mid-Market Swap Rate Quotation”* means a quotation (expressed as a percentage rate per annum) for the relevant Mid-Market Swap Rate;

*“Mid-Swap Floating Leg Benchmark Rate”* means EURIBOR if the Relevant Currency is euro or LIBOR for the Relevant Currency if the Relevant Currency is not euro;

*“Mid-Swap Maturity”* has the meaning specified hereon;

*“Mid-Swap Rate”* means, in relation to a Reset Determination Date and subject to Condition 4(e)(ii), either:

- (i) if Single Mid-Swap Rate is specified hereon, the rate for swaps in the Relevant Currency:
  - (A) with a term equal to the relevant Reset Period; and
  - (B) commencing on the relevant Reset Date,which appears on the Relevant Screen Page; or
- (ii) if Mean Mid-Swap Rate is specified hereon, the arithmetic mean (expressed as a percentage rate per annum and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered swap rate quotations for swaps in the Relevant Currency:
  - (A) with a term equal to the relevant Reset Period; and
  - (B) commencing on the relevant Reset Date,which appear on the Relevant Screen Page,

in either case, as at approximately 11.00 a.m. in the principal financial centre of the Relevant Currency on such Reset Determination Date, all as determined by the Calculation Agent provided, however, that if there is no such rate appearing on the Relevant Screen Page for a term equal to the relevant Reset Period, then the Mid-Swap Rate shall be determined through the use of straight-line interpolation by reference to two rates, one of which shall be determined in accordance with the above provision, but as if the relevant Reset Period were the period of time for which rates are available next shorter than the length of the actual Rest

Period and the other of which shall be determined in accordance with the above provision, but as if the relevant Reset Period were the period of time for which rates are available next longer than the length of the actual Reset Period;

*“Reference Banks”* means:

- (i) for the purposes of Condition 4(e)(ii), five leading swap dealers in the principal interbank market relating to the Relevant Currency selected by the Calculation Agent in its discretion after consultation with the Issuer; or
- (ii) in the case of a Benchmark Gilt Rate, five brokers of gilts and/or gilt-edged market makers selected by the Calculation Agent in its discretion after consultation with the Issuer;

*“Reference Bond”* means for any Reset Period a government security or securities issued by the government of the state responsible for issuing the Relevant Currency (which, if the Relevant Currency is euro, shall be Germany) selected by the Calculation Agent in its discretion after consultation with the Issuer as having an actual or interpolated maturity comparable with the relevant Reset Period and that (in the opinion of the Calculation Agent, after consultation with the Issuer) would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issuances of corporate debt securities denominated in the Relevant Currency and of a comparable maturity to the relevant Reset Period;

*“Reference Bond Dealer”* means each of five banks which are primary government securities dealers or market makers in pricing corporate bond issuances, as selected by the Calculation Agent in its discretion after consultation with the Issuer;

*“Reference Bond Dealer Quotations”* means, with respect to each Reference Bond Dealer and the Reset Determination Date, the arithmetic mean, as determined by the Calculation Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) as at approximately 11.00 a.m. in the principal financial centre of the Relevant Currency on the Reset Determination Date and quoted in writing to the Calculation Agent by such Reference Bond Dealer;

*“Reference Bond Price”* means, with respect to a Reset Determination Date, (a) the arithmetic mean of the Reference Bond Dealer Quotations for that Reset Determination Date, after excluding the highest and lowest such Reference Bond Dealer Quotations, or (b) if the Calculation Agent obtains fewer than four such Reference Bond Dealer Quotations, the arithmetic mean of all such quotations or (c) if the Calculation Agent obtains only one Reference Bond Dealer Quotation or if the Calculation Agent obtains no Reference Bond Dealer Quotations, the Subsequent Reset Rate of Interest shall be that which was determined on the last preceding Reset Determination Date or, in the case of the first Reset Determination Date, the First Reset Rate of Interest shall be the Initial Rate of Interest;

*“Reference Bond Rate”* means, in respect of a Reset Period, the annual yield to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Bond, assuming a price for such Reference Bond (expressed as a percentage of its nominal amount) equal to the Reference Bond Price;

*“Relevant Screen Page”* means the page, section, column or other part of a particular information service (including, but not limited to, the Reuters Markets 3000) specified hereon, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service;

*“Reset Date”* means the First Reset Date, the Second Reset Date (if any) and each Subsequent Reset Date (if any), as applicable, in each case as adjusted (if so specified hereon) in accordance with Condition 4(b) as if the relevant Reset Date was an Interest Payment Date;

*“Reset Determination Date”* means, in respect of the First Reset Period, the second Business Day prior to the First Reset Date, in respect of the first Subsequent Reset Period, the second Business Day prior to the Second Reset Date and, in respect of each Subsequent Reset Period thereafter, the second Business Day prior to the first day of each such Subsequent Reset Period;

*“Reset Period”* means the First Reset Period or a Subsequent Reset Period, as the case may be;

*“Reset Rate”* means:

- (i) if Mid-Swap Rate is specified hereon, the relevant Mid-Swap Rate;
- (ii) if Benchmark Gilt Rate is specified hereon, the relevant Benchmark Gilt Rate; or
- (iii) if Reference Bond is specified hereon, the relevant Reference Bond Rate;

*“Second Reset Date”* means the date specified hereon;

*“Subsequent Margin”* means the margin specified hereon;

“*Subsequent Reset Date*” means the date or dates specified hereon;

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

“*Subsequent Reset Rate of Interest*” means, in respect of any Subsequent Reset Period and subject to Condition 4(e)(ii) (where applicable), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Reset Rate and the relevant Subsequent Margin.

**(f) Relevant Rate, Mid-Swap Rate or Mid-Swap Floating Leg Benchmark Rate Replacement**

(i) If:

- (A) (in relation to Floating Rate Notes) the Primary Source for the Floating Rate is a Page or (in relation to Reset Notes) Mid-Swap Rate is specified hereon; and
- (B) the Issuer determines in its sole discretion, including, but not limited to, on the basis of any public statement by the administrator or the supervisor of the administrator of the Relevant Rate, Mid-Swap Rate (or the relevant component part(s) thereof) or Mid-Swap Floating Leg Benchmark Rate (as applicable) specified hereon, that the Relevant Rate, Mid-Swap Rate (or the relevant component part(s) thereof) or Mid-Swap Floating Leg Benchmark Rate (as applicable) has ceased (or will cease, prior to the next following Interest Determination Date or Reset Determination Date, as applicable) to be calculated or administered or published by the relevant administrator (in circumstances where no successor administrator has been appointed that will continue publication of the Relevant Rate, Mid-Swap Rate (or the relevant component part(s) thereof) or Mid-Swap Floating Leg Benchmark Rate (as applicable)), or that there has otherwise taken place (or will otherwise take place, prior to the next following Interest Determination Date or Reset Determination Date, as applicable) a change in customary market practice in the international capital markets applicable generally to floating rate notes or reset notes denominated in the Relevant Currency (determined according to factors including, but not limited to, public statements, opinions and publications of industry bodies and organisations) to refer to a base rate other than the Relevant Rate, Mid-Swap Rate or Mid-Swap Floating Leg Benchmark Rate (as applicable) specified hereon despite the continued existence of such Relevant Rate, Mid-Swap Rate or Mid-Swap Floating Leg Benchmark Rate (as applicable), when any Rate of Interest (or component thereof) remains to be determined by reference to the Relevant Rate, Mid-Swap Rate or Mid-Swap Floating Leg Benchmark Rate (as applicable),

then the following provisions shall apply to the applicable series of Notes.

- (ii) The Issuer shall use reasonable endeavours to appoint an Independent Adviser, at the Issuer’s own expense, to determine a Successor Relevant Rate or, if such Independent Adviser is unable to determine a Successor Relevant Rate, an Alternative Relevant Rate and, in each case, an Adjustment Spread (if any) (in any such case, acting in good faith and in a commercially reasonable manner) for the purposes of determining the Rate of Interest applicable to the Notes for all future Interest Periods (subject to the subsequent operation of this Condition 4(f) during any other future Interest Period(s)). An Independent Advisor appointed pursuant to this Condition 4(f) shall act in good faith as an expert and (in the absence of bad faith or fraud) shall have no liability whatsoever to the Issuer, the Trustee, the Paying Agents, the Noteholders or the Couponholders for any determination made by it or for any advice given to the Issuer in connection with any determination made by the Issuer, pursuant to this Condition 4(f).
- (iii) Subject to paragraph (iv) of this Condition 4(f), if:
  - (A) the relevant Independent Adviser (acting in good faith and in a commercially reasonable manner), no later than five Business Days prior to the Interest Determination Date or Reset Determination Date relating to the next Interest Period or Reset Period, in each case as applicable (the “*IA Determination Cut-off Date*”), determines a Successor Relevant Rate or, if such Independent Adviser fails to determine a Successor Relevant Rate, an Alternative Relevant Rate and, in each case, an Adjustment Spread (if any) (in any such case, acting in good faith and in a commercially reasonable manner) for the purposes of determining the Rate of Interest applicable to the Notes for all future Interest Periods or Reset Periods, as applicable, subject to the subsequent operation of this Condition 4(f) during any other future Interest Period(s) or Reset Period(s) as applicable); or
  - (B) the Issuer is unable to appoint an Independent Adviser having used reasonable endeavours, or the Independent Adviser appointed by the Issuer in accordance with paragraph (ii) of this Condition 4(f) fails to determine a Successor Relevant Rate or an Alternative Relevant Rate prior to the relevant IA Determination Cut-off Date and the Issuer (acting in good faith and in a commercially reasonable manner), no later than three Business Days prior to the Interest Determination Date or Reset Determination Date, as applicable, relating to the next Interest Period (the “*Issuer Determination Cut-off Date*”), determines a Successor Relevant Rate or, if the Issuer fails to determine a Successor

Relevant Rate, an Alternative Relevant Rate (as applicable) and, in each case, an Adjustment Spread (if any) (in any such case, acting in good faith and in a commercially reasonable manner) for the purposes of determining the Rate of Interest applicable to the Notes for all future Interest Periods or Reset Periods, as applicable (subject to the subsequent operation of this Condition 4(f) during any other future Interest Period(s) or Reset Period(s), as applicable),

then:

- (x) such Successor Relevant Rate or Alternative Relevant Rate (as applicable), in each case as adjusted in accordance with paragraph (y) below shall be the Relevant Rate, Mid-Swap Rate or Mid-Swap Floating Leg Benchmark Rate (as applicable) for all future Interest Periods or Reset Periods, as applicable (subject to the subsequent operation of this Condition 4(f) during any other future Interest Period(s) or Reset Period(s), as applicable).

Without prejudice to the definitions thereof, for the purposes of determining a Successor Relevant Rate or Alternative Relevant Rate, the Independent Adviser or the Issuer will take into account relevant and applicable market precedents as well as any published guidance from relevant associations involved in the establishment of market standards and/or protocols in the international debt capital markets and such other materials as the Independent Adviser or the Issuer, as the case may be, in its sole discretion, considers appropriate; and

- (y) if the relevant Independent Adviser or the Issuer (as applicable):

- (A) determines that an Adjustment Spread is required to be applied to the Successor Relevant Rate or Alternative Relevant Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to such Successor Relevant Rate or Alternative Relevant Rate (as applicable) for all future Interest Periods or Reset Periods, as applicable (subject to the subsequent operation of this Condition 4(f)); or

- (B) is unable to determine the quantum of, or a formula or methodology for determining, an Adjustment Spread, or determines that no such Adjustment Spread is required, then such Successor Relevant Rate or Alternative Relevant Rate (as applicable) will apply without an Adjustment Spread for all future Interest Periods or Reset Periods, as applicable (subject to the subsequent operation of this Condition 4(f)).

Without prejudice to the definition thereof, for the purposes of determining an Adjustment Spread (if any), the Issuer will take into account relevant and applicable market precedents as well as any published guidance from relevant associations involved in the establishment of market standards and/or protocols in the international debt capital markets and such other materials as the Issuer, in its sole discretion, considers appropriate.

- (iv) Notwithstanding paragraph (iii) of this Condition 4(f), if:

- (A) the Independent Adviser appointed by the Issuer in accordance with paragraph (ii) of this Condition 4(f) notifies the Issuer prior to the IA Determination Cut-off Date that it has determined that no Successor Relevant Rate or Alternative Relevant Rate exists; or

- (B) the Independent Adviser appointed by the Issuer in accordance with paragraph (ii) of this Condition 4(f) fails to determine a Successor Relevant Rate or an Alternative Relevant Rate prior to the relevant IA Determination Cut-off Date, without notifying the Issuer as contemplated in sub-paragraph (iv)(A) of this Condition 4(f), and the Issuer (acting in good faith and in a commercially reasonable manner) determines prior to the Issuer Determination Cut-off Date that no Successor Relevant Rate or Alternative Relevant Rate exists; or

- (C) neither a Successor Relevant Rate nor an Alternative Relevant Rate is otherwise determined in accordance with paragraph (iii) of this Condition 4(f) prior to the Issuer Determination Cut-off Date,

the relevant Rate of Interest shall be determined as at the last preceding Interest Determination Date or Reset Determination Date, as applicable or, in the case of the first Interest Determination Date, the Rate of Interest shall be the Initial Rate of Interest (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to the last preceding Interest Period).

This paragraph (iv) shall apply to the relevant Interest Period or Reset Period, as applicable, only. Any subsequent Interest Period(s) or Reset Period(s) shall be subject to the operation of this Condition 4(f).

- (v) Promptly following the determination of any Successor Relevant Rate or Alternative Relevant Rate (as applicable) as described in this Condition 4(f), the Issuer shall give notice thereof and of any Adjustment Spread (and the effective date(s) thereof) pursuant to this Condition 4(f) to the Trustee, the Paying Agent and the Noteholders.

(vi) No later than notifying the Trustee of the same, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer confirming (i) the Successor Relevant Rate or, as the case may be, the Alternative Relevant Rate and, (ii) where applicable, any Adjustment Spread, in each case as determined in accordance with the provisions of this Condition 4(f). The Trustee shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Reference Rate or Alternative Reference Rate and the Adjustment Spread (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Reference Rate or Alternative Reference Rate and the Adjustment Spread (if any) and without prejudice to the Trustee's ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Calculation Agent, the Paying Agents, the Noteholders and the Couponholders.

(vii) Subject to receipt by the Trustee of a certificate signed by two directors of the Issuer pursuant to Condition 4(f)(vi) above, the Trustee and the Paying Agent shall, at the direction and expense of the Issuer, effect such waivers and consequential amendments to the Trust Deed, the Agency Agreement, these Conditions and any other document as the Issuer, following consultation with the Independent Adviser and acting in good faith, determines may be required to give effect to any application of this Condition 4(f), including, but not limited to:

(A) changes to these Conditions which the relevant Independent Adviser or the Issuer (as applicable) determines may be required in order to follow market practice (determined according to factors including, but not limited to, public statements, opinions and publications of industry bodies and organisations) in relation to such Successor Relevant Rate or Alternative Relevant Rate (as applicable), including, but not limited to (A) the Business Day, Business Day Convention, Day Count Fraction, Interest Determination Date, Reset Determination Date, Reference Banks, Relevant Financial Centre, Page and/or Relevant Time applicable to the Notes and (B) the method for determining the fallback to the Rate of Interest in relation to the Notes if such Successor Relevant Rate or Alternative Relevant Rate (as applicable) is not available; and

(B) any other changes which the relevant Independent Adviser or the Issuer in consultation with the Independent Adviser (as applicable) determines acting in good faith are reasonably necessary to ensure the proper operation and comparability to the Relevant Rate, Mid-Swap Rate or Mid-Swap Floating Leg Benchmark Rate (as applicable) of such Successor Relevant Rate or Alternative Relevant Rate (as applicable),

which changes shall apply to the Notes for all future Interest Periods or Reset Periods, as applicable (subject to the subsequent operation of this Condition 4(f)).

(viii) Subject to receipt by the Trustee of a certificate signed by two directors of the Issuer pursuant to Condition 4(f)(vi) above, no consent of the Noteholders shall be required in connection with effecting the relevant Successor Relevant Rate or Alternative Relevant Rate as described in this Condition 4(f) or such other relevant adjustments pursuant to this Condition 4(f), or any Adjustment Spread, including for the execution of, or amendment to, any documents or the taking of other steps by the Issuer or any of the parties to the Trust Deed and/or the Agency Agreement (if required).

(ix) Notwithstanding any other provision of this Condition 4(f), no Successor Relevant Rate or Alternative Relevant Rate will be adopted, and no other amendments to the terms of the Notes will be made pursuant to this Condition 4(f), if and to the extent that, in the sole determination of the Issuer, the same prejudices, or could reasonably be expected to prejudice, the qualification of the Notes to form part of the Capital Resources of the Issuer or of the Group or the eligibility of the Notes to count towards the Issuer's or the Group's minimum requirements for own fund and eligible liabilities.

**(g) Margin, Maximum/Minimum Interest Rates and Redemption Amounts, Rate Multipliers and Rounding**

(i) If any Margin or Rate Multiplier is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Interest Rates, in the case of (x), or the Interest Rates for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 4(c) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin or multiplying by such Rate Multiplier, subject always to the next paragraph.

(ii) If any Maximum Interest Rate or Minimum Interest Rate is specified hereon, then any Interest Rate shall be subject to such maximum or minimum, as the case may be.

(iii) If any Maximum Call Option Redemption Amount or Minimum Call Option Redemption Amount is specified hereon, then any Call Option Redemption Amount shall be subject to such maximum or minimum, as the case may be. A13/4.8(ix)(B)  
A13/4.8(x)(B)

(iv) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified):

(x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up);

- (y) all figures shall be rounded to seven significant figures (with halves being rounded up); and
- (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes “unit” means the lowest amount of such currency that is available as legal tender in the country(ies) of such currency and in the case of euro means 0.01 euro.

**(h) Calculations**

The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Interest Rate, the Calculation Amount specified hereon and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (as defined below) (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be applied to the period for which interest is required to be calculated.

**(i) Determination and Publication of Interest Rates and Redemption Amounts**

As soon as practicable after the Relevant Time on each Interest Determination Date or Reset Determination Date or such other time on such date as the Calculation Agent may be required to calculate any Redemption Amount, obtain any quotation or make any determination or calculation, it shall determine the Interest Rate and calculate the Interest Amount for the relevant Interest Accrual Period (or, if determining the First Reset Rate of Interest or a Subsequent Reset Rate of Interest in respect of Reset Notes, the Interest Amount for each Interest Accrual Period falling within the relevant Reset Period), calculate the Redemption Amount, obtain such quote or make such determination or calculation, as the case may be, and cause the Interest Rate and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Redemption Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange so require, such exchange as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of an Interest Rate and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 4(b), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 9, the accrued interest and the Interest Rate payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Interest Rate or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of each Interest Rate, Interest Amount and Redemption Amount, the obtaining of each quote and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

**(j) Determination or Calculation by Trustee**

If the Calculation Agent does not at any time for any reason determine or calculate the Interest Rate for an Interest Accrual Period or Reset Period or any Interest Amount or Redemption Amount, the Trustee shall do so (or shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

**(k) Definitions**

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“*Adjustment Spread*” means a spread (which may be positive or negative), formula or methodology for calculating a spread, which is required to be applied to a Successor Relevant Rate or an Alternative Relevant Rate (as applicable) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to Noteholders as a result of the replacement of the Relevant Rate, Mid-Swap Rate or Mid-Swap Floating Leg Benchmark Rate (as applicable) with such

Successor Relevant Rate or Alternative Relevant Rate (as applicable) and is the spread, formula or methodology which:

- (a) in the case of a Successor Relevant Rate, is formally recommended in relation to the replacement of the Relevant Rate, Mid-Swap Rate or Mid-Swap Floating Leg Benchmark Rate (as applicable) with such Successor Relevant Rate by any Relevant Nominating Body; or
- (b) in the case of a Successor Relevant Rate for which no such recommendation has been made or, in the case of an Alternative Relevant Rate, the relevant Independent Adviser or the Issuer (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Relevant Rate, Mid-Swap Rate or Mid-Swap Floating Leg Benchmark Rate (as applicable), where such rate has been replaced by such Successor Relevant Rate or Alternative Relevant Rate (as applicable); or
- (c) if no such customary market usage is recognised or acknowledged, the relevant Independent Adviser or the Issuer (as applicable) in its discretion determines (acting in good faith and in a commercially reasonable manner) to be appropriate;

[any reference to “*administration*” in respect of the Issuer shall be deemed to include a bank administration of the Issuer pursuant to the Banking Act 2009 or the Investment Bank Special Administration Regulations 2011 SI 2011/245 and any reference to an “*administrator*” shall be deemed to include a bank administrator appointed pursuant to the Banking Act 2009 or an administrator appointed pursuant to the Investment Bank Special Administration Regulations 2011 SI 2011/245;]<sup>1</sup>

“*Alternative Relevant Rate*” means the rate which the Independent Adviser or Issuer (as the case may be) determines has replaced the Relevant Rate, Mid-Swap Rate or Mid-Swap Floating Leg Benchmark Rate (as applicable) in customary market usage in the international debt capital markets for the purposes of determining floating rates of interest in respect of notes denominated in the Relevant Currency and of a comparable duration to the relevant Interest Periods or Reset Period, or, if the relevant Independent Adviser or the Issuer (as applicable) determines that there is no such rate, such other rate as such Independent Adviser or the Issuer (as applicable) determines in its discretion is most comparable to the Relevant Rate, Mid-Swap Rate or Mid-Swap Floating Leg Benchmark Rate (as applicable);

“*Amortised Face Amount*” means an amount calculated in accordance with Condition 5(b);

“*Applicable Maturity*” means the period of time designated in the Relevant Rate;

“*Business Day*” means:

- (i) in the case of a specified currency other than euro and Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for that currency; or
- (ii) in the case of euro, a day on which the TARGET System is operating (a “TARGET Business Day”); or
- (iii) in the case of Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; or
- (iv) in the case of a specified currency and one or more specified financial centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in the specified currency in the specified financial centre(s) or, if no currency is specified, generally in each of the financial centres so specified;

“*Call Option Redemption Amount*” means the Call Option Redemption Amount specified hereon or, if not specified hereon, the principal amount of the relevant Note or Notes, subject to any maximum or minimum specified hereon;

“*Capital Regulations*” means at any time the laws, regulations, requirements, standards, guidelines and policies (including, without limitation, any delegated or implementing acts such as regulatory technical standards) relating to capital adequacy (including, without limitation, as to leverage) and/or minimum requirement for own funds and eligible liabilities, in each case for credit institutions, of or otherwise applied by either (i) the Relevant Regulator, or (ii) any other national or European authority, in each case then in effect in the United Kingdom (or such other jurisdiction in which the Issuer may be organised or domiciled) and applicable to the Issuer or the Group, including, as at the date hereof, CRD IV and related technical standards;

“*Capital Resources*” means capital instruments qualifying as Tier 2 instruments within the meaning of the applicable Capital Regulations;

“*CRD IV*” means the legislative package consisting of Directive 2013/36/EU on access to the activity of credit institutions and investment firms 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, each as amended or replaced from time to time;

“*Day Count Fraction*” means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the “Calculation Period”):

(i) if “Actual/Actual” or “Actual/Actual – ISDA” is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if “Actual/365 (Fixed)” is specified hereon, the actual number of days in the Calculation Period divided by 365;

(iii) if “Actual/360” is specified hereon, the actual number of days in the Calculation Period divided by 360;

(iv) if “30/360”, “360/360” or “Bond Basis” is specified hereon, the number of days in the Calculation Period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30; and

(v) if “30E/360”, “30/360 (ISMA)” or “Eurobond Basis” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30.

(vi) if “30E/360 (ISDA)” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:



$$[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)$$

$$\text{Day Count Fraction} = \frac{\text{[360} \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case **D<sub>2</sub>** will be 30; and

(vii) if “Actual/Actual – ICMA” is specified hereon:

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

“*Determination Date*” means the date specified as such hereon or, if none is so specified, the Interest Payment Date;

“*Determination Period*” means the period from and including a Determination Date in any year to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to such date and ending on the first Determination Date after such date);

“*Early Redemption Amount*” means:

- (i) in respect of any Note that does not bear interest prior to the Maturity Date, the amount calculated in accordance with Condition 5(b); and
- (ii) in respect of any other Note, the Early Redemption Amount specified hereon or, if not specified hereon, the principal amount of the relevant Note or Notes;

“*Effective Date*” means, with respect to any Floating Rate to be determined on an Interest Determination Date, the date specified as such hereon or, if none is so specified, the first day of the Interest Accrual Period to which such Interest Determination Date relates;

“*Eurozone*” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty on the Functioning of the European Union;

“*Final Redemption Amount*” means the Final Redemption Amount specified hereon or, if not specified hereon, the principal amount of the relevant Note or Notes;

“*Group*” means SCPLC and its Subsidiaries;

“*Holding Company*” means a holding company within the meaning of s1159 of the Companies Act 2006;

“*Independent Adviser*” means an independent financial institution of international repute or other independent financial adviser experienced in the international debt capital markets;

*“Interest Accrual Period”* means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date;

*“Interest Amount”* means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes and Reset Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and
- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period;

*“Interest Commencement Date”* means the Issue Date or such other date as may be specified hereon;

*“Interest Determination Date”* means, with respect to an Interest Rate and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Relevant Currency is Hong Kong dollars, Sterling or Renminbi or (ii) the day falling two Business Days in London prior to the first day of such Interest Accrual Period if the Relevant Currency is not Sterling, euro, Hong Kong dollars or Renminbi or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Relevant Currency is euro;

*“Interest Payment Date”* means each of the dates specified hereon on which interest is payable;

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

*“Interest Period Date”* means each Interest Payment Date unless otherwise specified hereon;

*“Interest Rate”* means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon;

*“Loss Absorption Disqualification Event”* shall be deemed to have occurred in relation to any Series of Senior Notes if as a result of any:

- (i) Loss Absorption Regulation becoming effective on or after the date on which agreement is reached to issue the first Tranche of such Series of Senior Notes; or
- (ii) amendment to, or change in, any Loss Absorption Regulation, or any change in the application or official interpretation thereof, in any such case becoming effective on or after the date on which agreement is reached to issue the first Tranche of such Series of Senior Notes,

the outstanding principal amount of such Series of Senior Notes is or (in the opinion of the Issuer or the PRA) is likely to become fully or partially ineligible to count towards the Issuer’s or the Group’s minimum requirements for own funds and eligible liabilities, in each case as determined in accordance with and pursuant to the relevant Loss Absorption Regulations (save where such failure to be so eligible is solely (A) a result of any applicable limitation on the amount of such own funds and eligible liabilities, or (B) in accordance with any requirement that recognition of such Series of Senior Notes as eligible to count towards the Issuer’s or the Group’s minimum requirements for own funds and eligible liabilities be amortised, in either (A) or (B) in accordance with applicable Loss Absorption Regulations in force as at the date on which agreement is reached to issue the first Tranche of such Series of Senior Notes), save that, for the purposes of Condition 5(f) only, a Loss Absorption Disqualification Event shall not be treated as having occurred by reason solely of the implementation of the Proposals;

*“Loss Absorption Regulation”* means, at any time, the laws, regulations, requirements, guidelines, rules, standards and policies from time to time relating to minimum requirements for own funds and eligible liabilities in effect in the United Kingdom, including, without limitation, any delegated or implementing acts (such as implementing or regulatory technical standards) adopted by the European Commission and applicable to the Issuer from time to time (whether or not such requirements, guidelines or policies are applied generally or specifically to the Issuer or to the Issuer and any Holding Company or Subsidiary of the Issuer or any Subsidiary of any such Holding Company);

*“Page”* means such page, section, caption, column or other part of a particular information service (including, but not limited to, the Reuters Markets 3000 (“Reuters”)) as may be specified for the purpose of providing a Relevant Rate, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to that Relevant Rate;

“PRA” means the Bank of England, in its capacity as the Prudential Regulation Authority, and/or any governmental authority in the United Kingdom or elsewhere having primary bank supervisory authority with respect to Standard Chartered Bank or the Group, as the case may be;

“Proposals” means the proposals presented by the European Commission on 23 November 2016 to amend, amongst other things, CRD IV, as such proposals have been amended (where such amendment has been publicly announced by the European Commission) as at the date on which agreement is reached to issue the first Tranche of the applicable Series of Senior Notes;

“Put Option Redemption Amount” means the Put Option Redemption Amount specified hereon or, if not specified hereon, the principal amount of the relevant Note or Notes;

“Redemption Amount” means the applicable Early Redemption Amount, Final Redemption Amount, Call Option Redemption Amount, Put Option Redemption Amount or Amortised Face Amount payable in respect of the Notes, as the context may require;

“Reference Banks” means the institutions specified as such hereon or, if none, four (or, if the Relevant Financial Centre is Helsinki, five) major banks selected by the Calculation Agent (after prior consultation with the Issuer) in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the Benchmark which, if EURIBOR is the relevant Benchmark, shall be the Eurozone;

“Regulatory Capital Event” shall be deemed to have occurred in relation to any Series of Dated Subordinated Notes if, as a result of a change in law or regulation, or official interpretation thereof applicable to such Series of Dated Subordinated Notes occurring on or after the date on which agreement is reached to issue the first Tranche of such Series of Dated Subordinated Notes, the whole or any part of the outstanding principal amount of such Series of Dated Subordinated Notes would not be eligible to form part of the Capital Resources of the Issuer or the Group under applicable Capital Regulations (save where such failure to be so eligible is solely (A) a result of any applicable limitation on the amount of such capital, or (B) in accordance with any requirement that recognition of such Series of Dated Subordinated Notes as part of the Issuer’s Capital Resources be amortised in the five years prior to maturity of such Notes, in either (A) or (B) in accordance with applicable Capital Regulations in force as at the date on which agreement is reached to issue the first Tranche of such Series of Dated Subordinated Notes);

“Relevant Currency” means the currency specified hereon or, if none is specified, the currency in which the Notes are denominated;

“Relevant Date” has the meaning given to such term in Condition 7;

“Relevant Financial Centre” means, with respect to any Floating Rate, First Reset Rate of Interest or Subsequent Reset Rate of Interest to be determined on an Interest Determination Date or Reset Determination Date, the financial centre as may be specified as such hereon or, if none is so specified, the financial centre with which the relevant Benchmark is most closely connected (which, in the case of EURIBOR shall be the Eurozone) or, if none is so connected, London;

“Relevant Nominating Body” means, in respect of any Relevant Rate, Mid-Swap Rate (or the relevant component part(s) thereof) or Mid-Swap Floating Leg Benchmark Rate (as applicable):

- (a) the central bank for the currency to which such Relevant Rate, Mid-Swap Rate (or the relevant component part(s) thereof) or Mid-Swap Floating Leg Benchmark Rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of such Relevant Rate, Mid-Swap Rate (or the relevant component part(s) thereof) or Mid-Swap Floating Leg Benchmark Rate (as applicable); or
- (b) any working group or committee established, approved or sponsored by, chaired or co-chaired by or constituted at the request of (i) the central bank for the currency to which such Relevant Rate, Mid-Swap Rate (or the relevant component part(s) thereof) or Mid-Swap Floating Leg Benchmark Rate (as applicable) relates, (ii) any central bank or other supervisory authority which is responsible for supervising the administrator of such Relevant Rate, Mid-Swap Rate (or the relevant component part(s) thereof) or Mid-Swap Floating Leg Benchmark Rate (as applicable), (iii) a group of the aforementioned central banks or other supervisory authorities or (iv) the Financial Stability Board or any part thereof;

“Relevant Rate” means the Benchmark for a Representative Amount of the Relevant Currency for a period (if applicable or appropriate to the Benchmark) equal to the Specified Duration commencing on the Effective Date;

“Relevant Regulator” means the governmental authority in the relevant jurisdiction having primary bank supervisory authority in prudential matters with respect to the relevant Issuer and/or the Group;

“Relevant Time” means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified hereon or, if none is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Relevant Currency in

the interbank market in the Relevant Financial Centre or, if no such customary local time exists, 11.00 hours in the Relevant Financial Centre and, for the purpose of this definition “local time” means, with respect to the Eurozone as a Relevant Financial Centre, Central European Time;

“*Representative Amount*” means, with respect to any Floating Rate to be determined on an Interest Determination Date, the amount specified as such hereon or, if none is specified, an amount that is representative for a single transaction in the relevant market at the time;

“*Specified Duration*” means, with respect to any Floating Rate to be determined on an Interest Determination Date, the duration specified hereon or, if none is specified, a period of time equal to the relevant Interest Accrual Period, ignoring any adjustment pursuant to Condition 4(b);

“*Successor Relevant Rate*” means the rate which has been formally published, endorsed, approved, recommended or recognised as a successor or replacement to the Relevant Rate, Mid-Swap Rate or Mid-Swap Floating Leg Benchmark Rate (as applicable) by any Relevant Nominating Body;

“*Subsidiary*” means a subsidiary within the meaning of s1159 of the Companies Act 2006; and

“*TARGET System*” means, the Trans-European Automated Real-Time Gross Settlement Express Transfer System (known as TARGET2) which was launched on 19 November 2007 or any successor thereto.

### **(l) Calculation Agent and Reference Banks**

The Issuer shall procure that there shall at all times be four Reference Banks (or such other number as may be required) with offices in the Relevant Financial Centre and one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Issuer shall (with the prior approval of the Trustee) appoint another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Interest Rate for an Interest Accrual Period or a Reset Period or to calculate any Interest Amount or the Redemption Amount or to comply with any other requirement, the Issuer shall (with the prior approval of the Trustee) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

## **5. Redemption, Purchase and Options**

### **(a) Final Redemption**

Unless previously redeemed or purchased and cancelled (with the permission of, or waiver from, the PRA if required), each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount.

### **(b) Early Redemption of Zero Coupon Notes**

(i) The Early Redemption Amount payable in respect of any Note that does not bear interest prior to the Maturity Date shall be the Amortised Face Amount (calculated as provided below) of such Note.

(ii) Subject to the provisions of paragraph (iii) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield specified hereon (or, if not specified hereon, such rate as would produce an Amortised Face Amount equal to the issue price of such Notes if they were discounted back to their issue price on the Issue Date) compounded annually. Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction specified hereon.

(iii) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 5(c), 5(e) or 5(f) or upon it becoming due and payable as provided in Condition 9 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in paragraph (ii) above, except that such paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this paragraph shall continue to be made (as well after as before judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case

the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 4(d).

**(c) Redemption for Taxation Reasons**

(i) Subject to paragraph (iii) below, the Issuer may (with the permission of, or waiver from, the PRA if required), on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 13 (which notice shall be irrevocable), redeem the Notes in whole, but not in part, on any Interest Payment Date or, if so specified hereon, at any time at the Early Redemption Amount (together with any interest accrued to the date fixed for redemption) if:

(A) the Issuer satisfies the Trustee immediately before the giving of such notice that it has or will become obliged to pay additional amounts as described under Condition 7 and/or any undertaking given in addition thereto or in substitution thereof under the terms of the Trust Deed as a result of any 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 any taxing authority of any taxing jurisdiction to which the Issuer is or has become subject and in respect of which it has given such undertaking as referred to above in this Condition 5(c), including any treaty to which the United Kingdom is a party, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the applicable Series of Notes, and

(B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

(ii) Before the publication of any notice of redemption pursuant to this Condition 5(c), the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that (a) the obligation referred to in sub-paragraph (i)(A) above cannot be avoided by the Issuer taking reasonable measures available to it and (b) in the case of Dated Subordinated Notes, the conditions set out in (iii) below have been satisfied, and the Trustee shall accept such certificate as sufficient evidence of the satisfaction of the conditions set out in (i) above and (iii) below and such certificate shall be conclusive and binding on the Trustee, Noteholders and Couponholders.

(iii) In the case of Dated Subordinated Notes, the Issuer may only redeem such Notes pursuant to this Condition 5(c) if the Issuer demonstrates to the satisfaction of the PRA that the circumstance that entitles it to redeem such Notes pursuant to this Condition 5(c) is a material change to the tax treatment of such Notes and was not reasonably foreseeable to it on the date on which agreement is reached to issue the first Tranche of the applicable Series of Notes and to the extent that such redemption is not prohibited by CRD IV.

**(d) Redemption at the Option of the Issuer and Exercise of Issuer's Options**

(i) If Issuer Call is provided hereon, the Issuer may (with the permission of, or waiver from, the PRA if required), on giving not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 13 (which notice shall be irrevocable), redeem, or exercise any Issuer's option in relation to, all or, if so provided, some of the Notes in the principal amount or integral multiples thereof and on the date or dates so provided. Any such redemption of Notes shall be at their Call Option Redemption Amount (together with any interest accrued to the date fixed for redemption).

(ii) All Notes in respect of which any notice of redemption pursuant to this Condition 5(d) is given shall be redeemed, or the Issuer's option shall be exercised, on the date specified in such notice in accordance with this Condition.

(iii) In the case of a partial redemption or a partial exercise of an Issuer's option pursuant to this Condition 5(d), the notice referred to in (i) above shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes to be redeemed or in respect of which such option has been exercised, which shall have been drawn in such place as the Trustee may approve and in such manner as the Trustee deems appropriate, subject to compliance with any applicable laws and stock exchange requirements.

**(e) Redemption at the Option of the Issuer due to Regulatory Capital Event**

(i) If Regulatory Capital Call is provided hereon and immediately prior to the giving of the notice referred to below a Regulatory Capital Event has occurred, then the Issuer may (with the permission of, or waiver from, the PRA if required) redeem the Dated Subordinated Notes in whole, but not in part, on any Interest Payment Date or, if so specified hereon, at any time, on giving not less than 30 nor more than 60 days' notice to the

Noteholders in accordance with Condition 13 (which notice shall be irrevocable), at their Early Redemption Amount (together with any interest accrued to the date fixed for redemption).

(ii) Before the publication of any notice of redemption pursuant to this Condition 5(e) the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that (a) a Regulatory Capital Event has occurred and (b) the conditions set out in (iii) below have been satisfied, and the Trustee shall accept such certificate as sufficient evidence of the occurrence of a Regulatory Capital Event and of the satisfaction of the conditions set out in (iii) below and such certificate shall be conclusive and binding on the Trustee, Noteholders and Couponholders.

(iii) Upon expiry of such notice the Issuer shall redeem the Dated Subordinated Notes, provided that the Issuer may only redeem Dated Subordinated Notes pursuant to this Condition 5(e) if the Issuer demonstrates to the satisfaction of the PRA that the circumstance that entitles it to redeem the Dated Subordinated Notes pursuant to this Condition 5(e) was not reasonably foreseeable to it on the date on which agreement is reached to issue the first Tranche of the applicable Series of Dated Subordinated Notes and to the extent that such redemption of the Dated Subordinated Notes is not prohibited by CRD IV.

**(f) Redemption of Senior Notes at the option of the Issuer due to Loss Absorption Disqualification Event**

(i) If Loss Absorption Disqualification Event Call is provided hereon and immediately prior to the giving of the notice referred to below a Loss Absorption Disqualification Event has occurred and is continuing notwithstanding any operation of Condition 9(f), then the Issuer may (with the permission of, or waiver from, the PRA if required) redeem the Senior Notes in whole, but not in part, on any Interest Payment Date or, if so specified hereon, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 13 (which notice shall be irrevocable), at their Early Redemption Amount (together with any interest accrued to the date fixed for redemption).

(ii) Before the publication of any notice of redemption pursuant to this Condition 5(f) the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that such a Loss Absorption Disqualification Event has occurred and is continuing notwithstanding any operation of Condition 9(f), and the Trustee shall accept such certificate as sufficient evidence of such a Loss Absorption Disqualification Event having occurred and continuing notwithstanding any operation of Condition 9(f), in which event it shall be conclusive and binding on the Trustee, Noteholders and Couponholders.

(iii) Upon expiry of such notice the Issuer shall redeem the Senior Notes.

**(g) Redemption at the Option of Noteholders other than holders of Dated Subordinated Notes and Exercise of Noteholders' Options**

If so provided hereon, the Issuer shall, at the option of the holder of any Senior Note, redeem such Note on the date or dates so provided at its Put Option Redemption Amount (together with any interest accrued to the date fixed for redemption).

To exercise such option or any other Noteholders' option that may be set out hereon the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("Exercise Notice") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable). No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

**(h) Purchases**

The Issuer or any of its Subsidiaries or any Holding Company of the Issuer or any other Subsidiary of such Holding Company (with the permission of, or waiver from, the PRA if required and to the extent that such purchase is not prohibited by CRD IV) may purchase Notes (provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price, subject to the requirements (if any) of any stock exchange on which any Note is listed.

**(i) Cancellation**

All Notes purchased by or on behalf of the Issuer may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

## **6. Payments and Talons**

### **(a) Bearer Notes**

Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the Notes (in the case of all payments of principal and, in the case of interest, as specified in Condition 6(f)(v)) or Coupons (in the case of interest, save as specified in Condition 6(f)(ii)), as the case may be: (i) in the case of a currency other than Renminbi and euro, at the specified office of any Paying Agent outside the United States by a cheque payable in the currency in which such payment is due drawn on; or (ii) in the case of a currency other than Renminbi and euro, at the option of the holder, by transfer to an account denominated in that currency with a bank in the principal financial centre for that currency; or (iii) in the case of euro, at the option of the holder, by transfer to or cheque drawn on a euro account (or any other account to which euro may be transferred) specified by the holder; or (iv) in the case of Renminbi, by transfer to a Renminbi account maintained by or on behalf of the holder with a bank in Hong Kong.

### **(b) Registered Notes**

(i) Payments of principal in respect of Registered Notes shall 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 paragraph (ii) below.

(ii) Interest on Registered Notes shall be paid to the person shown on the Register at the close of business on (in the case of Renminbi) the fifth day and (in the case of a currency other than Renminbi) the fifteenth day before the due date for payment thereof (the "Record Date"). Payments of interest on each Registered Note shall be made (a) in the case of a currency other than Renminbi and euro, in the currency in which such payments are due by cheque drawn on a bank in the principal financial centre of the country of the currency concerned, or (b) if euro is the currency concerned, by cheque drawn on a euro account and mailed (uninsured and at the risk of the holder) to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register, or (c) if Renminbi is the currency concerned, by transfer to the registered account of the holder. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank in the principal financial centre of the country of that currency or, if euro is the relevant currency, to a euro account (or any other account to which euro may be transferred) specified by the holder.

For the purposes of this Condition 6(b), "registered account" means the Renminbi account maintained by or on behalf of the holder with a bank in Hong Kong, details of which appear in the Register at the close of business on the fifth business day before the due date for payment.

### **(c) Payments in the United States**

Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

### **(d) Payments subject to Fiscal Laws**

All payments will be subject in all cases to: (i) any fiscal or other laws, regulations and directives applicable thereto in any jurisdiction, but without prejudice to the provisions of Condition 7; and (ii) any withholding or deduction required pursuant to an agreement described in or entered into pursuant to Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "Code") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto (a "**FATCA Withholding Tax**"), and the Issuer will not be required to pay any additional amounts on account of any FATCA Withholding Tax. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

Without prejudice to the provisions of Condition 7, 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.

**(e) Appointment of Agents**

The Issuing and Paying Agent, the Paying Agents, the CMU Lodging Agent, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed at the end of this document. The Issuing and Paying Agent, the CMU Lodging Agent, the Paying 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 Noteholder or Couponholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, the CMU Lodging Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent, to appoint additional or other Paying Agents or Transfer Agents and to approve any change in the specified office through which any Paying Agent acts, provided that the Issuer shall at all times maintain, in each case as approved by the Trustee, (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) a CMU Lodging Agent in relation to Notes accepted for clearance through the CMU, (v) one or more Calculation Agent(s) where the Conditions so require, (vi) Paying Agents having specified offices in at least two major cities that are situated in a Member State of the European Union (including London) so long as the Notes are admitted to the Official List of the UK Listing Authority and admitted to trading on the Main Market of the London Stock Exchange and (vii) such other agents as may be required by any other stock exchange on which the Notes may be listed.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 6(c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

**(f) Unmatured Coupons and unexchanged Talons:**

(i) Unless the Notes provide that the relative Coupons are to become void upon the due date for redemption of those Notes, Bearer Notes should be surrendered for payment together with all unexpired Coupons (if any) appertaining thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Redemption Amount due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 8).

(ii) If the Notes so provide, upon the due date for redemption of any Bearer Note, unexpired Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Where any Bearer Note that provides that the relative unexpired Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unexpired Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(v) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

**(g) Talons**

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 8).

**(h) Non-Business Days**

If any date for payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 9(h), "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 and in such other jurisdictions as shall be specified as "Business Day Jurisdictions" hereon (if any) and:



(i) (in the case of a payment in a currency other than euro or Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in euro) which is a TARGET Business Day; or

(iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

**(i) Inconvertibility, Non-transferability or Illiquidity**

Notwithstanding any other provision in these Conditions, if by reason of Inconvertibility, Non-transferability or Illiquidity, the relevant Issuer is not able, or it would be impracticable for it, to satisfy any payment due under the Notes or the Coupons in Renminbi, the relevant Issuer shall, on giving not less than five and not more than 30 days' irrevocable notice to the Noteholders prior to the due date for the relevant payment, settle such payment in the Relevant Currency on the due date at the Relevant Currency Equivalent of the relevant Renminbi denominated amount.

In such event, payment of the Relevant Currency Equivalent of the relevant amounts due under the Notes or the Coupons shall be made in accordance with Condition 6(a) or 6(b)(ii), as applicable.

In this Condition 6(i):

*"Governmental Authority"* means any de facto or de jure government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets of Hong Kong (including the HKMA);

*"Illiquidity"* means the general Renminbi exchange market in Hong Kong becomes illiquid as a result of which the relevant Issuer cannot obtain a sufficient amount of Renminbi in order to satisfy in full its obligation to make any payment due under the Notes or the Coupons;

*"Inconvertibility"* means the occurrence of any event that makes it impossible for the relevant Issuer to convert any amount due in respect of the Notes or the Coupons in the general Renminbi exchange market in Hong Kong, other than where such impossibility is due solely to the failure of the relevant Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted on or after the date on which agreement is reached to issue the first Tranche of the applicable Series of Notes and it is impossible for the relevant Issuer due to an event beyond its control, to comply with such law, rule or regulation);

*"Non-transferability"* means the occurrence of any event that makes it impossible for the relevant Issuer to deliver Renminbi between accounts inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong, other than where such impossibility is due solely to the failure of the relevant Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted on or after the date on which agreement is reached to issue the first Tranche of the applicable Series of Notes and it is impossible for the relevant Issuer due to an event beyond its control, to comply with such law, rule or regulation);

*"Rate Calculation Business Day"* means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Hong Kong and the principal financial centre of the Relevant Currency;

*"Rate Calculation Date"* means the day which is two Rate Calculation Business Days before the due date of the relevant amount under these Conditions;

*"Relevant Currency"* means United States dollars or such other currency as may be specified hereon;

*"Relevant Currency Equivalent"* means the Renminbi amount converted into the Relevant Currency using the Spot Rate for the relevant Rate Calculation Date; and

*"Spot Rate"*, for a Rate Calculation Date, means the spot rate between Renminbi and the Relevant Currency as determined by the Calculation Agent at or around 11.00 a.m. (Hong Kong time) on such date in good faith and in a reasonable commercial manner; and if a spot rate is not readily available, the Calculation Agent may determine the rate taking into consideration all available information which the Calculation Agent deems relevant, including pricing information obtained from the Renminbi non-deliverable exchange market in Hong Kong or elsewhere and the People's Republic of China domestic foreign exchange market.

**7. Taxation**

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected,

withheld or assessed by or on behalf of the United Kingdom or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event (save in respect of the payment of principal on the Dated Subordinated Notes), the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders (after the withholding or deduction) of such an amount as would have been received by them in respect of the Notes or, as the case may be, Coupons in the absence of the withholding or deduction; except that no such additional amounts shall be payable with respect of any Note or Coupon:

(a) to, or to a third party on behalf of, a holder of such Note or Coupon who is liable to such taxes, duties, assessments or governmental charges by reason of his having some connection with the United Kingdom other than the mere holding of the Note or Coupon; or

(b) presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder would have been entitled to such additional amounts on presenting their Note or Coupon for payment on the thirtieth day after the Relevant Date; or

(c) if such withholding or deduction may be avoided by the holder 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.

In addition, any amounts to be paid on the Notes or the Coupons will be paid net of any deduction or withholding imposed or required pursuant to any FATCA Withholding Tax, and no additional amounts will be required to be paid by the Issuer on account of any FATCA Withholding Tax.

As used in these Conditions, "Relevant Date" in respect of any Note or Coupon means the date on which payment first becomes due or if any amount is improperly withheld or refused the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate) or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "principal" shall be deemed to include any premium payable in respect of the Notes, Redemption Amounts and all other amounts in the nature of principal payable pursuant to Condition 5 or any amendment or supplement to it, (ii) "interest" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 4 or any amendment or supplement to it and (iii) "principal" and/or "interest" (other than such interest as is referred to in Condition 9(d)) shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

## **8. Prescription**

Claims against the Issuer for payment in respect of the Notes and Coupons (which, for this purpose, shall not include Talons) 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 save in respect of Withheld Amounts (as defined in Condition 9). Claims in respect of principal comprised in a Withheld Amount and claims in respect of interest comprised in, or accrued on, a Withheld Amount will, in the case of such principal, become void 10 years and, in the case of such interest, become void five years after the due date for payment as specified in Condition 9 or, if the full amount of the moneys payable has not been duly received by the Issuing and Paying Agent, another Paying Agent, the Registrar, a Transfer Agent or the Trustee, as the case may be, on or prior to such date, the date on which notice is given in accordance with Condition 13 that the relevant part of such moneys has been so received.

## **9. Events of Default**

### **(a) Non-Restrictive Events of Default in respect of Senior Notes**

Subject to Condition 9(f), in the case of any Series of Senior Notes for which Non-Restrictive Events of Default are specified hereon, if any of the following events occurs and is continuing, the Trustee at its discretion may, and if so requested by holders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall, give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount plus any accrued interest as provided in the Trust Deed:

(i) Non-Payment: default is made for more than 14 days in the payment on the due date of interest or principal in respect of any of the Notes. The Issuer shall not be in default, however, if during the 14 days' grace period, it satisfies the Trustee that such sums ("Withheld Amounts") were not paid (A) in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment, the Issuer, the relevant Paying Agent, Transfer Agent, or the holder of any Note or Coupon 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 period of 14 days by independent legal advisers acceptable to the Trustee; or

(ii) Breach of Other Obligations: the Issuer does not perform or comply with any one or more of its other obligations under the Notes or the Trust Deed, which default has not been remedied within 30 days after notice of such default shall have been given to the Issuer by the Trustee (except where such default is not, in the reasonable opinion of the Trustee after consultation with the Issuer, capable of remedy, in which case no such notice as is mentioned above will be required); or

(iii) Enforcement Proceedings: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or a material (in the opinion of the Trustee) part of the property, assets or revenues of the Issuer and is not discharged or stayed within 90 days; or

(iv) Insolvency: the Issuer is (or is deemed by law or a court of competent jurisdiction to be) insolvent or bankrupt or unable to pay its debts (within the meaning of section 123(1) or (2) of the Insolvency Act 1986) as they fall due, stops, suspends or threatens to stop or suspend payment of all or a material (in the opinion of the Trustee) part of its debts, makes a general assignment or an arrangement or composition with or for the benefit of all its creditors or a moratorium is agreed or declared in respect of all or a material (in the opinion of the Trustee) part of the debts of the Issuer; or

(v) Winding-up: an administrator is appointed in relation to the Issuer, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer, or the Issuer shall apply or petition for a winding-up or administration order in respect of itself or ceases or threatens through an official action of its board of directors to cease to carry on all or a substantial (in the opinion of the Trustee) part of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms previously approved by the Trustee in writing or by an Extraordinary Resolution of the Noteholders,

provided that in the case of any of the events referred to in paragraph (ii) above the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Noteholders.

**(b) Events of Default in respect of Dated Subordinated Notes and Restrictive Events of Default in respect of Senior Notes**

In the case of Dated Subordinated Notes, any Series of Senior Notes for which Restrictive Events of Default are specified hereon or any Series of Senior Notes for which Non-Restrictive Events of Default are specified hereon but to which this Condition 9(b) applies pursuant to Condition 9(f):

(i) if, otherwise than for the purposes of a reconstruction, amalgamation, reorganisation, merger or consolidation on terms previously approved by the Trustee or by an Extraordinary Resolution of the Noteholders, an order is made or an effective resolution is passed for the winding-up of the Issuer, the Trustee may, subject as provided below, at its discretion, give notice to the Issuer that such Notes are, and they shall accordingly thereby forthwith become, immediately due and repayable at their Early Redemption Amount, plus any accrued interest as provided in the Trust Deed; and

(ii) if default is made in the payment of principal or interest due in respect of such Notes and such default continues for a period of 14 days, the Trustee may, subject as provided below, at its discretion and without further notice, institute proceedings in England (but not elsewhere) for the winding-up of the Issuer provided that the Issuer shall not be in default if during the 14 days' grace period, it satisfies the Trustee that Withheld Amounts 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 Agent, Transfer Agent or the holder of any Note or Coupon 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.

**(c) Remedies**

(i) In the case of Dated Subordinated Notes, any Series of Senior Notes for which Restrictive Events of Default are specified hereon or any Series of Senior Notes for which Non-Restrictive Events of Default are specified hereon but to which Condition 9(b) applies pursuant to Condition 9(f), without prejudice to Condition 9(b), if the Issuer fails to perform, observe or comply with any obligation, condition or provision relating to such Notes binding on it under these Conditions (other than any payment obligations of the Issuer arising from the Notes, the Coupons or the Trust Deed including, without limitation, payment of principal, premium or interest in respect of the Notes or the Coupons and any damages awarded for breach of obligations) the Trustee may, subject as provided below, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce such obligation, condition or provision provided that the Issuer shall not as a consequence of such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

(ii) In the case of Dated Subordinated Notes, any Series of Senior Notes for which Restrictive Events of Default are specified hereon or any Series of Senior Notes for which Non-Restrictive Events of Default are

specified hereon but to which Condition 9(b) applies pursuant to Condition 9(f), subject to applicable laws, no remedy (including the exercise of any right of set-off or analogous event) other than those provided for in Condition 9(b) and paragraph (i) above or submitting a claim in the winding-up of the Issuer will be available to the Trustee or the holders of Notes and/or Coupons.

**(d) Enforcement**

The Trustee need not take any such action or proceedings as referred to in Condition 9(a), Condition 9(b), and/or Condition 9(c)(i) above unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-fifth in principal amount of the Notes then outstanding and (ii) it shall have been indemnified to its satisfaction. No Noteholder or Couponholder may proceed directly against the Issuer or submit a claim in the winding-up of the Issuer unless the Trustee having become bound so to proceed or being able to submit such a claim, fails to do so in each case within a reasonable time and such failure is continuing. In such a case the relevant Noteholder or Couponholder may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise), himself institute proceedings against the Issuer and/or submit a claim in the winding-up of the Issuer, but only to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so in respect of his Notes and/or Coupons.

**(e) Withheld Amounts**

If lawful, Withheld Amounts or sums equal to Withheld Amounts shall be placed promptly on interest-bearing deposit all as more particularly described in the Trust Deed. If subsequently it shall be or become lawful to pay any Withheld Amount to the relevant Noteholders or Couponholders or if such payment is possible as soon as any doubt as to the validity or applicability of any such law, regulation or order as is mentioned in Condition 9(a)(i) or 9(b)(ii) (as the case may be) above is resolved, notice shall be given in accordance with Condition 13. The notice shall specify the date (which shall be no later than seven days after the earliest date thereafter upon which such interest-bearing deposit falls or may (without penalty) be called due for repayment) on and after which payment in full of such Withheld Amounts shall be made. On such date, the Issuer shall be bound to pay such Withheld Amount together with interest accrued on it. For the purposes of Conditions 9(a)(i) or 9(b)(ii), as the case may be, this date shall be the Relevant Date for such sums. The obligations of the Issuer under this Condition 9(e) shall be in lieu of any other remedy against it in respect of Withheld Amounts. Payment will be made subject to applicable laws, regulations or court orders, but, in the case of any payment of any Withheld Amounts, without prejudice to Condition 7. Interest accrued on any Withheld Amount shall be paid net of any taxes required by applicable law to be withheld or deducted and the Issuer shall not be obliged to pay any additional amount in respect of any such withholding or deduction.

**(f) Loss Absorption Disqualification Event**

(i) If a Loss Absorption Disqualification Event has occurred in respect of any Series of Senior Notes for which Non-Restrictive Events of Default are specified hereon as a result of the right of the Trustee under Condition 9(a) to declare such Senior Notes due and payable, then Condition 9(b) shall, without the need for any consent from the Noteholders or Couponholders, apply to such Series of Senior Notes at all times thereafter instead of Condition 9(a). The Trustee shall accept a certificate signed by two Directors of the Issuer as sufficient evidence of the occurrence of such a Loss Absorption Disqualification Event and such certificate shall be conclusive and binding on the Trustee, Noteholders and Couponholders.

(ii) The application of Condition 9(b) to any Series of Notes for which Non-Restrictive Events of Default are specified hereon pursuant to this Condition 9(f) shall be notified by the Issuer to the holders of such Senior Notes as soon as practicable in accordance with Condition 13.

**10. Meetings of Noteholders, Modification, Waiver and Substitution**

**(a) Meetings of Noteholders**

The Trust Deed contains provisions for convening meetings of Noteholders 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 convened by Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the principal amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the

method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum Interest Rate, Maximum Interest Rate, Minimum Call Option Redemption Amount or Maximum Call Option Redemption Amount is specified hereon, to reduce any such minimum and/or maximum, (v) to vary any method of, or basis for, calculating any Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to take any steps that as specified hereon may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, or (viii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

**(b) Modification of the Trust Deed**

The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed that is, in its opinion, 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 these Conditions or any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable in accordance with Condition 13. In the case of any Dated Subordinated Notes, no modification to these Conditions or any other provisions of the Trust Deed shall become effective unless the relevant Issuer shall have given at least one month's prior written notice to, and received no objection from, the PRA (or such other period of notice as the PRA may from time to time require or accept and, in any event, provided that there is a requirement to give such notice).

**(c) Substitution**

The Trustee (if it is satisfied that to do so would not be materially prejudicial to the interests of Noteholders or Couponholders) may agree, if requested by the Issuer and subject to such amendment of the Trust Deed and such other conditions as the Trustee may reasonably require, but without the consent of the Noteholders or the Couponholders, to the substitution of a Subsidiary of the Issuer or a Holding Company of the Issuer or another Subsidiary of any such Holding Company in place of the Issuer as principal debtor under the Trust Deed, the Notes, the Coupons and the Talons and as a party to the Agency Agreement and so that, in the case of the Dated Subordinated Notes, the claims of the Noteholders or the Couponholders may, in the case of the substitution of a Holding Company of the Issuer in the place of the Issuer, also be subordinated to the rights of Senior Creditors of that Holding Company but not further or otherwise.

In the case of a substitution under this Condition 10, the Trustee may agree, without the consent of the Noteholders or Couponholders, to a change of law governing the Notes, and/or Coupons and/or the Trust Deed insofar as it relates to such Notes provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of holders of the Notes.

**(d) Entitlement of the Trustee**

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

**11. Replacement of Notes, Certificates, Coupons and Talons**

If a Note, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent (in the case of Registered Notes), as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, 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 Note, Certificate, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Coupons or further Coupons) and

otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

## **12. Further Issues**

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes 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 outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) 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 Noteholders and the holders of securities of other series where the Trustee so decides.

## **13. Notices**

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*). 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 Europe. Any such notice (other than to holders of Registered Notes as specified above) 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.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

## **14. Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility including provisions relieving it from taking proceedings unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

## **15. Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Notes or the Trust Deed by virtue of the Contracts (Rights of Third Parties) Act 1999 but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## **16. Governing Law and Jurisdiction**

(a) The Trust Deed, the Notes, the Coupons and the Talons, 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) The Courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed, the Notes, Coupons or Talons may be brought in such courts.

<sup>1</sup> Include for Notes issued by SCB.

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

If the Global Notes or the Global Certificates are stated in the applicable Final Terms to be issued in NGN form or to be held under the NSS (as the case may be), the Global Notes or the Global Certificates will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. Depositing the Global Notes with the Common Safekeeper does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. The relevant Issuer will notify the Common Safekeeper, on or before the relevant issue date, if Global Notes or Global Certificates are issued in a form which is intended to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations.

Global Notes which are issued in CGN form and Global Certificates which are not held under the NSS may be delivered on or prior to the original issue date of the Tranche to a Common Depository, lodged with a sub-custodian for the CMU Service or, in the case of a Restricted Global Certificate, deposited with a custodian for DTC.

In the case of a Global Note which is a CGN or a Global Certificate which is not held under the NSS, upon the initial deposit of a Global Note with a Common Depository or deposit of a Global Note with a sub-custodian for the CMU Service or registration of Registered Notes in the name of any nominee for Euroclear, Clearstream, Luxembourg or DTC and delivery of the relative Global Certificate to the Common Depository or a custodian for DTC (as the case may be), Euroclear, Clearstream, Luxembourg, DTC or the CMU Service (as the case may be) will credit each subscriber with a principal amount of Notes equal to the principal amount thereof for which it has subscribed and paid.

If the Global Note is a NGN, the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

Notes that are initially deposited with the Common Depository or Common Safekeeper may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date will be made against presentation of the Temporary Global Note if in CGN form only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and/or the CMU Lodging Agent and (in the case of a Temporary Global Note delivered to a Common Depository or Common Safekeeper for Euroclear and Clearstream, Luxembourg) Euroclear and/or Clearstream, Luxembourg, as applicable, have/has given a like certification (based on the certifications it has received) to the Issuing and Paying Agent.

### **Relationship of Accountholders with Clearing Systems**

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg, DTC or any other permitted clearing system ("Alternative Clearing System") as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg, DTC or any such Alternative Clearing System (as the case may be) for his share of each payment made by the relevant Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, DTC or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the relevant Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of such Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

If a Global Note or a Global Certificate is lodged with the CMU Service, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU Service in accordance with the CMU Rules as notified by the CMU Service to the CMU Lodging Agent in a relevant CMU Instrument Position Report or any other relevant notification by the CMU Service (which notification, in either case, shall be conclusive evidence of the records of the CMU Service save in the case of manifest error) shall be the only person(s) entitled to receive payments in respect of Notes represented by such Global Note or Global Certificate and the relevant Issuer will be discharged by payment to, or to the order of, such

person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU Service in respect of each amount so paid. Each of the persons shown in the records of the CMU Service, as the beneficial holder of a particular nominal amount of Notes represented by such Global Note or Global Certificate must look solely to the CMU Lodging Agent for his share of each payment so made by the relevant Issuer in respect of such Global Note or Global Certificate.

## **Exchange**

### **1. Temporary Global Notes**

Each Temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

1.1 if the relevant Final Terms indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see “*Overview of the Programme - Selling Restrictions*”), in whole, but not in part, for the Definitive Notes defined and described below; and

1.2 otherwise, in whole or in part, upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a Permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes, provided that the CMU Service may require that any such exchange for interests in a Permanent Global Note is made in whole and not in part and, in such event, no such exchange will be effected until all relevant accountholders (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging Agent by the CMU Service) have so certified.

Each Temporary Global Note that is also an Exchangeable Bearer Note will be exchangeable for Registered Notes in accordance with the Conditions in addition to any Permanent Global Note or Definitive Notes for which it may be exchangeable and, before its Exchange Date, will also be exchangeable in whole or in part for Registered Notes only.

If the relevant Final Terms indicates that the Temporary Global Note may be exchanged for Definitive Notes, trading of such Notes in Euroclear and Clearstream, Luxembourg will only be permitted in amounts which are an integral multiple of the minimum Specified Denomination.

### **2. Permanent Global Notes**

Each Permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under “*Partial Exchange of Permanent Global Notes*”, in part for Definitive Notes or, in the case of 2.3 below, Registered Notes:

2.1 unless principal in respect of any Notes is not paid when due, by the relevant Issuer giving notice to the Noteholders and the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU Service (“*CMU Notes*”), the CMU Lodging Agent) of its intention to effect such exchange (save that no such exchange shall be possible where the Notes have a minimum Denomination plus a higher integral multiple of a smaller amount);

2.2 if the Permanent Global Note was issued in respect of a D Rules Note or if the relevant Final Terms provides that such Global Note is exchangeable at the request of the holder, by the holder giving notice to the Issuing and Paying Agent (or, in the case of *CMU Notes*, the CMU Lodging Agent) of its election for such exchange (save that no such exchange shall be possible where the Notes have a minimum Denomination plus a higher integral multiple of a smaller amount);

2.3 if the Permanent Global Note is an Exchangeable Bearer Note, by the holder giving notice to the Issuing and Paying Agent of its election to exchange the whole or a part of such Global Note for Registered Notes; and

2.4 if the Permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or the CMU Service or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so, by the holder giving notice to the Issuing and Paying Agent (or, in the case of *CMU Notes*, the CMU Lodging Agent) of its election for such exchange.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg or the CMU Service, as the case may be.

In the event that a Permanent Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only.



### **3. Permanent Global Certificates**

If the Final Terms state that the Notes are to be represented by a permanent Global Certificate on issue, transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part:

3.1 if in the case of Restricted Notes, DTC notifies the relevant Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Restricted 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 such 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 in the case of Unrestricted Notes, Euroclear or Clearstream, Luxembourg or the CMU Service is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

3.3 if principal in respect of any Notes is not paid when due; or

3.4 with the consent of the relevant Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to 3.1 or 3.2 or 3.3 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. Partial Exchange of Permanent Global Notes**

For so long as a Permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such Permanent Global Note will be exchangeable in part on one or more occasions for Registered Notes if the Permanent Global Note is an Exchangeable Bearer Note and the part submitted for exchange is to be exchanged for Registered Notes.

### **5. Delivery of Notes**

If the Global Note is a CGN, on or after any due date for exchange, the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent (or, in the case of CMU Notes, the CMU Lodging Agent). In exchange for any Global Note, or the part thereof to be exchanged, the relevant Issuer will (i) in the case of a Temporary Global Note exchangeable for a Permanent Global Note, deliver, or procure the delivery of, a Permanent Global Note in an aggregate principal amount equal to that of the whole or that part of a Temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a Permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or Registered Notes, deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be or, if the Global Note is an NGN, the relevant Issuer will procure that details of such exchange be entered *pro rata* in the records of the relevant clearing system. In this document, “Definitive Notes” means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons in respect of interest that has not already been paid on the Global Note and, if applicable, a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each Permanent Global Note, the relevant Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

### **6. Exchange Date**

“Exchange Date” means, in relation to a Temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a Permanent Global Note, a day falling not less than 60 days, or in the case of an exchange for Registered Notes five days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

### **Amendment to Conditions**

The Temporary Global Notes, Permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes 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 on any Global Note unless exchange for an interest in a Permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any Temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of CGNs represented by a Global Note (except in respect of a Global Note held through the CMU service) will be made, if in CGN form, against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes.

In respect of a Global Note held through the CMU Service, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note are credited (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging Agent by the CMU Service) and, save in the case of final payment, no presentation of the relevant Global Note shall be required for such purpose.

If the Global Note is a NGN or if the Global Certificate is held under the NSS, the relevant Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant clearing system and in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note or the Global Certificate will be reduced accordingly. Payments under a NGN will be made to its holder. Each payment so made will discharge the relevant Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "business day" set out in Condition 6(h) (*Non-Business Days*).

All payments in respect of Notes 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 Monday to Friday inclusive except 25 December and 1 January.

## **2. Prescription**

Claims against the relevant Issuer in respect of Notes that are represented by a Permanent Global Note will become void unless it is 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.

## **3. Meetings**

The holder of a Permanent Global Note or of the Notes represented by a Global Certificate shall (unless such Permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a Permanent Global Note shall be treated as having one vote in respect of each minimum integral currency unit of the specified Currency of the Notes. (All holders of Registered Notes are entitled to one vote in respect of each Note comprising such Noteholder's holding, whether or not represented by a Global Certificate.)

## **4. Cancellation**

Cancellation of any Note represented by a Permanent Global Note 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 Permanent Global Note.

## **5. Purchase**

Notes represented by a Permanent Global Note may only be purchased by the relevant Issuer or any of its subsidiaries or any holding company (within the meaning of section 1159 of the Companies Act 2006) or any other subsidiary of such holding company if they are purchased together with the rights to receive all future payments of interest thereon.

## **6. Issuer's Option**

Any option of the relevant Issuer provided for in the Conditions of any Notes while such Notes are represented by a Permanent Global Note shall be exercised by the relevant Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the certificate numbers of Bearer Notes drawn, or in the case of Registered Notes shall not be required to specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Note, in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the relevant Issuer is exercised in respect of some but not all of

the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), the CMU Service or any other clearing system (as the case may be).

#### **7. Noteholders' Options**

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a Permanent Global Note may be exercised by the holder of the Permanent Global Note giving notice to the Issuing and Paying Agent (or, in the case of CMU Notes, the CMU Lodging Agent) within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall not be required to specify the nominal amount of Registered Notes and the holder(s) of such Registered Notes, in respect of which the option has been exercised, and stating the principal amount of Notes in respect of which the option is exercised and at the same time where the Permanent Global Note is a CGN presenting the Permanent Global Note to the Issuing and Paying Agent, or to a Paying Agent acting on behalf of the Issuing and Paying Agent (or, in the case of CMU Notes, the CMU Lodging Agent), for notation. Where the Global Note is a NGN or when the Global Certificate is held under the NSS, the relevant Issuer shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant clearing system and the nominal amount of the Notes recorded in those records will be reduced accordingly.

#### **8. NGN Nominal Amount**

Where the Global Note is a NGN, the relevant Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Notes, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant clearing systems and upon any such entry being made, the nominal amount of the Notes represented by such Global Note shall, in respect of payments of principal, be adjusted accordingly.

#### **9. Trustee's Powers**

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes 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 Global Note or Registered Notes and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note or Global Certificate.

#### **10. Notices**

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of (i) Euroclear and/or Clearstream, Luxembourg or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series 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 the Global Note or (ii) the CMU Service, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU Service on the second Business Day (as defined in Condition 4(j)) preceding the date of despatch of such notice as holding interests in the relevant Global Note or Global Certificate.

#### **11. Eurosystem eligibility**

Where the Global Notes issued in respect of any Tranche are in NGN form or are intended to be held under the NSS, the relevant Issuer will also indicate whether or not such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any time during their life as such recognition depends upon the European Central Bank (the "ECB") being satisfied that the Eurosystem eligibility criteria have been met. Furthermore, any indication that the Global Notes are not intended to be so held may be the case at the date of the applicable Final Terms. However, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them, the Notes may then be deposited with one of the ICSDs as common safekeeper and, in the case of Registered Notes, registered in the name of a nominee of one of the ICSDs acting as common safekeeper. Similarly, this would not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.

## **USE OF PROCEEDS**

The net proceeds from the issue of each Tranche of Notes will be used for the general business purposes of the Group.

## STANDARD CHARTERED PLC

SCPLC is the ultimate holding company of SCB 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. SCPLC'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. SCPLC operates under the Companies Act 2006 and its registered number is 966425. SCPLC's registered office and principal place of business in the United Kingdom is at 1 Basinghall Avenue, London EC2V 5DD. SCPLC's telephone number is +44 (0)20 7885 8888. SCPLC 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 2017, the Group had a total workforce of more than 86,000 employees in more than 60 markets.

### **Client segment reviews**

The Group is a client-centric bank focused on providing its clients with investment expertise and innovative products and solutions. The Group has four client segments: Corporate & Institutional Banking and Private Banking are run globally, with clients in those segments supported by relationship managers with global oversight; Commercial and Retail Banking are run regionally with global oversight of segment strategy, systems and products. Clients are served by country-level relationship managers with specific knowledge of the local market.

#### *Corporate & Institutional Banking*

Corporate & Institutional Banking supports clients with their transaction banking, corporate finance, financial markets and borrowing needs across more than 60 markets, providing solutions to over 5,300 clients in some of the world's fastest-growing economies and most active trade corridors.

Clients include large corporations, governments, banks and investors headquartered, operating or investing in Asia, Africa and the Middle East. Strong and deep local presence across these markets enables the Group to facilitate trade, capital and investment flows in and for the Group's footprint, including across China's Belt and Road initiative.

Corporate & Institutional Banking collaborates increasingly with other segments: introducing Commercial Banking services to clients' ecosystems – their networks of buyers, suppliers, customers and service providers – and offering clients employee banking services through Retail Banking.

#### *Retail Banking*

Retail Banking serves over nine million individuals and small businesses, with a focus on affluent and emerging affluent in many of the world's fastest growing cities. The Group provides digital banking services with a human touch to its clients across deposits, payments, financing products and Wealth Management, as well as supporting their business banking needs.

Retail Banking represents approximately one-third of the Group's operating income and operating profit. Retail Banking is closely integrated with the Group's other client segments, for example offering employee banking services to Corporate & Institutional Banking clients, and is also an important source of high quality liquidity for the Group.

Increasing levels of wealth across Asia, Africa and the Middle East support Retail Banking's opportunity to grow the business sustainably. The Group aims to improve productivity and client experience through increasing digitisation, driving cost efficiencies and simplifying processes.

#### *Commercial Banking*

Commercial Banking serves over 40,000 local corporations and medium-sized enterprises in 26 markets across Asia, Africa and the Middle East. It aims to be these clients' main international bank, providing a full range of international financial solutions in areas such as trade finance, cash management, financial markets and corporate finance.

Through its close linkages with Retail Banking and Private Banking, clients can access additional services they value including employee banking services and personal wealth solutions. Commercial Banking also collaborates with Corporate & Institutional Banking to service their clients' end-to-end supply chains.

Clients represent a large and important portion of the economies it serves and are potential future multinational corporates. Commercial Banking is at the heart of the Group's shared purpose to drive commerce and prosperity through the Group's unique diversity.

#### *Private Banking*

Private Banking offers a full suite of investment, credit and wealth planning solutions to grow and protect the wealth of high-net worth individuals across the Group's footprint.

Private Banking's investment advisory capabilities and product platform are independent from research houses and product providers, allowing it to put client interests at the centre of its business. This is coupled with an extensive network across Asia, Africa and the Middle East, which provides clients with relevant market insights and cross-border investment and financing opportunities.

As part of the Group's universal banking proposition, clients can also leverage its global Commercial Banking and Corporate & Institutional Banking capabilities to support their business needs. Private Banking services can be accessed from six leading centres: Hong Kong, Singapore, London, Jersey, Dubai and India.

### **The Group's regions**

The Group's geographical structure includes four regional businesses:

- Greater China & North Asia, including Hong Kong, Korea, China, Taiwan, Japan and Macau.
- ASEAN & South Asia, which includes Singapore, Malaysia, Indonesia, India and Bangladesh.
- Africa & Middle East, which includes Southern, West and East Africa, Pakistan and the UAE.
- Europe & Americas, including the UK and the U.S.

The client and regional businesses are supported by centralised global functions.

### **Subsidiaries**

As at 31 December 2017, the principal subsidiary undertakings of SCPLC principally engaged in the business of banking and provision of other financial services, were as follows: SCB, Standard Chartered Bank (Hong Kong) Limited ("SCBHK"), 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 SCPLC, except Standard Chartered Bank (Thai) Public Company Limited, which is 99.87 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. SCBHK is 49 per cent. owned by Standard Chartered Holdings Limited, SCB's parent company.

### **Directors**

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

**J M I Viñals** *Group Chairman*<sup>1</sup>

**W T Winters** *Group Chief Executive and Director of SCB*<sup>1</sup>  
*Non-Executive Director of Novartis International AG*

**O P Bhatt** *Non-Executive Director*<sup>1</sup>  
*Non-Executive Director of Hindustan Unilever Limited, Tata Consultancy Services, Tata Steel Limited and Tata Motors Limited and Chairman of Greenko Energy Holdings*

**Dr L C Y Cheung** *Non-Executive Director*<sup>1</sup>  
*Non-Executive Director of Fubon Financial Holding Co Limited and Managing Partner of Boyu Capital Advisory Co*

**D P Conner** *Non-Executive Director*  
*Non-Executive Director of GasLog Ltd*

**Dr B E Grote** *Non-Executive Director*<sup>1</sup>  
*Non-Executive Director of Tesco plc and Anglo American plc and is deputy chairman of the supervisory board at Akzo Nobel NV*

**A N Halford** *Group Chief Financial Officer and Director of SCB*<sup>1</sup>  
*Non-Executive Director of Marks and Spencer Group plc*

**Dr Han Seung-soo, KBE** *Non-Executive Director*<sup>1</sup>  
*Non-Executive Director of Doosan Infracore Co Ltd*

**C M Hodgson** *Senior Independent Director*<sup>1</sup>  
*Chair of Capgemini UK plc and The Careers & Enterprise Company Limited*

**G Huey Evans, OBE** *Non-Executive Director*<sup>1</sup>  
*Non-Executive Director of ConocoPhillips and Bank Itau BBA International plc and Deputy Chair of the Financial Reporting Council*

**N Kheraj** *Non-Executive Director and Deputy Chairman<sup>1</sup>*

*Chairman of Rothesay Life, a member of the investment committee of the Wellcome Trust and a member of the Finance Committee of the Oxford University Press. He is also a senior advisor to the Aga Khan Development Network serving on the boards of various entities within its network*

**J Whitbread** *Non-Executive Director<sup>1</sup>*

*Chief Executive of London First and a Non-Executive Director of BT Group plc*

**Dr N Okonjo-Iweala** *Non-Executive Director<sup>1</sup>*

*Chair of the Global Alliance for Vaccines and Immunisations*

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

There are no existing or potential conflicts of interest between any duties of the directors named above owed to SCPLC and/or their private interests and other duties which would require disclosure in this Prospectus. The Group has a control process in place for the purposes of avoiding potential conflicts of interest, as and when they may arise, between any duties of the Directors named above to SCPLC and their private interests and/or other duties. There are no such potential conflicts of interest which would require disclosure in this Prospectus.

## CAPITALISATION AND INDEBTEDNESS OF STANDARD CHARTERED PLC

The following table sets out the unaudited consolidated capitalisation and indebtedness of the Group as at 31 December 2017 prepared in accordance with the International Financial Reporting Standards as adopted by the EU ("IFRS").

<i>Capitalisation</i>	<b>31 December 2017</b> U.S.\$ million	31 December 2016 U.S.\$ million
<b>Shareholders' equity</b>		
<b>Allotted, called-up and fully paid share capital</b>		
Ordinary shares	1,648	1,642
Share premium	5,449	5,449
Capital and merger reserves	17,129	17,129
Reserves and retained earnings	22,279	20,148
Other equity instruments	4,961	3,969
<b>Total parent company shareholders' equity (excluding minority interest)</b>	<b>51,466</b>	<b>48,337</b>
	<b>31 December 2017</b> U.S.\$ million	31 December 2016 U.S.\$ million
<b>Subordinated Liabilities and Other Borrowed Funds</b>		
<b>Subordinated loan capital – issued by subsidiary undertakings</b>		
£700 million 7.75 per cent. subordinated notes 2018	956	898
£675 million 5.375 per cent. undated step up subordinated notes (callable 2020)	327	307
£200 million 7.75 per cent. undated step up subordinated notes (callable 2022)	221	215
\$750 million 5.875 per cent. subordinated notes 2020	768	785
\$700 million 8.0 per cent. subordinated notes 2031	426	432
BWP 127.26 million 8.2 per cent. subordinated notes 2022 (callable 2017)	13	12
BWP 70 million floating rate subordinated notes 2021 (callable 2016)	7	7
BWP 50 million floating rate notes 2022 (callable 2017)	5	5
JPY 10 billion 3.35 per cent. subordinated notes 2023 (callable 2018)	89	88
KRW 90 billion 6.05 per cent. subordinated debt 2018	85	79
SGD 450 million 5.25 per cent. subordinated notes 2023 (callable 2018)	339	318
€700 million 5.875 per cent. subordinated notes 2017	-	766
€400 million 5.875 per cent. subordinated notes 2017	-	431
\$1 billion 6.4 per cent. notes subordinated notes 2017	-	512
PKR 2.5 billion floating rate notes 2022 (callable)	-	24
	<b>3,236</b>	<b>4,879</b>
<b>Subordinated loan capital – issued by the Company</b>		
Primary capital floating rate notes:		
\$400 million	16	16
\$300 million (Series 2)	69	69
\$400 million (Series 3)	50	50
\$200 million (Series 4)	26	26
£150 million	16	15
£900 million 5.125 per cent. subordinated debt 2034	1,498	1,307
\$2 billion 5.7 per cent. subordinated debt 2044	2,395	2,372
\$2 billion 3.95 per cent. subordinated debt 2023	1,959	1,971
\$1 billion 5.7 per cent. subordinated notes 2022	1,004	996
\$1 billion 5.2 per cent. subordinated debt 2024	1,014	1,027
\$750 million 5.3 per cent. subordinated debt 2043	787	788
\$1.25 billion 4.3 per cent. subordinated debt 2027	1,144	1,220
€1.25 billion 4 per cent. subordinated debt 2025 (callable 2020)	1,565	1,387
€750 million 3.625 per cent. subordinated notes 2022	958	852
€500 million 3.125 per cent. subordinated debt 2024	613	543
SGD 700 million 4.4 per cent. subordinated notes 2026 (callable 2021)	531	473
Other subordinated borrowings – issued by the Company <sup>1</sup>	295	283
\$1.25 billion 4 per cent. subordinated notes 2022 (callable)	-	1,249
	<b>13,940</b>	<b>14,644</b>
<b>Total for Group</b>	<b>17,176</b>	<b>19,523</b>
<b>Total Capitalisation and Indebtedness</b>	<b>68,642</b>	<b>67,860</b>

<sup>1</sup> Other borrowings comprise irredeemable sterling preference shares. In the balance sheet of the Company the amount recognised is \$58 million (2016: \$221 million), with the difference being the effect of hedge accounting achieved on a Group basis.



	2017				
	USD \$million	GBP \$million	EUR \$million	Others \$million	Total \$million
Fixed rate subordinated debt	9,497	3,297	3,136	1,057	16,987
Floating rate subordinated debt	161	16	-	12	189
<b>Total</b>	<b>9,658</b>	<b>3,313</b>	<b>3,136</b>	<b>1,069</b>	<b>17,176</b>

  

	2016				
	USD \$million	GBP \$million	EUR \$million	Others \$million	Total \$million
Fixed rate subordinated debt	11,352	3,010	3,979	970	19,311
Floating rate subordinated debt	161	15	-	36	212
<b>Total</b>	<b>11,513</b>	<b>3,025</b>	<b>3,979</b>	<b>1,006</b>	<b>19,523</b>

Notes:

1. 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.
2. Liabilities denominated in foreign currencies are translated into U.S. dollars at market exchange rates prevailing at 31 December 2017. The exchange rates used were U.S.\$1.00 = £ 0.7398; U.S.\$1.00 = BWP 9.8260; U.S.\$1.00 = KRW 1,070.6214; U.S.\$1.00 = EURO 0.8328; U.S.\$1.00 = PKR 110.4736; U.S.\$1.00 = JPY 112.7150; U.S.\$1.00 = SGD 1.3365.
3. Contingent liabilities amounted to U.S.\$43.5 billion as at 31 December 2017, of which U.S.\$37.3 billion related to guarantees and irrevocable letters of credit.
4. The total amount of all other borrowings and indebtedness as at 31 December 2017 was U.S.\$505 billion, including deposits by banks U.S.\$31 billion, customer accounts U.S.\$371 billion and debt securities in issue (including certificates of deposits) U.S.\$46 billion. These obligations are unsecured and are not guaranteed. Also, including repurchase agreements and other similar secured borrowing U.S.\$40 billion, which are collateralised with treasury bills/bonds.
5. 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 SCPLC as set out in the above table since 31 December 2017.
6. On 12 July 2017, SCPLC exercised its right to redeem its U.S.\$1.25 billion 4.0 per cent. callable subordinated notes in full on the first call date.
7. There were no new issuances during the year ended 31 December 2017.

## STANDARD CHARTERED BANK

SCB was incorporated in England with limited liability by Royal Charter on 29 December 1853. SCB's issued share capital comprises ordinary shares, all of which are owned by Standard Chartered Holdings Limited, a company incorporated in England and Wales and a wholly-owned subsidiary of SCPLC, non-cumulative irredeemable preference shares of U.S.\$0.01 each, all of which are owned by Standard Chartered Holdings Limited, and non-cumulative redeemable preference shares of U.S.\$5.00 each, all of which are owned by SCPLC. SCB's principal office and principal place of business in the United Kingdom is at 1 Basinghall Avenue, London EC2V 5DD. SCB's reference number is ZC18.

The Group to which SCB belongs is an international banking and financial services group particularly focused on the markets of Asia, Africa and the Middle East. As at 31 December 2017, the Group had a total workforce of more than 86,000 employees in more than 60 markets.

### Client segment reviews

#### *Corporate & Institutional Banking*

Corporate & Institutional Banking supports clients with transaction banking, corporate finance, financial markets and borrowing needs across more than 60 markets, providing solutions to over 5,300 clients in some of the world's fastest-growing economies and most active trade corridors.

Clients include large corporations, governments, banks and investors headquartered, operating or investing in Asia, Africa and the Middle East. Strong and deep local presence across these markets enables the Group to facilitate trade, capital and investment flows in and for the Group's footprint, including across China's Belt and Road initiative.

Corporate & Institutional Banking collaborates increasingly with other segments: introducing Commercial Banking services to clients' ecosystems – their networks of buyers, suppliers, customers and service providers – and offering clients employee banking services through Retail Banking.

#### *Retail Banking*

Retail Banking serves over nine million individuals and small businesses, with a focus on affluent and emerging affluent in many of the world's fastest growing cities. The Group provides digital banking services with a human touch to its clients across deposits, payments, financing products and Wealth Management, as well as supporting their business banking needs.

Retail Banking represents approximately one-third of the Group's operating income and operating profit. Retail Banking is closely integrated with the Group's other client segments, for example offering employee banking services to Corporate & Institutional Banking clients, and is also an important source of high quality liquidity for the Group.

Increasing levels of wealth across Asia, Africa and the Middle East support Retail Banking's opportunity to grow the business sustainably. The Group aims to improve productivity and client experience through increasing digitisation, driving cost efficiencies and simplifying processes.

#### *Commercial Banking*

Commercial Banking serves over 40,000 local corporations and medium-sized enterprises in 26 markets across Asia, Africa and the Middle East. It aims to be these clients' main international bank, providing a full range of international financial solutions in areas such as trade finance, cash management, financial markets and corporate finance.

Through its close linkages with Retail Banking and Private Banking, clients can access additional services they value including employee banking services and personal wealth solutions. Commercial Banking also collaborates with Corporate & Institutional Banking to service their clients' end-to-end supply chains.

Clients represent a large and important portion of the economies it serves and are potential future multinational corporates. Commercial Banking is at the heart of the Group's shared purpose to drive commerce and prosperity through the Group's unique diversity.

#### *Private Banking*

Private Banking offers a full suite of investment, credit and wealth planning solutions to grow and protect the wealth of high-net worth individuals across the Group's footprint.

Private Banking's investment advisory capabilities and product platform are independent from research houses and product providers, allowing it to put client interests at the centre of its business. This is coupled with an extensive network across Asia, Africa and the Middle East, which provides clients with relevant market insights and cross-border investment and financing opportunities.

As part of the Group's universal banking proposition, clients can also leverage its global Commercial Banking and Corporate & Institutional Banking capabilities to support their business needs. Private Banking services can be accessed from six leading centres: Hong Kong, Singapore, London, Jersey, Dubai and India.

## The Group's regions

The Group's geographical structure includes four regional businesses:

- Greater China & North Asia, including Hong Kong, Korea, China, Taiwan, Japan and Macau.
- ASEAN & South Asia, which includes Singapore, Malaysia, Indonesia, India and Bangladesh.
- Africa & Middle East, which includes Southern, West and East Africa, Pakistan and the UAE.
- Europe & Americas, including the UK and the U.S.

The client and regional businesses are supported by centralised global functions.

## Subsidiaries

As at 31 December 2017, the principal subsidiary undertakings of SCB principally engaged in the business of banking and provision of other financial services, were as follows: Standard Chartered Bank (Hong Kong) Limited ("SCBHK"), 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 SCPLC, except Standard Chartered Bank (Thai) Public Company Limited, which is 99.87 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. SCBHK is 49 per cent. owned by Standard Chartered Holdings Limited, SCB's parent company.

## Directors

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

**W T Winters** *Director of SCB and Group Chief Executive of SCPLC*<sup>1</sup>  
*Non-Executive Director of Novartis International AG*

**T J Clarke** *Director of SCB*<sup>1</sup>  
*Non-Executive Director of Sky plc*

**A N Halford** *Director of SCB and Group Financial Officer of SCPLC*<sup>1</sup>  
*Non-Executive Director of Marks and Spencer Group plc*

**M Smith** *Director of SCB*<sup>1</sup>

Notes:

1. The business address should be regarded for the purposes of this Prospectus as:  
1 Basinghall Avenue  
London EC2V 5DD

There are no existing or potential conflicts of interest between any duties of the directors named above owed to SCB and/or their private interests and other duties which would require disclosure in this Prospectus. The Group has a control process in place for the purposes of avoiding potential conflicts of interest, as and when they may arise, between any duties of the Directors named above to SCB and their private interests and/or other duties. There are no such potential conflicts of interest which would require disclosure in this Prospectus.

## CAPITALISATION AND INDEBTEDNESS OF STANDARD CHARTERED BANK

The following table sets out the unaudited consolidated capitalisation and indebtedness of SCB as at 31 December 2017 prepared in accordance with IFRS.

<b>Capitalisation</b>	<b>31 December 2017 U.S.\$ million</b>	31 December 2016 U.S.\$ million
<b>Shareholders' equity</b>		
<b>Allotted, called-up and fully paid share capital</b>		
Ordinary shares	26,524	26,524
Share premium	1,796	1,796
Capital reserves	40	40
Reserves and retained earnings	16,348	14,447
Other equity instruments	5,000	4,000
<b>Total shareholders' equity (excluding minority interest)</b>	<b>49,708</b>	<b>46,807</b>
<b>Subordinated Liabilities and Other Borrowed Funds</b>		
<b>Subordinated loan capital – issued by subsidiary undertakings</b>		
\$750 million 5.875 per cent. subordinated notes 2020	<b>768</b>	786
BWP 127.26 million 8.2 per cent. subordinated notes 2022 (callable 2017)	<b>13</b>	12
BWP 70 million floating rate subordinated notes 2021 (callable 2016)	<b>7</b>	7
BWP 50 million floating rate notes 2022 (callable 2017)	<b>5</b>	5
KRW 90 billion 6.05 per cent. subordinated debt 2018	<b>85</b>	78
PKR 2.5 billion floating rate notes 2022 (callable)	<b>-</b>	24
	<b>878</b>	912
<b>Subordinated loan capital – issued by the Company</b>		
£700 million 7.75 per cent. subordinated notes 2018	<b>956</b>	898
£675 million 5.375 per cent. undated step up subordinated notes (callable 2020)	<b>327</b>	307
£200 million 7.75 per cent. undated step up subordinated notes (callable 2022)	<b>221</b>	215
\$1 billion floating rate subordinated notes 2022	<b>1,000</b>	1,000
\$960 million floating rate subordinated notes 2022	<b>960</b>	960
\$700 million 8.0 per cent. subordinated notes 2031	<b>426</b>	432
JPY 10 billion 3.35 per cent. subordinated notes 2023 (callable 2018)	<b>89</b>	88
SGD 450 million 5.25 per cent. subordinated notes 2023 (callable 2018)	<b>339</b>	318
\$2 billion floating rate subordinated notes 2023	<b>2,000</b>	2,000
\$500 million floating rate subordinated notes due 2043	<b>500</b>	500
\$1.698 billion floating rate subordinated notes 2025 (callable 2020)	<b>1,698</b>	1,698
\$2 billion floating rate subordinated notes 2044 (callable 2039)	<b>2,000</b>	2,000
\$250 million floating rate subordinated notes due 2048 (callable 2043)	<b>250</b>	250
\$1 billion floating rate subordinated notes due 2029 (callable 2024)	<b>1,000</b>	1,000
\$1.5 billion floating rate subordinated notes due 2039 (callable 2034)	<b>1,500</b>	1,500
\$1.25 billion floating rate subordinated notes due 2032 (callable 2027)	<b>1,250</b>	1,250
€700 million 5.875 per cent. subordinated notes 2017	<b>-</b>	766
€400 million 5.875 per cent. subordinated notes 2017	<b>-</b>	432
\$1.6 billion floating rate subordinated notes 2022	<b>-</b>	1,600
\$1.25 billion floating rate subordinated notes 2022	<b>-</b>	1,250
\$1 billion 6.4 per cent. subordinated notes 2017	<b>-</b>	512
	<b>14,516</b>	18,976
<b>Primary capital floating rate notes</b>		
\$400 million	<b>16</b>	16
\$300 million (Series 2)	<b>69</b>	69
\$400 million (Series 3)	<b>50</b>	50
\$200 million (Series 4)	<b>26</b>	26
£150 million	<b>16</b>	15
	<b>177</b>	176
<b>Total for Bank Group</b>	<b>15,571</b>	20,064
<b>Total Capitalisation and Indebtedness</b>	<b>65,279</b>	66,871

2017

	USD \$million	GBP \$million	EUR \$million	Others \$million	Total \$million
Fixed rate subordinated debt	1,194	1,504	-	526	3,224
Floating rate subordinated debt	12,319	16	-	12	12,347
<b>Total</b>	<b>13,513</b>	<b>1,520</b>	<b>-</b>	<b>538</b>	<b>15,571</b>

2016

	USD \$million	GBP \$million	EUR \$million	Others \$million	Total \$million
Fixed rate subordinated debt	1,730	1,420	1,198	496	4,844
Floating rate subordinated debt	15,169	15	-	36	15,220
<b>Total</b>	<b>16,899</b>	<b>1,435</b>	<b>1,198</b>	<b>532</b>	<b>20,064</b>

Notes:

- All subordinated liabilities are unsecured, unguaranteed and subordinated to the claims of other creditors including without limitation, customer deposits and deposits by banks. SCB 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 U.S. dollars at market exchange rates prevailing at 31 December 2017. The exchange rates used were U.S.\$1.00 = £ 0.7398; U.S.\$1.00 = BWP 9.8260; U.S.\$1.00 = KRW 1,070.6214; U.S.\$1.00 = EURO 0.8328; U.S.\$1.00 = PKR 110.4736; U.S.\$1.00 = JPY 112.7150; U.S.\$1.00 = SGD 1.3365.
- Contingent liabilities amounted to U.S.\$44 billion as at 31 December 2017, of which U.S.\$37 billion related to guarantees and irrevocable letters of credit.
- The total amount of all other borrowings and indebtedness as at 31 December 2017 was U.S.\$487 billion, including deposits by banks U.S.\$31 billion, customer accounts U.S.\$371 billion and debt securities in issue (including certificates of deposits) U.S.\$30 billion. These obligations are unsecured and are not guaranteed. Also, including repurchase agreements and other similar secured borrowing U.S.\$40 billion, which are collateralised with treasury bills/bonds.
- 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 SCB as set out in the above table since 31 December 2017.
- On 12 July 2017, SCB exercised its rights to redeem its U.S.\$1.25 billion floating rate subordinated notes due 2032 in full on the first call date.  
  
On 26 September 2017, SCB redeemed:
  - The remaining \$512 million of its \$1 billion 6.4 per cent. subordinated notes on its maturity.
  - €700 million 5.875 per cent. subordinated notes in full on its maturity.
  - €400 million 5.875 per cent. subordinated notes in full on its maturity.
On 20 December 2017, SCB exercised its right to redeem its U.S.\$1.60 billion floating rate subordinated notes due 2022 on the first call date.  
  
On 28 December 2017, Standard Chartered Bank Pakistan exercised its right to redeem PKR 2.5 billion floating rate notes 2022 in full on the first call date.
- There were no new issuances during the year ended 31 December 2017.

## SELECTED FINANCIAL INFORMATION

The following table sets out summary financial information relating to the Group for the five financial years ended 31 December 2017.

	2017 U.S.\$ million	2016 U.S.\$ million	2015 U.S.\$ million	2014 U.S.\$ million	2013 U.S.\$ million
Operating profit before impairment losses and taxation	4,008	3,849	4,116	7,289	8,584
Impairment losses on loans and advances and other credit risk provisions	(1,362)	(2,791)	(4,976)	(2,141)	(1,617)
Other impairment	(499)	(612)	(855)	(1,161)	(1,129)
Profit/(loss) before taxation	2,415	409	(1,523)	4,235	6,064
Profit/(loss) attributable to shareholders	1,219	(247)	(2,194)	2,613	4,090
Loans and advances to banks <sup>1</sup>	57,494	72,609	64,494	83,890	83,702
Loans and advances to customers <sup>1</sup>	248,707	252,719	257,356	284,695	290,708
Total assets	663,501	646,692	640,483	725,914	674,380
Deposits by banks <sup>1</sup>	30,945	36,894	37,611	54,391	43,517
Customer accounts <sup>1</sup>	370,509	371,855	350,633	405,353	381,066
Shareholders' equity	46,505	44,368	46,204	46,432	46,246
Total capital resources <sup>2</sup>	68,983	68,181	70,364	69,685	67,238
<b>Information per ordinary share</b>					
Basic (loss)/earnings per share	23.5c	(14.5)c	(91.9)c	97.3c	156.5c
Underlying earnings/(loss) per share	47.2c	3.4c	(6.6)c	138.9c	194.2c
Dividends per share	-	-	13.71c	81.85c	81.85c
Net asset value per share	1,366.9c	1,307.8c	1,366.0c	1,833.9c	1,872.8c
Net tangible asset value per share <sup>6</sup>	1,214.7c	1,163.9c	1,224.1c	1,610.9c	1,597.6c
Return on assets <sup>3</sup>	0.2%	0.0%	(0.3)%	0.4%	0.6%
<b>Ratios</b>					
Statutory return on ordinary shareholders' equity <sup>5</sup>	1.7%	(1.1)%	(5.3)%	5.5%	9.0%
Underlying return on ordinary shareholders' equity <sup>5</sup>	3.5%	0.3%	(0.4)%	7.8%	11.2%
Statutory cost-income ratio	72.2%	72.6%	73.1%	60.2%	54.3%
Underlying cost-income ratio	70.8%	72.2%	67.8%	58.9%	54.4%
Capital ratios:					
CET1/Tier 1 capital <sup>4</sup>	13.6%	13.6%	12.6%	10.5%	10.9%
Total capital base (CRD IV) ratio <sup>4,7</sup>	21.0%	21.3%	19.5%	16.7%	17.0%

1. Excludes amounts held at fair value through profit or loss, 2016, 2015, 2014 and 2013 includes reverse repurchase agreements and other similar secured lending and repurchase agreements and other similar secured borrowing

2. Shareholders' funds, non-controlling interests and subordinated loan capital.

3. Represents profit attributable to shareholders divided by the total assets of the Group.

4. Published in the annual financial statements but not audited.

5. Statutory return on equity represents the ratio of the current year's profit available for distribution to ordinary shareholders to the weighted average ordinary shareholders equity for the reporting period. Underlying return on equity represents the statutory ratio using underlying earnings.

6. Ratio of net tangible assets (total tangible assets less total liabilities) to the number of ordinary shares outstanding at the end of a reporting period.

7. Total capital as a percentage of risk-weighted assets

The following table sets out summary financial information relating to the Group for the financial years ended 31 December 2017 and 31 December 2016. This information has been extracted without material adjustment from the Group's audited consolidated financial statements for the year ended 31 December 2017 (including comparative figures for the year ended 31 December 2016), each prepared in accordance with IFRS.

	Year ended 31 December	
	2017 U.S.\$ million	2016 U.S.\$ million
Operating profit before impairment losses and taxation	<b>4,008</b>	3,849
Impairment losses on loans and advances and other credit risk provisions	<b>(1,362)</b>	(2,791)
Other impairment		
Goodwill impairment	<b>(320)</b>	(166)
Other	<b>(179)</b>	(466)
Profit/(loss) from associates and joint ventures	<b>268</b>	(37)
Profit before taxation	<b>2,415</b>	409
Profit/(loss) attributable to parent company's shareholders	<b>1,219</b>	(247)
Loans and advances to banks	<b>57,494</b>	54,538
Loans and advances to customers	<b>248,707</b>	226,693
Total assets	<b>663,501</b>	646,692
Deposits by banks	<b>30,945</b>	32,872
Customer accounts	<b>370,509</b>	338,185
Total parent company shareholders' equity	<b>46,505</b>	44,368
Total capital base (CRD IV)	<b>58,758</b>	57,438

The following table sets out summary financial information relating to the Group for the financial years ended 31 December 2017 and 31 December 2016. This information has been extracted without material adjustment from the 2017 Annual Report (including comparative figures for the year ended 31 December 2016).

	Year ended 31 December	
	2017	2016
<b>Statutory performance</b>		
Operating income	<b>14,425</b>	14,060
Operating expenses	<b>(10,417)</b>	(10,211)
Impairment losses on loans and advances and other credit risk provisions	<b>(1,362)</b>	(2,791)
Goodwill impairment	<b>(320)</b>	(166)
Other impairment	<b>(179)</b>	(446)
Profit before taxation	<b>2,415</b>	409
Profit/(loss) attributable to parent company shareholders	<b>1,219</b>	(247)
Profit/(loss) attributable to ordinary shareholders <sup>1</sup>	<b>774</b>	(478)
Return on ordinary shareholders' equity (%)	<b>1.7</b>	(1.1)
Net interest margin (%)	<b>1.6</b>	1.5
Cost to income ratio (%)	<b>72.2</b>	72.6
<b>Underlying performance</b>		
Operating income	<b>14,289</b>	13,808
Operating expenses	<b>(10,120)</b>	(9,975)
Impairment losses on loans and advances and other credit risk provisions	<b>(1,200)</b>	(2,382)
Other impairment	<b>(169)</b>	(383)
Profit before taxation	<b>3,010</b>	1,093
Return on ordinary shareholders' equity (%)	<b>3.5</b>	0.3
Cost to income ratio (%)	<b>70.8</b>	72.2
Total assets	<b>663,501</b>	646,692
Total equity	<b>51,807</b>	48,658
Loans and advances to customers <sup>2</sup>	<b>285,553</b>	255,896
Customer accounts <sup>3</sup>	<b>411,724</b>	378,302
Total capital	<b>58,758</b>	57,438
Advances-to-deposits ratio (%) <sup>5</sup>	<b>69.4</b>	67.6
Common Equity Tier 1 ratio (%) <sup>6</sup>	<b>13.6</b>	13.6
Total capital (%)	<b>21.0</b>	21.3
UK leverage ratio (%) <sup>7</sup>	<b>6.0</b>	6.0
	<b>Cents</b>	Cents
Earnings per share – underlying	<b>47.2</b>	3.4
– statutory	<b>23.5</b>	(14.5)
Ordinary dividend per share <sup>4</sup>	<b>11.0</b>	-
Net asset value per share	<b>1,366.9</b>	1,307.8
Tangible net asset value per share	<b>1,214.7</b>	1,163.9

<sup>1</sup> Profit/(loss) attributable to ordinary shareholders is after the deduction of dividends payable to the holders of non-cumulative redeemable preference shares and Additional Tier 1 securities classified as equity

<sup>2</sup> Includes balances held at fair value through profit or loss and reverse repurchase agreements and other similar secured lending

<sup>3</sup> Includes balances held at fair value through profit or loss and repurchase agreements and other similar secured borrowing

<sup>4</sup> Represents the recommended full year dividend per share

<sup>5</sup> The ratio of total loans and advances to customers relative to total customer accounts. A low advances-to-deposits ratio demonstrates that customer accounts exceed customer loans resulting from emphasis placed on generating a high level of stable funding from customers

<sup>6</sup> A measure of the Group's CET1 capital as a percentage of risk-weighted assets under CRD IV.

<sup>7</sup> A ratio introduced under CRD IV that compares Tier 1 capital to total exposures, including certain exposures held off balance sheet as adjusted by stipulated credit conversion factors. Intended to be a simple, non-risk based backstop measure.



A reconciliation between underlying and statutory results is set out in the table below:

	2017				
	Underlying \$million	Restructuring \$million	Net gain on businesses disposed/ held for sale \$million	Goodwill impairment \$million	Statutory \$million
Operating income	14,289	58	78	–	14,425
Operating expenses	(10,120)	(297)	–	–	(10,417)
Operating profit/(loss) before impairment losses and taxation	4,169	(239)	78	–	4,008
Impairment losses on loans and advances and other credit risk provisions	(1,200)	(162)	–	–	(1,362)
Other impairment	(169)	(10)	–	(320)	(499)
Profit from associates and joint ventures	210	58	–	–	268
Profit/(loss) before taxation	3,010	(353)	78	(320)	2,415

	2016					
	Underlying \$million	Restructuring \$million	Net gain on businesses disposed/ held for sale \$million	Goodwill impairment \$million	Gains arising on repurchase of subordinated liabilities \$million	Statutory \$million
Operating income	13,808	(85)	253	–	84	14,060
Operating expenses	(9,975)	(236)	–	–	–	(10,211)
Operating profit/(loss) before impairment losses and taxation	3,833	(321)	253	–	84	3,849
Impairment losses on loans and advances and other credit risk provisions	(2,382)	(409)	–	–	–	(2,791)
Other impairment	(383)	(63)	–	(166)	–	(612)
Profit from associates and joint ventures	25	(62)	–	–	–	(37)
Profit/(loss) before taxation	1,093	(855)	253	(166)	84	409

## THE GROUP

The information set out on pages 90 to 106 of this document is extracted without material adjustment from the 2017 Annual Report. In addition, further information relating to the Group can be found in the Interim Management Statement.

The following commentary reflects movements compared to the twelve months to 31 December 2016, unless otherwise indicated. All numbers are presented on an underlying basis unless otherwise stated. A reconciliation between underlying and statutory results is set out on page 96.

### Corporate & Institutional Banking

#### *Segment Overview*

Corporate & Institutional Banking supports clients with their transaction banking, corporate finance, financial markets and borrowing needs across more than 60 markets, providing solutions to over 5,300 clients in some of the world's fastest-growing economies and most active trade corridors.

The Group's clients include large corporations, governments, banks and investors headquartered, operating or investing in Asia, Africa and the Middle East. The Group's strong and deep local presence across these markets enables it to facilitate trade, capital and investment flows in and for the Group's footprint, including across China's Belt and Road initiative.

The Group collaborates increasingly with other segments: introducing Commercial Banking services to the Group's clients' ecosystems – their networks of buyers, suppliers, customers and service providers – and offering its clients employee banking services through Retail Banking.

#### *Strategic priorities*

- Deliver sustainable growth for clients by understanding their agendas, providing trusted advice, and strengthening leadership in flow solutions.
- Manage the Group's balance sheet to grow income and returns by driving balance sheet velocity, improving funding quality and maintaining strengthened risk controls.
- Improve the Group's efficiency, innovate and digitise to enhance the client experience.

#### *Priorities*

- Completed on-boarding of 91 new OECD clients, and delivered strong growth from the next generation of priority clients.
- Improved balance sheet quality, with investment-grade clients now representing 57 per cent. of customer loans and advances (2016: 52 per cent.) and high quality operating account balances now comprising 48 per cent. of Transaction Banking customer accounts (2016: 44 per cent.).
- Launched focused workstreams to drive efficiency and innovation, and increase talent diversity.

#### *Performance highlights*

- Underlying profit before taxation of U.S.\$1,261 million more than doubled year-on-year primarily driven by lower impairment. While operating expenses were higher, business efficiency improvements created capacity for increased investments.
- Underlying income of U.S.\$6,496 million was stable year-on-year. However, excluding Principal Finance losses, income declined 3 per cent., impacted by a decline in market volatility and spreads in Financial Markets and margin compression in financing businesses. This more than offset the volume growth and margin improvement in Cash Management.
- Good balance sheet momentum with loans and advances to customers up 8 per cent. year-on-year and customer accounts up 9 per cent.
- The difference of U.S.\$275 million between statutory and underlying profit represents restructuring costs.

### Retail Banking

#### *Segment overview*

Retail Banking serves over nine million individuals and small businesses, with a focus on affluent and emerging affluent in many of the world's fastest-growing cities. Retail Banking provides digital banking services with a human touch to clients across deposits, payments, financing products and Wealth Management, as well as supporting their business banking needs.

Retail Banking represents approximately one-third of the Group's operating income and operating profit. Retail Banking is closely integrated with the Group's other client segments, for example offering employee banking services to Corporate & Institutional Banking clients, and is also an important source of high quality liquidity for the Group.

Increasing levels of wealth across Asia, Africa and the Middle East support the opportunity to grow the business sustainably. The Group aims to improve productivity and client experience through increasing digitisation, driving cost efficiencies and simplifying its processes.

#### *Strategic priorities*

- Continue to focus on affluent and emerging affluent clients and their wealth needs in core cities and capture the significant rise of the middle class in the Group's markets.
- Continue to build on the Group's client ecosystem and alliances initiatives.
- Improve clients' experience through an enhanced end-to-end digital offering, with intuitive platforms, best-in-class products and service responding to the change in digital habits of clients in the Group's markets.

#### *Progress*

- Increased share of income from Priority clients to 45 per cent., up from 29 per cent. in 2014, supported by adding more than 100,000 Priority clients during 2017.
- Major strategic alliances, with partners such as Asia Miles, Shinsegae and Disney, and Employee Banking initiatives, have together delivered over 50 per cent. of new clients in the year.
- Investment in technology is showing results, with nearly 45 per cent. of clients now actively using online or mobile banking.

#### *Performance highlights*

- Underlying profit before taxation of U.S.\$873 million was up 14 per cent. year-on-year as income growth and lower loan impairment offset increased expenses.
- Retail Banking income in Greater China & North Asia grew 10 per cent. year-on-year; income in ASEAN & South Asia grew 4 per cent. excluding the impact of business exits in Thailand and the Philippines; and income in Africa & Middle East was flat.
- Strong momentum from Wealth Management and Deposits drove the improved income performance, more than offsetting continued margin compression across asset products.
- Good balance sheet momentum, with both loans and advances to customers and customer accounts up 10 per cent. during the year.
- The difference of U.S.\$19 million between statutory and underlying profit represents restructuring costs.

### **Commercial Banking**

#### *Segment overview*

Commercial Banking serves over 40,000 local corporations and medium-sized enterprises in 26 markets across Asia, Africa and the Middle East. The Group aims to be its clients' main international bank, providing a full range of international financial solutions in areas such as trade finance, cash management, financial markets and corporate finance.

Through close linkages with Retail Banking and Private Banking, clients can access additional services they value including employee banking services and personal wealth solutions. Commercial Banking also collaborates with Corporate & Institutional Banking to service clients' end-to-end supply chains.

Clients represent a large and important portion of the economies the Group serves and are potential future multinational corporates. Commercial Banking is at the heart of the Group's shared purpose to drive commerce and prosperity through the Group's unique diversity.

#### *Strategic priorities*

- Drive quality sustainable growth by deepening relationships with the Group's existing clients and attracting new clients that are aligned with the Group's strategy, with a focus on rapidly growing and internationalising companies in the Group's footprint.
- Improve client experience, through investing in frontline training, tools and analytics.
- Continue to enhance credit risk management and monitoring and maintain a high bar on operational risk.

### *Progress*

- Improved client experience materially, with client satisfaction as measured by the Group's annual 'client intelligence survey' having improved meaningfully year-on-year.
- On-boarded over 4,500 new-to-bank clients in the year, of which 830 came from the Group's clients' international and domestic networks of buyers and suppliers.
- Significantly strengthened the foundations in credit risk management through a series of actions which resulted in lower loan impairments in 2017.

### *Performance highlights*

- Returned Commercial Banking to profitability, with an underlying profit before taxation of U.S.\$282 million reflecting significantly lower impairment, reduced expenses and higher income.
- Underlying income of U.S.\$1,333 million was up 3 per cent. year-on-year, driven by positive momentum across regions, with income up 5 per cent. in ASEAN & South Asia, up 2 per cent. in Africa & Middle East, and up 1 per cent. in Greater China & North Asia, led by Cash Management and Financial Markets products.
- Strong balance sheet growth, with loans and advances to customers up 17 per cent. year-on-year and customer accounts up 4 per cent.
- The difference of U.S.\$13 million between statutory and underlying profit represents restructuring costs.

## **Private Banking**

### *Segment overview*

Private Banking offers a full suite of investment, credit and wealth planning solutions to grow and protect the wealth of high-net worth individuals across the Group's footprint.

Private Banking's investment advisory capabilities and product platform are independent from research houses and product providers, allowing the Group to put client interests at the centre of the Group's business. This is coupled with an extensive network across Asia, Africa and the Middle East, which provides clients with relevant market insights and cross-border investment and financing opportunities.

As part of the Group's universal banking proposition, clients can also leverage the global Commercial Banking and Corporate & Institutional Banking capabilities to support their business needs. Private Banking services can be accessed from six leading centres: Hong Kong, Singapore, London, Jersey, Dubai and India.

### *Strategic priorities*

- Instil a culture of excellence by improving the expertise and enhancing the skills of senior relationship management teams.
- Improve client experience by enhancing the Group's advisory proposition and reducing turnaround time of the investment process.
- Balance growth and controls by simplifying the business model through implementation of a rigorous controls enhancement plan.

### *Progress*

- Strengthened relationship management teams with almost 60 new frontline hires globally. Launched Private Banking Academy in partnership with INSEAD and Fitch to deliver an industry leading frontline training programme across key markets.
- Enhanced open architecture platform through digitisation, enabling real-time price discovery across equity derivatives and fixed income, and halving preparation time for investment proposals.
- Sharpened client coverage model with the completion of the country coverage initiative and continuous shift to focus on the above U.S.\$5 million assets under management client segment.

### *Performance highlights*

- Private Banking generated an underlying loss before taxation of U.S.\$1 million compared to a profit of U.S.\$32 million in 2016, due to higher expenses as the Group continued to invest significantly in the business.
- Underlying income of U.S.\$500 million was up 1 per cent. year-on-year, impacted by the non-recurrence of an insurance recovery. Excluding this, income improved 6 per cent. driven by Wealth Management, Treasury and Funds products, and improved Deposit margins.

- Assets under management increased by U.S.\$10.2 billion or 18 per cent. since 31 December 2016 driven by positive market movements and U.S.\$2.2 billion of net new money.
- The difference of U.S.\$15 million between statutory and underlying loss represents restructuring costs.

## **Greater China & North Asia**

### *Region overview*

Greater China & North Asia is the Group's largest region, representing approximately 40 per cent. of the Group's income, and includes the Group's clients in Hong Kong, Korea, China, Taiwan, Japan and Macau. Of these, Hong Kong remains the Group's largest market, underpinned by a diversified franchise and deeply rooted presence.

The region is highly interconnected, with China's economy at its core. The Group's regional footprint, distinctive proposition and continued investment positions it strongly to capture opportunities as they arise from the continuing opening up of China's economy.

The Group is building on the region's ongoing economic growth, the rising wealth of its population, the increasing sophistication and internationalisation of Chinese businesses and the resulting increased usage of the renminbi internationally.

### *Strategic priorities*

- Leverage network strength to serve the inbound and outbound cross-border trade and investment needs of the Group's clients.
- Capture opportunities arising from China's opening, including the renminbi, Belt and Road initiative, onshore capital markets and mainland wealth, as well as from the Group's digital capabilities.
- Strengthen market position in Hong Kong, and improve Retail Banking performance in China and Korea.

### *Progress*

- Added overseas China desks across the Group's footprint, helping to grow income and increase the number of Belt and Road initiative projects the Group was involved in by over 25 per cent.
- Strong progress in Retail Banking in Hong Kong, adding more than 43,300 new-to-bank Priority clients through alliances such as Asia Miles and enhanced digital on-boarding platform.
- Retail Banking in both China and Korea have seen a significant improvement in performance, driven by cost efficiencies and focused client acquisition.

### *Performance highlights*

- Underlying profit before taxation of U.S.\$1,942 million was 45 per cent. higher year-on-year, reflecting income growth and lower impairment.
- Underlying income of U.S.\$5,616 million was 8 per cent. higher year-on-year, with all markets and client segments contributing. Retail Banking and Private Banking income both grew 10 per cent. year-on-year driven by Wealth Management, improving margins and strong balance sheet growth. Corporate & Institutional Banking income rose 9 per cent. year-on-year, due to Cash Management, Corporate Finance and Capital Markets. Commercial Banking income grew 1 per cent. year-on-year, driven by Cash Management and Corporate Finance.
- Strong balance sheet momentum with loans and advances to customers up 15 per cent. year-on-year and customer accounts up 10 per cent.
- The difference of U.S.\$35 million between statutory and underlying profit represents restructuring costs.

## **ASEAN & South Asia**

### *Region overview*

The Group has a long-standing and deep franchise across the ASEAN & South Asia region. It is the only international bank with a presence in all 10 ASEAN countries and also has meaningful operations in all key South Asian markets. The Group's two largest markets in the region by income are Singapore and India, where it has had a deep-rooted presence for over 150 years.

The region contributes over a quarter of the Group's income. Within the region, Singapore is home to the majority of the Group's global business leadership and its technology organisation as well as SC Ventures, the Group's innovation hub.

The strong underlying economic growth in the ASEAN & South Asia region supports the Group's opportunity to grow and sustainably improve returns. The region is benefiting from rising trade flows, including from the Belt and Road initiative, continued strong investment and a rising middle class which is driving consumption growth and improving digital connectivity.

#### *Strategic priorities*

- Optimise geographic portfolio by selectively reshaping sub-scale unprofitable markets and prioritising larger or more profitable markets.
- Shift the income mix towards 'asset-light' businesses, such as network and flow opportunities in Corporate & Institutional Banking and Commercial Banking, and towards Wealth and Priority clients in Retail Banking.
- Deploy differentiating digital capabilities in key markets to improve client experience and productivity.

#### *Progress*

- Exited Retail Banking in the Philippines and Thailand in 2017, and the Group's stake in Asia Commercial Bank in early 2018. Investments in Singapore, India and Vietnam are showing early positive impact.
- The business 'mix shift' is starting: 6 per cent. year-on-year cash liabilities growth, global subsidiaries up 13 per cent., new Priority clients grew 18 per cent., wealth assets under management up 25 per cent.
- Encouraging early signs of digital adoption in key markets, with a faster pace of improving digital sales penetration.

#### *Performance highlights*

- Underlying profit before taxation of U.S.\$492 million declined 22 per cent. year-on-year due to negative operating leverage impacted by low volatility in Financial Markets and higher costs as the Group invested for future growth.
- Underlying income of U.S.\$3,833 million fell 5 per cent. year-on-year driven by the decisions to exit Retail Banking in Thailand and the Philippines, and from the impact of low volatility on Financial Markets. Retail Banking income, excluding the impact of exits, rose 4 per cent. year-on-year, and Commercial Banking income was up 5 per cent. year-on-year.
- Client activity was positive with 13 per cent. growth in loans and advances to customers and 8 per cent. growth in customer accounts since December 2016.
- The difference of U.S.\$142 million between statutory and underlying profit represents restructuring costs of U.S.\$161 million, which are offset by gains on sale of business of U.S.\$19 million.

### **Africa & Middle East**

#### *Region overview*

The Group has a deep-rooted heritage of over 150 years in Africa & Middle East and is present in 25 markets, of which the UAE, Nigeria, Pakistan and Kenya are the largest by income. Among international banks the Group has the broadest presence across sub-Saharan Africa by number of markets.

A rich history, deep client relationships and a unique footprint in the region and across key origination centres in Asia, Europe and the Americas enable the Group to seamlessly support its clients. Africa & Middle East is an important part of global trade and investment corridors, including those on the Belt and Road initiative and the Group is well placed to facilitate these flows. Demand for capital remains robust, with favourable demographics, urbanisation and infrastructure investment.

While the economic challenges in Africa & Middle East were severe in 2015 and 2016, the Group's business stabilised in 2017 and it remains confident that the opportunities in the region will support long-term sustainable growth for the Group. The Group continues to invest selectively and drive efficiencies.

#### *Strategic priorities*

- De-risk and improve the quality of income, and maintain a stable platform for sustainable growth.
- Build income momentum in Corporate & Institutional Banking by providing best-in-class structuring and financing solutions and driving origination through client initiatives.
- Continue investing in market-leading digitisation initiatives in Retail Banking to protect and grow market share in core markets.

#### *Progress*

- The UAE, a key market, has turned around and Commercial Banking in the region has stabilised.

- Reinforced the Group's strong market presence through a number of marquee deals from sovereigns, financial institutions and corporate clients.
- On track to deliver digital solutions across key countries in Africa during 2018.

#### *Performance highlights*

- Underlying profit before taxation of U.S.\$642 million rose 49 per cent. year-on-year, driven by a reduction in loan impairment.
- Despite economic challenges in the region, underlying income of U.S.\$2,764 million was up 1 per cent. year-on-year driven by Africa up 4 per cent. while Middle East, North Africa and Pakistan were down 2 per cent. Strong Transaction Banking and Wealth Management performance was offset by the impact of lower volatility in Financial Markets and lower margins in Retail Products.
- Loans and advances to customers were up 5 per cent. year-on-year and customer accounts grew 6 per cent.
- The difference of U.S.\$33 million between statutory and underlying profit represents restructuring costs.

### **Europe & Americas**

#### *Region overview*

The Group supports clients in Europe & Americas through hubs in London and New York as well as a presence in several European and Latin American markets.

The Group offers clients rich network and product capabilities through its knowledge of working in and between Asia, Africa and the Middle East. The Group also has a Private Banking business, focused on serving clients with linkages to the Group's Asia, Africa and Middle East footprint markets.

The region is a major income origination engine for the Group's Corporate & Institutional Banking business. Clients based in Europe & Americas generate over one-third of Corporate & Institutional Banking income, with two-thirds of that income booked in the Group's other regions where the service is provided.

The region is home to the Group's two biggest payment clearing centres and the largest trading room. Over 80 per cent. of the region's income derives from Financial Markets and Transaction Banking products. Given this mix, the business carried out across the Group with clients based in Europe & Americas generates above average returns.

#### *Strategic priorities*

- Continue to attract new international corporate and financial institutions clients and deepen relationships with existing clients by banking them across more markets in the Group's network.
- Enhance capital efficiency, maintain strong risk oversight and further improve the quality of the Group's funding base.
- Grow the Group's Private Banking franchise and assets under management in London and Jersey.

#### *Progress*

- Good progress made in attracting new clients and broadening relationships with existing clients; 79 new multinational corporate clients on-boarded in the region in 2017.
- Underlying returns from Corporate & Institutional Banking clients continue to improve along with the improved risk profile.
- Assets under management for Private Banking clients grew by 17 per cent. in 2017.

#### *Performance highlights*

- The region returned to profitability with an underlying profit for the year of U.S.\$71 million, supported by a substantial reduction in loan impairment following earlier management actions. Expense growth reflects the continued investment in people and globally driven investments in systems and product capabilities.
- Underlying income of U.S.\$1,601 million was 4 per cent. lower year-on-year impacted by a decline in market volatility in Financial Markets which was only partly offset by an improvement in Cash Management income. Income generated by clients that is booked in other markets grew by 17 per cent. in 2017.
- Loans and advances to customers were up 6 per cent. year-on-year and customer accounts grew 9 per cent.
- The difference of U.S.\$25 million between statutory and underlying profit represents restructuring cost.

## Performance summary

	2017 U.S.\$ million	2016 U.S.\$ million	Better/(worse) %
<b>Operating income</b>	<b>14,289</b>	13,808	3
Other operating expenses	<b>(8,599)</b>	(8,465)	(2)
Regulatory costs	<b>(1,301)</b>	(1,127)	(15)
UK bank levy	<b>(220)</b>	(383)	43
<b>Operating expenses</b>	<b>(10,120)</b>	(9,975)	(1)
<b>Operating profit before impairment losses and taxation</b>	<b>4,169</b>	3,833	9
Impairment losses on loans and advances and other credit risk provisions	<b>(1,200)</b>	(2,382)	50
Other impairment	<b>(169)</b>	(383)	56
Profit from associates and joint ventures	<b>210</b>	25	nm
<b>Underlying profit before taxation</b>	<b>3,010</b>	1,093	175
Restructuring	<b>(353)</b>	(855)	nm
Other items <sup>1</sup>	<b>(242)</b>	171	nm
<b>Statutory profit before taxation</b>	<b>2,415</b>	409	nm
Taxation	<b>(1,147)</b>	(600)	(91)
<b>Profit/(loss) for the period</b>	<b>1,268</b>	(191)	nm
Net interest margin (%)	<b>1.6</b>	1.5	
Underlying return on equity (%)	<b>3.5</b>	0.3	
Statutory return on equity (%)	<b>1.7</b>	(1.1)	
Underlying earnings per share (cents)	<b>47.2</b>	3.4	
Statutory earnings/(loss) per share (cents)	<b>23.5</b>	(14.5)	
Dividend per share (cents)	<b>11</b>	–	
Common Equity Tier 1 (%)	<b>13.6</b>	13.6	

<sup>1</sup> For 2017, other items includes goodwill impairment of \$320 million related to an increase in the discount rate applied to its subsidiary in Taiwan and \$78 million net gain on completion of the disposal of equity investments. For 2016, other items includes a \$253 million net gain relating to the sale of its Mandatory Provident Fund business in Hong Kong, goodwill impairment of \$166 million related to the Group's subsidiary in Thailand and \$84 million gains arising on repurchase of subordinated liabilities.

### Underlying income

Operating income of U.S.\$14.3 billion was up 3 per cent. year-on-year. Good momentum in Transaction Banking, Wealth Management and Deposits, particularly across Greater China & North Asia, together with higher Treasury income more than offset the impact of industry-wide lower volatility in Financial Markets.

- Corporate & Institutional Banking income was flat year-on-year. Excluding losses incurred in 2016 in relation to Principal Finance, income was 3 per cent. lower as the impact of low volatility in Financial Markets more than offset higher income from Transaction Banking.
- Retail Banking income was 4 per cent. higher year-on-year and 7 per cent. higher excluding the impact of exiting Retail Banking in Thailand and the Philippines. The Group's focus on Priority clients resulted in a strong performance in Wealth Management and Deposits. This more than offset the impact of lower margins on unsecured lending to Personal clients.
- Commercial Banking income was 3 per cent. higher year-on-year with broad based growth in Transaction Banking, Financial Markets and Corporate Finance offsetting lower income from Lending.
- Private Banking income was 1 per cent. higher year-on-year and 6 per cent. higher excluding an insurance recovery booked in the first quarter of 2016. This followed good growth in income from investment products that no account for around 65 per cent. of total assets under management.
- Income from Central & other items (segment) was 29 per cent. higher year-on-year benefiting from a lower interest expense than in 2016. Gains in the first half from active interest rate management and a third quarter dividend from a strategic investment were largely offset by a hedge accounting adjustment in the fourth quarter.
- Income from Greater China & North Asia was up 8 per cent. year-on-year following a strong performance in Hong Kong and further improvement in Korea.
- ASEAN & South Asia income was 5 per cent. lower year-on-year. Excluding the impact of Retail Banking business exits, income was 2 per cent. lower with improved performances in Retail Banking and



Commercial Banking offset by the impact of low volatility in Financial Markets, particularly in Singapore which is a major Financial Markets hub for the region.

- Income from Africa & Middle East was broadly stable year-on-year and up 3 per cent. on a constant currency basis.
- Europe & Americas income was 4 per cent. lower year-on-year. The region's status in the Group as a hub for Financial Markets activity meant it was particularly impacted by industry-wide lower volatility. The region is a significant contributor to the Group with around one-third of Corporate & Institutional Banking income originated with clients that are based there.

#### *Underlying expenses*

Other operating expenses of U.S.\$8.6 billion were up 2 per cent. year-on-year driven primarily by higher variable pay arising from the Group's improved business performance.

Regulatory costs of U.S.\$1.3 billion were 15 per cent. higher year-on-year, reflecting the implementation of a number of significant regulatory programmes.

The UK bank levy of U.S.\$220 million included a U.S.\$105 million benefit in relation to changes to estimates made in previous years and as a result was U.S.\$163 million lower year-on-year. The UK bank levy in 2018 is expected to be around U.S.\$130 million.

The Group had by the end of 2017 delivered over 85 per cent. of its U.S.\$2.9 billion three-year gross cost efficiency target set in November 2015. This is ahead of plan and has created capacity to fund investments and offset inflation.

#### *Underlying impairment*

Loan impairment of U.S.\$1.2 billion was half the level seen in 2016 benefiting from past actions taken to improve the Group's risk profile. The year-on-year improvement was broad-based by client segment and region. Increases in loan impairment in the fourth quarter related to a small number of Commercial Banking clients the Group had been monitoring for some time and a one-off provision in Retail Banking following a change to regulation in Korea.

Other impairment was lower year-on-year following the Group's decision to exit Principal Finance which in 2017 was reported within restructuring and is therefore excluded from the Group's underlying performance.

#### *Profit from associates and joint ventures*

Profit from associates and joint ventures of U.S.\$210 million reflected an improved performance of the Group's joint venture in Indonesia and the continuing good performance of the Group's associate investment in China.

#### *Profit before tax*

As a consequence of the many actions taken since 2015 underlying profit before tax of U.S.\$3.0 billion was 175 per cent. higher year-on-year and 71 per cent. higher excluding the impact of Principal Finance losses in 2016. Statutory profit before tax of U.S.\$2.4 billion which is stated after restructuring and other items was U.S.\$2.0 billion higher.

These actions have resulted in improved operating profit across most client segments including a significant increase in Corporate & Institutional Banking and good growth in Retail Banking, while Commercial Banking returned to profit. By region, improvement across Greater China & North Asia offset the impact of lower income from the Group's Financial Markets hubs located in ASEAN & South Asia and Europe & Americas. The prior year performance in Central & other items (regional) was impacted by Principal Finance losses.

	<b>2017</b> U.S.\$ million	2016 U.S.\$ million	Better/(worse) %
Corporate & Institutional Banking	<b>1,261</b>	435	190
Retail Banking	<b>873</b>	766	14
Commercial Banking	<b>282</b>	(120)	nm
Private Banking	<b>(1)</b>	32	nm
Central & other items	<b>595</b>	(20)	nm
<b>Underlying profit before taxation</b>	<b>3,010</b>	1,093	175
Greater China & North Asia	<b>1,942</b>	1,340	45
ASEAN & South Asia	<b>492</b>	629	(22)
Africa & Middle East	<b>642</b>	431	49

Europe & Americas	71	(148)	nm
Central & other items	(137)	(1,159)	nm
<b>Underlying profit before taxation</b>	<b>3,010</b>	<b>1,093</b>	<b>175</b>

### Group credit quality and liquidation portfolio

The credit quality of the Group overall has improved year-on-year with the focus on better quality origination within a more granular risk appetite driving improvement across all client segments. The Group remains watchful for emerging risks in view of persistent challenging conditions as well as continued geopolitical uncertainty.

#### Non-performing loans

Gross non-performing loans (“NPLs”) in the ongoing business were U.S.\$573 million higher year-on-year driven by increases related to the downgrade in the fourth quarter of a small number of Corporate & Institutional Banking clients partly offset by write-offs and recoveries in Commercial Banking and lower NPLs in Retail Banking. New inflows into NPLs related primarily to a small number of exposures that the Group had been monitoring for some time in the oil and gas support services sector and in India.

#### Credit grade 12 accounts

Credit grade 12 accounts were stable year-on-year. Increases in the fourth quarter related to the downgrade of a small number of Commercial Banking exposures in Africa & Middle East to reflect the continued challenging conditions there.

#### Cover ratio

The cover ratio (which represents the extent to which non-performing loans are covered by impairment provisions) of NPLs in the ongoing portfolio reduced from 69 per cent. at 31 December 2016 to 63 per cent. at 31 December 2017. The cover ratio including collateral increased from 74 per cent. to 79 per cent. over the same period, reflecting the higher degree of collateral held against new inflows into NPLs.

#### Liquidation portfolio

The Group has made significant progress exiting exposures in the liquidation portfolio having reduced gross NPLs by U.S.\$1.6 billion since 31 December 2016. The Group has since November 2015 reduced RWAs associated with this portfolio from U.S.\$20 billion to U.S.\$815 million. The exposures are 86 per cent. covered with net NPLs of U.S.\$653 million remaining to be exited.

	2017			2016		
	Ongoing business \$million	Liquidation portfolio \$million	Total \$million	Ongoing business \$million	Liquidation portfolio \$million	Total \$million
<b>Impairment</b>						
Underlying loan impairment <sup>1</sup>	1,200	–	1,200	2,382	–	2,382
Restructuring loan impairment	42	120	162	-	409	409
Statutory loan impairment	1,242	120	1,362	2,382	409	2,791
<b>Loans and advances</b>						
Gross loans and advances	289,007	2,248	291,255	258,396	3,854	262,250
Net loans and advances	284,878	675	285,553	254,463	1,433	255,896
<b>Credit quality</b>						
Gross Non-performing Loans	6,453	2,226	8,679	5,880	3,807	9,687
Individual Impairment provisions	(3,607)	(1,573)	(5,180)	(3,355)	(2,421)	(5,776)
Net Non-performing Loans	2,846	653	3,499	2,525	1,386	3,911
Credit Grade 12 accounts	1,483	22	1,505	1,499	22	1,521
Cover ratio %	63	71	65	69	64	67
Cover ratio after collateral %	79	86	81	74	80	76
Risk-weighted assets	278,933	815	279,748	265,637	3,808	269,445

1. Loans on an underlying basis where individual identified impairment provisions have been raised and also include loans which are collateralised or where indebtedness has already been written down to the expected realisable value. The impaired loan category may include loans, which, while impaired, are still performing

2. Includes Corporate & Institutional Banking and Commercial Banking.

3. Represents the extent to which non-performing loans are covered by both impairment provisions, and collateral held against the exposure.

## Restructuring and other items

The Group incurred restructuring charges in 2017 of U.S.\$353 million relating primarily to the ongoing reduction of the liquidation portfolio and exit of the Principal Finance business as well as redundancy costs. Restructuring charges since November 2015 total U.S.\$3.1 billion and are in line with guidance with the exit of the Principal Finance portfolio and the remaining exposures in the liquidation portfolio left to complete.

In 2017 as part of its annual assessment the Group incurred goodwill impairment of U.S.\$320 million related to an increase in the discount rate applied to its subsidiary in Taiwan.

In 2017 the Group realised a U.S.\$78 million net gain on completion of the disposal of equity investments.

	2017		2016	
	Restructuring \$million	Other items \$million	Restructuring \$million	Other items \$million
Operating income	58	78	(85)	337
Operating expenses	(297)	–	(236)	–
Impairment losses on loans and advances and other credit risk provisions	(162)	–	(409)	–
Other impairment	(10)	(320)	(63)	(166)
Profit/(loss) from associates and joint ventures	58	–	(62)	–
<b>Profit before taxation</b>	<b>(353)</b>	<b>(242)</b>	<b>(855)</b>	<b>171</b>

## Balance sheet and capital

### Balance sheet

Net loans and advances to customers were up 12 per cent. year-on-year to U.S.\$285.6 billion with strong and broad-based growth across a range of products including in the fourth quarter. Customer deposits of U.S.\$411.7 billion were up 9 per cent. year-on-year as the Group continued to focus on improving the quality and mix of its liabilities. As a result, the Group's customer advances-to-deposits ratio increased to 69.4 per cent. compared to 67.6 per cent. as at 31 December 2016.

### CET1 ratio

The Group is well capitalised with a CET1 ratio at the end of 2017 of 13.6 per cent. The benefit of profits after a deduction for a dividend was offset by a U.S.\$10.3 billion increase in RWAs primarily relating to the application of loss given default ("LGD") floors for certain exposures to financial institutions. A lower increase is expected in 2018 from the application of LGD floors for certain exposures to corporates.

### IFRS 9

The estimated impact of adopting IFRS 9 on 1 January 2018 is an increase in credit provisions of U.S.\$1.2 billion and, in line with previous guidance, a reduction in the Group's CET1 ratio by approximately 15 basis points. Under transitional rules some components of IFRS 9 are phased in over five years resulting in a negligible day-one impact on the CET1 ratio. The Group published a transition report on 28 March 2018 ahead of the first quarter 2018 interim management statement.

### Final Basel III reforms

In December 2017 the Basel Committee on Banking Supervision published final details of its Basel III reforms. First announced in 2010 as a response to the global financial crisis these reforms seek to restore credibility in the calculation of RWAs and improve the comparability of banks' capital ratios. These reforms that are expected to be implemented in 2022 include changes to the capital calculation methodology for credit and operational risk and introduce constraints on the estimates banks make when they use their internal models for regulatory capital purposes, and, in some cases, remove the use of internal models. National discretion and how these reforms might be transposed into law make it difficult to reliably estimate the impact but based on the 31 December 2017 balance sheet the Group's early assessment is an increase in RWAs of 10-15 per cent.

	2017 \$million	2016 \$million	Increase/ (decrease) \$million	Increase/ (decrease) %
Loans and advances to banks	81,325	74,669	6,656	9
Loans and advances to customers	285,553	255,896	29,657	12
Other assets	296,623	316,127	(19,504)	(6)
<b>Total assets</b>	<b>663,501</b>	<b>646,692</b>	16,809	3
Deposits by banks	35,486	37,612	(2,126)	(6)
Customer accounts	411,724	378,302	33,422	9
Other liabilities	164,484	182,120	(17,636)	(10)
<b>Total liabilities</b>	<b>611,694</b>	<b>598,034</b>	13,660	2
<b>Total equity</b>	<b>51,807</b>	<b>48,658</b>	3,149	6
<b>Total equity and liabilities</b>	<b>663,501</b>	<b>646,692</b>	16,809	3
Advances to deposits ratio (%)	69.4	67.6	–	–
Common equity tier 1 ratio (%)	13.6	13.6	–	–
Risk-weighted assets	279,748	269,445	10,303	4

**CONSOLIDATED INCOME STATEMENT**  
For the year ended 31 December 2017

	2017 U.S.\$ million	2016 U.S.\$ million
Interest income	14,435	13,010
Interest expense	(6,254)	(5,216)
<b>Net interest income</b>	<b>8,181</b>	<b>7,794</b>
Fees and commission income	3,942	3,671
Fees and commission expense	(430)	(440)
<b>Net fees and commission income</b>	<b>3,512</b>	<b>3,231</b>
Net trading income	1,527	1,886
Other operating income	1,205	1,149
<b>Operating income</b>	<b>14,425</b>	<b>14,060</b>
Staff costs	(6,758)	(6,303)
Premises costs	(823)	(797)
General administrative expenses	(2,007)	(2,372)
Depreciation and amortisation	(829)	(739)
<b>Operating expenses</b>	<b>(10,417)</b>	<b>(10,211)</b>
<b>Operating profit before impairment losses and taxation</b>	<b>4,008</b>	<b>3,849</b>
Impairment losses on loans and advances and other credit risk provisions	(1,362)	(2,791)
Other impairment		
Goodwill	(320)	(166)
Other	(179)	(446)
Profit/(loss) from associates and joint ventures	268	(37)
<b>Profit/(loss) before taxation</b>	<b>2,415</b>	<b>409</b>
Taxation	(1,147)	(600)
<b>Profit/(Loss) for the year</b>	<b>1,268</b>	<b>(191)</b>
<b>Profit/(loss) attributable to</b>		
Non-controlling interests	49	56
Parent company shareholders	1,219	(247)
<b>Profit/(Loss) for the year</b>	<b>1,268</b>	<b>(191)</b>
	cents	cents
<b>Earnings per share:</b>		
Basic earnings/(loss) per ordinary share	23.5	(14.5)
Diluted earnings/(loss) per ordinary share	23.3	(14.5)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 31 December 2017

	2017 U.S.\$ million	2016 U.S.\$ million
<b>Profit/(loss) for the year</b>	<b>1,268</b>	<b>(191)</b>
<b>Other comprehensive profit/(loss)</b>		
<b>Items that will not be reclassified to Income statement:</b>	<b>(238)</b>	<b>(445)</b>
Own credit losses on financial liabilities designated at fair value through profit or loss	<b>(249)</b>	<b>(372)</b>
Actuarial gains/(losses) on retirement benefit obligations	<b>32</b>	<b>(105)</b>
Taxation relating to components of other comprehensive income	<b>(21)</b>	<b>32</b>
<b>Items that may be reclassified subsequently to income statement:</b>	<b>1,532</b>	<b>(968)</b>
Exchange differences on translation of foreign operations:		
Net gains/(losses) taken to equity	<b>1,637</b>	<b>(817)</b>
Net (losses)/gains on net investment hedges	<b>(288)</b>	<b>30</b>
Share of other comprehensive loss from associates and joint ventures	<b>(1)</b>	<b>(11)</b>
Available-for-sale investments:		
Net valuation gains/(losses) taken to equity	<b>369</b>	<b>48</b>
Reclassified to income statement	<b>(233)</b>	<b>(188)</b>
Cash flow hedges:		
Net gains/(losses) taken to equity	<b>35</b>	<b>(79)</b>
to income statement	<b>11</b>	<b>57</b>
Taxation relating to components of other comprehensive income	<b>2</b>	<b>(8)</b>
<b>Other comprehensive profit/(loss) for the year, net of taxation</b>	<b>1,294</b>	<b>(1,413)</b>
<b>Total comprehensive profit/(loss) for the year</b>	<b>2,562</b>	<b>(1,604)</b>
<b>Total comprehensive income/(loss) attributable to:</b>		
Non-controlling interests	<b>50</b>	<b>45</b>
Parent company shareholders	<b>2,512</b>	<b>(1,649)</b>
	<b>2,562</b>	<b>(1,604)</b>

**CONSOLIDATED BALANCE SHEET**  
**As at 31 December 2017**

	2017 U.S.\$ million	2016 U.S.\$ million
<b>Assets</b>		
Cash and balances at central banks	58,864	70,706
Financial assets held at fair value through profit or loss	27,564	20,077
Derivative financial instruments	47,031	65,509
Loans and advances to banks <sup>1</sup>	57,494	54,538
Loans and advances to customers <sup>1</sup>	248,707	226,693
Reverse repurchase agreements and other similar secured lending	54,275	44,097
Investment securities	117,025	108,972
Other assets	33,490	36,940
Current tax assets	491	474
Prepayments and accrued income	2,307	2,238
Interests in associates and joint ventures	2,307	1,929
Goodwill and intangible assets	5,013	4,719
Property, plant and equipment	7,211	7,252
Deferred tax assets	1,177	1,294
Assets classified as held for sale	545	1,254
<b>Total assets</b>	<b>663,501</b>	<b>646,692</b>
<b>Liabilities</b>		
Deposits by banks	30,945	32,872
Customer accounts	370,509	338,185
Repurchase agreements and other similar secured borrowing	39,783	37,692
Financial liabilities held at fair value through profit or loss	16,633	16,598
Derivative financial instruments	48,101	65,712
Debt securities in issue	46,379	46,700
Other liabilities	35,257	33,146
Current tax liabilities	376	327
Accruals and deferred income	5,493	5,223
Subordinated liabilities and other borrowed funds	17,176	19,523
Deferred tax liabilities	404	353
Provisions for liabilities and charges	183	213
Retirement benefit obligations	455	525
Liabilities included in disposal groups held for sale	-	965
<b>Total liabilities</b>	<b>611,694</b>	<b>598,034</b>
<b>Equity</b>		
Share capital and share premium account	7,097	7,091
Other reserves	12,767	11,524
Retained earnings	26,641	25,753
<b>Total parent company shareholders' equity</b>	<b>46,505</b>	<b>44,368</b>
Other equity instruments	4,961	3,969
<b>Total equity excluding non-controlling interests</b>	<b>51,466</b>	<b>48,337</b>

Non-controlling interests	<b>341</b>	321
<b>Total equity</b>	<b>51,807</b>	48,658
<b>Total equity and liabilities</b>	<b>663,501</b>	646,692

1 Reverse repurchase agreements and other similar secured lending have been reported separately from loans and advances to banks and customers. Similarly, repurchase agreements and other similar secured borrowing have been reported separately from deposits by banks and customer accounts. Prior year comparatives have been re-presented to reflect this change.



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 December 2017

	Share capital and share premium account \$million	Capital and merger reserve <sup>1</sup> \$million	Own credit adjustm ent reserve \$million	Available for sale reserve \$million	Cash flow reserve \$million	Translation reserve \$million	Retained earnings \$million	Parent company equity \$million	Other equity instrumen ts \$million	Non- controllin g interests \$million	Total \$million
At 1 January 2016	7,088	17,122	–	132	(46)	(5,026)	26,934	46,204	1,987	321	48,512
Transfer of own credit adjustment, net of taxation <sup>2</sup>	–	–	631	–	–	–	(631)	–	–	–	–
(Loss)/profit for the year	–	–	–	–	–	–	(247)	(247)	–	56	(191)
Other comprehensive loss	–	–	(342)	(136)	(39)	(779)	(106) <sup>3</sup>	(1,402)	–	(11)	(1,413)
Distributions	–	–	–	–	–	–	–	–	–	(37)	(37)
Shares issued, net of expenses	3	7	–	–	–	–	–	10	–	–	10
Other equity instruments issued, net of expenses	–	–	–	–	–	–	–	–	1,982	–	1,982
Net own shares adjustment	–	–	–	–	–	–	(46)	(46)	–	–	(46)
Share option expense, net of taxation	–	–	–	–	–	–	80	80	–	–	80
Dividends <sup>4</sup>	–	–	–	–	–	–	(231)	(231)	–	–	(231)
Other movements <sup>5</sup>	–	–	–	–	–	–	–	–	–	(8)	(8)
<b>As at 31 December 2016</b>	<b>7,091</b>	<b>17,129</b>	<b>289</b>	<b>(4)</b>	<b>(85)</b>	<b>(5,805)</b>	<b>25,753</b>	<b>44,368</b>	<b>3,969</b>	<b>321</b>	<b>48,658</b>
Profit for the year	–	–	–	–	–	–	1,219	1,219	–	49	1,268
Other comprehensive (loss)/income	–	–	(235)	87	40	1,351	50 <sup>3</sup>	1,293	–	1	1,294
Distributions	–	–	–	–	–	–	–	–	–	(51)	(51)
Shares issued, net of expenses	6	–	–	–	–	–	–	6	–	–	6
Other equity instruments issued, net of expenses	–	–	–	–	–	–	–	–	992	–	992
Net own shares adjustment	–	–	–	–	–	–	10	10	–	–	10
Share option expense, net of taxation	–	–	–	–	–	–	125	125	–	–	125
Dividends <sup>4</sup>	–	–	–	–	–	–	(445)	(445)	–	–	(445)
Other movements <sup>6</sup>	–	–	–	–	–	–	(71)	(71)	–	21	(50)
<b>As at 31 December 2017</b>	<b>7,097</b>	<b>17,129</b>	<b>54</b>	<b>83</b>	<b>(45)</b>	<b>(4,454)</b>	<b>26,641</b>	<b>46,505</b>	<b>4,961</b>	<b>341</b>	<b>51,807</b>

1. Includes capital reserve of U.S.\$5 million, capital redemption reserve of U.S.\$13 million and merger reserve of U.S.\$17,111 million
2. The Group early adopted IFRS 9 Financial Instruments to present own credit adjustments within Other comprehensive income (rather than Net trading income)
3. Comprises actuarial gain/(loss), net of taxation and share from associates and joint ventures U.S.\$50 million (2016: U.S.\$(106) million)
4. Comprises of dividends on preferences shares classified as equity and Additional Tier 1 securities U.S.\$445 million (2016: U.S.\$231 million)
5. Mainly due to completion of sale of businesses with non-controlling interest in Pakistan and issuance of shares to non-controlling interest in Angola
6. Mainly due to additional share capital issued including the premium by Nepal to its non-controlling interests of U.S.\$31 million, non-controlling interest with respect to an acquisition during 2017 of U.S.\$9 million and offset by other equity adjustments of U.S.\$90 million

**CONSOLIDATED CASH FLOW STATEMENT**  
For the year ended 31 December 2017

	Group		SCPLC	
	2017 U.S.\$ million	2016 U.S.\$ million	2017 U.S.\$ million	2016 U.S.\$ million
<b>Cash flows from operating activities</b>				
Profit/(loss) before taxation	2,415	409	207	192
Adjustments for non-cash items and other adjustments included within income statement	3,241	4,615	615	703
Change in operating assets	(13,625)	(8,286)	459	110
Change in operating liabilities	5,819	13,080	575	(619)
Contributions to defined benefit schemes	(143)	(98)	-	-
UK and overseas taxes paid	(915)	(1,287)	(14)	(12)
<b>Net cash from/(used) in operating activities</b>	<b>(3,208)</b>	<b>8,433</b>	<b>1,842</b>	<b>374</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(165)	(195)	-	-
Disposal of property, plant and equipment	29	23	-	-
Acquisition of investment in subsidiaries, associates and joint ventures, net of cash acquired	(44)	(238)	(1,000)	(5,500)
Dividends received from associates and joint ventures	2	3	392	204
Disposal of subsidiaries	-	636	-	-
Purchase of investment securities	(265,186)	(207,274)	-	(4,000)
Disposal and maturity of investment securities	261,316	210,857	2,850	1,300
<b>Net cash from/(used) in investing activities</b>	<b>(4,048)</b>	<b>3,812</b>	<b>2,242</b>	<b>(7,996)</b>
<b>Cash flows from financing activities</b>				
Issue of ordinary and preference share capital, net of expenses	6	10	6	10
Exercise of share options	10	5	10	5
Purchase of own shares	-	(51)	-	(51)
Issue of Additional Tier 1 capital, net of expenses	992	1,982	992	1,982
Gross proceeds from issue of subordinated liabilities	-	1,250	-	1,250
Interest paid on subordinated liabilities	(743)	(920)	(353)	(604)
Repayment of subordinated liabilities	(2,984)	(2,666)	(1,249)	(105)
Proceeds from issue of senior debt	2,292	5,453	1,501	4,385
Repayment of senior debt	(4,162)	(6,470)	(3,237)	(3,941)
Interest paid on senior debt	(896)	(454)	(825)	(365)
Investment from/(repayment to) non-controlling interests	21	(8)	-	-
Dividends paid to non-controlling interests and preference shareholders	(496)	(268)	(445)	(231)
<b>Net cash (used in)/from financing activities</b>	<b>(5,960)</b>	<b>(2,137)</b>	<b>(3,600)</b>	<b>2,335</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(13,216)</b>	<b>10,108</b>	<b>484</b>	<b>(5,287)</b>
Cash and cash equivalents at beginning of the year	96,977	88,428	15,230	20,517
Effect of exchange rate movements on cash and cash equivalents	3,470	(1,559)	-	-
<b>Cash and cash equivalents at end of the year</b>	<b>87,231</b>	<b>96,977</b>	<b>15,714</b>	<b>15,230</b>

## TAXATION

The comments below are of a general nature based on the Issuers' understanding of current tax law and practice in the United Kingdom 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. They do not address United States tax consequences because (i) in the event of any offer in reliance upon Rule 144A, an applicable final terms will discuss United States tax consequences to United States holders and (ii) except to the extent described below, non-United States holders generally will not be subject to United States tax consequences in respect of the Notes. However, a non-United States holder who is (i) engaged in a United States trade or business, (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. 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 Notes and Coupons and may not apply to certain classes of persons such as dealers and persons connected with the Issuer, to whom special rules may apply. They relate to the deduction from payments of interest on the Notes for or on the account of tax in the United Kingdom and to certain aspects of Hong Kong tax. Prospective Noteholders 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

Interest paid by SCPLC or SCB on Notes which have a maturity date of less than one year from the date of issue (and are not issued with the intention, or under arrangements the effect of which is, to render such Notes part of a borrowing with a total term of a year or more) may be paid without withholding or deduction for or on account of United Kingdom income tax.

Yearly interest paid by SCB (but not SCPLC) on Notes may be paid without withholding or deduction for or on account of United Kingdom income tax provided that SCB continues to be a bank within the meaning of section 991 of the Income Tax Act 2007 ("ITA") and provided that the interest on the Notes is paid in the ordinary course of business within the meaning of section 878 of ITA.

Further, the Taxation of Regulatory Capital Securities Regulations 2013 (the "Regulations") disapply the exemption referred to in the paragraph above in the case of a payment of interest on a regulatory capital security (within the meaning of the Regulations), but provide an alternative exemption such that payments of interest by SCB (or SCPLC) on a regulatory capital security may be made without withholding or deduction for or on account of United Kingdom income tax 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 that security.

Irrespective of whether interest may be paid by SCPLC or SCB without withholding or deduction for or on account of United Kingdom tax in accordance with the previous paragraphs, while Notes are listed on a "recognised stock exchange" within the meaning of section 1005 of ITA (which includes the London Stock Exchange), payments of interest on such Notes may be made without withholding or deduction for or on account of United Kingdom income tax. The Notes will be treated as listed on the London Stock Exchange if they are included in the Official List by the United Kingdom Listing Authority and are admitted to trading on the London Stock Exchange.

Interest on the Notes may also be paid without deduction or withholding for or on account of United Kingdom 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 Notes 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 Noteholder, the Noteholder can apply to HM Revenue & Customs to issue a notice to the Issuer to pay interest to the Noteholder 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).

If Notes are issued at a discount to their principal amount the discount element on any such Notes will not be subject to any withholding or deduction for or on account of United Kingdom tax pursuant to the provisions mentioned above, provided that any payments on redemption in respect of the discount do not constitute payments in respect of interest.

Where Notes are issued with a redemption premium, as opposed to being issued at a discount, then any such element of premium when the Notes are redeemed may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax as outlined above.

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 terms and conditions of the Notes or any related documentation.

## **United States**

### **Withholding tax under Foreign Account Tax Compliance Act (“FATCA”)**

A 30 per cent. withholding tax will be imposed on certain payments made to certain non-U.S. financial institutions that fail to comply with the requirements of FATCA, including the registration, information reporting and certification requirements in respect of their direct and indirect U.S. security holders and/or U.S. accountholders. Based on regulations released by the U.S. Treasury Department, as well as an agreement entered into between the United States government and the United Kingdom government and guidance issued by HM Revenue and Customs regarding the implementation of that agreement, the Issuers generally will not be required to identify or report information with respect to the holders of the Notes, although other non-U.S. financial institutions (such as banks, brokers or custodians) through which a holder holds the Notes may be required to do so. In addition, in the case of holders who (i) are non-U.S. financial institutions that have not agreed to comply with the requirements of FATCA such as information reporting in respect of their direct and indirect U.S. security holders and/or U.S. accountholders or (ii) hold Notes directly or indirectly through such non-compliant non-U.S. financial institutions or have otherwise failed to establish an exemption from this withholding, the Issuers may be required to withhold on a portion of payments treated as foreign passthru payments, a term that has not been defined in FATCA provisions, on the Notes. Accordingly, such a Noteholder could be subject to withholding if, for example, its bank, broker or custodian is subject to withholding because it fails to comply with these requirements even though the holder itself might not otherwise have been subject to withholding. However, such withholding would generally not apply to payments made before 1 January 2019. Moreover, such withholding would generally only apply to Notes issued or materially modified more than six months after the date on which final regulations defining the term foreign passthru payments and implementing such withholding are filed with the Federal Register, subject to certain exceptions. Therefore, since the rules for implementing withholding on the Notes have not yet been written, including rules about how such withholding would be applied pursuant to an intergovernmental agreement, it is unclear at this time what the impact of any such withholding would be on holders of the Notes. You should consult your own tax advisors regarding the relevant U.S. law and other official guidance on FATCA withholding.

The Issuers will not pay any additional amounts in respect of FATCA withholding, so if this withholding applies, you will receive significantly less than the amount that you would have otherwise received with respect to your Notes. Depending on your circumstances, you may be entitled to a refund or credit in respect of some or all of this withholding. However, even if you are entitled to have such withholding refunded, the required procedures could be cumbersome and significantly delay the holder’s receipt of any amounts withheld.

## **Hong Kong**

### **1. Withholding Tax**

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

### **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 Notes 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 Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong; or

(ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, 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 Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong) (the "IRO") and arises through or from the carrying on by the financial institution of its business in Hong Kong, notwithstanding that the moneys in respect of which the interest is received or accrues are made available outside Hong Kong; or

(iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO), notwithstanding that the moneys in respect of which the interest is received by or accrues to the intra-group financing business are made available outside Hong Kong.

Pursuant to the Exemption from Profits Tax (Interest Income) Order, interest income accruing to a person other than a financial institution on deposits (denominated in any currency and whether or not the deposit is evidenced by a certificate of deposit) placed with, *inter alia*, an authorized institution in Hong Kong (within the meaning of section 2 of the Banking Ordinance (Cap. 155) of Hong Kong) is exempt from the payment of Hong Kong profits tax. Provided no prospectus with respect to the issue of Notes is registered under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, the issue of Notes by SCB is expected to constitute a deposit to which the above exemption from payment will apply. This exemption from Hong Kong profits tax does not apply, however, to deposits that are used to secure or guarantee money borrowed in certain circumstances.

Sums, which are revenue in nature, 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 Notes will be subject to Hong Kong profits tax. Sums, which are revenue in nature, received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Sums, which are revenue in nature, derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a corporation, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

Special rules exist for the assessment and calculation of Hong Kong profits tax liability for certain types of person (for example "qualifying corporate treasury centres" as defined in the IRO) and certain types of security (for example "qualifying debt instruments" as defined in the IRO). Prospective holders of the Notes are advised to seek their own professional advice in relation to Hong Kong profits tax.

### **3. Stamp Duty**

#### Bearer Notes

Stamp duty will not be payable on the issue in Hong Kong of Bearer Notes by SCPLC or SCB, provided (in either case) either:

(i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong) (the "SDO").

If issuance stamp duty is payable it is payable by the relevant Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Bearer Notes at the time of issue.

No transfer stamp duty will be payable on any subsequent transfer of Bearer Notes.

#### Registered Notes

No issuance stamp duty is payable on the issue of Registered Notes.

Stamp duty may be payable on any transfer of Registered Notes issued by SCPLC or SCB, if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfers of Registered Notes, issued by SCPLC or SCB, provided that either:

(i) such Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Registered Notes constitute loan capital (as defined in the SDO).

If stamp duty is payable in respect of the transfer of Registered Notes 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 market value, whichever is higher. If, in the case of either the sale or purchase of such Registered Notes, 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 the Registered Notes are not stamped on or before the due date (i.e. within two days after the sale or purchase if effected in Hong Kong or within thirty days after the sale or purchase if effected elsewhere) a penalty of up to 10 times the stamp 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 Registered Notes if the relevant transfer is required to be registered in Hong Kong.

## SUBSCRIPTION AND SALE

Subject to the terms and on the conditions contained in an Amended and Restated Programme Agreement dated 14 June 2017 (as further amended and/or supplemented, the "Programme Agreement"), between, *inter alios*, the Issuers, the Permanent Dealers and the Arrangers, the Notes will be offered on a continuous basis by each Issuer to the Permanent Dealers. However, each Issuer has reserved the right to issue Notes directly on its own behalf to Dealers that are not Permanent Dealers and who agree to be bound by the restrictions below. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold outside the United States by each Issuer through the Dealers, acting as agents of such Issuer. The Programme Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

Each Issuer will pay each relevant Dealer a commission as agreed between such Issuer and the Dealer in respect of Notes subscribed by it. The Issuers have agreed to reimburse the Arrangers for certain of their expenses incurred in connection with the establishment and update of the Programme, and the Dealers for certain of their activities in connection with the Programme.

Each Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Programme Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the relevant Issuer.

### United States

The Notes have not been and will not be registered under the Securities Act, and may not 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.

Notes in bearer form having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Regulation S ("Regulation S Notes"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, except as permitted by the Programme Agreement, that it will not offer, sell or, in the case of Notes in bearer form, deliver the Notes of any identifiable Tranche (other than Registered Notes 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 Notes are a part (the "Distribution Compliance Period") as determined, and certified to each relevant Dealer, by the Issuing and Paying Agent, or in the case of Notes issued on a syndicated basis, the Lead Manager, 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 Notes, it will have sent to each distributor, dealer, or person receiving a selling concession, fee or other remuneration to which it sells Notes during the Distribution Compliance Period (other than resales of Registered Notes pursuant to Rule 144A) a confirmation or other notice setting forth the restrictions on offers and sales of the Notes 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 Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. The Programme Agreement provides that the Dealers may directly or through their respective agents or affiliates which are U.S. registered broker-dealers arrange for the offer and resale of Registered Notes in the United States only to QIBs in accordance with Rule 144A.

In addition, until 40 days after the commencement of the offering of any identifiable Tranche of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering of such Tranche of Notes) 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 Issuers for use in connection with the offer and sale of the Notes outside the United States to non-U.S. persons, the offer, sale and resale of Registered Notes in the United States to QIBs in reliance upon Rule 144A and for the admission of Notes to the Official List and to trading on the London Stock Exchange or the listing of the Notes on the Hong Kong Stock Exchange. The relevant Issuer and the Dealers 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 Notes 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 Dealers or a U.S. broker-dealer affiliate of one of the Dealers. 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 relevant 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.

#### **Prohibition of Sales to EEA Retail Investors**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms (or Pricing Supplement, as the case may be) in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or
  - (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "Prospectus Directive"); and
- (b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.



## **United Kingdom**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) in relation to any Notes to be issued by SCPLC which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by SCPLC;

(ii) 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 Notes in circumstances in which section 21(1) of the FSMA does not or, in the case of SCB would not, if it was not an authorised person, apply to the Issuers; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

## **Hong Kong**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”)) other than (a) to “professional investors” as defined in 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 Notes, 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 Notes 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 Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the offer of the Notes is not an offer of securities within the meaning of the securities laws and regulations of the PRC and the Notes 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 Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that the Notes 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 Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes 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 of Japan.

## France

Each of the Dealers and the relevant Issuer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) **Offer to the public in France**

It has only made and will only make an offer of Notes to the public in France in the period beginning on the date of notification to the *Autorité des marchés financiers* (the “AMF”) of approval of the prospectus in relation to those Notes, by the competent authority of a Member State of the European Economic Area, other than the AMF, which has implemented the EU Prospectus Directive 2003/71/EC, all in accordance with articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and the *Règlement général* of the AMF and ending at the latest on the date which is 12 months after the date of the approval of the Prospectus; or

(ii) **Private placement in France**

It has not offered or sold and will not offer or sell, directly or indirectly, any Notes 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, the Prospectus, the relevant Final Terms or any other offering material relating to the Notes and such 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 Prospectus has not been submitted to the clearance procedures of the AMF.

## Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* (“CONSOB”) pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered, and will not offer, sell or deliver any Notes or any copy of this Prospectus or any other document relating to the Notes 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 Notes or distribution of copies of this Prospectus or any other document relating to the Notes 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 Notes is solely responsible for ensuring that any offer or resale of the Notes occurs in compliance with applicable laws and regulations.

This Prospectus 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 Notes (or any interest therein) are not and may not, directly or indirectly, be offered, sold, pledged, delivered or transferred in the Netherlands, on their issue date or at any time thereafter, and neither this Prospectus nor any other document in relation to any offering of the Notes (or any interest therein) may be distributed or circulated in the Netherlands, other than to qualified investors as defined in the Prospectus Directive (as defined under "*Public Offer Selling Restriction under the Prospectus Directive*" above), provided that these parties acquire the Notes for their own account or that of another qualified investor.

## **Singapore**

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore (the "MAS"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes 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 Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, 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.

Where the Notes 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 Notes 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**

These selling restrictions may be modified by the agreement of any Issuer and the Dealers, following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this document.

No action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this document or any other offering material (including any Final Terms) in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree, 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 Notes or has in its possession or distributes this document or any other offering material, in all cases at its own expense.

## FORM OF FINAL TERMS

# STANDARD CHARTERED PLC

and

# STANDARD CHARTERED BANK

**U.S.\$77,500,000,000**

## Debt Issuance Programme

[Brief Description and Amount of Notes]

Issued by

**[Standard Chartered PLC/  
Standard Chartered Bank]**

[Publicity Name(s) of Dealer(s)]

The date of the Final Terms is [•].

The Notes 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. The Notes may include notes issued in bearer form ("Bearer Notes") or in bearer form exchangeable for notes in registered form ("Exchangeable Bearer Notes") that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered or sold or, in the case of Bearer Notes or Exchangeable Bearer Notes, delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S ("Regulation S") under the Securities Act).

Notes in registered form ("Registered Notes") may be offered and sold (i) in the United States or to U.S. persons in reliance on Rule 144A under the Securities Act ("Rule 144A") only to qualified institutional buyers ("QIBs") as defined in Rule 144A and (ii) outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act.

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission, or any securities regulatory authority of any State or other jurisdiction of the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of Notes or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

[This document is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange) and to professional investors (as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (together, "Professional Investors") only. **Investors should not purchase the Notes in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Notes are only suitable for Professional Investors.**

**The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Programme and the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Issuers or quality of disclosure in this document.** Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange 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.

This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer. 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.]

## PART A – CONTRACTUAL TERMS

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who

is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); (ii) a customer within the meaning of Directive 2002/92/EC (as amended, "IMD"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "Prospectus Directive"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**[MiFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. *[Details of any negative target market to be included if applicable]*. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 19 June 2018 which[, together with the supplementary Prospectus[es] dated [●] [and [●]] constitute[s] (with the exception of certain sections) a base prospectus (the “Base Prospectus”) for the purposes of the Prospectus Directive (Directive 2003/71/EC, including amendments thereto) (the “Prospectus Directive”). This document constitutes the final terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing at [address] [and] [website] and copies may be obtained from [address].]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) contained in the Trust Deed dated [original date] and set forth in the Prospectus dated [original date]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC, including amendments thereto) (the “Prospectus Directive”) and must be read in conjunction with the Prospectus dated 19 June 2018 (the “Base Prospectus”) [and the supplementary Prospectus dated [●]], which [together] constitute[s] (with the exception of certain sections) a base prospectus for the purposes of the Prospectus Directive. The Base Prospectus is available for viewing at [address] [and] [website] and copies may be obtained from [address].]

- |       |  |   |
|-------|--|---|
| 1.    | Issuer:  | [Standard Chartered PLC/Standard Chartered Bank]  |
| 2.    |  |   |
| (i)   | Series Number:   | [●]   |
| (ii)  | Tranche Number:  | [●]   |
| (iii) | Date on which the Notes will be consolidated and form a single Series: | [The Notes will be consolidated and form a single Series with [●] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [●] below, which is expected to occur on or about [●]]] [Not Applicable] |
| 3.    |  |   |
|       | Currency or Currencies:  | [●]   |
| 4.    |  |   |
|       | Aggregate Nominal Amount:  | [●]   |
| (i)   | Series:  | [●]   |
| (ii)  | [Tranche:  | [●]]  |

5. Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]
6. Denominations: [●]
7. Calculation Amount: [●]
8. (i) Issue Date: [●]  
(ii) Interest Commencement Date: [●]
9. Maturity Date: [●]
10. Interest Basis: [[●] per cent. Fixed Rate]  
[[●] per cent. Floating Rate]  
[Reset Notes]  
[Zero Coupon]
11. Redemption/Payment Basis: [Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [99][100][101] per cent. of their nominal amount]
12. Change of Interest: [●]
13. Put/Call Options: [Investor Put]  
[Issuer Call]  
[Regulatory Capital Call]  
[Loss Absorption Disqualification Event Call]  
[Not Applicable]
14. (i) Status of the Notes: [Senior/Dated Subordinated]  
(ii) [Date [Court/Board] approval for issuance of Notes obtained: [●] [and [●], respectively]]  
(iii) [Events of Default: [Restrictive Events of Default / Non-Restrictive Events of Default]]

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
- (i) Rate[(s)] of Interest: [●] per cent. per annum payable [annually/semi-annually/quarterly/monthly] in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [●] in each year [adjusted in accordance with [●]/not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [Not Applicable]/[[●] per Calculation Amount]
- (iv) Broken Amount(s): [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
- (v) Day Count Fraction (Condition 4(j)): [Actual/Actual][Actual/Actual – ISDA]  
[Actual/365 (Fixed)]  
[Actual/360]  
[30/360][360/360][Bond Basis]  
[30E/360][30/360 (ISMA)][Eurobond Basis]

		[30E/360 (ISDA)] [Actual/Actual – ICMA]
(vi)	Determination Dates:	[•] in each year
(vii)	Relevant Currency:	[Not Applicable/•]
<b>16.</b>	<b>Floating Rate Note Provisions</b>	[Applicable/Not Applicable]
(i)	Interest Period(s):	[•]
(ii)	Interest Payment Dates:	[•]
(iii)	First Interest Payment Date:	[•]
(iv)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/•]
(v)	Relevant Financial Centre(s) (Condition 4(j)):	[•]
(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Page] /[Reference Bank:•]
(vii)	Interest Period Date(s):	[Not Applicable/•]
(viii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[•]
(ix)	Page (Condition 4(c)):	
	– Relevant Time:	[•]
	– Interest Determination Date:	[•]
	– Primary Source for Floating Rate:	[•]
	– Reference Banks (if Primary Source is “Reference Banks”):	[•]
	– Relevant Financial Centre:	[•]
	– Benchmark:	[LIBOR/LIBID/LIMEAN/EURIBOR/HIBOR/SIBOR]
	– Effective Date:	[•]
	– Specified Duration:	[•]
(x)	Linear Interpolation:	[Not Applicable/Applicable – the Interest Rate for the [long/short] [first/last] Interest Accrual Period shall be calculated using Linear Interpolation (specify for each short or long interest period)]
(xi)	Margin(s):	[+/-][•] per cent. per annum
(xii)	Minimum Rate of Interest:	[•] per cent. per annum
(xiii)	Maximum Rate of Interest:	[•] per cent. per annum



(xiv)	Day Count Fraction (Condition 4(j)):	[●]
(xv)	Rate Multiplier:	[●]
<b>17.</b>	<b>Reset Note Provisions</b>	[Applicable/Not Applicable]
(i)	Initial Rate of Interest:	[●] per cent. per annum
(ii)	First Margin:	[●] per cent. per annum
(iii)	Subsequent Margin:	[[●] per cent. per annum/Not Applicable]
(iv)	Interest Payment Dates:	[●]
(v)	First Interest Payment Date:	[●]
(vi)	Fixed Coupon Amount[(s)] up to (but excluding) the First Reset Date:	[●] per Calculation Amount
(vii)	Broken Amount(s):	[[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]/Not Applicable]
(viii)	First Reset Date:	[●]
(ix)	Second Reset Date:	[[●]/Not Applicable]
(x)	Subsequent Reset Date[(s)]:	[[●]/Not Applicable]
(xi)	Reset Rate:	[Mid-Swap Rate/Benchmark Gilt Rate/Reference Bond]
(xii)	Relevant Screen Page:	[[●]/Not Applicable]
(xiii)	Mid-Swap Rate:	[Single Mid-Swap Rate/Mean Mid-Swap Rate][Not Applicable]
(xiv)	Mid-Swap Maturity:	[[●]/Not Applicable]
(xv)	Day Count Fraction (Condition 4(j)):	[Actual/Actual][Actual/Actual – ISDA] [Actual/365 (Fixed)] [Actual/360] [30/360][360/360][Bond Basis] [30E/360][30/360 (ISMA)][Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual – ICMA]
(xvi)	Relevant Time:	[[●]/Not Applicable]
(xvii)	Interest Determination Dates:	[[●] in each year][Not Applicable]
(xviii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/●][Not Applicable]
(xix)	Relevant Currency:	[[●]/Not Applicable]
(xx)	Relevant Financial Centre(s) (Condition 4(j)):	[●]
<b>18.</b>	<b>Zero Coupon Note Provisions</b>	[Applicable/Not Applicable]
(i)	Amortisation Yield (Condition 5(b)):	[●] per cent. per annum
(ii)	Day Count Fraction (Condition 4(j)):	[●]

(iii) Relevant Currency: [Not Applicable/[•]]

## PROVISIONS RELATING TO REDEMPTION

**19. Issuer Call** [Applicable/Not Applicable]

- (i) Optional Redemption Date(s): [•]
- [(ii) Call Option Redemption Amount(s) and method, if any, of calculation of such amount(s): [•] per Calculation Amount]
- (iii) If redeemable in part:
  - (a) Minimum Call Option Redemption Amount: [•] per Calculation Amount
  - (b) Maximum Call Option Redemption Amount: [•] per Calculation Amount
- (iv) Notice period: [•]

**20. Regulatory Capital Call** [Applicable/Not Applicable]

- [(i) Redeemable on days other than Interest Payment Dates (Condition 5(e)): [Yes/No]

**21. Loss Absorption Disqualification Event Call** [Applicable/Not Applicable]

- [(i) Redeemable on days other than Interest Payment Dates (Condition 5(f)): [Yes/No]

**22. Put Option** [Applicable/Not Applicable]

- (i) Optional Redemption Date(s): [•]
- [(ii) Put Option Redemption Amount(s) of each Note: [•] per Calculation Amount]
- (iii) Option Exercise Date(s): [•]
- (iv) Description of any other Noteholders' option: [•]
- (v) Notice period: [•]

**23. Final Redemption Amount of each Note** [[•] per Calculation Amount/other]

**24. Early Redemption Amount**

- [(i) Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons, due to Regulatory Capital Event or due to Loss Absorption Disqualification Event or on event of default: [•]]
- (ii) Redeemable on days other than Interest Payment Dates (Condition 5(c)): [Yes/No]
- (iii) Unmatured Coupons to become void upon early redemption (Bearer Notes only) (Condition 6(f)): [Yes/No/Not Applicable]

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 25. Form of Notes:** [Bearer Notes/Exchangeable Bearer Notes/  
Registered Notes]
- [temporary Global Note/Certificate exchangeable for a permanent Global Note/ Certificate which is exchangeable for Definitive Notes/Certificates on [●] days' notice/at any time/in the limited circumstances specified in the permanent Global Note/Certificate]
- [temporary Global Note/Certificate exchangeable for Definitive Notes/Certificates on [●] days' notice]
- [permanent Global Note/Certificate exchangeable for Definitive Notes/Certificates on [●] days' notice/at any time/in the limited circumstances specified in the permanent Global Note/Certificate]
- [Registered Notes  
Unrestricted Global Certificates ([●] insert currency and aggregate nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]] [Restricted Global Certificate ([●] insert currency and aggregate nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]]
- 26. New Global Note:** [Yes]/[No]
- 27. Business Day Jurisdiction(s)** (Condition 6(h)) or other special provisions relating to Payment Dates: [Not Applicable/●]
- 28. Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):** [Yes (give details)/No.]

Signed on behalf of the Issuer:

By: \_\_\_\_\_

*Duly authorised*

## PART B – OTHER INFORMATION

### 1. LISTING

- (i) Listing: [Official List of the UK Listing Authority and trading on the London Stock Exchange/Hong Kong Stock Exchange]
- (ii) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [●] with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [●] with effect from [●].]
- (iii) Estimated total expenses of admission to trading: [●]

### 2. RATINGS

- Ratings The Notes to be issued [have been/are expected to be] assigned the following ratings:
- [S&P: [●]]
- [Moody's: [●]]
- [Fitch: [●]]

### 3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.

The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.]

### 4. [Fixed Rate Notes only – YIELD

Indication of yield: See “General Information” on page 147 of the Base Prospectus.

Calculated as [●] on the Issue Date.

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

### 4. [Floating Rate Notes only – HISTORIC INTEREST RATES

Details of historic [LIBOR, LIBID, LIMEAN, EURIBOR, HIBOR or SIBOR] rates can be obtained from [relevant screen page].]

## 5. OPERATIONAL INFORMATION

- [(i) Unrestricted Notes]
- [(i)] [(a)] ISIN: [•]
- [(ii)] [(b)] Common Code: [•]
- [(iii)] [(c)] CMU Instrument Number [•]
- [(ii) Restricted Notes]
- [(a) ISIN:] [•]
- [(b) CUSIP Number:] [•]
- [(iii) [FISN: [•]]]
- [(iv) [CFI Code: [•]]]
- [(v) Any clearing system(s) other than Euroclear Bank SA/NV, Clearstream Banking, SA, the CMU Service, DTC and the relevant identification number(s): [Not Applicable/•]
- [(vi) Delivery: Delivery [against/free of] payment
- [(vii) Names and addresses of initial Paying Agent(s): The Bank of New York Mellon, One Canada Square, London E14 5AL, United Kingdom/The Bank of New York Mellon SA/NV Luxembourg Branch, Vertigo Building – Polaris, 2-4 rue Eugène Ruppert, L-2453 Luxembourg/The Bank of New York Mellon, 101 Barclay Street, New York, NY 10286, USA/The Bank of New York Mellon, Three Pacific Place, 24/F, 1 Queen’s Road East, Hong Kong]
- [(viii) Names and addresses of additional Paying Agent(s) (if any): [•]
- [(ix) Legal Entity Identifier: [•]

## 6. DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated:
  - (A) Names of Managers: [Not Applicable/give names]
  - (B) Stabilising Manager(s) (if any): [Not Applicable/give names]
- (iii) If non-syndicated, name of Dealer: [Not Applicable/give name]
- (iv) US Selling Restrictions: [Reg. S Compliance Category; TEFRA C/ TEFRA D/ TEFRA not applicable]  
[Rule 144A: Qualified Institutional Buyers only]

**STANDARD CHARTERED PLC**  
**and**  
**STANDARD CHARTERED BANK**

**U.S.\$77,500,000,000**

**Debt Issuance Programme**

[Brief Description and Amount of Notes]

Issued by

[Standard Chartered PLC/  
Standard Chartered Bank]

[Publicity Name(s) of Dealer(s)]

The date of this Pricing Supplement is [●].

**No prospectus is required in accordance with Directive 2003/71/EC, as amended, for this issue of Notes. The UK Listing Authority has neither approved nor reviewed information contained in this Pricing Supplement.**

[This document is for distribution to professional investors only (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange) and professional investors (as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (together, "Professional Investors") only. **Investors should not purchase the Notes in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Notes are only suitable for Professional Investors.**

**The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Programme and the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Issuers or the quality of disclosure in this document.** Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange 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.

This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer. 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.]

The Notes 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. The Notes may include notes issued in bearer form ("Bearer Notes") or in bearer form exchangeable for notes in registered form ("Exchangeable Bearer Notes") that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered or sold or, in the case of Bearer Notes or Exchangeable Bearer Notes, delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S ("Regulation S") under the Securities Act).

Notes in registered form ("Registered Notes") may be offered and sold (i) in the United States or to U.S. persons in reliance on Rule 144A under the Securities Act ("Rule 144A") only to qualified institutional buyers ("QIBs") as defined in Rule 144A and (ii) outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act.

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission, or any securities regulatory authority of any State or other jurisdiction of the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of Notes or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

**PART A – CONTRACTUAL TERMS**

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who

is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); (ii) a customer within the meaning of Directive 2002/92/EC (as amended, "IMD"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "Prospectus Directive"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**[MiFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. *[Details of any negative target market to be included if applicable]*. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 19 June 2018 [, which together with the supplementary Prospectus[es] dated [●] [and [●]] constitute[s] (with the exception of certain sections) a base prospectus (the “Base Prospectus”). Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus. [The Base Prospectus is available for viewing at [address] [and] [website] and copies may be obtained from [address].]]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) contained in the Trust Deed dated [original date] and set forth in the Prospectus dated [original date]. This Pricing Supplement must be read in conjunction with the Prospectus dated 19 June 2018 [and the supplementary Prospectus[es] dated [●] [and[●]], which [together] constitute[s] (with the exception of certain sections) a base prospectus (the “Base Prospectus”).]. [The Base Prospectus is available for viewing at [address] [and] [website] and copies may be obtained from [address].]]

- |    |  |   |
|----|--|---|
| 1. | Issuer:  | [Standard Chartered PLC/Standard Chartered Bank]  |
| 2. | (i) Series Number:   | [●]   |
|    | (ii) Tranche Number:   | [●]   |
|    | (iii) Date on which the Notes will be consolidated and form a single Series: | [The Notes will be consolidated and form a single Series with [●] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [●] below, which is expected to occur on or about [●]]] [Not Applicable] |
| 3. | Currency or Currencies:  | [●]   |
| 4. | Aggregate Nominal Amount:  | [●]   |
|    | (i) Series:  | [●]   |
|    | (ii) [Tranche:   | [●]]  |
| 5. | Issue Price:   | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]  |
| 6. | Denominations:   | [●]   |
| 7. | Calculation Amount:  | [●]   |

8. (i) Issue Date: [●]  
(ii) Interest Commencement Date: [●]
9. Maturity Date: [●]
10. Interest Basis: [[●] per cent. Fixed Rate]  
[[●] per cent. Floating Rate]  
[Reset Notes]  
[Zero Coupon]
11. Redemption/Payment Basis: [Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [99][100][101] per cent. of their nominal amount]
12. Change of Interest: [●]
13. Put/Call Options: [Investor Put]  
[Issuer Call]  
[Regulatory Capital Call]  
[Loss Absorption Disqualification Event Call]  
[Not Applicable]
14. (i) Status of the Notes: [Senior/Dated Subordinated]  
(ii) [Date [Court/Board] approval for issuance of Notes obtained: [●] [and [●], respectively]]  
(iii) [Events of Default: [Restrictive Events of Default / Non-Restrictive Events of Default]]

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
- (i) Rate[(s)] of Interest: [●] per cent. per annum payable [annually/semi-annually/quarterly/monthly] in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [●] in each year [adjusted in accordance with [●]/not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount
- (iv) Broken Amount(s): [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
- (v) Day Count Fraction (Condition 4(j)): [Actual/Actual][Actual/Actual – ISDA]  
[Actual/365 (Fixed)]  
[Actual/360]  
[30/360][360/360][Bond Basis]  
[30E/360][30/360 (ISMA)][Eurobond Basis]  
[30E/360 (ISDA)]  
[Actual/Actual – ICMA]
- (vi) Determination Dates: [●] in each year
- (vii) Relevant Currency: [Not Applicable/●]



<b>16. Floating Rate Note Provisions</b>	[Applicable/Not Applicable]
(i) Interest Period(s):	[•]
(ii) Interest Payment Dates:	[•]
(iii) First Interest Payment Date:	[•]
(iv) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/•]
(v) Relevant Financial Centre(s) (Condition 4(j)):	[•]
(vi) Manner in which the Rate(s) of Interest is/are to be determined:	[Page/•]
(vii) Interest Period Date(s):	[Not Applicable/•]
(viii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[•]
(ix) Page (Condition 4(c)):	
– Relevant Time:	[•]
– Interest Determination Date:	[•]
– Primary Source for Floating Rate:	[•]
– Reference Banks (if Primary Source is “Reference Banks”):	[•]
– Relevant Financial Centre:	[•]
– Benchmark:	[LIBOR/LIBID/LIMEAN/EURIBOR/HIBOR/SIBOR]
– Effective Date:	[•]
– Specified Duration:	[•]
(x) Linear Interpolation:	[Not Applicable/Applicable – the Interest Rate for the [long/short] [first/last] Interest Accrual Period shall be calculated using Linear Interpolation (specify for each short or long interest period)]
(xi) Margin(s):	[+/-][•] per cent. per annum
(xii) Minimum Rate of Interest:	[•] per cent. per annum
(xiii) Maximum Rate of Interest:	[•] per cent. per annum
(xiv) Day Count Fraction (Condition 4(j)):	[•]
(xv) Rate Multiplier:	[•]
<b>17. Reset Note Provisions</b>	[Applicable/Not Applicable]
(i) Initial Rate of Interest:	[•] per cent. per annum

(ii)	First Margin:	[●] per cent. per annum
(iii)	Subsequent Margin:	[[●] per cent. per annum/Not Applicable]
(iv)	Interest Payment Dates:	[●]
(v)	First Interest Payment Date:	[●]
(vi)	Fixed Coupon Amount[(s)] up to (but excluding) the First Reset Date:	[●] per Calculation Amount
(vii)	Broken Amount(s):	[[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]/Not Applicable]
(viii)	First Reset Date:	[●]
(ix)	Second Reset Date:	[[●]/Not Applicable]
(x)	Subsequent Reset Date[(s)]:	[[●]/Not Applicable]
(xi)	Reset Rate:	[Mid-Swap Rate/Benchmark Gilt Rate/Reference Bond]
(xii)	Relevant Screen Page:	[[●]/Not Applicable]
(xiii)	Mid-Swap Rate:	[Single Mid-Swap Rate/Mean Mid-Swap Rate][Not Applicable]
(xiv)	Mid-Swap Maturity:	[[●]/Not Applicable]
(xv)	Day Count Fraction (Condition 4(j)):	[Actual/Actual][Actual/Actual – ISDA] [Actual/365 (Fixed)] [Actual/360] [30/360][360/360][Bond Basis] [30E/360][30/360 (ISMA)][Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual – ICMA]
(xvi)	Relevant Time:	[[●]/Not Applicable]
(xvii)	Interest Determination Dates:	[[●] in each year][Not Applicable]
(xviii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/●][Not Applicable]
(xix)	Relevant Currency:	[[●]/Not Applicable]
(xx)	Relevant Financial Centre(s) (Condition 4(j)):	[●]
<b>18.</b>	<b>Zero Coupon Note Provisions</b>	[Applicable/Not Applicable]
(i)	Amortisation Yield (Condition 5(b)):	[●] per cent. per annum
(ii)	Day Count Fraction (Condition 4(j)):	[●]
(iii)	Relevant Currency:	[Not Applicable/●]

## PROVISIONS RELATING TO REDEMPTION

<b>19. Issuer Call</b>	[Applicable/Not Applicable]
(i) Optional Redemption Date(s):	[•]
[(ii) Call Option Redemption Amount(s) and method, if any, of calculation of such amount(s):	[•] per Calculation Amount]
(iii) If redeemable in part:	
(a) Minimum Call Option Redemption Amount:	[•] per Calculation Amount
(b) Maximum Call Option Redemption Amount:	[•] per Calculation Amount
(iv) Notice period:	[•]
<b>20. Regulatory Capital Call</b>	[Applicable/Not Applicable]
[(i) Redeemable on days other than Interest Payment Dates (Condition 5(f)):	[Yes/No]
<b>21. Loss Absorption Disqualification Event Call</b>	[Applicable/Not Applicable]
[(i) Redeemable on days other than Interest Payment Dates (Condition 5(f)):	[Yes/No]
<b>22. Put Option</b>	[Applicable/Not Applicable]
(i) Optional Redemption Date(s):	[•]
[(ii) Put Option Redemption Amount(s) of each Note:	[•] per Calculation Amount]
(iii) Option Exercise Date(s):	[•]
(iv) Description of any other Noteholders' option:	[•]
(v) Notice period:	[•]
<b>23. Final Redemption Amount of each Note</b>	[[•] per Calculation Amount/other]
<b>24. Early Redemption Amount</b>	
[(i) Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons, due to Regulatory Capital Event or due to Loss Absorption Disqualification Event or on event of default:	[•]]
(ii) Redeemable on days other than Interest Payment Dates (Condition 5(c)):	[Yes/No]
(iii) Unmatured Coupons to become void upon early redemption (Bearer Notes only) (Condition 6(f)):	[Yes/No/Not Applicable]

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 25. Form of Notes:** [Bearer Notes/Exchangeable Bearer Notes/  
Registered Notes]
- [temporary Global Note/Certificate exchangeable for a permanent Global Note/ Certificate which is exchangeable for Definitive Notes/Certificates on [●] days' notice/at any time/in the limited circumstances specified in the permanent Global Note/Certificate]
- [temporary Global Note/Certificate exchangeable for Definitive Notes/Certificates on [●] days' notice]
- [permanent Global Note/Certificate exchangeable for Definitive Notes/Certificates on [●] days' notice/at any time/in the limited circumstances specified in the permanent Global Note/Certificate]
- [Registered Notes  
Unrestricted Global Certificates ([●] insert currency and aggregate nominal amount) registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]] [Restricted Global Certificate ([●] insert currency and aggregate nominal amount) registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]]
- 26. New Global Note:** [Yes]/[No]
- 27. Business Day Jurisdiction(s)** (Condition 6(h)) or other special provisions relating to Payment Dates: [Not Applicable/●]
- 28. Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):** [Yes (give details)/No.]

Signed on behalf of the Issuer:

By: \_\_\_\_\_

*Duly authorised*

## PART B – OTHER INFORMATION

### 1. LISTING

- (i) Listing: [●] [None]
- (ii) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [●] with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [●] with effect from [●].] [None]
- (iii) Estimated total expenses of admission to trading: [●] [Not Applicable]

### 2. RATINGS

- Ratings The Notes to be issued [have been/are expected to be] assigned the following ratings:
- [S&P: [●]]
- [Moody's: [●]]
- [Fitch: [●]]

### 3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.

The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.]

### 4. [Fixed Rate Notes only – YIELD

- Indication of yield: See "General Information" on page 147 of the Base Prospectus.
- Calculated as [●] on the Issue Date.
- As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

### 4. [Floating Rate Notes only – HISTORIC INTEREST RATES

Details of historic [LIBOR, LIBID, LIMEAN, EURIBOR, HIBOR or SIBOR] rates can be obtained from [relevant screen page].]

## 5. OPERATIONAL INFORMATION

- |         |  |  |
|---------|--|--|
| [(i)    | Unrestricted Notes]  |  |
| [(i)]   | [(a)] ISIN:  | [•]  |
| [(ii)]  | [(b)] Common Code:   | [•]  |
| [(iii)] | [(c)] CMU Instrument Number:   | [•]  |
| [(ii)   | Restricted Notes]  |  |
|         | [(a) ISIN:]  | [•]  |
|         | [(b) CUSIP Number:]  | [•]  |
| (iii)   | [FISN:   | [•]]   |
| (iv)    | [CFI Code:   | [•]]   |
| (v)     | Any clearing system(s) other than Euroclear Bank SA/NV, Clearstream Banking, SA, the CMU Service, DTC and the relevant identification number(s): | [Not Applicable/•]   |
| (vi)    | Delivery:  | Delivery [against/free of] payment   |
| (vii)   | Names and addresses of initial Paying Agent(s):  | The Bank of New York Mellon, One Canada Square, London E14 5AL, United Kingdom/The Bank of New York Mellon SA/NV Luxembourg Branch, Vertigo Building – Polaris, 2-4 rue Eugène Ruppert, L-2453 Luxembourg/The Bank of New York Mellon, 101 Barclay Street, New York, NY 10286, USA/The Bank of New York Mellon, Three Pacific Place, 24/F, 1 Queen’s Road East, Hong Kong] |
| (viii)  | Names and addresses of additional Paying Agent(s) (if any):  | [•]  |
| (ix)    | Legal Entity Identifier:   | [•]  |

## 6. DISTRIBUTION

- |       |                                      |  |
|-------|--------------------------------------|--|
| (i)   | Method of distribution:              | [Syndicated/Non-syndicated]  |
| (ii)  | If syndicated:                       |  |
|       | (A) Names of Managers:               | [Not Applicable/give names]  |
|       | (B) Stabilising Manager(s) (if any): | [Not Applicable/give names]  |
| (iii) | If non-syndicated, name of Dealer:   | [Not Applicable/give name]   |
| (iv)  | US Selling Restrictions:             | [Reg. S Compliance Category; TEFRA C/ TEFRA D/ TEFRA not applicable]<br>[Rule 144A: Qualified Institutional Buyers only] |

## CLEARING AND SETTLEMENT

*The following is a summary of the rules and procedures of Euroclear, Clearstream, Luxembourg, the CMU Service and DTC, currently in effect, as they relate to clearing and settlement of transactions involving the Notes. The rules and procedures of these systems are subject to change at any time.*

### The Clearing Systems

#### ***Euroclear and Clearstream, Luxembourg***

Euroclear and Clearstream, Luxembourg each hold securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear and Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

Distributions of principal with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

#### ***CMU***

The CMU Service is a central depository service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the members of this service ("CMU Members") of capital markets instruments ("CMU Instruments") which are specified in the CMU Service Reference Manual as capable of being held within the CMU Service.

The CMU Service is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such person. Membership of the CMU Service is open to all members of the Hong Kong Capital Markets Association and "authorised institutions" under the Banking Ordinance (Cap. 155) of Hong Kong and any other domestic or overseas financial institutions approved from time to time by the HKMA.

Compared to clearing services provided by Euroclear and Clearstream, Luxembourg, the standard custody and clearing service provided by the CMU Service is limited. In particular (and unlike the European clearing systems), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, the CMU Instruments. Instead, the HKMA advises the lodging CMU Member (or a designated paying agent) of the identities of the CMU Service Members to whose accounts payments in respect of the relevant CMU Instruments are credited, whereupon the lodging CMU Member (or the designated paying agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU Members. Similarly, the HKMA will not obtain certificates of non-U.S. beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The CMU Lodging Agent will collect such certificates from the relevant CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest through an account with either Euroclear or Clearstream, Luxembourg in any Notes held in the CMU Service will hold that interest through the respective accounts which Euroclear and Clearstream, Luxembourg each have with the CMU Service.

#### ***DTC***

DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organisation" under the laws of the State of New York, a member of the U.S. 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 was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic computerised book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to

others, such as banks, securities brokers, dealers and trust companies, that clear through, or maintain a custodial relationship with, a DTC direct participant, either directly or indirectly.

## **Book-Entry Ownership**

### ***Bearer Notes***

The relevant Issuer will make applications to Clearstream, Luxembourg and Euroclear for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. The relevant Issuer may also apply to have Bearer Notes accepted for clearance through the CMU Service. In respect of Bearer Notes in CGN form, a Temporary Global Note and/or a Permanent Global Note in bearer form without coupons will be deposited with a common depository for Clearstream, Luxembourg and Euroclear and/or a sub-custodian for the CMU Service. In respect of Bearer Notes in NGN form, the Global Note in bearer form without coupons will be delivered with a common safekeeper for Euroclear and Clearstream, Luxembourg. Transfers of interests in a Temporary Global Note or a Permanent Global Note will be made in accordance with the normal Euromarket debt securities operating procedures of Clearstream, Luxembourg and Euroclear or the CMU Service.

### ***Registered Notes***

The relevant Issuer will make applications to Clearstream, Luxembourg and Euroclear or the CMU Service for acceptance in their respective book-entry systems in respect of the Unrestricted Notes to be represented by each Unrestricted Global Certificate. Each Unrestricted Global Certificate will have an ISIN and a Common Code or a CMU Instrument Number, as the case may be.

The relevant Issuer and a relevant U.S. agent appointed for such purpose will make application to DTC for acceptance in its book-entry settlement system of the Restricted Notes represented by each Restricted Global Certificate. Each Restricted Global Certificate will have a CUSIP number. Each Restricted Global Certificate will be subject to restrictions on transfer contained in a legend appearing on the front of such Certificate, as set out under "*Transfer Restrictions*". In certain circumstances, as described below in "*Transfers of Registered Notes*", transfers of interests in a Restricted Global Certificate may be made as a result of which such legend is no longer applicable.

The custodian with whom the Restricted Global Certificates are deposited (the "Custodian") and DTC will electronically record the principal amount of the Restricted Notes held within the DTC system. Investors in Notes of such Series may hold their interests in an Unrestricted Global Certificate only through Clearstream, Luxembourg or Euroclear or the CMU Service. Investors may hold their interests in a Restricted Global Certificate directly through DTC if they are participants in the DTC system, or indirectly through organisations which are participants in such system.

Payments of the principal of, and interest on, each Restricted Global Certificate registered in the name of DTC's nominee will be to or to the order of its nominee as the registered owner of such Restricted Global Certificate. The relevant 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 relevant Restricted Global Certificate as shown on the records of DTC or the nominee. The relevant Issuer also expects that payments by DTC participants to owners of beneficial interests in such Restricted Global Certificate 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 relevant 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 Restricted Global Certificates or for maintaining, supervising or reviewing any records relating to such ownership interests.

All Registered Notes will initially be in the form of an Unrestricted Global Certificate and/or a Restricted Global Certificate. Individual definitive Registered Notes will only be available, in the case of Unrestricted Notes, in amounts specified in the applicable Final Terms, and, in the case of Restricted Notes, in amounts of U.S.\$200,000 (or its equivalent in another currency), or higher integral multiples of U.S.\$1,000 (or its equivalent in another currency), in certain limited circumstances described below.

### ***Individual Definitive Registered Notes***

Registration of title to Registered Notes in a name other than a depository or its nominee for Clearstream, Luxembourg and Euroclear or for the CMU Service or for DTC will not be permitted unless (i) in the case of Restricted Notes, DTC notifies the relevant Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Restricted 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 relevant Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC, (ii) in the case of Unrestricted Notes, Clearstream, Luxembourg, Euroclear or the CMU Service is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does, in fact, do so, (iii) if principal in respect of any Notes is not paid when due or (iv) the relevant Issuer provides its consent. In such circumstances, the relevant Issuer will cause sufficient individual definitive Registered Notes to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Noteholder(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 relevant Issuer and the Registrar may require to complete, execute and deliver such individual definitive Registered Notes; 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 Registered Notes issued pursuant to this paragraph (ii) shall bear the legends applicable to transfers pursuant to Rule 144A.

### **Transfers of Registered Notes**

Transfers of interests in Global Certificates within DTC, Clearstream, Luxembourg, Euroclear and the CMU Service will be effected in accordance with the usual rules and operating procedures of the relevant clearing system. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Restricted Global Certificate to such persons may be limited. Because DTC can only act on behalf of direct participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Restricted Global Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Beneficial interests in an Unrestricted Global Certificate may be held only through Clearstream, Luxembourg or Euroclear or the CMU Service. Transfers may be made at any time by a holder of an interest in an Unrestricted Global Certificate to a transferee who wishes to take delivery of such interest through the Restricted Global Certificate for the same Series of Notes 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 Notes represented by such Unrestricted Global Certificate will only be made upon receipt by the Registrar or any Transfer Agent of a written certificate from Euroclear or Clearstream, Luxembourg or the CMU Service, as the case may be (based on a written certificate from the transferor of such interest), 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 Notes represented by such Unrestricted Global Certificate will only be made upon request through Clearstream, Luxembourg or Euroclear or the CMU Service by the holder of an interest in the Unrestricted Global Certificate to the Issuing and Paying Agent and receipt by the Issuing and Paying 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 an 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 Euroclear or Clearstream, Luxembourg or the CMU Service, as the case may be, and DTC to be credited and debited, respectively, with an interest in the relevant Global Certificates.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described above and under “*Transfer Restrictions*”, cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear or the CMU Service accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Custodian, the Registrar and the Issuing and Paying Agent.

On or after the Issue Date for any Series of Registered Notes, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg, Euroclear and the CMU Service and transfers of Notes of such Series between participants in DTC will generally have a settlement day two business days after the trade date (T+2). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear or the CMU Service and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg, Euroclear and the CMU Service, on the other, transfers of interests in the relevant Global Registered Certificates will be effected through the Issuing and Paying Agent, the Custodian and the Registrar receiving

instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in the relevant Global Registered Certificate resulting in such transfer and (ii) two business days after receipt by the Issuing and Paying Agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg or the CMU Service accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

For a further description of restrictions on transfer of Registered Notes, see “*Transfer Restrictions*”.

DTC will take any action permitted to be taken by a holder of Registered Notes (including, without limitation, the presentation of Restricted Global Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in Restricted Global Certificates are credited and only in respect of such portion of the aggregate principal amount of the relevant Restricted Global Certificates as to which such participant or participants has or have given such direction. However, in the circumstances described above, DTC will surrender the relevant Restricted Global Certificates for exchange for individual definitive Registered Notes (which will, in the case of Restricted Notes, bear the legend applicable to transfers pursuant to Rule 144A).

Although DTC, Clearstream, Luxembourg, Euroclear and the CMU Service have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the Global Certificates among participants and accountholders of DTC, Clearstream, Luxembourg, Euroclear and the CMU Service, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Trustee or any Agent will have any responsibility for the performance by DTC, Clearstream, Luxembourg, Euroclear or the CMU Service or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

While a Restricted Global Certificate is lodged with DTC or the Custodian, Restricted Notes represented by individual definitive Registered Notes will not be eligible for clearing or settlement through DTC, Clearstream, Luxembourg, Euroclear or the CMU Service.

#### ***Pre-issue Trades Settlement for Registered Notes***

It is expected that delivery of Notes will be made against payment therefor on the relevant 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 two business days (T+2), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until the relevant Issue Date will be required, by virtue of the fact that the Notes initially will settle beyond T+2, 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 Notes may be affected by such local settlement practices and purchasers of Notes who wish to trade Notes between the date of pricing and the relevant issue date should consult their own adviser.

## PRC CURRENCY CONTROLS

*The following is a general description of certain currency controls in the PRC and is based on the law and relevant interpretations thereof in effect as at the date of this Prospectus, all of which are subject to change, and does not constitute legal advice. It does not purport to be a complete analysis of all applicable currency controls in the PRC relating to the RMB Notes. Prospective holders of RMB Notes who are in any doubt as to PRC currency controls are advised to consult their own professional advisers.*

### **Remittance of Renminbi into and outside the PRC**

The Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to controls imposed under PRC law.

### **Current Account Items**

Under PRC foreign exchange control regulations, current account item payments include payments for imports and exports of goods and services, payments of income and current transfers into and outside the PRC.

Prior to July 2009, all current account items were required to be settled in foreign currencies. Since July 2009, the PRC has commenced a scheme pursuant to which Renminbi may be used for settlement of imports and exports of goods between approved pilot enterprises in five designated pilot cities in the PRC, being: Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai, and enterprises in designated offshore jurisdictions including Hong Kong and Macau. In June 2010, August 2011 and February 2012 respectively, the PRC government promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Programme of RMB Settlement of Cross-border Trades, the Circular on Expanding the Regions of Crossborder Trade RMB Settlement, the Notice on Matters Relevant to the Administration of Enterprises Engaged in RMB Settlement of Export Trade in Goods and the Circulars with regard to the expansion of designated cities and offshore jurisdictions implementing the pilot RMB settlement scheme for cross-border trades (the "Circulars"). Pursuant to these Circulars (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible, (ii) the list of designated pilot districts was expanded to cover all provinces in the PRC, (iii) the restriction on designated offshore jurisdictions was lifted, and (iv) any enterprises qualified for the export and import business are permitted to use RMB as settlement currency for exports of goods, provided that the relevant provincial government has submitted to the PBOC and five other PRC authorities (the "Six Authorities") a list of key enterprises subject to supervision and the Six Authorities have verified and signed off such list (the "Supervision List"). On 12 June 2012, the PBOC issued a notice stating that the Six Authorities had jointly verified and announced a Supervision List and as a result any enterprise qualified for the export and import business is permitted to use RMB as settlement currency for exports.

On 5 July 2013, PBOC promulgated the "Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures" (the "2013 PBOC Circular") with the intent to improve the efficiency of cross border Renminbi settlement and facilitate the use of RMB for the settlement of cross border transactions under current accounts or capital accounts. In particular, the 2013 PBOC Circular simplifies the procedures for cross border Renminbi trade settlement under current account items. For example, PRC banks may conduct settlement for PRC enterprises upon the PRC enterprises presenting the payment instruction, with certain exceptions. PRC banks may also allow PRC enterprises to make/receive payments under current account items prior to the relevant PRC bank's verification of underlying transactions (noting that verification of underlying transactions is usually a precondition for cross border remittance).

On 1 November 2014, PBOC promulgated the Circular on Matters concerning Centralized Cross-Border Renminbi Fund Operation Conducted by Multinational Enterprise Groups (the "2014 PBOC Circular"). The 2014 PBOC Circular introduces a cash pooling arrangement for qualified multinational enterprise group companies, under which a multinational enterprise group can process cross-border Renminbi payments and receipts for current account items on a collective basis for eligible member companies in the group.

On 5 September 2015, PBOC promulgated the Circular on Further Facilitating the Cross-Border Bi-directional Renminbi Cash Pooling Business by Multinational Enterprise Groups (the "2015 PBOC Circular"), which, among others, has lowered the eligibility requirements for multinational enterprise groups and increased the cap for net cash inflow. The 2015 PBOC Circular also provides that enterprises in the China (Shanghai) Free Trade Pilot Zone ("Shanghai FTZ") may establish an additional cash pool in the local scheme in the Shanghai FTZ, but each onshore company within the group may only elect to participate in one cash pool.

The regulations referred to above will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying these regulations and impose conditions for settlement of current account items.

Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the use of Renminbi for payment of transactions categorised as current

account items, then such settlement will need to be made subject to the specific requirements or restrictions set out in such rules.

### **Capital Account Items**

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of the relevant PRC authorities.

Settlements for capital account items are generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are generally required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or any other relevant PRC parties are also generally required to make capital account item payments including proceeds from liquidation, transfer of shares, reduction of capital and principal repayment under foreign debt to foreign investors in a foreign currency. That said, the relevant PRC authorities may approve a foreign entity to make a capital contribution or shareholder's loan to a foreign invested enterprise with Renminbi lawfully obtained by it outside the PRC and for the foreign invested enterprise to service interest and principal repayment to its foreign investor outside the PRC in Renminbi on a trial basis. The foreign invested enterprise may also be required to complete registration and verification process with the relevant PRC authorities before such RMB remittances.

In April 2011, the State Administration of Foreign Exchange ("SAFE") promulgated the Circular on Issues Concerning the Capital Account Items in connection with Cross-Border Renminbi (the "SAFE Circular"), which provides that borrowing by an onshore entity of Renminbi loans from an offshore entity shall in principle follow the current regulations on borrowing foreign debts.

In June 2011, PBOC issued the Notice on Clarification of Issues regarding Cross-border Renminbi Activities (the "PBOC Notice"), which provides that the pilot programme of foreign direct investment in Renminbi will be launched on a case by case basis, and approval by PBOC is required for foreign direct investment in Renminbi. For industries under restrictions or strictly regulated by the PRC government, foreign direct investment in Renminbi is prohibited.

On 13 October 2011, PBOC issued the PBOC RMB FDI Measures, pursuant to which PBOC special approval for RMB FDI and shareholder loans previously required is no longer necessary. The PBOC RMB FDI Measures also provide, among others, that foreign invested enterprises are required to conduct registrations with the local branch of PBOC within ten working days after obtaining the business licenses for the purpose of Renminbi settlement, and a foreign investor is allowed to open RMB special accounts for designated uses in relation to making equity investments in a PRC enterprise or receiving RMB proceeds from distribution (dividends or otherwise) by its PRC subsidiaries. The PBOC RMB FDI Measures further state that the foreign debt quota of a foreign invested enterprise constitutes its Renminbi debt and foreign currency debt from its offshore shareholders, offshore affiliates and offshore financial institutions, and a foreign invested enterprise may open a Renminbi account to receive its Renminbi proceeds borrowed offshore by submitting the loan contract denominated in Renminbi to the commercial bank and making repayments of principal and interest on such debt in Renminbi by submitting certain required documents to the commercial bank.

On 19 November 2012, SAFE promulgated the Circular on Further Improving and Adjusting the Foreign Exchange Administration Policies on Direct Investment (the "SAFE Circular on DI"), which became effective on 17 December 2012 and was amended on 5 June 2015. According to the SAFE Circular on DI, the SAFE has removed or adjusted certain administrative licensing items with regard to foreign exchange administration over direct investments to promote investment, including, but not limited to, the abrogation of SAFE approval for opening of and payment into foreign exchange accounts under direct investment accounts, the abrogation of SAFE approval for reinvestment with legal income generated within the PRC of foreign investors, the simplification of the administration of foreign exchange reinvestments by foreign investment companies, and the abrogation of SAFE approval for purchase and external payment of foreign exchange under direct investment accounts.

On 3 December 2013, MOFCOM promulgated the Circular on Issues in relation to Cross-border RMB Foreign Direct Investment (the "MOFCOM Circular"), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. The MOFCOM Circular replaced the Notice on Issues in relation to Cross-border RMB Foreign Direct Investment promulgated by MOFCOM on 12 October 2011 (the "2011 MOFCOM Notice"). Pursuant to the MOFCOM Circular, written approval from the appropriate office of MOFCOM and/or its local counterparts specifying "Renminbi Foreign Direct Investment" and the amount of capital contribution is required for each FDI. Compared with the 2011 MOFCOM Notice, the MOFCOM Circular no longer contains the requirements for central-level MOFCOM approvals for investments of RMB300 million or above, or in certain industries, such as financial guarantee, financial leasing, microcredit, auction, foreign invested investment companies, venture capital and equity

investment vehicles, cement, iron and steel, electrolyse aluminium, ship building and other industries under the state macro regulation. Unlike the 2011 MOFCOM Notice, the MOFCOM Circular also removes the approval requirement for foreign investors who intend to change the currency of their existing capital contribution from a foreign currency to RMB. In addition, the MOFCOM Circular also clearly prohibits FDI funds from being used for any investments in securities and financial derivatives (except for investments in the PRC listed companies by strategic investors) or for entrustment loans in the PRC.

According to the 2015 PBOC Circular, qualified multinational enterprise groups can extend Renminbi-denominated loans to, or borrow Renminbi-denominated loans from, eligible offshore member entities within the same group by leveraging the cash pooling arrangements. The Renminbi funds will be placed in a special deposit account and may not be used to invest in stocks, financial derivatives, or non-self-use real estates, or purchase wealth management products or extend loans to enterprises outside the group. Enterprises within the Shanghai FTZ may establish another cash pool under the Shanghai FTZ rules to extend inter-company loans, although Renminbi funds obtained from financing activities may not be pooled under this arrangement. Enterprises within the Shanghai FTZ can borrow Renminbi from offshore lenders under a pilot account-based settlement scheme within the prescribed macro-prudential management limit. In addition, non-financial enterprises in the Shanghai FTZ are allowed to settle the foreign debt proceeds into Renminbi on a voluntary basis, provided that the proceeds should not be used beyond their business scope or in violation of relevant laws and regulations. Pilot schemes relating to cross-border Renminbi loans, bonds or equity investments have also been launched for, among others, enterprises in Shenzhen Qianhai, Jiangsu Kunshan and Jiangsu Suzhou Industrial Park.

On 26 January 2017, SAFE issued the Notice on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance to further advance the reform of foreign exchange administration, such as:

- settlement of domestic foreign exchange loans is allowed for export trade in goods. A domestic institution shall repay loans with the foreign exchange funds received from export trade in goods, rather than, in principle, purchased foreign exchange;
- a debtor may directly or indirectly repatriate the funds under guarantee and use them domestically by, among others, granting loans and making equity investment domestically. Where a bank performs its guarantee obligation under overseas loans with a domestic guarantee, the relevant foreign exchange settlement and sale shall be managed as the bank's own foreign exchange settlement and sale;
- the deposits absorbed by a domestic bank through its principal international foreign exchange account and allowed to be used domestically shall be no more than 100% of the average daily deposit balance in the previous six months as opposed to the former 50%; and the funds used domestically shall not be included in the bank's outstanding short-term external debt quota;
- allowing foreign exchange settlement in the domestic foreign exchange accounts of overseas institutions within pilot free trade zones: where funds are repatriated and used domestically after settlement, a domestic bank shall, under the relevant provisions on cross-border transactions, handle such funds by examining the valid commercial documents and vouchers of domestic institutions and domestic individuals; and
- where a domestic institution grants overseas loans, the total of the balance of overseas loans granted in domestic currency and the balance of overseas loans granted in foreign currency shall not exceed 30% of owner's equity in the audited financial statements of the previous year.

The regulations referred to above will be subject to interpretation and application by the relevant PRC authorities.

Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

## TRANSFER RESTRICTIONS

### Restricted Notes

Each purchaser of Restricted Notes within the United States pursuant to Rule 144A, 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 Notes for its own account or for the account of a QIB and (c) aware, and each beneficial owner of such Restricted Notes has been advised, that the sale of such Restricted Notes to it is being made in reliance on Rule 144A;

(2) it understands that such Restricted Notes 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 such Restricted Notes, unless the relevant Issuer determines otherwise in compliance with applicable law, will bear a legend to the following effect:

THIS NOTE HAS 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 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. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THIS NOTE. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A;

(4) it understands that the Restricted Notes offered in reliance on Rule 144A will be represented by a 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

(5) it acknowledges that the relevant Issuer, the Registrar, the Dealers 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 Notes 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 Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Additional transfer restrictions may be set forth in the applicable Final Terms with respect to a particular Tranche of a Registered Series.

### Unrestricted Notes

Each purchaser of Unrestricted Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Unrestricted Notes 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 Notes, will be deemed to have represented, agreed and acknowledged that:

(1) it is, or at the time Unrestricted Notes are purchased will be, the beneficial owner of such Unrestricted Notes 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 relevant Issuer or a person acting on behalf of such an affiliate;

(2) it understands that such Unrestricted Notes 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 Notes 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 Notes, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend to the following effect:

THIS NOTE HAS 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 Notes offered in reliance on Regulation S may be represented by an 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 relevant Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Additional transfer restrictions may be set forth in the applicable Final Terms with respect to a particular Tranche of a Registered Series.

## GENERAL INFORMATION

1. The listing of the Notes on the Official List and admission to trading on the Market will be expressed as a percentage of their principal amount (exclusive of accrued interest). It is expected that acceptance of the Programme on the Official List will be granted on or around 21 June 2018. Each Tranche of Notes under the Programme will be listed separately, subject only to the issue of a Temporary or Permanent Global Note (or one or more Certificates) in respect of each Tranche. Prior to official listing, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. If a Series of Notes will be unlisted, or listed on another exchange, the specific terms relating to such Series of Notes will be contained in a pricing supplement. Any such pricing supplement will be based on the form of Final Terms set out in this Prospectus.

Application has been made to the Hong Kong Stock Exchange for permission to list the Programme. It is expected that permission to list the Programme will be granted on or around 21 June 2018. The listing of Notes on the Hong Kong Stock Exchange will be expressed as a percentage of their principal amount. Transactions will normally be effected for settlement in the relevant specified currency and for delivery by the end of the second trading day after the date of the transaction. It is expected that dealings will, if permission is granted to deal in and for the listing of such Notes, commence on or about the date of listing of the relevant Notes.

2. SCPLC has obtained all necessary consents, approvals and authorisations in the United Kingdom in connection with the issue and performance of the Notes to be issued by it. SCB has obtained all necessary consents, approvals and authorisations in the United Kingdom in connection with the issue and performance of the Notes to be issued by it. The establishment, update and amendment of the Programme and issues of Notes thereunder by SCPLC was authorised by resolutions of SCPLC's Board of Directors passed on 30 October 2007, 20 June 2017 and 27 September 2017 and of a duly authorised committee of SCPLC's Board of Directors passed on 3 November 2009, 31 August 2010, 8 November 2010, 7 November 2011, 26 September 2012, 1 October 2013, 2 October 2014, 9 October 2015, 7 October 2016, 9 June 2017 and 15 June 2018. The establishment, update and amendment of the Programme and issues of Notes thereunder by SCB was authorised by resolutions of SCB's Court of Directors passed on 4 October 2004, 11 September 2006, 28 July 2008, 14 September 2009 and of a duly appointed Committee of the Court of Directors of SCB passed on 29 October 2004, 23 September 2005, 25 September 2006, 7 September 2007, 6 November 2007, 4 November 2008, 3 November 2009, 31 August 2010, 8 November 2010, 7 November 2011, 26 September 2012, 1 October 2013, 2 October 2014, 7 October 2015, 7 October 2016, 9 June 2017 and 14 June 2018.

3. There has been no significant change in the financial or trading position of SCPLC and its subsidiaries since 31 March 2018, the date to which SCPLC and its subsidiaries' last published interim financial information (as set out in the Interim Management Statement) was prepared. There has been no material adverse change in the prospects of SCPLC and its subsidiaries since 31 December 2017.

4. There has been no significant change in the financial or trading position of SCB and its subsidiaries since 31 December 2017. There has been no material adverse change in the prospects of SCB and its subsidiaries since 31 December 2017.

5. As discussed in the "Legal and regulatory matters" section on pages 259 to 260 of the 2017 Annual Report (which is incorporated by reference herein), the Group receives legal claims against it in a number of jurisdictions and is a party to regulatory proceedings arising in the normal course of business.

Save in relation to the matters described below, there are no, nor have there been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which SCPLC 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 SCPLC and/or the Group nor is SCPLC aware that any such proceedings are pending or threatened.

### *2012 Settlements with certain US authorities*

In 2012, the Group reached settlements with certain U.S. authorities regarding U.S. sanctions compliance in the period 2001 to 2007, involving a Consent Order by the NYDFS, a Cease and Desist Order by the Board of Governors of the Fed, DPAs with each of the DOJ and the DANY and a Settlement Agreement with the Office of Foreign Assets Control (together, the "Settlements" and together the foregoing authorities, the "U.S. authorities"). In addition to the civil penalties totalling U.S.\$667 million, the terms of these Settlements include a number of conditions and ongoing obligations with regard to improving sanctions, AML and 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 ("Monitor"). These obligations are managed under a programme of work referred to as the SRP. The SRP comprises work streams designed to ensure compliance with the remediation requirements contained in all of the Settlements and the Group is engaged with all relevant authorities to implement these programmes and meet the Group's obligations under the Settlements.



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, resulting in the subsequent retention of the Monitor to evaluate and make recommendations regarding the Group's sanctions compliance programme. On 9 November 2017, the Group announced the further extension of the DPAs until 28 July 2018.

The November 2017 DPA extension agreement noted that the Group had taken a number of steps and made significant progress to comply with the requirements of the DPA and enhance its sanctions compliance programme, but that the programme had not at the time reached the standard required by the DPA. The Group is committed to ongoing cooperation with the authorities and to continuing to implement a comprehensive programme of improvements to its financial crime controls.

#### *2014 Settlement with NYDFS*

On 19 August 2014, the Group announced that it had reached a final settlement with the NYDFS regarding deficiencies in the AML transaction surveillance system in its 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 (which, on 21 April 2017, was further extended to operate until 31 December 2018).
- (iv) A 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. These temporary remediation measures include a restriction on opening, without prior approval of the NYDFS, a U.S. dollar demand deposit account for any client that does not already have such an account with the Branch, a restriction on U.S. dollar-clearing services for certain clients in Hong Kong and enhanced monitoring of certain high-risk clients in the UAE.

The remit of the SRP covers the management of these obligations.

#### *Other ongoing investigations and reviews*

The Group continues to cooperate with an investigation by the U.S. authorities relating to historical violations of U.S. sanctions laws and regulations. In contrast to the 2012 settlements, which focused on the period before the Group's 2007 decision to stop doing new business with known Iranian parties, the ongoing investigation is focused on examining the extent to which conduct and control failures permitted clients with Iranian interests to conduct transactions through SCB after 2007 and the extent to which any such failures were shared with relevant U.S. authorities in 2012.

The Group is engaged in ongoing discussions with the relevant U.S. authorities regarding the resolution of this investigation, and such resolution may involve a range of civil and criminal penalties for sanctions compliance violations including substantial monetary penalties combined with other compliance measures such as remediation requirements and/or business restrictions.

SCB is also engaged in ongoing discussions with the FCA regarding an investigation concerning its financial crime controls. The investigation is looking at the effectiveness and governance of those controls within the correspondent banking business carried out by SCB's London branch, particularly in relation to the business carried on with respondent banks from outside the EEA and the effectiveness and governance of those controls in one of SCB's overseas branches and the oversight exercised at Group level over those controls. Any resolution of the investigation could involve a substantial monetary penalty and other civil measures available to the FCA.

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 and responding to inquiries and investigations by relevant authorities, and the Group is facing regulatory investigations and proceedings in various jurisdictions related to foreign exchange trading. There may be penalties or other financial consequences to the Group as a result. 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.

It is not practicable to estimate the financial impact of these matters as there are many factors that may affect the range of possible outcomes; however, the resulting financial impact could be substantial.

The SFC in Hong Kong has been investigating SCSHK role as a joint sponsor of an initial public offering of China Forestry Holdings Limited, which was listed on the Hong Kong Stock Exchange in 2009. The SFC is pursuing disciplinary action against SCSHK, and there may be financial consequences for SCSHK in connection with this action.

6. Save in relation to the matters described in paragraph 5 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 SCB 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 SCB and/or SCB and its subsidiaries, nor is SCB aware that any such proceedings are pending or threatened.

7. Each Bearer Note, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

8. Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are entities in charge of keeping the records). The Common Code, International Securities Identification Number (ISIN), Financial Instrument Short Name (FISN) and Classification of Financial Instruments (CFI) code (as applicable) for each Series of Notes will be set out in the relevant Final Terms or Pricing Supplement. The Issuers may also apply to have Notes accepted for clearance through the CMU Service. The relevant CMU Instrument Number will be set out in the relevant Final Terms or Pricing Supplement. In addition, the relevant Issuer will make an application with respect to each Series of Registered Notes intended to be eligible for sale pursuant to Rule 144A for such Notes to be accepted for trading in book entry form by DTC. Acceptance of each Series and the relevant Committee on the Uniform Security Identification Procedure (CUSIP) number applicable to a Series will be set out in the relevant Final Terms or Pricing Supplement.

9. The issue price and the amount of the relevant Notes will be determined before filing of the relevant Final Terms of each Tranche, based on then prevailing market conditions. The Issuers do not intend to provide any post-issuance information in relation to any issues of Notes.

10. 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. The address of any alternative clearing system will be specified in the applicable Final Terms.

11. Any Notes issued:

(i) prior to 20 September 2001, and any Notes issued on or after 20 September 2001 which are intended to be consolidated and form a single series with Notes issued prior to 20 September 2001, are and will be, as the case may be, constituted by the Law Debenture Trust Deed (as defined in the Trust Deed) and issued pursuant to the Citibank Agency Agreement (as defined in the Agency Agreement); and

(ii) from (and including) 20 September 2001 to 18 November 2004, and any Notes issued on or after 19 November 2004 which are intended to be consolidated and form a single series with Notes issued from (and including) 20 September 2001 to 18 November 2004, are and will be, as the case may be, constituted by the Bank of New York Trust Deed (as defined in the Trust Deed) and issued pursuant to the Bank of New York Agency Agreement (as defined in the Agency Agreement).

12. From the date of this document and for so long as any Notes are outstanding under the Programme, 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 Issuers and at the office of the Issuing and Paying Agent:

(i) the Trust Deed (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons and the Talons);

(ii) the Agency Agreement;

(iii) the Articles of Association of SCPLC and the Royal Charter, Bye-Laws and Rules of SCB;

(iv) the audited annual accounts of SCB for the year ended 31 December 2016 (including the audit report thereon);

(v) the audited annual accounts of SCB for the year ended 31 December 2017 (including the audit report thereon);

(vi) the 2016 Annual Report;

(vii) the 2017 Annual Report;

(viii) the “Standard Chartered PLC statement on the Bank of England 2017 stress test results” released by SCPLC on 28 November 2017;

(ix) the Interim Management Statement;

(x) the document entitled “Pillar 3 Disclosures 2017” released by SCPLC on 27 February 2018;

(xi) the document entitled “Pillar 3 Disclosures 31 March 2018” released by SCPLC on 2 May 2018;

(xii) the document entitled “IFRS 9 Transition Document” released by SCPLC on 28 March 2018;

(xiii) each set of Final Terms (save that the Pricing Supplement relating to a PD Exempt Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Issuing and Paying Agent as to its holding of Notes and identity); and

(xiv) a copy of this document or any further prospectus or supplementary prospectus.

13. Copies of the latest annual report and accounts of SCPLC and SCB 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 Notes are outstanding.

14. KPMG LLP, chartered accountants (a member of the Institute of Chartered Accountants in England and Wales), have audited, and rendered unqualified audit reports on, the accounts of both SCPLC and SCB for the two years ended 31 December 2016 and 31 December 2017. The reports of KPMG LLP each contained the following statement: “This report is made solely to the Company’s members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at [www.kpmg.com/uk/auditscopeukco2014a](http://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.” The reports of KPMG LLP also contained the following statement: “To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s members as a body, for our audit work, for this report, or for the opinions we have formed”.

15. No redemption of Notes for taxation reasons, no optional redemption of Notes pursuant to Condition 5(d), no optional redemption of Dated Subordinated Notes pursuant to Condition 5(e), no optional redemption of Senior Notes pursuant to Condition 5(f) and no purchase and cancellation of Notes in accordance with the Conditions of the Notes will be made by any Issuer without prior permission of, or waiver from, the PRA, as may for the time being be required therefor.

16. SCPLC and SCB have entered or will enter into an agreement with Euroclear and Clearstream, Luxembourg (the “ICSDs”) in respect of any Notes issued in NGN form that SCPLC or SCB may request be made eligible for settlement with the ICSDs (each, an “ICSD Direct Agreement”). The ICSD Direct Agreement sets out that the ICSDs will, in respect of any such Notes, *inter alia*, maintain records of their respective portion of the issue outstanding amount and will, upon the Issuer’s request, produce a statement for SCPLC’s or SCB’s use showing the total nominal amount of its customer holdings for such Notes as of a specified date.

17. Any indication of yield included in any Final Terms has been calculated as at the Issue Date of the relevant Notes and is not an indication of future yield. Any such indication is calculated on the basis of the Issue Price, using the following formula:

$$P = \frac{C}{r} (1 - (1 + r)^{-n}) + A(1 + r)^{-n}$$

where:

P is the Issue Price of the Notes;

C is the Interest Amount;

A is the principal amount of Notes due on redemption;

n is time to maturity in years; and

r is the yield.

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