

IMPORTANT NOTICE

Dear Ladies and Gentlemen

24 June 2019

Proposed offering of Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities (the “Securities”) issued by Standard Chartered PLC (the “Issuer”)

The Issuer is proposing to undertake an offering (the “Offer”) of the Securities on the terms set out in a preliminary offering circular dated 24 June 2019 (the “Offering Circular”) which is being sent to you with this letter. This letter contains important information relating to:

- (i) restrictions with respect to the offer and sale of the Securities (including pursuant to the Regulations (as defined below) to retail investors and to connected persons of the Issuer); and
- (ii) certain disclosures that may need to be made by the Issuer and/or Standard Chartered Bank (the “Structuring Adviser” and “Bookrunner”) and Credit Suisse Securities (Europe) Limited, Oversea-Chinese Banking Corporation Limited, Société Générale, UBS AG London Branch and United Overseas Bank Limited (together, the “Joint Lead Managers” and together with the Structuring Adviser and Bookrunner, the “Managers”) about potential investors in the Securities (including, but not limited to, your name, company registration number and number of Securities allotted to you).

Restrictions with respect to the offer and sale of the Securities to retail investors and to connected persons of the Issuer

Retail Investors

The Securities are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Securities to retail investors. In particular, in June 2015, the U.K. Financial Conduct Authority (the “FCA”) published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015 (the “PI Instrument”).

In addition, (i) on 1 January 2018, the provisions of Regulation (EU) No. 1286/2014 on key information documents for packaged and retail and insurance-based investment products (“PRIIPs”) became directly applicable in all EEA member states and (ii) the Markets in Financial Instruments Directive 2014/65/EU (as amended or superseded) (“MiFID II”) was required to be implemented in EEA member states by 3 January 2018. Together the PI Instrument, PRIIPs and MiFID II are referred to as the “Regulations”.

The Regulations set out various obligations in relation to (i) the manufacture and distribution of financial instruments and (ii) the offering, sale and distribution of packaged retail and insurance-based investment products and certain contingent write down or convertible securities such as the Securities.

Potential investors in the Securities should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Securities (or any beneficial interests therein), including the Regulations.

Each of the Managers (or their affiliates) are required to comply with some or all of the Regulations. By purchasing, or making or accepting an offer to purchase, any Securities (or a

beneficial interest in such Securities) from the Issuer and/or any Manager, you represent, warrant, agree with and undertake to the Issuer and each of the Managers that:

- (1) you are not a retail client (as defined in MiFID II);
- (2) whether or not you are subject to the Regulations, you will not:
 - (a) sell or offer the Securities (or any beneficial interests therein) to retail clients; or
 - (b) communicate (including the distribution of the Offering Circular or the final Offering Circular relating to the Securities) or approve any invitation or inducement to participate in, acquire or underwrite the Securities (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client (in each case within the meaning of the Regulations).

In selling or offering the Securities or making or approving communications relating to the Securities you may not rely on the limited exemptions set out in the PI Instrument; and

- (3) you will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Securities (or any beneficial interests therein), including (without limitation) MiFID II and any other applicable laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Securities (or any beneficial interests therein) by investors in any relevant jurisdiction.

You further acknowledge that:

- (i) the identified target market for the Securities (for the purposes of the product governance obligations in MiFID II) is eligible counterparties and professional clients; and
- (i) no key information document (KID) under PRIIPs has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under PRIIPs.

Prohibition of sales to EEA retail investors – The Securities 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 MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, 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. Consequently, no key information document required by PRIIPs for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under PRIIPs.

Professional investors and ECPs only target market – Solely for the purposes of the manufacturer’s product approval process, the target market assessment in respect of the Securities has led to the conclusion that: (i) the target market for the Securities is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Securities (a “**distributor**”) should take into consideration the manufacturer’s target market assessment. However, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the

Securities (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

Connected Persons

By purchasing, or making or accepting an offer to purchase, any Securities from the Issuer and/or the Managers, you represent, warrant, agree with and undertake to the Issuer and each of the Managers that you (and any person acting on your behalf as nominee or any person on whose behalf you are acting as nominee or agent and each of such person's respective ultimate beneficial owners): (i) are, and will after the completion of the purchase of the Securities or (assuming Conversion were to occur on the date of the completion of the purchase of the Securities) after any Conversion of the Securities on such date, be, independent from and not a connected person of the Issuer including (without limitation) any director, chief executive or substantial shareholder (being any person who is entitled to exercise or control the exercise of 10 per cent. or more of the voting power at any general meeting of the Issuer) of the Issuer or of any of its subsidiaries or any associates of any of them; (ii) are not, and will not after the completion of the purchase of the Securities be, a person whose acquisition of the Securities has been financed directly or indirectly by a connected person of the Issuer; and (iii) are not, and will not after the completion of the purchase of the Securities become, accustomed to take instructions from a connected person in relation to the acquisition, disposal, voting or other disposition of securities of the Issuer registered in your name or otherwise held by you. For the purposes of this paragraph "**associates**", "**connected persons**", "**directors**" and "**substantial shareholders**" shall have the meanings ascribed to them in Rules 1.01 and 14A.06 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**HKSE Rules**").

Where you are acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Securities (or any beneficial interests therein), the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both you as agent and your underlying client(s).

Agreement with respect to disclosures that may need to be made by the Issuer and/or the Managers about potential investors in the Securities (including, but not limited to, your name, company registration number and number of securities allotted to you)

Furthermore, by purchasing, or making or accepting an offer to purchase, any Securities from the Issuer and/or the Managers in connection with the offering, you agree with the Issuer and each of the Managers that they may, to the extent required by the HKSE Rules and/or by The Stock Exchange of Hong Kong Limited and/or by the Hong Kong Securities and Futures Commission (the "**SFC**"), disclose to The Stock Exchange of Hong Kong Limited and/or the SFC and (in the case of the Managers only) to the Issuer, information about potential investors in the Securities (including, but not limited to, your name, company registration number and number of securities allotted to you).

You acknowledge that each of the Issuer and the Managers will rely upon the truth and accuracy of the representations, warranties, agreements and undertakings set forth herein and are entitled to rely upon this letter and are irrevocably authorised to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby. This letter is additional to, and shall not replace, the obligations set out in any pre-existing general engagement terms entered into between you and any one of the Managers relating to the matters set out herein.

Capitalised but undefined terms used in this letter shall have the meaning given to them in the Offering Circular.

This document is not an offer to sell or an invitation to buy any Securities.

Your offer or agreement to buy any Securities will constitute your acceptance of the terms of this letter and your confirmation that the representations and warranties made by you pursuant to this letter are accurate.

This letter and any non-contractual obligations arising out of or in connection with it are governed by English law. The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this letter (including a dispute relating to the existence or validity of this letter or any non-contractual obligations arising out of or in connection with this letter) or the consequences of its nullity.

Should you require any further information, please do contact us.

Yours faithfully

The Managers

cc: Standard Chartered PLC (as Issuer)

IMPORTANT NOTICE

IMPORTANT: You must read the following before continuing. The following applies to the attached preliminary offering circular (the “**Offering Circular**”) and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In reading, accessing or making any other use of the Offering Circular you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive or access any information from Standard Chartered PLC (the “**Issuer**”), Standard Chartered Bank (the “**Structuring Adviser**” and “**Bookrunner**”) and Credit Suisse Securities (Europe) Limited, Oversea-Chinese Banking Corporation Limited, Société Générale, UBS AG London Branch and United Overseas Bank Limited (the “**Joint Lead Managers**”) (the Joint Lead Managers and the Structuring Adviser and Bookrunner each a “**Manager**” and together, the “**Managers**”) and you agree that each of the Issuer and the Managers (together with their subsidiaries and their respective affiliates) will rely upon the truth and accuracy of the following representations, acknowledgements and agreements. **IF YOU DO NOT AGREE TO THE TERMS DESCRIBED IN THIS NOTICE, YOU MAY NOT OPEN THE ATTACHED OFFERING CIRCULAR.** The Offering Circular has been prepared solely in connection with the proposed offering to certain institutional investors of the securities described herein. This document is subject to completion and amendment.

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

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

The Offering Circular is not and must not be made available to any connected person (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) of the Issuer. The Offering Circular is not and must not be made available to retail clients, as defined in the rules set out in the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015 (as amended or replaced from time to time). See the section headed “Restrictions on marketing and sales to retail investors and to connected persons of the Issuer; disclosure of investor information” on pages 4 and 5 of the Offering Circular for further information.

Confirmation of your representation: In order to be eligible to view the Offering Circular or make an investment decision with respect to the Securities, you must be a person that is not a U.S. person (as defined in Regulation S) and that is outside the United States and not acting for the account or benefit of a U.S. person. By accepting the e-mail and accessing the Offering Circular, you shall be deemed to have represented to us that you are outside the United States and are not a U.S. person and are not acting for the account or benefit of a U.S. person and that you consent to delivery of the Offering Circular by electronic transmission. You have been sent the Offering Circular at your request and on the basis that a) you are a person by whom the Offering Circular may be lawfully accessed in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this the Offering Circular to any other person, and b) you consent to delivery of the Offering Circular in electronic form.

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

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

The Offering Circular and any other materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licenced broker or dealer and the Managers or any affiliate

of any Manager is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by the relevant Manager or such affiliate on behalf of the Issuer in such jurisdiction.



Standard Chartered PLC

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

SGD [●] Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities

ISSUE PRICE: [●] per cent.

THE ISSUER MAY AT ANY TIME AND FOR ANY REASON ELECT TO CANCEL ANY INTEREST PAYMENT (IN WHOLE OR IN PART) IN ITS SOLE AND ABSOLUTE DISCRETION. THE SECURITIES (AS DEFINED BELOW) ARE BEING OFFERED TO PROFESSIONAL INVESTORS (AS DEFINED BELOW) ONLY. INVESTING IN THE SECURITIES INVOLVES RISKS. INVESTORS SHOULD NOT PURCHASE THE SECURITIES IN THE PRIMARY OR SECONDARY MARKETS UNLESS THEY ARE PROFESSIONAL INVESTORS AND UNDERSTAND THE RISKS INVOLVED. THE SECURITIES ARE NOT SUITABLE FOR RETAIL INVESTORS. INVESTORS SHOULD HAVE SUFFICIENT KNOWLEDGE AND EXPERTISE TO EVALUATE THE EFFECT OR THE LIKELIHOOD OF THE OCCURRENCE OF A CONVERSION TRIGGER EVENT (AS DEFINED BELOW) FOR THE SECURITIES WHICH RESULTS IN LOSS ABSORPTION BY INVESTORS. SEE RISK FACTORS BEGINNING ON PAGE [21].

The SGD[●] Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities (the "Securities") are expected to be issued by Standard Chartered PLC (the "Issuer") on [●] 2019 (the "Issue Date").

Application has been made to The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") for the listing of, and permission to deal in, the Securities as a debt issue to professional investors (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 on the Hong Kong Stock Exchange. This document is for distribution to Professional Investors only. **Investors should not purchase the Securities in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Securities 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 Securities on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Issuer, the Securities or the Ordinary Shares to be issued upon any Conversion 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.

Application has also been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Ordinary Shares (as defined herein) to be issued upon any Conversion (as defined herein) of the Securities.

This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "HKSE Rules") for the purpose of giving information with regard to the Issuer and the Securities. The Issuer accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

The Securities bear interest in respect of the period (the "Initial Fixed Rate Interest Period") from (and including) the Issue Date to (but excluding) [●] (the "First Reset Date") at a fixed rate of [●] per cent. per annum (the "Initial Fixed Interest Rate"). The Interest Rate (as defined herein) will be reset on each Reset Date (as defined herein). From (and including) each Reset Date to (but excluding) the next following Reset Date, the Interest Rate will be a fixed rate of [●] per cent. per annum above the then applicable Reset Reference Rate (as defined herein). Subject as provided herein, interest on the Securities will be payable semi-annually in arrear [(with a [long]/[short] first Interest Period (as defined herein))] on [●] and [●] in each year (each an "Interest Payment Date") commencing on [●] 2019.

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

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

Subject as provided herein and to the Issuer giving notice to the Bank of England, in its capacity as Prudential Regulation Authority (the "PRA") and the PRA granting permission (or, as applicable, not making any objection) to the

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

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

The Securities are not intended to be offered, sold or otherwise made available and should not be offered, sold or otherwise made available to retail clients, as defined in the rules set out in the Markets in Financial Instruments Directive 2014/65/EU, as amended or superseded from time to time. Prospective investors are referred to the section headed “*Restrictions on marketing and sales to retail investors and to connected persons of the Issuer; disclosure of investor information*” on pages 4 and 5 of this document for further information.

The Securities are not intended to be initially placed and may not be initially placed to “connected persons” of the Issuer as defined in the HKSE Rules (“Connected Persons”). Each initial Securityholder (and the beneficial owners of the Securities, if applicable) will be deemed to have represented to the Issuer and the Managers that it is not a Connected Person of the Issuer, and will not (i) after completion of the purchase of the Securities or (ii) (assuming Conversion were to occur on the date of the completion of the purchase of the Securities) after any Conversion of the Securities on such date be a Connected Person of the Issuer. Each prospective investor will be deemed to have agreed with the Issuer and each of the Managers that they may, to the extent required by the HKSE Rules and/or the Hong Kong Stock Exchange and/or the Hong Kong Securities and Futures Commission, disclose information about such potential investor (including but not limited to its name, company registration number and the number of Securities allotted to it) to certain parties. Prospective investors are referred to the section headed “*Restrictions on marketing and sales to retail investors and to connected persons of the Issuer; disclosure of investor information*” on pages 4 and 5 of this document for further information.

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

THE SECURITIES AND ANY ORDINARY SHARES WHICH MAY BE DELIVERED UPON CONVERSION OF THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES).

The Securities will be represented by registered certificates (each a “Certificate”), without coupons, and will be represented by a Global Certificate which will be deposited on or about the Issue Date with a common depository on behalf of Euroclear Bank SA/NV (“Euroclear”) and/or Clearstream Banking S.A. (“Clearstream, Luxembourg”) (the “Common Depository”) and registered in the name of the Common Depository or its nominee.

The Securities are expected to be rated [Ba1] by Moody’s Investors Service Singapore Pte. Limited (“Moody’s Singapore”), [BB-] by S&P Global Ratings Hong Kong Limited (“S&P”) and [BB+] by Fitch Ratings Ltd (“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.

THE SECURITIES ARE BEING OFFERED AND SOLD OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S.

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

Structuring Adviser and Bookrunner
Standard Chartered Bank

Joint Lead Managers
Credit Suisse
OCBC Bank
Société Générale Corporate & Investment Banking
UBS Investment Bank
UOB

IMPORTANT

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

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

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

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

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

THE SECURITIES AND ANY ORDINARY SHARES WHICH MAY BE DELIVERED UPON CONVERSION OF THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. SUBJECT TO CERTAIN EXCEPTIONS, THE SECURITIES AND ANY ORDINARY SHARES WHICH MAY BE DELIVERED UPON CONVERSION OF THE SECURITIES MAY NOT BE OFFERED OR SOLD TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S")).

THE SECURITIES ARE BEING OFFERED AND SOLD OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS AND SALES OF SECURITIES AND THE DISTRIBUTION OF THIS DOCUMENT, SEE "SUBSCRIPTION AND SALE".

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

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

To the fullest extent permitted by law, none of the Managers, the Trustee or the Paying and Conversion Agents, the Transfer Agents and the Registrar (together, the "Agents") accept any responsibility for the contents of this document or for any other statement made or purported to be made by the Managers, the Trustee or the Agents or on their behalf in connection with the Issuer or the issue and offering of the Securities. Each of the Managers, the Agents and the Trustee accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this document or any such statement. Neither this document nor any document incorporated by reference nor any other financial statements or information supplied in connection with the Securities is intended to provide the basis of any credit or other evaluation or should be considered as a recommendation by any of the Issuer, the Trustee, the Agents or the Managers that any recipient of this document or any other financial statements or information supplied in connection with the Securities or any document incorporated by reference should purchase the Securities. Each potential purchaser of Securities should determine for itself

the relevance of the information contained in this document, in any document incorporated by reference, or in any other financial statements or information supplied in connection with the Securities and its purchase of Securities should be based upon such investigation as it deems necessary. None of the Managers, the Agents or the Trustee undertake to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this document nor to advise any investor or potential investor in the Securities of any information coming to the attention of any of the Managers.

NOTIFICATION UNDER SECTION 309B(1) OF THE SECURITIES AND FUTURES ACT, CHAPTER 289 OF SINGAPORE (THE “SFA”)

In connection with Section 309B of the SFA, the Securities and the Ordinary Shares to be delivered following Conversion are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16; Notice on Recommendations on Investment Products).

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

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

In particular, in June 2015, the U.K. Financial Conduct Authority (the “FCA”) published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015 (the “PI Instrument”). In addition, (i) on 1 January 2018, the provisions of Regulation (EU) No. 1286/2014 on key information documents for packaged and retail and insurance-based investment products (“PRIIPs”) became directly applicable in all EEA member states and (ii) the Markets in Financial Instruments Directive 2014/65/EU (as amended or superseded) (“MiFID II”) was required to be implemented in EEA member states by 3 January 2018. Together the PI Instrument, PRIIPs and MiFID II are referred to as the “Regulations”.

The Regulations set out various obligations in relation to (i) the manufacture and distribution of financial instruments and (ii) the offering, sale and distribution of packaged retail and insurance-based investment products and certain contingent write down or convertible securities, such as the Securities.

Potential investors in the Securities should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Securities (or any beneficial interests therein) including the Regulations.

Each Manager is required to comply with some or all of the Regulations. By purchasing, or making or accepting an offer to purchase, any Securities (or a beneficial interest in such Securities) from the Issuer and/or the Managers each prospective investor represents, warrants, agrees with and undertakes to the Issuer and each of the Managers that:

1. it is not a retail client (as defined in MiFID II);
2. whether or not it is subject to the Regulations, it will not:
 - (A) sell or offer the Securities (or any beneficial interest therein) to retail clients (as defined in MiFID II) or
 - (B) communicate (including the distribution of this document) or approve an invitation or inducement to participate in, acquire or underwrite the Securities (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client (in each case within the meaning of the Regulations).

In selling or offering the Securities or making or approving communications relating to the Securities it may not rely on the limited exemptions set out in the PI Instrument; and

3. it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or

sale of the Securities (or any beneficial interests therein), including (without limitation) MiFID II and any other applicable laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Securities (or any beneficial interests therein) by investors in any relevant jurisdiction.

Each prospective investor further acknowledges that:

- (i) the identified target market for the Securities (for the purposes of the product governance obligations in MiFID II) is eligible counterparties and professional clients; and**
- (ii) no key information document (KID) under PRIIPs has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under PRIIPs.**

PRIIPs / Prospectus Directive / Prohibition of Sales to EEA Retail Investors – The Securities 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 MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC ("IMD"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by PRIIPs for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under PRIIPs.

MIFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Securities has led to the conclusion that: (i) the target market for the Securities is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Securities (a "distributor") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Securities (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

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

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

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

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

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

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

The Securities are complex financial instruments. Investors do not generally purchase complex financial instruments that bear a high degree of risk as stand-alone investments. Such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Securities, which are complex financial instruments, unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of the Securities and the impact this investment will have on the potential investor's overall investment portfolio.

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

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

In connection with the issue of the Securities, Standard Chartered Bank acting as the stabilisation manager (the "Stabilisation Manager") (or persons acting on behalf of the Stabilisation Manager), may over-allot Securities or effect transactions with a view to supporting the market price of the Securities at a level higher than that which might otherwise prevail. However, 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 Securities was made and, if begun, may cease at any

time, but it must end no later than the earlier of 30 days after the issue date of the Securities and 60 days after the date of the allotment of the Securities. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager (or person(s) acting on behalf of the Stabilisation Manager) 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 which have been previously published or are published simultaneously with this document:

1. the Annual Report and audited accounts of the Issuer, its subsidiaries and subsidiary undertakings (the “**Group**”) for the year ended 31 December 2017;
2. the Annual Report and audited accounts of the Group for the year ended 31 December 2018 (the “**2018 Annual Report**”);
3. the interim management statement of the Issuer for the first quarter of 2019 announced on 30 April 2019 (the “**Interim Management Statement**”);
4. the document entitled “IFRS 9 Transition Document” released by the Issuer on 28 March 2018;
5. the document entitled “Standard Chartered PLC statement on the Bank of England 2018 stress test results” released by the Issuer on 29 November 2018;
6. the document entitled “Pillar 3 Disclosures 2018” released by the Issuer on 26 February 2019; and
7. the document entitled “Pillar 3 Disclosures 31 March 2019” released by the Issuer on 30 April 2019.

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 included in the documents detailed in paragraphs 1 to 3 above were prepared in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union (the “**EU**”).

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

FORWARD-LOOKING STATEMENTS

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

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

OVERVIEW OF THE SECURITIES

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

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

Issuer	Standard Chartered PLC.
Description of the Issuer	The Issuer is the ultimate holding company of the Group, an international banking and financial services group particularly focused on the markets of Asia, Africa and the Middle East. The Issuer was incorporated in England and Wales as a public limited company in 1969.
Description of the Securities	SGD[●] Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities.
Issue Date	[●] 2019.
Perpetual Securities	The Securities are perpetual securities and have no fixed maturity or fixed redemption date.
Issue Price	[●] per cent.
Initial Fixed Interest Rate	The Securities bear interest in respect of the period from (and including) the Issue Date to (but excluding) [●] at a fixed rate of [●] per cent. per annum, being (i) the Singapore Dollar swap offer rate for a maturity of five years in respect of the period from (and including) the Issue Date to (but excluding) [●] determined on [●] plus (ii) the Margin.
Reset Dates	[●] (the “First Reset Date”) and each date falling five, or an integral multiple of five, years after the First Reset Date.
Reset Rate of Interest	The Interest Rate will be reset on each Reset Date. From (and including) each Reset Date to (but excluding) the next following Reset Date, the Interest Rate will be a fixed rate equal to the then applicable Reset Reference Rate plus the Margin.
Benchmark Event	A Benchmark Event will occur in relation to the Swap Rate (or component part thereof) when any Reset Rate of Interest remains to be determined by reference to such Swap Rate if: <ul style="list-style-type: none">(a) the Swap Rate (or component part thereof) has ceased to be published for at least five consecutive business days or has ceased to exist;(b) a public statement has been made by the administrator of the Swap Rate (or component part thereof) that it has ceased or that it will cease publishing such rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of such rate);(c) a public statement has been made by the supervisor of the administrator of the Swap Rate (or component part thereof) that such rate has been or will be permanently or indefinitely discontinued;(d) a public statement has been made by the supervisor of the administrator of the Swap Rate (or component part thereof) that such rate will be prohibited from being used, either generally or in respect of the Securities, or

that such use will be subject to restrictions or adverse consequences;

- (e) an official announcement has been made by the regulatory supervisor of the administrator of the Swap Rate (or component part thereof) at any time after the Issue Date that such rate is no longer representative; or
- (f) it becoming unlawful for any Paying and Conversion Agent, the Issuer or any other party to calculate any payments due to be made to any Securityholder using the Swap Rate (or component part thereof),

provided that in the case of (b), (c) or (d) above the Benchmark Event shall occur on the date of the cessation of publication of the Swap Rate, the discontinuation of the Swap Rate or the prohibition of use of the Swap Rate (or in each case a component part thereof), as the case may be, and not the date of the relevant public statement.

Upon the occurrence of a Benchmark Event, the provisions of Condition 5(i) shall apply to the Securities and accordingly the Issuer will use reasonable endeavours to appoint an Independent Adviser, at its 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 Reset Rate of Interest applicable to the Securities for all future Reset Periods.

“Alternative Relevant Rate” means the rate which the Independent Adviser or Issuer (as the case may be) determines has replaced the Swap Rate (or component part thereof) in customary market usage in the international capital debt markets for the purpose of determining floating rates of interest in respect of notes denominated in Singapore dollars for a comparable period to the Reset Period or, if the Independent Adviser or Issuer (as the case may be) determines that there is no such rate, such other rate as the Independent Adviser or Issuer (as the case may be) determines in its discretion is most comparable to the Swap Rate (or component part thereof).

“Successor Relevant Rate” means the rate which has been formally published, endorsed, approved, recommended or recognised as a successor or replacement to the Swap Rate (or component part thereof) by any Relevant Nominating Body.

See further “*Risk Factor - If SIBOR is discontinued, the Reset Rate of Interest may be changed in ways that may be adverse to the Securityholders, without any requirement that the consent of the Securityholders be obtained*” below.

Margin

[●] per cent. per annum, being the initial credit spread on the Securities.

Interest Payment Dates

Subject as provided herein, interest on the Securities will be payable semi-annually in arrear on [•] and [•] in each year, commencing on [•] 2019.

Cancellation of Interest Payments

If the Issuer does not make an Interest Payment or part thereof on the relevant Interest Payment Date, such non-payment shall evidence:

- (i) the non-payment and cancellation of such Interest Payment (or relevant part thereof) by reason of it not being due in accordance with the provisions described

under “*Solvency Condition*” below;

- (ii) the cancellation of such Interest Payment (or relevant part thereof) in accordance with the provisions described under “*Restrictions on Interest Payments*” below;
- (iii) the cancellation of such Interest Payment (or relevant part thereof) in accordance with Condition 7(c); or, as appropriate,
- (iv) the Issuer’s exercise of its discretion otherwise to cancel such Interest Payment (or relevant part thereof) as described under “*Interest Payments Discretionary*” below,

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

Interest Payments Discretionary

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

Restrictions on Interest Payments

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

“Distributable Items” has the meaning given to it in the Capital Regulations then applicable to the Issuer, but, to the extent applicable, amended so that any reference therein to “before distributions to holders of own funds instruments” shall be read as a reference to “before distributions by the Issuer to holders of Parity Securities, the Securities or any Junior Securities”.

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

junior to the Securities in a winding-up or administration of the Issuer as described in Condition 4(b).

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

Solvency Condition

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

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

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

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

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

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

Status

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

If:

- (a) an order is made, or an effective resolution is passed, for the winding-up of the Issuer (subject to certain exceptions as set out herein); or
- (b) an administrator of the Issuer is appointed and such administrator declares, or gives notice that it intends to declare and distribute a dividend,

then,

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

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

Securityholder would have been entitled to receive on Conversion.

Optional Redemption

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

Early Redemption due to a Capital Disqualification Event

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

Early Redemption due to a Tax Event

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

Purchase

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

Conditions to Redemption or Purchase

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

- (i) the Issuer giving notice to the Relevant Regulator and the Relevant Regulator granting permission (or, as applicable, not making any objection) to the Issuer to redeem or purchase the relevant Securities (in each case to the extent, and in the manner, required by the relevant Capital Regulations) and to such redemption or purchase not being prohibited by the Capital Regulations;
- (ii) in respect of any redemption proposed to be made prior to the fifth anniversary of the Issue Date, if and to the extent then required under the Capital Regulations (A) in the case of redemption following the occurrence of a Tax Event, the Issuer having demonstrated to the satisfaction of the Relevant Regulator that the relevant change or event is material and was not reasonably foreseeable by the Issuer as at the Issue Date or (B) in the case of redemption following the occurrence of a Capital Disqualification Event, the Issuer having demonstrated to the satisfaction of the Relevant Regulator that the relevant change was not reasonably foreseeable by the Issuer as at the Issue Date;
- (iii) in the case of any redemption of the Securities, the Issuer being solvent (as described herein) both

immediately prior to and immediately following such redemption;

- (iv) in the case of any redemption of the Securities, no Conversion Trigger Notice having been given; and
- (v) compliance by the Issuer with any alternative or additional pre-conditions to redemption or purchase, as applicable, set out in the relevant Capital Regulations for the time being.

Enforcement

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

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

Conversion

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

Conversion Trigger Event

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

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

Conversion Price

The Conversion Price per Ordinary Share in respect of the Securities is SGD [●], subject to certain anti-dilution adjustments as described herein. As at the date of this document, the Conversion Price is equivalent to a price of £[●], translated into Singapore Dollars at an exchange rate of SGD1 = £[●].

Conversion Shares Offer

Not later than the tenth London business day following the Conversion Date, the Issuer may, in its sole and absolute discretion, make an election that the Conversion Shares Depositary (or an agent on its behalf) will make an offer, in the Issuer's sole and absolute discretion, of all or some of the Ordinary Shares to be delivered on Conversion to, in the Issuer's sole and absolute discretion, all or some of the Issuer's Shareholders at such time, such offer to be at a cash price per

Ordinary Share being no less than the Conversion Price (translated, if necessary, from Singapore Dollars into the currency (or currencies) in which such Ordinary Shares are being offered to all or some of the Issuer's Shareholders as aforesaid at the then prevailing rate as determined by the Issuer in its sole discretion). The Issuer may, on behalf of the Conversion Shares Depositary, appoint a Conversion Shares Offer Agent to act as placement or other agent to facilitate the Conversion Shares Offer.

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

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

"Conversion Shares Offer Consideration" means in respect of each Security and as determined by the Conversion Calculation Agent: (i) if all of the Ordinary Shares to be issued and delivered on Conversion are sold in the Conversion Shares Offer, the *pro rata* share of the cash proceeds from the sale of such Ordinary Shares attributable to such Security translated, if necessary, into Singapore Dollars at the Prevailing Rate on the date specified by the Issuer (less any foreign exchange transaction costs) (rounded down if necessary to the nearest whole multiple of SGD 0.01), (ii) if some but not all of such Ordinary Shares are sold in the Conversion Shares Offer, (x) the *pro rata* share of the cash proceeds from the sale of such Ordinary Shares attributable to such Security translated, if necessary, into Singapore Dollars at the Prevailing Rate on the date specified by the Issuer (less any foreign exchange transaction costs) (rounded down if necessary to the nearest whole multiple of SGD 0.01) and (y) the *pro rata* share of such Ordinary Shares not sold pursuant to the Conversion Shares Offer attributable to such Security rounded down to the nearest whole number of Ordinary Shares, and (iii) if no Ordinary Shares are sold in a Conversion Shares Offer, the relevant Ordinary Shares attributable to such Security rounded down to the nearest whole number of such Ordinary Shares, subject in the case of (i) and (ii)(x) above to deduction from any such cash proceeds of an amount equal to the *pro rata* share of any stamp duty, stamp duty reserve tax, or any other capital, issue, transfer, registration, financial transaction or documentary tax that may arise or be paid as a consequence of the transfer of any interest in such Ordinary Shares to the Conversion Shares

Depository as a consequence of the Conversion Shares Offer.

Ordinary Shares

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

No Set-off

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

Withholding Tax

Payments in respect of the Securities shall be made without any withholding or deduction for or on account of any United Kingdom taxes unless required by law. In that event, in respect of the payment of any interest on (but not, for the avoidance of doubt, in respect of principal on) the Securities, the Issuer shall pay such additional amounts as shall result in receipt by Securityholders (after the withholding or deduction) of such amount as would have been received by them in the absence of the withholding or deduction, subject to exceptions.

Structuring Adviser and Bookrunner

Standard Chartered Bank (the "Structuring Adviser" and "Bookrunner")

Joint Lead Managers

Credit Suisse Securities (Europe) Limited, Oversea-Chinese Banking Corporation Limited, Société Générale, UBS AG London Branch and United Overseas Bank Limited (each a "Joint Lead Manager" and together the "Joint Lead Managers" and the Joint Lead Managers together with the Structuring Adviser and Bookrunner, the "Managers").

Trustee

BNY Mellon Corporate Trustee Services Limited.

Principal Paying and Conversion Agent

The Bank of New York Mellon, London Branch.

Interest Calculation Agent

The Bank of New York Mellon, London Branch.

Conversion Calculation Agent

Conv-Ex Advisors Limited

Registrar and Transfer Agent

The Bank of New York Mellon SA/NV, Luxembourg Branch

Conversion Shares Depository

To be determined by the Issuer prior to the time of any Conversion.

Form

The Securities will be represented by registered certificates (each a "Certificate"), without coupons, and initially will be represented by a Global Certificate which will be deposited on or about the Issue Date with a common depository on behalf of Clearstream, Luxembourg and/or Euroclear and registered in the name of such depository or its nominee.

Denomination

SGD 250,000

Listing

Application has been made to the Hong Kong Stock Exchange for permission to deal in, and for the listing of the Securities by way of a debt issue to Professional Investors only, on the Hong Kong Stock Exchange.

Clearing

The Securities have been accepted for clearing by Clearstream, Luxembourg and Euroclear.

ISIN	XS2013525253
Common Code	201352525
FISN	[•]
CFI Code	[•]
Ratings	The Securities are expected to be rated [Ba1] by Moody's Singapore, [BB-] by S&P and [BB+] by Fitch.
Governing law	English law.
Risk Factors	See " <i>Risk Factors</i> " below.
Selling Restrictions	See " <i>Subscription and Sale</i> " below.
LEI code of the Issuer	U4LOSYZ7YG4W3S5F2G91.

RISK FACTORS

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

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

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

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

PROSPECTIVE INVESTORS SHOULD 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 SECURITIES 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 these markets. 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. China's economy has performed strongly since the beginning of 2018. However, key focus remains on the government-led deleveraging efforts, economic reforms, state-owned enterprises, and recent monetary policy actions to cut the reserve requirements for most banks. The macroeconomic environment in the Greater China/North Asia region is threatened by U.S.-China trade tensions. 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 and weakening of local currencies in emerging 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. This could adversely impact the credit quality of the Group's exposures, and its ability to reprice these exposures in response to changes in the interest rate environment. Of particular concern is the outlook for emerging markets, specifically the risk of capital outflows and weakening domestic currencies, with the associated increased domestic political volatility. The Group foresees increased political volatility across emerging markets – such as India, Indonesia and Nigeria – due to upcoming or recent elections.

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.
- Trade tensions between the U.S. and China driven by trade imbalance and geopolitical tensions continue to rise. The U.S. has recently raised trade tariffs on imports from China and China has retaliated by increasing tariffs on U.S. goods. Additional tariffs may be imposed if the two countries are unable to reach an agreement. Extended U.S.-China trade tensions could destabilise the world economy.
- The Group has a material presence across the Middle East. Qatar has adjusted successfully to the trade and diplomatic embargo imposed by the Gulf Cooperation Council ("GCC"). It is unlikely that the parties to the dispute will rush to pursue a diplomatic solution. This may leave a lasting rift in the GCC. There is a risk of escalation between Saudi Arabia and Turkey following the killing of a Saudi journalist, Jamal Khashoggi, on 2 October 2018. The U.S. Congress is likely to continue to sustain pressure on Saudi Arabia despite the efforts of the Trump administration and Saudi Arabia to de-escalate. With U.S. sanctions against Iran having come into effect in November 2018, the Group anticipates that the tensions with Iran will continue.
- The exit of the UK from the European Union ("Brexit") is likely to have implications for the economic outlook for the Eurozone and the UK. This might, in turn, have global implications due to changes in policy direction. The uncertainties linked to the Brexit negotiations process could continue to delay certain corporate investment decisions until there is more clarity. There continues to be uncertainty surrounding Brexit. The first order impact of Brexit on the Group from a credit risk or portfolio perspective has been limited given the nature of the Group's activity. However, as the Group has set up a new EU subsidiary, the operating environment and client migration to the new subsidiary is impacted by the uncertainty surrounding Brexit negotiations.

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, and may affect demand for financial products and services. 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.

In September 2018, the Bank of England ("BoE") published a report entitled 'Transition in thinking' on practices in the UK banking sector, finding that only 10 per cent. of banks were taking a strategic approach to climate change. This was followed by a Prudential Regulation Authority ("PRA") policy statement and supervisory statement in April 2019, proposing significant measures to be taken by banks.

When the Group was reviewing its power generation position statement in 2018, it received significant engagement on climate change from large investors 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

In July 2017, the CEO of the UK Financial Conduct Authority ("FCA") announced that beyond 2021 the FCA would no longer persuade or compel panel banks to submit quotes to LIBOR. Furthermore, in July 2018, the CEO of the FCA stated that LIBOR may cease to be a regulated benchmark under the Benchmarks Regulation (Regulation (EU) (2016/2011)). Whilst Standard Chartered Bank ("SCB") does not submit to LIBOR, LIBOR is heavily relied upon by the bank as a reference rate, in various client products and for enterprise level processes and funding. Regulators are trying to catalyse a voluntary transition to alternative risk-free rates prior to 2021.

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, forthcoming changes to Directive 2013/36/EU ("CRD IV Directive"), Regulation (EU) 575/2013 ("CRD IV Regulation") and Directive 2015/59/EU ("BRRD") as part of the Risk Reduction Measures Package (discussed in more detail below) will, once effective, affect the capital and liquidity requirements to which the Group is subject and could impact the Group's business model.

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 is increasing regulatory scrutiny and emphasis on local responsibilities for 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 (including disruption risk, responsible use of Artificial Intelligence ("AI") and obsolescence risk)

New technologies have continued to gather speed with a growing number of use cases that address evolving customer expectations.

The banking landscape for retail banking, for example, is witnessing significant shifts in customer value propositions as markets deepen. Fintechs and existing payment players are increasing digital-only banking offerings to provide consumers with the convenience of banking-on-the-go. There is growing usage of AI and Machine Learning to personalise customer experiences, For example, virtual chatbots to provide digital financial advice and predictive analytics to cross-sell products.

In Corporate Banking, the Group observes an increasing focus on process digitisation to boost cost efficiencies. There are growing use cases for blockchain technologies, e.g. streamline cross border payments and automated Know Your Customer ("KYC") compliance processes. AI and Machine Learning have also been increasingly used in predictive risk modelling, e.g. loan default forecasts.

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

Regulators increasingly emphasise the importance of resilient technology infrastructure in terms of elimination of cyber risk and improving reliability. The challenge is in renewing the technology estate to reduce the risks presented by obsolescence and inadequate performance levels in the face of rising costs associated with technology investment.

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 and enforcement reviews, investigations and legal proceedings

Regulatory and enforcement 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, oversight and conduct. This has resulted in an increasing number of regulatory and enforcement 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 and enforcement 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.

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, authorities have exercised their discretion to impose increasingly severe penalties on financial institutions in connection with violations of laws and regulations, and there can be no assurance that future penalties will not be of increased severity. As a result, the outcome of regulatory and enforcement 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.

The Group has in recent years been subject to a number of proceedings with various authorities the resolution of which has in certain cases included substantial monetary penalties, additional compliance and remediation requirements and additional business restrictions. In 2019, for example, the following has occurred:

- On 9 April 2019, the Group announced that it had resolved previously disclosed investigations by various U.S. regulatory and enforcement authorities and the FCA. Under the terms of the resolutions, the Group agreed to pay a total of U.S.\$947 million in monetary penalties to the U.S. authorities and £102 million to the FCA. The Group took a U.S.\$900 million provision which included these matters in the fourth quarter of 2018 and took a further and final charge of U.S.\$190 million in the first quarter of 2019. The Group's Deferred Prosecution Agreements ("DPAs") previously entered with each of the Department of Justice ("DOJ") and the New York County District Attorney's Office ("DANY") were

also extended to 9 April 2021. The penalties to the U.S. authorities related to their investigations of historical violations of U.S. sanctions laws and regulations from 2007 through to 2014. The penalty imposed by the FCA related to the FCA's investigation of SCB's historical financial crime controls 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 SCB's UAE branches and the oversight exercised at Group level over those controls. Prior to 9 April 2019, the monitorships from previous settlements with U.S. authorities had terminated on 31 December 2018 (for the New York Department of Financial Service ("NYDFS") and on 31 March 2019 (for the DOJ and DANY)), but the Group agreed to engage an independent consultant selected by the NYDFS for up to one year (beginning 1 January 2019 with a possible extension for up to one additional year) to provide guidance in connection with the tasks necessary to complete the remediation contemplated by such settlements.

- In January 2019, the Group reached a settlement with the NYDFS regarding past control failures and improper conduct related to the Group's FX trading and sales business between 2007 and 2013. As part of this settlement, the Group agreed to pay a civil monetary penalty of U.S.\$40 million to the NYDFS.

The Group is also a defendant in a number of lawsuits that have been filed since 2014 in the United States District Courts for the Southern and Eastern Districts of New York against a number of banks (including SCB) on behalf of plaintiffs who are, or are relatives of, victims of various terrorist attacks in Iraq. Five of the lawsuits were filed in late December 2018. The plaintiffs allege that the defendant banks aided and abetted the unlawful conduct of U.S. sanctioned parties in breach of the U.S. Anti-Terrorism Act. Based on the facts currently known, it is not possible for the Group to predict the outcome of these lawsuits.

The Director of Public Prosecutions ("DPP") and related agencies in Kenya are investigating Standard Chartered Kenya Limited ("SCBK") and other banks in connection with the alleged theft of funds from Kenya's State Department of Public Service, Youth and Gender Affairs. This investigation follows fines being imposed on those banks, including SCBK, by the Central Bank of Kenya regarding adequacy of controls related to the processing of the allegedly stolen funds. The DPP has announced that it has received recommendations from the Kenyan Directorate of Criminal Investigations that charges should be brought against a number of banks, including SCBK, bank officials and other individuals. The Group does not know whether any charges will be brought, but there may be penalties or other financial consequences for SCBK in connection with this investigation.

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's compliance with historical, current and future sanctions, as well as anti-money laundering and Bank Secrecy Act 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 order, or non-compliance with or weakness in, the Group's policies, procedures, systems, controls and assurance for its anti-money laundering, Bank Secrecy Act, 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.

8 Increased data privacy and security risks from strategic and wider use of data

As digital technologies grow in sophistication and become further embedded across the banking and financial services industry, the potential impact profile with regards to data risk is changing. The cyber threat landscape is evolving in terms of scope and pace. Banks may become more susceptible to technology-related data security risks as well as customer privacy risks. The growing use of big data for analysis purposes and cloud computing solutions are examples of this.

In addition, these risks represent an emerging and topical theme both from a regulatory and compliance perspective (i.e. the EU General Data Protection Regulation ("GDPR") raises the profile of data protection compliance).

As the Group moves towards cloud computing solutions, the increasing use of big data for analysis purposes leads to increased susceptibility to data security and customer privacy risks.

Credit risk

9 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.

Although the Group's continued focus on high-quality origination within a more granular risk appetite has enabled sustained improvements in the credit quality of its corporate portfolios, the Group remains alert to broader geopolitical uncertainties that continue to affect sentiment.

Principal uncertainties include macroeconomic conditions, in particular, an economic slowdown in China and the potential impact on regional economies with close ties to China, and emerging market risks. Any change in global or country-specific economic conditions or asset values, adverse changes in the credit quality of the Group's borrowers and counterparties, and adverse changes arising from a deterioration in economic conditions or asset values (including a prolonged or severe deterioration) could reduce the recoverability and value of the Group's assets and require an increase in the Group 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.

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

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.

10 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.

Traded risk

11 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;
- foreign exchange risk: arising from changes in currency exchange rates and implied volatilities on foreign exchange options;
- commodity price risk: arising from changes in commodity prices and implied volatilities on commodity options, covering energy, precious metals, base metals and agriculture: and
- equity risk: arising from changes in the prices of equities, equity indices, equity baskets and implied volatilities on related options.

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.

12 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 Fair Value through Other Comprehensive Income ("FVOCI") and trading portfolios. Treasury Markets holds about U.S.\$115 billion of High Quality Liquid Assets for regulatory purposes under IFRS9/FVOCI accounting rules. Under the CRD IV Regulation, any Profit or Loss under FVOCI 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 of operations and, if such failure is significant or prolonged, its prospects.

13 The Group is exposed to counterparty credit risk

Counterparty credit risk is the potential for loss in the event of the default of a derivative counterparty, after taking into account the value of eligible collateral and risk mitigation techniques.

Risks arise when there are changes in value of the derivative products and the Group has claims on the counterparty. The risk arises predominantly in the trading book, but also in the non-trading book due to hedging of external funding.

Changes in the credit quality of the counterparties, and adverse changes arising from a deterioration (including a prolonged or severe deterioration) in global or country-specific economic conditions or asset values can impact the counterparty's ability to meet its payment, margin call and collateral posting requirements. The Group may also experience these effects if a systemic failure in one or more financial systems were to occur.

In the broad range of trading products and services, the Group also faces settlement risk when there is an exchange of value that is not made simultaneously between the counterparties (i.e. where the Group delivers value prior to receipt of payment from the counterparty); FX products are primary contributors to the Group's settlement risk profile. There are a broad range of settlement techniques adopted such as Continuous Linked Settlement ("CLS"), settlement via Central Counterparties ("CCPs"), settlement on a netter basis and Delivery-Versus-Payment ("DVP") mechanisms, to reduce, mitigate and monitor settlement risk.

Counterparty credit risk is subject to the same type of risks as the lending activities covered under the Credit Risk section above.

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.

14 The Group is exposed to issuer risk

Issuer risk is the potential for loss in the event of the default of an issuer of marketable securities, including underwriting risk. Market participants raise capital and funding for their needs through issuance of bonds, notes, debentures, loans and other forms of negotiable instruments or securities from investors through public or private issuances. Risk arises from the change in value to the investors in such instruments or their derivatives.

Issuer risk has two key components:

- the market price risk, which is the potential change in the value of the instrument resulting from changes in the underlying market risk factors, predominantly interest rates and credit spreads; and
- the risk arising from a potential Jump-to-Default ("JTD") of the issuer on its obligation, resulting in the value of the instrument falling to the expected value of the instrument at default.

The Group has appropriate mechanisms in place to monitor and manage issuer risk; sensitivities to the market risk factors and concentration limits across multiple dimensions are monitored on a daily basis. Any loss occurring as a result of an event of the default of the issuer could have a material adverse effect on the Group's financial condition, results of operations and prospects.

15 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

16 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.

17 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 the outlook of such ratings. Factors leading to any such downgrade or change in outlook may not be within the control of the Group (for example, the deterioration of macro-economic assessments, the exercise of subjective judgement, a change in the methodology or a change in approach used by the rating agencies to rate the Group or its securities).

Since November 2015, certain of the Group's ratings have been downgraded by Fitch Ratings Limited ("Fitch"), Moody's Investors Services Hong Kong Limited ("Moody's Hong Kong") and S&P Global Ratings Hong Kong Limited ("S&P") for various reasons. The impact of these downgrades was not considered significant by the Group; however, the impact of any future downgrades may be material. 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, reduction in debt buffers, external events affecting the Group or the broader banking sector, deterioration in the macro-economic assessments of the Group's markets and/or the potential for deterioration in the Group's operating environment. If these factors materialise, other events occur (for example, a change in the methodology or approach used by any applicable agency that rates the Group or its securities) or other factors not yet identified emerge, they could lead to a further downgrade of the Group's ratings.

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.

18 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 the 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.

19 The Group is exposed to liquidity and funding risks

Liquidity and funding risk is the potential for loss where the Group may not have sufficiently stable or diverse sources of funding or financial resources to meet the Group's 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 remains 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.

20 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 PRA, determines the minimum level of capital and liquidity 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 the CRD IV Directive, CRD IV Regulation and associated implementing measures which, together 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. Despite the proposed departure of the United Kingdom from the European Union, the UK government has also stated its intention to transpose the amendments set out in the Risk Reduction Measures Package (as defined below) into statute.

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 (see further, in particular, the paragraph entitled "UK Macro-prudential Regulation" below).

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.

In April 2019, the European Parliament announced that it had adopted final texts of a package of amendments to the CRD IV Directive, the CRD IV Regulation, the BRRD and the Single Resolution Mechanism Regulation ("Risk Reduction Measures Package"). On 14 May 2019 the European Council adopted the Risk Reduction Measures Package. The Risk Reduction Measures Package was published in the Official Journal on 7 June 2019 and will enter into force 20 days after publication. EU Member States will be required to transpose the amendments to the CRD IV Directive and the BRRD within 18 months of entry into force, with the majority of the amendments to the CRD IV Regulation and the Single Resolution Mechanism Regulation becoming binding within two years and 18 months, respectively, after the date of the entry into force of the relevant amendments. On the basis that the Risk Reduction Measures Package is yet to come into force, the transposition of those reforms (where required) and the timing of their implementation remains uncertain. In particular, the Financial Services (Implementation of Legislation) Bill, which received its first reading in the House of Lords in November 2018, would, subject to the details provisions set out in the Bill, enable HM Treasury to make corresponding or similar provisions in UK law to upcoming EU financial services legislation in the event that the UK leaves the European Union without a deal. The Bill was due to have its report stage and third reading on 4 March 2019, but this was postponed to a date to be announced. As a result, the potential impact on the Group of the Risk Reduction Measures Package is currently uncertain. These requirements could materially increase the Group's cost of doing business, including by way of the Group having to issue increased debt to meet the requirements.

Capital requirements

Under CRD IV, banks are subject to a total capital requirement of 8 per cent. of RWA, which includes a minimum CET1 Capital requirement equal to at least 4.5 per cent. of RWA and Tier 1 Capital requirement 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. The Group's current Pillar 2A requirement is 2.9 per cent. of RWA and this is expected to vary over time.

In addition, banks are required to maintain a Combined Buffer comprising 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 was fully implemented on 1 January 2019. 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 Combined Buffer requirements, and is applied if and to the extent that the PRA considers the existing Combined Buffer does 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 requirement for own funds and eligible liabilities ("MREL"). That statement was updated in June 2018. 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. Since 1 January 2019, G-SIBs with resolution entities incorporated in the UK ("UK G-SIBs") have been required to meet the minimum requirements set out in the FSB's TLAC standard, i.e. 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 has confirmed the Group's non-binding, indicative MREL requirement. As at 31 December 2018 the Group estimates that its MREL requirement is 16.0 per cent. of RWA in 2019 rising to 18.9 per cent. of RWA in 2020 and 21.8 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 MREL requirement of 25.7 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 the use of CET1 capital that is used to meet MREL 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 to receive more intensive supervision and to be required to prepare a capital restoration plan. If the Group becomes subject to such a requirement, this could materially increase the Group's cost of doing business due to the Group having to issue increased MREL-eligible liabilities to meet its obligations.

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. 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. The actual internal MREL requirements are set by the host authorities in consultation with the home authority of the resolution group. Consistent with its approach to external MREL, the BoE sets internal MREL for G-SIBs in accordance with the internal TLAC standard. On the basis that the Risk Reduction Measures Package, which is a package of amendments to legislation relevant to MREL, is yet to come into force, the transposition of those reforms and the timing of their implementation remains uncertain. Based on the BoE's June 2018 policy statement, the BoE is expected to assess as necessary whether to make any changes to its MREL framework as a result of the Risk

Reduction Measures Package, and it is currently uncertain how any such amendments to the BoE's MREL framework would affect the Group. It is possible that such amendments could adversely impact the operations and profitability of the Group.

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 2018 BoE concurrent stress test included only one scenario. The annual cyclical scenario ("ACS") tested the resilience of the UK banking system to deep simultaneous recessions in the UK and global economies, large falls in asset prices and a separate stress of misconduct costs. The stresses applied to the economic and financial market prices and measures of activity in the 2018 ACS were the same as in the 2017 test. Running the same stress scenario allowed the Bank of England to isolate, as far as possible, the impact on the stress-test results of the new IFRS 9 accounting standard which came into effect on 1 January 2018.

The results of the BoE's 2018 stress test were published in Q4 2018 and the Group exceeded all hurdle rates.

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" have the meaning given to them under CRD IV.

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 or transposed (where applicable) into domestic law. By way of example, but not exhaustively, these regulatory changes include the amendments to the CRR, CRD IV, the BRRD and the Single Resolution Mechanism Regulation as part of the Risk Reduction Measures Package. The legislation implementing these amendments has now been adopted by the Council of the EU and the European Parliament but has not yet been published in the Official Journal and, consequently, the date on which it will enter into force remains uncertain. It also remains uncertain how the legislation will be implemented in domestic law or (in the United Kingdom) how it will be impacted by Brexit. The final impact of these amendments on the Group therefore remains uncertain.

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. However, based on the 31 December 2018 balance sheet, the Group's assessment is an increase in RWAs of 5 – 10 per cent. from 2022.

In February 2018 the PRA issued a final policy statement setting out how they will measure and assess Pillar 2 liquidity risks, including the introduction of a Cashflow Mismatch Risk Framework ("CMRF") from 1 July 2019. Under the CMRF, banks will be subjected to stress tests, including a test designed to assess whether any given bank holds sufficient high-quality liquid assets ("HQLA") to cover their cumulative liquidity needs over 30 calendar days. This is likely to lead to increased holdings of HQLA.

Such changes in regulation, if implemented and/or 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”), which is 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 at a European level are close to being published and implementation is expected by 2021. 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

21 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 (including legal risks). Operational losses may result from:

- deficient execution capability (the failure to execute client facing transactions appropriately, and failure to design and/or meet product management standards and product-related regulatory requirements);
- challenges in the Group’s operational resilience (failure to maintain and test business continuity plans, failure to maintain systems, failure to meet appropriate data standards, failure to appropriately manage vendor services and meet related regulatory requirements, failure to manage change projects, failure to meet standards for people management including relevant regulations);
- exposure to and failure to prevent external or internal fraud;
- non-compliance with laws and regulations on corporate governance and exchange listing rules;
- inadequate maintenance of financial books and records, financial reporting, or failure to comply with tax laws and regulations;
- erroneous design or inappropriate use of models;
- failure to create a safe, secure, and healthy environment for staff and clients; and
- inability to enforce the Group’s contractual risks.

In the majority of cases, the Group adopts straight through processing to deliver internal or external client requests. In certain situations, processes are dependent on manual interventions (for example, when a bespoke transaction is supported) which expose the Group to execution related risks. The Group continues to invest in and prioritise process and system enhancements to curtail and limit these risks.

The BoE, PRA and FCA jointly released a discussion paper on an approach to improve the operational resilience of firms and financial markets infrastructures in July 2018. The paper highlighted the importance of the maintenance of client services on an end to end basis and proposed the adoption of thresholds to inform resilience. Resilience risks are heightened for the Group in the following areas:

- The Group continues to enhance its product (hardware and software) lifecycle; however the Group may be exposed to obsolescence risk if product refreshes are not carried out in a timely manner before vendor end of support dates. The Group continues to run targeted programs to review its product support and to inform on investment requirements to maintain products.
- The appropriate management, maintenance and use of data supports many of the Group’s decisions and interactions with clients and regulators. Inaccurate or erroneous use of data may lead to financial, regulatory, or reputational impact. The Group has adopted a number of key processes and standards to support and oversee adherence to the Basel Committee on Banking Supervision principles for effective risk data aggregation and risk reporting (BCBS239).
- The Group selectively engages third party vendors to support its business strategy and operating model. These vendors may expose the Group to further operational challenges ranging from non-delivery of services to reputational or regulatory impact. The Group manages vendor service risk under the Third Party Management Process supported by the Group’s control assessment standards.

- In support of its strategy, the Group continues to upgrade its people, processes, and infrastructure through material change programmes which expose the Group to delivery risk. The Group maintains standard business and technology protocols to deliver such programmes supported by second line oversight.

The Group is exposed to internal and external fraud risk.

- External fraud risk is predominantly focused on the misappropriation of Group or client funds with the largest risk also in the Group's corporate and commercial client segments.
- Internal fraud risk involves internal staff who seek to circumvent the Group's internal controls for personal benefit, and, in limited cases, collude with other staff or vendors.

Fraud risk in the Retail segment is an elevated risk that manifests itself in three ways:

- application fraud, mainly through falsification of identity and income documents to increase limits (in 2018, some isolated instances of fabricating financial documents were observed);
- digital banking fraud incidents via phishing, brute attacks etc.; and
- internal frauds, due to non-systemic staff misconduct.

Although 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

22 The Group is exposed to country risk

The Group is exposed to the risk of:

- Transfer and convertibility risk: which is defined as the risk that a government will be unable or unwilling to make hard currency available, resulting in 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. Transfer and convertibility 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).
- Local currency risk: which is defined as the increased risk of local currency losses as a result of operating in a more volatile economy or political environment.
- Sovereign risk: which is defined as the risk of a government failing to meet its obligations in a timely manner. This includes local currency and foreign currency exposures.

Reputational risk

23 The Group's business is subject to reputational risk

Reputational risk is the potential for damage to the franchise, resulting in loss of earnings or adverse impact on market capitalisation, as a result of stakeholders taking a negative view of the organisation, its actions or inactions – leading stakeholders to change their behaviour.

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.

Risk drivers with negative impact on the Group's reputation include ongoing regulatory investigations related to financial crime management and trading activities. Additional areas of focus impacting the Group's reputation include the increasing regulatory and Non-Governmental Organisations focus on climate risk and decisions taken around thresholds for financing sectors which contribute to climate change (e.g. industries such as palm oil, coal and oil and gas trending upward), along with Environmental and Social concerns associated with specific sectors and/or infrastructure projects operating below international standards.

An operational failure in any one of the risks relating to the Group and its business operations as detailed in risk factors 9 to 33 may also result in reputational risk for the Group if not managed effectively. The

Group's Enterprise Risk Management Framework establishes governance and controls for reputational risk resulting from operational failure.

Compliance risk (including Legal risks)

24 *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 markets in which the Group operates, judicial and dispute resolution systems are 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.

25 *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 and enforcement reviews, investigations and legal proceedings");
- 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).

26 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, as defined above), 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" below).

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, 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. The impact of these changes on the Group cannot be predicted.

27 *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 BRRD on 15 May 2014 to create a framework for the recovery and resolution of 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 European Economic Area ("EEA") parent holding companies that are in severe financial difficulty or at the point of non-viability by permanently writing-down certain capital instruments (such as the Securities) issued by such institutions and/or their EEA parent holding companies (or converting capital instruments into shares) ("Regulatory Capital Write-Down Powers"). Resolution Authorities will also have powers to 'bail-in' certain unsecured liabilities (such as the Securities) of an institution and/or 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. The Bail-in Powers have been in force in the UK since 1 January 2015.

The Banking Act 2009 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 securities such as the Securities) which write-down may result in the reduction of such claims to zero, and/or converting certain unsecured debt claims (including securities such as the Securities) 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; and
- 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.

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, disapplying 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.

On 14 May 2019, the Council of the EU adopted a directive amending the BRRD as part of the Risk Reduction Measures Package. That directive (commonly referred to as "BRRD2") was published in the Official Journal on 7 June 2019 and will enter into force 20 days after publication. BRRD2 will amend Article 55 to provide certain limited exemptions to the existing requirements relating to the contractual recognition of bail-in, including where it is legally or otherwise impracticable to include such a contractual term in certain liabilities. It remains to be seen how these changes will be implemented in domestic law or what the attitude of national competent authorities will be to the new exemptions.

Despite the forthcoming amendments to Article 55, there remains a risk that the contractual recognition of bail-in 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.

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 is satisfying its obligations under the BRRD by raising contributions through the bank levy. The cost of the UK bank levy 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.

28 *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. Member 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.

29 *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 ("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 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 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.

30 *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 2019, the Group adopted IFRS 16 Leases, replacing IAS 17 Leases. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The impact of IFRS 16 on the Group is primarily where the Group is a lessee in property lease contracts. The Group has elected to adopt the simplified approach of transition and will not restate comparative information. On 1 January 2019, the Group recognised a lease liability, being the remaining lease

payments, including extension options where renewal is reasonably certain, discounted using the Group's incremental borrowing rate at the date of initial application in the economic environment of the lease. The corresponding right-of-use asset recognised is the amount of the lease liability adjusted by prepaid or accrued lease payments related to those leases. The balance sheet increase as a result of recognition of the lease liability and right-of-use asset as of 1 January 2019 was approximately U.S.\$1,413 million, with no adjustment to retained earnings. The asset is presented in 'Property, plant and equipment' and the liability is presented in 'Other liabilities'.

The expected impact on the CET1 ratio is a reduction of 8 basis points, due to the right-of-use asset being 100 per cent. risk-weighted.

Conduct risk

31 *The Group is exposed to conduct risk*

Conduct risk is the risk of detriment to the Group's clients, investors, shareholders, market integrity, competition and counter-parties 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 sanctions, financial loss and reputational damage. The effective management of Conduct Risk takes into consideration the Group's culture, its strategy, business model, and the implementation of the three lines of defence model across the Group.

In addition to the Group's external stakeholders, conduct risk may also arise in respect to its behaviour towards its employees. The Group believes that everyone is entitled to a fair and safe working environment that is free from discrimination, exploitation, bullying, harassment or inappropriate language.

The effective management of Conduct risk is a global concern and a key focus of the Group's home regulator, the FCA and host regulators across the Group's footprint. Considering the increasing regulatory focus on Conduct, the Group decided in 2018 to introduce Conduct Risk as a separate Principal Risk Type in the Group's Enterprise Risk Management Framework. The Conduct Risk Type Framework sets out the overall approach for managing Conduct Risk consistent with regulatory expectations and industry best practice. The benefits of having Conduct Risk as a standalone risk type is that it requires the Group to demonstrate that it is managing the risk effectively through execution of basic risk management principles such as: robust risk identification; monitoring; remediation; horizon scanning; and escalation processes.

The Group strives to maintain the standards in its Code of Conduct and outcomes of its Conduct Framework, by continuously demonstrating that it is "Doing the Right Thing" in the way it does business. The Group has no appetite for client detriment resulting from inappropriate judgements made in the execution of its business and operational activities. The Group does however acknowledge that Conduct Risk may arise from individual error, operational risk incidents, employee misconduct or externally originated risks such as cyber-attacks and fraud. There is minimal tolerance of these types of incidents and appropriate action is taken to mitigate such risks, in addition to potential disciplinary actions against individual(s) responsible where appropriate. The Group has also considered the subjective nature of Conduct Risk and as such it cannot rely completely on a rule-based approach and allow the application of a risk-based judgement where appropriate.

The Group's Conduct framework sets out 51 intended conduct outcomes that together make up its Internal Outcomes and People Outcomes in order that the Group can deliver its External Outcomes which are: Fair Outcomes for Clients; Effective Markets; Financial Crime Compliance; and Stakeholder Confidence. Conduct risk can manifest in any business area, function or country across the Group, including through other principal risks and sub-risk types. Conduct risk can also materialise when the Group is making material strategic decisions (e.g. growth targets, new products, IT investments, outsourcing, etc.) which may lead to inappropriate behaviour or have adverse impact on the Group's clients.

Under "Fair Outcomes for Clients" the Group needs to mitigate various conduct risks by: designing and reviewing products to ensure they are suitable for the markets in which it operates and meet the needs of the Group's clients; ensuring the price of the Group's products and services is fair, justifiable and clearly disclosed; ensuring that clients understand the features of the Group's products and services, including any risk; ensuring that product literature is fair, clear and not misleading; and identifying the root causes of complaints and client feedback and taking necessary action accordingly.

Although the Group seeks to manage conduct risk in a timely and effective manner through the Group's Conduct framework, the occurrence or continuation of one or more of the abovementioned risks, 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.

Information and cyber security risk

32 *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.

The Group structures the management of information and cyber security risk into three categories, these being risk to:

- Information Assets
- Information Systems
- Technology Infrastructure

Information Assets are the various 'types' of information which are generated and or processed by the Group in operation of its business. Information can exist independently of technology, for example, through documents or spoken word. The Group employs a structured approach to identifying the Information Assets it owns and processes and in determining what is most important so the information can be protected in a way commensurate with its rating.

Information Systems are, in layperson terms, the physical devices and software which collectively form a mechanism for performing business functions such as payments processing or account management. The Group employs an industry best practice approach to identifying systems and rating their importance to the operation of the Group and the Information Assets processed within them. Controls are applied to Group systems commensurate with their rating.

Technology Infrastructure is the underlying physical devices and software which must be in place to operate Group systems and communication networks. This is protected through the employment of a robust information and cyber security policy set which is aligned with industry best practice such as ISO27001 and NIST. This policy defines the controls which must be in place to ensure the secure deployment, configuration and maintenance of this layer of functionality across the Group.

The Group oversees the effectiveness of controls applied to minimise information and cyber security risk in all categories through the employment of a strong 'second line' governance framework model. This model is operated by the Group Chief Information Security Officer ("CISO") function and ensures that robust challenge is made of the effectiveness of controls and adherence to Group policy. Where risks exist, these are articulated through a defined profiling methodology (aligned with industry best practice) which measures materiality, the construction of mitigation plans and appropriate sign off.

Financial crime risk

33 *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 seeks continuously to enhance its approach to money laundering prevention, combating terrorist financing and compliance with sanctions.

Risks relating to the structure of the Securities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As described under "*Risk Factors – Macro-prudential, regulatory and legal risks – The Group is exposed to the risk of regulators imposing more onerous prudential standards, including increased capital, leverage and liquidity requirements – CRD IV Capital Requirements*" above, CRD IV introduces capital buffer requirements that are in addition to the Pillar 1 requirements and Pillar 2A guidance and are required to be met with CET1 Capital. It introduces five new capital buffers: (i) the capital conservation buffer, (ii) the

institution-specific counter-cyclical buffer, (iii) the global systemically important institutions buffer, (iv) the other systemically important institutions buffer and (v) the systemic risk buffer. Some or all of these buffers may be applicable to the Group as determined by the PRA. The “combined buffer requirement” is, broadly, the combination of the capital conservation buffer, the institution-specific counter-cyclical buffer and the higher of (depending on the institution) the systemic risk buffer, the global systemically important institutions buffer and the other systemically important institution buffer, in each case as applicable to the institution.

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

In addition, in a policy statement published in November 2016 (PS30/16), the PRA indicated that firms failing to meet the “combined buffer requirement” and the PRA buffer will be expected to notify the PRA of this as soon as practicable and that such firms can expect enhanced supervisory action and should prepare a capital restoration plan.

The maximum amount of discretionary payments that are permitted under CRD IV when an institution fails to meet the combined buffer (the “maximum distributable amount”) is calculated by multiplying the profits of the institution made since the most recent decision on the distribution of profits or other discretionary payment by a scaling factor. In the bottom quartile of the combined buffer the scaling factor is 0, and all discretionary payments are prohibited. In the second quartile the scaling factor is 0.2, in the third it is 0.4 and in the top quartile it is 0.6. In the event of breach of the combined buffer requirement the Issuer will be required to calculate its maximum distributable amount, and as a consequence it may be necessary for the Issuer to reduce discretionary payments, including potentially exercising its discretion to cancel (in whole or in part) interest payments in respect of the Securities.

The Risk Reduction Measures Package also introduces a new Article 141a into CRD IV alongside the MREL requirements to better clarify, for the purposes of restrictions on distributions, the relationship between the additional own funds requirements, the minimum own funds requirements and the combined buffer requirement (the so-called “stacking order”), with Article 141 of CRD IV to be amended to reflect the stacking order in the calculation of the “maximum distributable amount”. Under this new provision, the Issuer would be considered as failing to meet the combined buffer requirement for the purposes of Article 141 of CRD IV where it does not have own funds and eligible liabilities in an amount and of the quality needed to meet at the same time: (i) the requirement defined in Article 128(6) of CRD IV (i.e. the combined buffer requirement); (ii) its 4.5 per cent. Pillar 1 CET1 requirement and its Pillar 2A CET1 requirement; (iii) its 6 per cent. Pillar 1 Tier 1 requirement and its Pillar 2A Tier 1 requirement; and (iv) its 8 per cent. Pillar 1 total capital requirement and its Pillar 2A total capital requirement. In addition, a new Article 16a of the BRRD clarifies the stacking order between the combined buffer requirement and the MREL requirement. Pursuant to this new provision, a resolution authority shall have the power to prohibit an entity from distributing more than the “maximum distributable amount” for own funds and eligible liabilities (calculated in accordance with the new Article 16a(4) of the BRRD (the “M-MDA”)) where the combined buffer requirement and the MREL requirement are not met. The proposed Article 16a of the BRRD envisages a potential nine-month grace period whereby the resolution authority assesses on a monthly basis whether to exercise its powers under the provision before such resolution authority is obliged to exercise its power under the provisions (subject to certain limited exceptions).

Furthermore, a new Article 141b of CRD IV will introduce a restriction on distributions (applicable initially only to G-SIIs, including the Issuer) in the case of a failure to meet the leverage ratio buffer, with provision for a new leverage ratio “maximum distributable amount” (“L-MDA”) to be calculated. The M-MDA and L-MDA are both proposed to limit the same distributions as the “maximum distributable amount” and such restrictions (or other similar capital, capital buffer, leverage or MREL-based restrictions applicable in the U.K.) may limit the aggregate amount of interest payments and redemption amounts that may be payable on the Securities.

The Issuer’s capital requirements, including Pillar 2A guidance, are, by their nature, calculated by reference to a number of factors any one of which or combination of which may not be easily observable or capable of calculation by investors. The PRA increased transparency around the Pillar 2A process through the publication of a statement of policy on its methodology for setting Pillar 2 Capital, which was last updated in April 2018. Moreover, in 2015 the PRA introduced a new “PRA buffer” (replacing the PRA Capital Planning Buffer), which forms part of the Pillar 2B capital buffers and will supplement the CRD IV combined buffer requirement. The PRA buffer was phased in over the period from 1 January 2016 to 1 January 2019 and needs to be met fully with CET1. A failure to satisfy the PRA buffer, if one were to be imposed on the Group, could result in the Group being required to prepare a capital restoration plan. This may, but would not automatically, provide for or result in restrictions on discretionary payments being made by the Group.

Investors may not be able to predict accurately the proximity of the risk of discretionary payments on the Securities being prohibited from time to time as a result of the operation of Article 141 (or any provision of applicable law transposing or implementing Article 141). In this regard, the PRA published a Supervisory Statement (SS6/14) and a Policy Statement (PS3/14) in April 2014 which set out the expectations of the PRA on CRD IV capital buffers and provide some clarifications of the PRA rules. The Policy Statement (PS3/14) also contains the final rules implementing the capital buffers requirements of the CRD IV Directive, most of which (including Rule 4.3 which sets out the method of calculating the maximum distributable amount and restrictions on distributions on additional tier 1 instruments relating to maximum distributable amount) came into force on 1 May 2014. In a Supervisory Statement (SS16/16) issued in November 2016, the PRA set out its policy regarding the interaction of MREL with capital buffers. The Supervisory Statement states, consistent with the approach proposed by the FSB for TLAC, that firms should not be permitted to double count CET1 towards both MREL and their capital buffers. The Bank of England also published a Statement of Policy on MREL in June 2018, which should be read in conjunction with the PRA Supervisory Statement. The Bank of England's Statement of Policy largely affirmed its earlier approach to MREL but extended the transitional period to meet end-state MREL by two years to January 2022. As set out above, firms have been subject to a transitional interim requirement since 1 January 2019. In December 2017 the PRA updated Supervisory Statement SS16/16, clarifying its expectations regarding the amount of CET1 that a firm should not count simultaneously towards buffer requirements and MREL (i.e. an amount equal to the size of a firm's usable buffer derived from its risk-weighted capital buffer and its leverage ratio buffer), and setting out the consequences of not maintaining sufficient CET1 to meet both the usable buffer requirement and MREL.

The FSB's final TLAC term sheet published on 10 November 2015 emphasises that, throughout the duration of any breach of regulatory capital buffer requirements, the restrictions contemplated by Basel III (and implemented in the EU through Article 141 of the CRD IV Directive) on discretionary payments would apply. In addition, there is a risk that future regulatory developments could lead to the potential for further restrictions on the Issuer's ability to make interest payments on the Securities or to redeem the Securities.

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

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

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

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

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

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

8 *The Securities will be subject to Conversion following the occurrence of the Conversion Trigger Event, in which case the Securityholders could lose all or part of the value of their investment in the Securities*

Upon Conversion following the Conversion Trigger Event, the Securities will be converted into Ordinary Shares on the Conversion Date. Once the Ordinary Shares have been issued and delivered to the Conversion Shares Depository, all of the Issuer's obligations under the Securities shall be irrevocably

discharged and satisfied and under no circumstances shall such released obligations be reinstated. As a result, Securityholders could lose all or part of the value of their investment in the Securities, as, following Conversion, they will receive only (i) the Ordinary Shares (if the Issuer does not elect that a Conversion Shares Offer be made), or (ii) the Conversion Shares Offer Consideration, which shall be composed of Ordinary Shares and/or cash depending on the results of the Conversion Shares Offer (if the Issuer elects that a Conversion Shares Offer be made). Any Ordinary Shares received upon Conversion may have a market value significantly below the principal amount of the Securities held by a Securityholder. Although the market value of the Ordinary Shares received by a Securityholder on Conversion could increase in value over time, the Conversion Price at the time the Ordinary Shares are issued may not reflect the market price of the Ordinary Shares, which could be significantly lower than the Conversion Price. Furthermore, upon Conversion, Securityholders will no longer have a debt claim in relation to principal and any accrued but unpaid interest on the Securities shall be cancelled and shall not become due and payable at any time.

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

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

At 31 March 2019, the Group's CET1 Ratio, giving full effect to CRD IV on a fully loaded basis, was 13.9 per cent..

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

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

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

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

otherwise consider the interests of the Securityholders in connection with any of its business decisions that might affect the Group's CET1 Ratio.

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

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

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

As a result of CRD IV (as to which please see "*Risk Factors – CRD IV introduces restrictions on distributions that will restrict the Issuer from making interest payments on the Securities in certain circumstances, in which case the Issuer will cancel such interest payments. In addition, the PRA has the power under section 55M of the Financial Services and Markets Act 2000 to restrict or prohibit payments of interest by the Issuer to Securityholders*" above), the Issuer is required to calculate the Group's capital resources for regulatory purposes on the basis of CET1 Capital instead of "core tier 1 capital" which the Issuer has historically calculated and published. The Issuer is also required to calculate its RWA, which represent assets adjusted for their associated risks, on a different basis under CRD IV than the Issuer did prior to 1 January 2014. Each of these definitions will be calculated in accordance with the capital adequacy standards and guidelines applicable to the Issuer on the relevant date.

At 31 March 2019, the Group's CET1 Ratio, giving full effect to CRD IV on a fully loaded basis, was 13.9 per cent.. The Group's fully loaded CET1 Ratio is a non-IFRS measure, and the Issuer's interpretation of CRD IV and the basis of the Issuer's calculation of this financial measure may be different from those of other financial institutions. For further information, see the 2018 Annual Report and the Interim Management Statement.

The continuing impact of CRD IV on capital ratios may be materially different as the CRD IV requirements adopted in the United Kingdom may change, whether as a result of the implementation of the CRR II Regulation and CRD V (as to which please see "*Risk factors: Implementation of and/or changes to the capital adequacy framework may result in changes to the risk-weighting of the Securities and/or loss absorption by Securityholders in certain circumstances.*" below), further changes to the implemented legislation made by the UK government following the United Kingdom's expected departure from the EU, or changes to the way in which the PRA interprets and applies these requirements to UK banks (including as regards individual model approvals granted under CRD II and III). If PRA rules, guidance or expectations in relation to capital or leverage are amended in the future in a manner other than as set out in the statements released by the PRA to date, it could be materially more difficult for the Group to maintain compliance with prudential requirements and this could affect the Group's CET1 Ratio.

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

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

Under the Regulatory Capital Write-Down Powers in the BRRD, Resolution Authorities have the power (and are obliged when specified conditions are determined by the relevant Resolution Authority to have been met) to write-down, or convert into CET1 Capital instruments (e.g. ordinary shares) of the Institution and/or its EEA parent holding company, Tier 1 and Tier 2 Capital instruments issued by Institutions and/or their EEA parent holding companies before determining that the relevant Institution and/or EEA parent holding company has reached a point of non-viability (“PONV”) and, accordingly, taking any form of resolution action or applying any resolution power set out in the BRRD. These measures apply to the Securities.

Resolution Authorities 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 (such as the Securities) are to be written down or converted ahead of senior unsecured debt. The Bail-in Powers that are 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.

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

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

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

12 The regulation and reform of “benchmarks” may adversely affect the value of the Securities

From, and including, the First Reset Date, and on every Reset Date thereafter, the Securities will bear an interest rate calculated as the Reset Rate of Interest. The Reset Rate of Interest in respect of each Reset

Period will be determined, in the manner described in Condition 5(d), as the sum of the relevant Reset Reference Rate plus the Margin. The definition of "Reset Reference Rate" relies upon the Singapore dollar swap offer rate, which is dependent on the Singapore Interbank offered rate ("SIBOR"). Interest rates and indices which are deemed to be or used as "benchmarks" (such as SIBOR) 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.

The guidance and proposals for reform described above 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, such guidance and proposals for reform, 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, including SIBOR: (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, on and from the First Reset Date, the return on the Securities.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the international regulatory guidance and reform of benchmarks in making any investment decision with respect to the Securities.

13 If SIBOR is discontinued, the Reset Rate of Interest may be changed in ways that may be adverse to the Securityholders, without any requirement that the consent of the Securityholders be obtained

From, and including, the First Reset Date, and on every Reset Date thereafter, the Securities will bear an interest rate calculated as the Reset Rate of Interest. The Reset Rate of Interest in respect of each Reset Period will be determined, in the manner described in Condition 5(d), as the sum of the relevant Reset Reference Rate plus the Margin. The definition of "Reset Reference Rate" relies upon the Singapore dollar swap offer rate, which is dependent on SIBOR. Accordingly, changes to the manner in which SIBOR is administered could lead to adverse consequences in respect of the market value of an investment in, and the amount payable under, the Securities.

Investors should be aware that if SIBOR ceases to be calculated or administered or published by the relevant administrator (in circumstances where no successor administrator has been appointed) (and other than due to a "Benchmark Event" as defined in the Terms and Conditions), the Terms and Conditions of the Securities provide that the Reset Rate of Interest in respect of each Reset Period shall be determined in accordance with certain fallback arrangements. In particular, subject as described below in relation to Condition 5(i), in such circumstances the applicable Reset Rate of Interest would be determined as at the last preceding Reset Determination Date. In the case of the first Reset Determination Date, the Reset Rate of Interest would be the Initial Fixed Interest Rate.

Investors should also be aware that Condition 5(i) provides that, upon the occurrence of a Benchmark Event, additional fallback arrangements will apply. These 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 Adviser appointed by the Issuer or, if the Issuer is unable to appoint an Independent Adviser (having used reasonable endeavours) or the Independent Adviser 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 Adviser 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 Securities.

No consent of the Securityholders shall be required in connection with effecting any successor rate or alternative rate (as applicable). In addition, no consent of the Securityholders shall be required in connection with any other related adjustments and/or amendments to the Terms and Conditions of the Securities (or any other relevant document) which are made in order to effect any successor rate or alternative rate (as applicable). If a Benchmark Event occurs, and a successor rate or alternative rate cannot be determined, the applicable rate of interest may be the Initial Fixed Interest Rate.

Investors should note that the definition of "Benchmark Event" relies upon certain circumstances having come to pass (as more fully described in the Terms and Conditions of the Securities). Investors should also note that 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 Securities to form part of the Additional Tier 1 Capital of the Group. 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, on and from the First Reset Date, the return on the Securities. 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 Securities or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Securities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Upon the occurrence of the Conversion Trigger Event, the Securities will be automatically converted into Ordinary Shares on the Conversion Date. Because the Conversion Trigger Event will occur when the Group's CET1 Ratio will have deteriorated, the Conversion Trigger Event will likely be accompanied by a prior deterioration in the market price of the Ordinary Shares, which may be expected to continue after the occurrence of the Conversion Trigger Event. Therefore, if the Conversion Trigger Event were to occur, investors would receive Ordinary Shares at a time when the market price of the Ordinary Shares is diminished. In addition, there may be a delay in a Securityholder receiving its Ordinary Shares following the Conversion Trigger Event, during which time the market price of the Ordinary Shares may further decline. See Condition 7. As a result, the realisable value of the Ordinary Shares may be below the Conversion Price. The Conversion Price was fixed on [●] 2019 at SGD[●] per Ordinary Share, and is subject to limited anti-dilution adjustments, as described under Condition 7(e). Although the market value of the Ordinary Shares Securityholders receive could over time increase, at the time the Ordinary Shares are issued, the Conversion Price may not reflect the market price of the Ordinary Shares, which could be significantly lower than the Conversion Price.

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

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

18 Securityholders have limited anti-dilution protection

The number of Ordinary Shares to be issued to the Conversion Shares Depositary on the Conversion Date will be determined by dividing the aggregate principal amount of the Securities outstanding immediately prior to Conversion on the Conversion Date by the Conversion Price prevailing on the Conversion Date, subject to Condition 7(l). Fractions of Ordinary Shares will not be delivered to the Conversion Shares Depositary or to Securityholders upon a Conversion and no cash payment will be made in lieu thereof.

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

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

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

In addition, the Issuer and the Acquiror have certain discretion in determining whether a Qualifying Relevant Event has occurred. A Qualifying Relevant Event requires the New Conversion Condition to be satisfied. For the New Conversion Condition to be satisfied: (i) the Acquiror must be an Approved Entity (being a body corporate which, on the occurrence of a Relevant Event has in issue ordinary share capital

that constitutes equity share capital or the equivalent which is listed and admitted to trading on a Regulated Market (as defined in the Conditions)); and (ii) by not later than seven days following the occurrence of the Relevant Event, (x) the Securities must continue to be “hybrid capital instruments” for the purposes of Part 5 of the Corporation Tax Act 2009 (or benefit from equivalent treatment under any replacement tax rules as more fully described in the Conditions) once arrangements are in place for the issue of Relevant Shares by the Acquiror in the event of Conversion; and (y) the Issuer and the Acquiror must have entered into arrangements to the satisfaction of the Issuer for delivery of the Relevant Shares upon a Conversion of the Securities. If (i) the Acquiror is not an Approved Entity; or (ii) by not later than seven days following the occurrence of the Relevant Event, the Securities would not continue to be “hybrid capital instruments” or the Issuer and the Acquiror are unable to enter into such arrangements, the New Conversion Condition would not be satisfied.

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

20 Subject to certain conditions, including in relation to the solvency of the Issuer and regulatory approvals, the Issuer may redeem the Securities at the Issuer’s option on certain dates

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

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

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

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

22 The Securities are the obligations of the Issuer only and Holders are structurally subordinated to the creditors of the Issuer’s subsidiaries

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

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

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

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

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

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

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

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

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

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

In order to obtain delivery of the Ordinary Shares or Conversion Shares Offer Consideration, as applicable, following Conversion, a Securityholder must deliver a Conversion Shares Settlement Notice (and the relevant Securities, if applicable) to the Conversion Shares Depositary. The Conversion Shares Settlement Notice must contain certain information, including the holder's CREST account details. Accordingly, Securityholders (or their nominee, custodian or other representative) will have to have an account with CREST in order to receive the Ordinary Shares or the Ordinary Share component, if any, of any Conversion Shares Offer Consideration, as applicable. If a Securityholder fails to properly complete and deliver a Conversion Shares Settlement Notice on or before the Notice Cut-off Date, the Conversion Shares Depositary shall continue to hold the relevant Ordinary Shares or the Conversion Shares Offer Consideration, as the case may be, until a Conversion Shares Settlement Notice (and the relevant Securities, if applicable) is or are so validly delivered. However, the relevant Securities shall be cancelled on the applicable Settlement Date (or, if earlier, the Final Cancellation Date) and any Securityholder delivering a Conversion Shares Settlement Notice after the Notice Cut-off Date will have to provide

evidence of its entitlement to the relevant Ordinary Shares or Conversion Shares Offer Consideration, as applicable, satisfactory to the Conversion Shares Depositary in its sole and absolute discretion in order to receive delivery of such Ordinary Shares or Conversion Shares Offer Consideration. The Issuer shall have no liability to any Securityholder for any loss resulting from such Securityholder not receiving any Ordinary Shares or the relevant Conversion Shares Offer Consideration, as applicable, or from any delay in the receipt thereof, in each case as a result of such Securityholder failing to submit a valid Conversion Shares Settlement Notice on a timely basis or at all. If any such Ordinary Shares or the relevant Conversion Shares Offer Consideration (as applicable) have not been claimed for 12 years after the Final Cancellation Date as aforesaid, the Issuer may, at any time after such time and in its sole and absolute discretion, instruct the Conversion Shares Depositary (or an agent on its behalf) to sell for cash all or some of any such Ordinary Shares or any Ordinary Share component of any Conversion Shares Offer Consideration (as applicable) and any such cash proceeds from such sale(s) and any such cash component of any Conversion Shares Offer Consideration will, in each case, be forfeited and will be transferred to the Issuer unless the Issuer decides, in its sole and absolute discretion, otherwise and the Issuer will not be a trustee of any such cash and the Issuer shall have no liability to any Holder of the Securities for any loss resulting from such Holder not receiving any Ordinary Shares, the relevant Conversion Shares Offer Consideration or the cash proceeds from any such sale(s) as aforesaid (as applicable).

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

The exercise of voting rights and other rights related to any Ordinary Shares is only possible after delivery of the Ordinary Shares following the Conversion Date and the registration of the person entitled to the Ordinary Shares in the Issuer's share register as a shareholder in accordance with the provisions of, and subject to the limitations provided in, the articles of association of the Issuer. Prior to such registration, Securityholders will be subject to all changes made with respect to the Ordinary Shares.

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

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

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

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

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

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

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

30 The market value of the Securities may be influenced by unpredictable factors

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

- any credit ratings assigned to the Issuer and the Securities;
- the creditworthiness of the Issuer and, in particular, the level of the Group's CET1 Ratio from time to time;
- supply and demand for the Securities;
- actions taken by other issuers of Additional Tier 1 capital securities, including, for example, an issuer's cancellation of an interest payment, could cause pressure on secondary market pricing of similar Additional Tier 1 capital securities;
- the Reset Rate of Interest applicable to the Securities after any Reset Date;
- the trading price of the Ordinary Shares; and
- economic, financial, political or regulatory events or judicial decisions that affect the Issuer or the financial markets generally.

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

31 Changes in law may adversely affect the rights of Securityholders, may adversely affect the Group's business, financial performance and capital plans or may give the Issuer the right to redeem the Securities

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

In particular, Brexit could result in significant changes to laws applicable in the United Kingdom. The Securities have been structured in accordance with the capital regulations applicable to the Issuer and the Group as at the date of this Offering Circular, which includes CRD IV. A portion of CRD IV currently has direct effect in the UK. The Capital Requirements (Amendment) (EU Exit) Regulations 2018 were made on 19 December 2018. These regulations are intended to ensure that the UK's capital requirements regime (including CRD IV) continues to operate smoothly in the UK after Brexit. Despite the adoption of these regulations, it is not yet clear how the regime will operate following Brexit, either while transitional measures (if any) are in effect or thereafter. Securityholders should note that the terms of the Securities would, as at the date of issuance of the Securities, be determined by reference to CRD IV but may in future, or as a result of Brexit, be determined by reference to other applicable capital regulations.

These and other regulatory changes, and the resulting actions taken to address such regulatory changes, may have an adverse impact on the Group's, and therefore the Issuer's, performance and financial condition, which could in turn affect the levels of CET1 Capital and RWA and, therefore, the resulting fully loaded CET1 Ratio.

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

Any such legislative and regulatory uncertainty could affect an investor's ability to accurately value the Securities and, therefore, affect the trading price of the Securities given the extent and impact on the

Securities that one or more regulatory or legislative changes, including those described above, could have on the Securities. It is not yet possible to predict the detail of such legislation or regulatory rulemaking or the ultimate consequences to the Group or the Securityholders which could be material.

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

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

33 *The Securities are complex financial instruments that involve a high degree of risk and may not be a suitable investment for all investors*

The Securities are complex financial instruments that involve a high degree of risk. As a result, each potential investor in the Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

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

Investors do not generally purchase complex financial instruments that bear a high degree of risk as stand-alone investments. Such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Securities, which are complex financial instruments, unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of the Securities and the impact this investment will have on the potential investor's overall investment portfolio.

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

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

maintain one or more ratings, or if any rating agency lowers or withdraws its rating, such event could reduce the liquidity or market value of the Securities.

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

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

36 *Credit ratings may not reflect all risks*

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

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

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

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

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

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

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

39 *A Securityholder may be subject to taxes following Conversion*

Neither the Issuer, nor any member of the Group, will pay any taxes or capital, stamp, issue and registration or transfer taxes or duties arising upon Conversion or that may arise or be paid as a consequence of the issue and delivery of Ordinary Shares to the Conversion Shares Depositary. A Securityholder must pay any taxes and capital, stamp, issue and registration and transfer taxes or duties

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

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

The Basel III framework adopted by the BCBS introduced, 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 was implemented in the EU through a package of legislation, comprising the CRD IV Directive and the CRD IV Regulation. 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. As a Directive, the CRD IV Directive had to be implemented in national law, whereas the CRD IV Regulation is directly applicable in each Member State and does not require national implementing measures. On 14 May 2019 the Council of the European Union adopted a directive and a regulation that will amend the CRD IV Directive and the CRD IV Regulation as part of the Risk Reduction Measures Package, in part to reflect amendments made by the BCBS to the Basel III standards. This package of reforms to the CRD IV Directive and CRD IV Regulation is commonly referred to as CRD V. The package also includes amendments to the BRRD ("BRRD II"). As the package was adopted by the Council of the European Union in May 2019 and published in the Official Journal on 7 June 2019, it is therefore expected to be implemented in the United Kingdom (see further the risk factor entitled "*The Group is exposed to the risk of regulators imposing new prudential standards, including increased capital, leverage, loss-absorbing capacity and liquidity requirements*").

The changes in requirements that will be introduced through CRD V and BRRD II may have an impact on incentives to hold the Securities for investors that are subject to requirements that follow the revised framework and, as a result, they may affect the liquidity and/or value of the Securities.

Furthermore, the Securities may be subject to Regulatory Capital Write-Down Powers and/or Bail-in Powers (see "*Risks relating to the structure of the Securities – The Securities may be subject to statutory write-down or bail-in powers*" above, and 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 Securities for investors who are subject to capital adequacy requirements that follow, or are based on, Basel I (being the International Convergence of Capital Measurement and Capital Standards published by the BCBS in July 1988 together with the Amendment to the Capital Accord to Incorporate Market Risks published by the BCBS in January 1996, in each case as amended by the BCBS), Basel II or Basel III (including, in the EU/EEA, banks and investment firms), or the ability of such investors to hold the Securities. This could, in turn, affect the liquidity and/or value of the Securities.

The application of write-down or conversion to equity to the Securities may have an adverse effect on the position of holders of Securities and, as a result, may affect the liquidity and/or value of the Securities. See "*Risk Factors - 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 Issuer cannot predict the precise effects of potential changes that might result from the implementation of new requirements on investors' own financial performance or the impact on the market value of the Securities. Prospective investors in the Securities should consult their own advisers as to the potential consequences to and effect on them of the changes described above.

The EU also developed a new solvency framework for insurance companies, referred to as "Solvency II". 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. Prospective investors in the Securities who are subject to Solvency II should consult their own advisers as to the potential consequences to and effect on them of the solvency regime and investment rules set out under Solvency II.

41 Tax treatment of the Securities under Singapore law is unclear

It is not clear whether the Securities will be regarded as “debt securities” under the Income Tax Act, Chapter 134 of Singapore (“SITA”) and the tax treatment to holders of the Securities may differ depending on the characterisation and treatment of the Securities by the Inland Revenue Authority of Singapore. In addition, the Securities are not intended to be “qualifying debt securities” for the purposes of the SITA and holders of the Securities will not be eligible for the tax exemption or concessionary tax rate under the qualifying debt securities scheme. Prospective holders of the Securities are advised to consult their own tax advisers on the tax treatment to them of the distributions of interest on the Securities, and the tax consequences of the acquisition, ownership of or disposal of the Securities.

42 Exchange rate risks and exchange controls

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

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

43 Change of law

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

TERMS AND CONDITIONS OF THE SECURITIES

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

The issue of the SGD[●] Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities (the “Securities”, which expression shall, unless otherwise indicated, include any Further Securities) was (save in respect of any Further Securities) authorised pursuant to resolutions of the board of directors of Standard Chartered PLC (the “Issuer”) passed on 20 June 2017 and 27 September 2017 and a resolution of a committee of the board of directors of the Issuer passed on 18 June 2019. The Securities are constituted by, are subject to, and have the benefit of, a trust deed (the “Trust Deed”) dated [●] 2019 entered into between the Issuer and BNY Mellon Corporate Trustee Services Limited (the “Trustee”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Securityholders (as defined below). These terms and conditions (the “Conditions”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Certificates referred to below. An Agency Agreement (the “Agency Agreement”) dated [●] 2019 will be entered into in relation to the Securities between the Issuer, the Trustee, The Bank of New York Mellon (Luxembourg) S.A. as registrar and as transfer agent, The Bank of New York Mellon, London Branch as principal paying and conversion agent and interest calculation agent and the other paying and conversion agents named in it. A Conversion Calculation Agency Agreement (the “Conversion Calculation Agency Agreement”) dated [●] 2019 will be entered into in relation to the Securities between the Issuer and Conv-Ex Advisors Limited as conversion calculation agent. The principal paying and conversion agent, the other paying and conversion agents, the registrar, the transfer agents, the interest calculation agent(s) and the conversion calculation agent for the time being (if any) are referred to below respectively as the “Principal Paying and Conversion Agent”, the “Paying and Conversion Agents” (which expression shall include the Principal Paying and Conversion Agent), the “Registrar”, the “Transfer Agents” (which expression shall include the Registrar), the “Interest Calculation Agent” and the “Conversion Calculation Agent”. Copies of the Trust Deed, the Agency Agreement and the Conversion Calculation Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at One Canada Square, London E14 5AL) and at the specified offices of the Paying and Conversion Agents and the Transfer Agents.

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

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

1 Form, Denomination and Title

The Securities are issued in registered form in specified denominations of SGD250,000.

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

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

2 Transfers of Securities

(a) Transfer of Securities

One or more Securities may, subject to Condition 2(d), be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Securities to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. A new Certificate shall be issued to the transferee in respect of the Securities the subject of the relevant transfer and, in the case of a transfer of part only of a holding of Securities represented by one Certificate, a new Certificate in respect of the balance of the Securities not transferred shall be issued to the transferor. In the case of a transfer of Securities to a person who is

already a Securityholder, a new Certificate representing the enlarged holding may be issued but only against surrender of the Certificate representing the existing holding of such person. All transfers of Securities and entries on the Register will be made subject to the detailed regulations concerning transfers of Securities scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Securityholder upon request.

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

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

(b) Delivery of New Certificates

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

(c) Transfers Free of Charge

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

(d) Closed Periods

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

3 Status of the Securities

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

4 Subordination

(a) Conditions to Payment

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

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

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

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

As used herein:

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

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

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

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

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

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

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

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

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

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

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

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

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

(d) Set-off

Subject to applicable law, no Securityholder may exercise, claim or plead any right of set-off, counter-claim or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Securities and each Securityholder shall, by virtue of its holding of any Security be deemed to have waived all such rights of such set-off, counter-claim or retention. Notwithstanding the preceding sentence, if any of the amounts owing to any Securityholder by the Issuer arising under or in connection with the Securities is discharged by set-off, such Securityholder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer or, in the event of its winding-up or administration, the liquidator or 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.

(e) Trustee

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

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

5 Interest

(a) Interest Rate

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

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

Interest in respect of any Security shall be calculated per Calculation Amount of that Security. Subject as provided in Condition 5(c) in respect of Interest Periods commencing in the Initial Fixed Rate Interest Period, the amount of interest payable per Calculation Amount in respect of any period shall be equal to the product of the Calculation Amount, the relevant Interest Rate in respect of such period and the Day Count Fraction, rounding the resultant figure to the nearest cent (half a cent being rounded upwards). "Day Count Fraction" means, in respect of any period, the number of days in the relevant period divided by 365.

(b) Interest Accrual

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

(c) Initial Fixed Interest Rate

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

Subject to Conditions 4(a), 6 and 7, each Interest Payment for each Interest Period commencing in the Initial Fixed Rate Interest Period will (if paid in full) amount to SGD[●] per Calculation Amount[, except that the Interest Payment which, subject as aforesaid, shall be payable on the first Interest Payment Date will (if paid in full) be equal to SGD[●] per Calculation Amount].

(d) Reset Rate of Interest

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

(e) Determination of Reset Rate of Interest

The Interest Calculation Agent will, at close of business (Singapore time) on each Reset Determination Date, determine the Reset Rate of Interest in respect of the relevant Reset Period.

(f) Publication of Reset Rate of Interest

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

(g) Interest Calculation Agent

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

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

(h) Determinations of Interest Calculation Agent Binding

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

(i) Swap Rate Replacement

- (i) If a Benchmark Event occurs in relation to the Swap Rate (or component part thereof) when any Reset Rate of Interest remains to be determined by reference to such Swap Rate, then the following provisions shall apply to the Securities.
- (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 Reset Rate of Interest applicable to the Securities for all future Reset Periods (subject to the subsequent operation of this Condition 5(i) during any other future Reset Period(s)). An Independent Adviser appointed pursuant to this Condition 5(i) shall act in good faith and (in the absence of bad faith or fraud) shall have no liability whatsoever to the Issuer, the Interest Calculation Agent, the Conversion Calculation Agent, the Trustee, the Paying and Conversion Agents or the Securityholders 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 5(i).
- (iii) Subject to paragraph (iv) of this Condition 5(i), if:
 - (A) the Independent Adviser (acting in good faith and in a commercially reasonable manner), no later than five Business Days prior to the Reset Determination Date relating to the next Reset Period

(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 Reset Rate of Interest applicable to the Securities for all future Reset Periods (subject to the subsequent operation of this Condition 5(i) during any other future Reset Period(s)); 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 5(i) 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 Reset Determination Date relating to the next Reset 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 Reset Rate of Interest applicable to the Securities for all future Reset Periods (subject to the subsequent operation of this Condition 5(i) during any other future Reset Period(s)),

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 Swap Rate (or component part thereof) for all future Reset Periods (subject to the subsequent operation of this Condition 5(i) during any other future Reset Period(s)).

Without prejudice to the definition thereof, for the purposes of determining an 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 Reset Periods (subject to the subsequent operation of this Condition 5(i)); 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 Reset Periods (subject to the subsequent operation of this Condition 5(i)).

(iv) Notwithstanding paragraph (iii) of this Condition 5(i), if:

- (A) the Independent Adviser appointed by the Issuer in accordance with paragraph (ii) of this Condition 5(i) 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 5(i) 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 subparagraph (iv)(A) of this Condition 5(i), 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 5(i) prior to the Issuer Determination Cut-off Date,

the relevant Reset Rate of Interest shall be determined as at the last preceding Reset Determination Date or, in the case of the first Reset Determination Date, the Reset Rate of Interest shall be the Initial Fixed Interest Rate.

This paragraph (iv) shall apply to the relevant Reset Period only. Any subsequent Reset Period(s) shall be subject to the operation of this Condition 5(i).

(v) Promptly following the determination of any Successor Relevant Rate or Alternative Relevant Rate (as applicable) as described in this Condition 5(i), the Issuer shall give written notice thereof and of any Adjustment Spread (and the effective date(s) thereof) pursuant to this Condition 5(i) to the Trustee, the Interest Calculation Agent, the Conversion Calculation Agent, the Paying and Conversion Agents, the Interest Calculation Agent and the Securityholders.

(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:

(A) that a Benchmark Event has occurred;

(B) the Successor Relevant Rate or, as the case may be, the Alternative Relevant Rate;

(C) where applicable, any Adjustment Spread; and

(D) where applicable that the Issuer has determined that the waivers and consequential amendments to be effected pursuant to Condition 5(i)(vii) below are required to give effect to this Condition 5(i),

in each case as determined in accordance with the provisions of this Condition 5(i). The Trustee shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Relevant 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 Relevant 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 Interest Calculation Agent, the Conversion Calculation Agent, the Trustee, the Paying and Conversion Agents and the Securityholders.

(vii) Subject to receipt by the Trustee of a certificate signed by two directors of the Issuer pursuant to Condition 5(i)(vi) above, the Trustee, Interest Calculation Agent, Conversion Calculation Agent and Paying and Conversion Agents shall, at the direction and expense of the Issuer, (whether or not such waivers and amendments are prejudicial to the interests of the Securityholders) 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 5(i), including, but not limited to:

(A) changes to these Conditions which the 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 definitions, Day Count Fraction, Reset Determination Date and/or Screen Page applicable to the Securities and (B) the method for determining the fallback to the Reset Rate of Interest in relation to the Securities if such Successor Relevant Rate or Alternative Relevant Rate (as applicable) is not available; and

(B) any other changes which the 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 Swap Rate (or component part thereof) or of such Successor Relevant Rate or Alternative Relevant Rate (as applicable),

which changes shall apply to the Securities for all future Reset Periods (subject to the subsequent operation of this Condition 5(i)).

(viii) Subject to receipt by the Trustee of a certificate signed by two directors of the Issuer pursuant to Condition 5(i)(vi) above, no consent of the Securityholders shall be required in connection with effecting the relevant Successor Relevant Rate or Alternative Relevant Rate as described in this Condition 5(i) or such other relevant adjustments pursuant to this Condition 5(i), 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 5(i), no Successor Relevant Rate or Alternative Relevant Rate will be adopted, and no other amendments to the terms of the Securities will be made pursuant to this Condition 5(i), 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 Securities as Additional Tier 1 Capital of the Group.

6 Interest Cancellation

(a) Interest Payments Discretionary

Interest on the Securities is due and payable only at the sole and absolute discretion, subject to Conditions 4(a), 6(b) and 7(c), of the Issuer. Accordingly, the Issuer may at any time elect to cancel any Interest

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

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

(b) Restrictions on Interest Payments

The Issuer shall cancel any Interest Payment (or, as appropriate, part thereof) on the Securities in accordance with this Condition 6 in respect of any Interest Payment Date to the extent that the Issuer has an amount of Distributable Items on such Interest Payment Date that is less than the sum of (i) all payments (other than redemption payments which do not reduce Distributable Items) made or declared by the Issuer since the end of the last financial year of the Issuer and prior to such Interest Payment Date on or in respect of any Parity Securities, the Securities and any Junior Securities and (ii) all payments (other than redemption payments which do not reduce Distributable Items) payable by the Issuer (and not cancelled or deemed cancelled) on such Interest Payment Date (x) on the Securities (including any Additional Amounts which would be payable by the Issuer in respect of the Interest Payment payable on such Interest Payment Date if such Interest Payment were not cancelled or deemed cancelled) and (y) on or in respect of any Parity Securities or any Junior Securities, in the case of each of (i) and (ii), excluding any payments already accounted for in determining the Distributable Items of the Issuer.

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

(c) Notice of Interest Cancellation

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

7 Conversion

(a) Conversion upon Conversion Trigger Event

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

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

A "Conversion Trigger Event" shall occur if at any time the CET1 Ratio is less than 7.00 per cent..

Following the occurrence of a Conversion Trigger Event, the Issuer shall give notice thereof to the Securityholders (the "Conversion Trigger Notice") in accordance with Condition 17 and to the Trustee and the Principal Paying and Conversion Agent (i) in the case of a Conversion Trigger Event that has occurred as at any Financial Period End Date, on or within five London business days (or such shorter period as the Relevant Regulator may require) after the relevant Ordinary Reporting Date and (ii) in the case of a Conversion Trigger Event that has occurred as at any other time, within five London business days of such time (and, in any event, within such period as the Relevant Regulator may require). The Conversion Trigger Notice shall specify (i) the CET1 Ratio as at the relevant Financial Period End Date or other relevant time, (ii) the Conversion Price then prevailing (which Conversion Price shall remain subject to any subsequent adjustment pursuant to Condition 7(e) up to the Conversion Date), (iii) the Conversion Date or expected Conversion Date, (iv) details of the Conversion Shares Depository, the Notice Cut-Off Date and the Final Cancellation

Date, (v) that the Issuer has the option, at its sole and absolute discretion, to elect that a Conversion Shares Offer be conducted and that the Issuer will issue a Conversion Shares Offer Notice in accordance with Condition 17 within ten (10) London business days following the Conversion Date notifying Securityholders of its decision as to such election and (vi) that the Securities shall remain in existence until the applicable Settlement Date (or, if earlier, the Final Cancellation Date) for the sole purpose of evidencing the Securityholder's right to receive Ordinary Shares or Conversion Shares Offer Consideration, as applicable, from the Conversion Shares Depository, and that the Securities may continue to be transferable until the applicable Settlement Date (or, if earlier, the Final Cancellation Date).

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

If the Issuer has been unable to appoint a Conversion Shares Depository, it shall make such other arrangements for the issuance and delivery of the Ordinary Shares to be issued and delivered upon Conversion to the Securityholders as it shall consider reasonable in the circumstances, which may include issuing and delivering the Ordinary Shares to another independent nominee to be held on trust (on terms permitting a Conversion Shares Offer in accordance with Condition 7(b)(iii)) for the Securityholders or to the Securityholders directly, which issuance and delivery shall irrevocably discharge and satisfy all of the Issuer's obligations under the Securities as if the relevant Ordinary Shares had been issued and delivered to the Conversion Shares Depository and, in which case, where the context so admits, references in these Conditions to the issue and delivery of Ordinary Shares to the Conversion Shares Depository shall be construed accordingly and apply mutatis mutandis.

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

provisions of Condition 7(b)(iii)) shall hold such Ordinary Shares on trust for the Securityholders. By virtue of its holding of any Security, each Securityholder shall be deemed to have irrevocably directed the Issuer to issue and deliver such Ordinary Shares to the Conversion Shares Depository.

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

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

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

(b) Conversion Settlement

- (i) Upon Conversion, the Issuer shall be deemed to redeem the Securities at a price equal to their principal amount and the Securityholders shall be deemed irrevocably to have directed and authorised the Issuer to apply such sum on their behalf in paying up the relevant Ordinary Shares to be issued and delivered to the Conversion Shares Depository on Conversion of their Securities.
- (ii) In order to obtain delivery from the Conversion Shares Depository of Ordinary Shares or, as applicable, the relevant Conversion Shares Offer Consideration following a Conversion, Securityholders will be required to deliver a Conversion Shares Settlement Notice and the relevant Certificate representing the relevant Security to the Conversion Shares Depository (or an agent designated for the purpose in the Conversion Trigger Notice) on or before the Notice Cut-off Date in accordance with Condition 7(m). If such Conversion Shares Settlement Notice or Certificate is delivered after the end of normal business hours at the specified office of the Conversion Shares Depository, such delivery shall be deemed for all purposes to have been made or given on the following business day. If Securityholders fail to make such delivery on or before the Notice Cut-off Date or otherwise the relevant Conversion Shares Settlement Notice shall have been determined by the Conversion Shares Depository to be null and void, then the Conversion Shares Depository shall continue to hold the relevant Ordinary Shares or the relevant Conversion Shares Offer Consideration, as the case may be, until a valid Conversion Shares Settlement Notice (and the Certificate representing the relevant Securities) is so delivered. If any such Ordinary Shares or the relevant Conversion Shares Offer Consideration (as applicable) have not been claimed for 12 years after the Final Cancellation Date, the Issuer may, at any time after such time and in its sole and absolute discretion, instruct the Conversion Shares Depository (or an agent on its behalf) to sell for cash all or some of any such Ordinary Shares or any Ordinary Share component of any Conversion Shares Offer Consideration (as applicable) and any such cash proceeds from such sale(s) and any such cash component of any Conversion Shares Offer Consideration will, in each case, be forfeited and will be transferred to the Issuer unless the Issuer decides, in its sole and absolute discretion, otherwise and the Issuer will not be a trustee of any such cash and the Issuer shall have no liability to any Securityholder for any loss resulting from such Securityholder not receiving any Ordinary Shares, the relevant Conversion Shares Offer Consideration or the cash proceeds from any such sale(s) as aforesaid (as applicable).
- (iii) Not later than the tenth London business day following the Conversion Date, the Issuer shall give notice to the Securityholders in accordance with Condition 17 (a "Conversion Shares Offer Notice") stating whether or not it has elected, in its sole and absolute discretion, that the Conversion Shares Depository (or an agent on its behalf) will make an offer, in the Issuer's sole and absolute discretion, of all or some of the Ordinary Shares to be delivered on Conversion to, in the Issuer's sole and absolute discretion, all or some of the Issuer's Shareholders at such time, such offer to be at a cash price per Ordinary Share being no less than the Conversion Price (translated, if

necessary, from Singapore Dollars into the currency (or currencies) in which such Ordinary Shares are being offered to all or some of the Issuer's Shareholders as aforesaid at the then prevailing rate as determined by the Issuer in its sole discretion), all in accordance with the following provisions (the "Conversion Shares Offer"). The Issuer may, on behalf of the Conversion Shares Depositary, appoint a Conversion Shares Offer Agent to act as placement or other agent to facilitate the Conversion Shares Offer. The Issuer may not purchase any Ordinary Shares for its own account pursuant to a Conversion Shares Offer.

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

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

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

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

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

The Trustee shall not be responsible for monitoring any Conversion Shares Offer, nor for monitoring or enforcing the obligations of the Conversion Shares Depositary in respect thereof. Following Conversion and delivery of the Ordinary Shares to the Conversion Shares Depositary,

Securityholders must look to the Conversion Shares Depositary for any Ordinary Shares or Conversion Shares Offer Consideration due to them at the relevant time.

(c) Accrued Interest on Conversion

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

(d) Conversion Price

The Issuer shall issue and deliver to the Conversion Shares Depositary on the Conversion Date a number of Ordinary Shares in respect of each Security determined by dividing the principal amount of such Security by the Conversion Price prevailing on the Conversion Date, subject to Condition 7(l).

The "Conversion Price" per Ordinary Share in respect of the Securities is SGD[●], subject to adjustment in the circumstances described in Condition 7(e).

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

(e) Adjustment of Conversion Price

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

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

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

where:

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

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

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

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

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

where:

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

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

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

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

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

where:

- A is the Current Market Price of one Ordinary Share on the Effective Date; and
- B is the portion of the Fair Market Value as at the Effective Date of the aggregate Extraordinary Dividend attributable to one Ordinary Share, with such portion being determined by dividing the aggregate Extraordinary Dividend by the number of Ordinary Shares entitled to receive the relevant Extraordinary Dividend.

Such adjustment shall become effective on the Effective Date.

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

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

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

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

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

where:

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

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

Such adjustment shall become effective on the Effective Date.

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

Notwithstanding the foregoing provisions:

- (A) where the events or circumstances giving rise to any adjustment pursuant to this Condition 7(e) have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of any other events or circumstances

which have already given or will give rise to an adjustment to the Conversion Price or where more than one event which gives rise to an adjustment to the Conversion Price occurs within such a short period of time that, in the opinion of the Issuer, a modification to the operation of the adjustment provisions is required to give the intended result, such modification shall be made to the operation of the adjustment provisions as may be determined in good faith by an Independent Adviser to be in its opinion appropriate to give the intended result;

- (B) such modification shall be made to the operation of these Conditions as may be determined in good faith by an Independent Adviser to be in its opinion appropriate (i) to ensure that an adjustment to the Conversion Price or the economic effect thereof shall not be taken into account more than once, (ii) to ensure that the economic effect of an Extraordinary Dividend is not taken into account more than once and (iii) to reflect a redenomination of the issued Ordinary Shares for the time being into a new currency; and
- (C) for the avoidance of doubt, the issue of Ordinary Shares upon a Conversion or upon any conversion or exchange in respect of any other Securities or the exercise of any other options, warrants or other rights shall not result in an adjustment to the Conversion Price.

(f) Determination of Consideration Receivable

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

- (1) the aggregate consideration receivable or price for Ordinary Shares issued for cash shall be the amount of such cash;
- (2) (x) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the conversion or exchange of any Relevant Securities shall be deemed to be the consideration or price received or receivable for any such Relevant Securities and (y) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the exercise of rights of subscription attached to any Relevant Securities or upon the exercise of any options, warrants or rights shall be deemed to be that part (which may be the whole) of the consideration or price received or receivable for such Relevant Securities or, as the case may be, for such options, warrants or rights which are attributed by the Issuer to such rights of subscription or, as the case may be, such options, warrants or rights or, if no part of such consideration or price is so attributed, the Fair Market Value of such rights of subscription or, as the case may be, such options, warrants or rights as at the relevant Effective Date, plus in the case of each of (x) and (y) above, the additional minimum consideration receivable or price (if any) upon the conversion or exchange of such Relevant Securities, or upon the exercise of such rights of subscription attached thereto or, as the case may be, upon exercise of such options, warrants or rights and (z) the consideration receivable or price per Ordinary Share upon the conversion or exchange of, or upon the exercise of such rights of subscription attached to, such Relevant Securities or, as the case may be, upon the exercise of such options, warrants or rights shall be the aggregate consideration or price referred to in (x) or (y) above (as the case may be) divided by the number of Ordinary Shares to be issued upon such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate;
- (3) if the consideration or price determined pursuant to (1) or (2) above (or any component thereof) shall be expressed in a currency other than the Relevant Currency, it shall be converted into the Relevant Currency at the Prevailing Rate on the relevant Effective Date;
- (4) in determining the consideration or price pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant Ordinary Shares or Relevant Securities or options, warrants or rights, or otherwise in connection therewith; and
- (5) the consideration or price shall be determined as provided above on the basis of the consideration or price received, receivable, paid or payable, regardless of whether all or part thereof is received, receivable, paid or payable by or to the Issuer or another entity.

(g) Decision of an Independent Adviser

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

(h) Share Option Schemes

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

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

On any adjustment, if necessary, the resultant Conversion Price shall be rounded down to the nearest whole multiple of SGD0.0001. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and/or any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made.

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

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

(j) Qualifying Relevant Event

- (i) If a Qualifying Relevant Event shall occur, the Securities shall, where the Conversion Date (if any) falls on or after the New Conversion Condition Effective Date, be converted on such Conversion Date into Relevant Shares of the Approved Entity (save as provided below in this Condition 7(j)(i) *mutatis mutandis* as provided in this Condition 7) at a Conversion Price that shall be the New Conversion Price. Such conversion shall be effected by the delivery by the Issuer of such number of Ordinary Shares as is determined in accordance with Condition 7(d) to, or to the order of, the Approved Entity. Such delivery shall irrevocably discharge and satisfy all of the Issuer's obligations under the Securities (but shall be without prejudice to the rights of the Trustee and the Securityholders against the Approved Entity in connection with its undertaking to deliver Relevant Shares as provided in the definition of "New Conversion Condition" in Condition 7(j)(v) below). Such delivery shall be in consideration of the Approved Entity irrevocably undertaking, for the benefit of the Securityholders, to deliver the Relevant Shares to the Conversion Shares Depository as aforesaid. For the avoidance of doubt, the Issuer may elect that a Conversion Shares Offer be made by the Conversion Shares Depository in respect of the Relevant Shares.
- (ii) The New Conversion Price shall be subject to adjustment in the circumstances provided in this Condition 7 (with such modifications and amendments as an Independent Adviser acting in good faith shall determine to be appropriate) and the Issuer shall give notice to Securityholders of the New Conversion Price and of any such modifications and amendments in accordance with Condition 17 and to the Trustee and the Principal Paying and Conversion Agent.
- (iii) In the case of a Qualifying Relevant Event:
 - (1) the Issuer shall, on or prior to the New Conversion Condition Effective Date, enter into such agreements and arrangements, which may include deeds supplemental to the Trust Deed, and such amendments and modifications to the Trust Deed shall be made to ensure that, with effect from the New Conversion Condition Effective Date, the Securities shall (following the occurrence of a Conversion Trigger Event) be convertible into, or exchangeable for, Relevant Shares of the Approved Entity, *mutatis mutandis* in accordance with, and subject to, this Condition 7 (as may be so supplemented, amended or modified) at the New Conversion Price; and
 - (2) the Issuer shall, where the Conversion Date falls on or after the New Conversion Condition Effective Date, procure the issue and/or delivery of the relevant number of Relevant Shares in the manner provided in this Condition 7, as may be supplemented, amended or modified as provided above.

The Trustee shall be obliged (at the expense of the Issuer) to concur with the Issuer in making any such amendments and modifications to the Trust Deed, (whether or not such amendments or

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

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

The Relevant Event Notice shall specify:

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

- (v) As used herein:

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

The “Acquiror Status Condition” shall be satisfied if the Securities will continue to be “hybrid capital instruments” for the purposes of Part 5 of the Corporation Tax Act 2009 (or benefit from equivalent treatment under any replacement tax rules relevant to the entitlement of the Issuer to claim a deduction in computing its tax liabilities in respect of any payments made under, or funding costs recognised in its accounts in respect of, the Securities) once arrangements are in place for the issue of Relevant Shares by the Acquiror in the event of Conversion.

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

“EEA Regulated Market” means a market as defined by Article 4.1(21) of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments.

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

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

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

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

where:

NCP is the New Conversion Price.

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

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

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

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

“Qualifying Relevant Event” means a Relevant Event where the New Conversion Condition is satisfied by not later than seven days following the occurrence of the Relevant Event.

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

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

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

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

and “controlled” shall be construed accordingly.

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

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

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

(l) Fractions

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

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

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

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

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

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

- (ii) If not previously cancelled on the relevant Settlement Date, the relevant Securities shall be cancelled on the Final Cancellation Date and any Securityholder delivering a Conversion Shares Settlement Notice after the Notice Cut-off Date will have to provide evidence of its entitlement to the relevant Ordinary Shares or the relevant Conversion Shares Offer Consideration, as applicable, satisfactory to the Conversion Shares Depositary in its sole and absolute discretion in order to receive delivery of such Ordinary Shares or such Conversion Shares Offer Consideration, as applicable. Neither the Issuer nor the Conversion Shares Depositary shall have any liability to any Securityholder for any loss resulting from such Securityholder not receiving any Ordinary Shares or the relevant Conversion Shares Offer Consideration, as applicable, or from any delay in the receipt thereof, in each case as a result of such Securityholder failing to submit a valid Conversion Shares Settlement Notice and the relevant Certificate, on a timely basis or at all. If any such Ordinary Shares or the relevant Conversion Shares Offer Consideration (as applicable) have not been claimed for 12 years after the Final Cancellation Date as aforesaid, the Issuer may, at any time after such time and in its sole and absolute discretion, instruct the Conversion Shares Depositary (or an agent on its behalf) to sell for cash all or some of any such Ordinary Shares or any Ordinary Share component of any Conversion Shares Offer Consideration (as applicable) and any such cash proceeds from such sale(s) and any such cash component of any Conversion Shares Offer Consideration will, in each case, be forfeited and will be transferred to the Issuer unless the Issuer decides, in its sole and absolute discretion, otherwise and the Issuer will not be a trustee of any such cash and the Issuer shall have no liability to any Securityholder for any loss resulting from such Securityholder not receiving any Ordinary Shares, the relevant Conversion Shares Offer Consideration or the cash proceeds from any such sale(s) as aforesaid (as applicable).
- (iii) Any determination as to whether any Conversion Shares Settlement Notice has been properly completed and delivered together with the relevant Certificate(s) as provided in these Conditions, or whether any evidence of entitlement to Ordinary Shares or Conversion Shares Offer Consideration, as applicable, is satisfactory, shall be made by the Conversion Shares Depositary in its sole and absolute discretion and shall be conclusive and binding on the relevant Securityholders.

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

(n) Taxes and Duties

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

(o) Delivery

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

Ordinary Shares (or the Ordinary Share component of any Conversion Shares Offer Consideration) will be delivered to Securityholders in uncertificated form through the dematerialised securities trading system operated by Euroclear UK & Ireland Limited, known as CREST, unless at the relevant time the Ordinary Shares are not a participating security in CREST, in which case Ordinary Shares will be delivered in certificated form. Where any Ordinary Shares (or the Ordinary Share component of any Conversion Shares Offer Consideration) are to be delivered to Securityholders by the Conversion Shares Depositary through CREST, they will be delivered to the account specified by the relevant Securityholder in the relevant Conversion Shares Settlement Notice, on the relevant Settlement Date. Where any Ordinary Shares (or the

Ordinary Share component of any Conversion Shares Offer Consideration) are to be delivered to Securityholders in certificated form, a certificate in respect thereof will be dispatched by mail free of charge to the relevant Securityholder or as it may direct in the relevant Conversion Shares Settlement Notice (in each case uninsured and at the risk of the relevant recipient) within 28 days following delivery of the relevant Conversion Shares Settlement Notice.

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

(p) Ordinary Shares

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

(q) Purchase or Redemption of Ordinary Shares

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

(r) Covenants

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

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

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

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

(s) Conversion Calculation Agent

So long as any Securities remain outstanding, the Issuer will maintain a Conversion Calculation Agent, which may be the Issuer or another person appointed by the Issuer to serve in such capacity. The name of the initial Conversion Calculation Agent and its initial specified office is set out at the end of these Conditions.

The Issuer may at any time with the prior written approval of the Trustee, but without prior notice to the Interest Calculation Agent, the Paying and Conversion Agents or the Securityholders, replace the Conversion Calculation Agent with itself or an independent financial institution or an independent financial adviser with appropriate expertise. If the Conversion Calculation Agent is unable or unwilling to continue to act as the Conversion Calculation Agent or fails duly to determine the Conversion Price adjustments as provided in Condition 7(e) and (j) and/or the Conversion Shares Offer Consideration, the Issuer shall forthwith appoint itself or an independent financial institution or an independent financial adviser with appropriate expertise, in each case approved in writing by the Trustee, to act as such in such Conversion Calculation Agent's place. Subject as provided in the Conversion Calculation Agency Agreement, the Conversion Calculation Agent may not resign its duties or be removed without a successor having been appointed as aforesaid.

(t) Determinations of Conversion Calculation Agent Binding

All determinations, calculations and adjustments given, expressed, made or obtained for the purposes of this Condition 7 by the Conversion Calculation Agent shall (in the absence of manifest error) be final and binding on the Issuer, the Conversion Calculation Agent, the Interest Calculation Agent, the Trustee, the Paying and Conversion Agents and all Securityholders and no liability to the Trustee or the Securityholders shall attach to the Conversion Calculation Agent in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

8 Redemption and Purchase

(a) No Fixed Redemption Date

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

(b) Conditions to Redemption and Purchase

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

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

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

(c) Redemption at the option of the Issuer

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

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

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

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

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

(f) Conversion Trigger Event

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

(g) Purchases

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

(h) Cancellation

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

(i) Trustee Not Obligated to Monitor

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

9 Payments

(a) Method of Payment

(i) Payments of principal to be made to Securityholders in respect of Securities and payments of Accrued Interest payable on a redemption of Securities (other than on an Interest Payment Date) shall, in each case, be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in (iii) below.

- (ii) Payments of interest to be made to Securityholders in respect of Securities due on an Interest Payment Date shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "Record Date").
- (iii) Each payment in respect of the Securities pursuant to Condition 9(a)(i) and (ii) will be made by transfer to a Singapore Dollar account maintained by the payee with a bank in London or Singapore. Payment instructions (for value on the due date or, if that is not a London business day (or a business day in Singapore, as the case may be), for value the first following day which is a London business day (or a business day in Singapore, as the case may be)) will be initiated on the London business day (or business day in Singapore, as the case may be) preceding the due date for payment (for value the next London business day (or business day in Singapore, as the case may be)).
- (iv) Payments of any cash component of any Conversion Shares Offer Consideration shall be made in accordance with the provisions of Condition 7.

(b) Payments subject to laws

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

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

(c) Appointment of Agents

The initial Principal Paying and Conversion Agent, the other Paying and Conversion Agents, the Registrar, the Transfer Agents, the Interest Calculation Agent and the Conversion Calculation Agent and their respective specified offices are listed below. Subject as provided in the Agency Agreement, the Principal Paying and Conversion Agent, the Paying and Conversion Agents, the Registrar, the Transfer Agents, the Interest Calculation Agent and the Conversion Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Securityholder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Principal Paying and Conversion Agent, any other Paying and Conversion Agent, the Registrar, any Transfer Agent, the Interest Calculation Agent or the Conversion Calculation Agent and to appoint additional or other Paying and Conversion Agents, Interest Calculation Agents, Conversion Calculation Agents or Transfer Agents, provided that there shall at all times be (i) a Principal Paying and Conversion Agent, (ii) a Registrar, (iii) a Transfer Agent, (iv) one or more Interest Calculation Agents where the Conditions so require, (v) a Conversion Calculation Agent, and (vi) such other agents as may be required by any other stock exchange on which the Securities may be listed, in each case as approved by the Trustee.

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

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

(d) Non-Business Days

If any date for payment in respect of any Security is not a business day, the Securityholder 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 paragraph, "business day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation (where presentation and surrender is required pursuant to these Conditions) and which is a London business day and a Singapore business day.

10 Taxation

All payments of principal and interest to Securityholders by or on behalf of the Issuer in respect of the Securities 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 thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, in respect of the payment of any interest on (but not, for the avoidance of doubt, in respect of principal on) the Securities, the Issuer shall pay such additional amounts ("Additional Amounts") as shall result in receipt by the Securityholders (after the withholding or deduction) of such an amount as would have been received by them in respect of interest on their Securities in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable with respect to any Security:

- (a) to, or to a third party on behalf of, any Securityholder 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 such Security; or
- (b) to, or to a third party on behalf of, a Securityholder if such withholding or deduction may be avoided by the Securityholder 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 Securityholder proves that he is not entitled so to comply or to make such declaration or claim; or
- (c) to, or to a third party on behalf of, a Securityholder that is a partnership, or a Securityholder that is not the sole beneficial owner of the Security, or which holds the Security in a fiduciary capacity, to the extent that any of the members of the partnership, the beneficial owner or the settlor or beneficiary with respect to the fiduciary would not have been entitled to the payment of an additional amount had each of the members of the partnership, the beneficial owner, settlor or beneficiary (as the case may be) received directly its beneficial or distributive share of the payment; or
- (d) presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Securityholder thereof would have been entitled to such additional amounts on presenting or surrendering the same for payment at the expiry of such period of 30 days.

In addition, any amounts to be paid on the Securities 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.

11 Prescription

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

12 Non-payment when due

(a) *Proceedings for Winding-up*

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

(b) *Enforcement*

Without prejudice to Condition 12(a), the Trustee may, at its discretion, and without notice institute such proceedings and/or take any other steps or action against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed or the Securities (other than any payment obligation of the Issuer under or arising from the Securities or the Trust Deed, including, without limitation, payment of any principal or interest in respect of the Securities, including any damages awarded for breach of any obligations but excluding any amount due to the Trustee in respect of its fees and/or expenses) and in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum

or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it pursuant to these Conditions and the Trust Deed. Nothing in this Condition 12(b) shall, however, prevent the Trustee instituting proceedings for the winding-up of the Issuer, proving in any winding-up of the Issuer and/or claiming in any liquidation of the Issuer or exercising rights under Condition 4(b) or, as applicable, 4(c) in respect of any payment obligations of the Issuer arising from or in respect of the Securities or the Trust Deed (including any damages awarded for breach of any obligations).

(c) Entitlement of Trustee

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

(d) Right of Securityholders

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

(e) Extent of Securityholder's remedy

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

13 Meetings of Securityholders, Modification, Waiver and Substitution

(a) Meetings of Securityholders

The Trust Deed contains provisions for convening meetings of Securityholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be requisitioned by Securityholders holding not less than 10 per cent. in aggregate principal amount of the Securities for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more persons holding or representing a clear majority in aggregate principal amount of the Securities for the time being outstanding, or at any adjourned meeting one or more persons being or representing Securityholders whatever the aggregate principal amount of the Securities held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to amend any date of optional redemption of the Securities or any date for payment of interest on the Securities, (ii) to reduce or cancel the principal amount of the Securities, (iii) to reduce the rate or rates of interest in respect of the Securities or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating the amounts of any interest in respect of the Securities except as provided in Condition 5(i), (iv) to vary any method of, or basis for, calculating the amounts payable on redemption of the Securities, (v) to vary the currency or currencies of payment or denomination of the Securities, (vi) to modify the provisions concerning the quorum required at any meeting of Securityholders or the majority required to pass the Extraordinary Resolution or (vii) to modify the provisions of Condition 7 (other than pursuant to or as a result of any amendment to these Conditions and the Trust Deed made pursuant to and in accordance with Condition 7(j) and/or Condition 7(r)(ii)), in which case the necessary quorum shall be one or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate principal amount of the Securities for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Securityholders (whether or not they were present at the meeting at which such resolution was passed).

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

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

(b) Modification of the Trust Deed

The Trustee may agree, without the consent of the Securityholders, to (i) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Securityholders. Any such modification, authorisation or waiver shall be binding on the Securityholders and, if the Trustee so requires, shall be notified to the Securityholders as soon as practicable.

(c) Newco Scheme

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

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

(d) Substitution

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

(e) Entitlement of the Trustee

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

(f) Notification to the Securityholders

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

14 Indemnification of the Trustee

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

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, inter alia, (a) to enter into business transactions with the Issuer and/or any of the Issuer's Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of the Issuer's Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Securityholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

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

15 Replacement of Securities

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

16 Further Issues

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

17 Notices

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

18 Contracts (Rights of Third Parties) Act 1999

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

19 Definitions

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

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

"Additional Tier 1 Capital" has the meaning given to it in accordance with the Capital Regulations then applicable to the Group;

“Adjustment Spread” means a spread (which may be positive, negative or zero) or a formula or methodology for calculating a spread, in each case to be applied to a Successor Relevant Rate or an 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 Swap Rate (or component part thereof) 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 Swap Rate (or component part thereof), 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 is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Swap Rate (or component part thereof), where such rate has been replaced by such Successor Relevant Rate or Alternative Relevant Rate (as applicable);

“Alternative Relevant Rate” means the rate which the Independent Adviser or Issuer (as the case may be) determines has replaced the Swap Rate (or component part thereof) in customary market usage in the international capital debt markets for the purpose of determining floating rates of interest in respect of notes denominated in Singapore dollars for a comparable period to the Reset Period or, if the Independent Adviser or Issuer (as the case may be) determines that there is no such rate, such other rate as the Independent Adviser or Issuer (as the case may be) determines in its discretion is most comparable to the Swap Rate (or component part thereof);

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

“Benchmark Event” means:

- (i) the Swap Rate (or component part thereof) ceasing to be published for at least five consecutive business days or ceasing to exist;
- (ii) a public statement by the administrator of the Swap Rate (or component part thereof) that it has ceased or that it will cease publishing such rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of such rate);
- (iii) a public statement by the supervisor of the administrator of the Swap Rate (or component part thereof) that such rate has been or will be permanently or indefinitely discontinued;
- (iv) a public statement by the supervisor of the administrator of the Swap Rate (or component part thereof) that such rate will be prohibited from being used, either generally or in respect of the Securities, or that such use will be subject to restrictions or adverse consequences;
- (v) an official announcement by the regulatory supervisor of the administrator of the Swap Rate (or component part thereof) at any time after the Issue Date that such rate is no longer representative; or
- (vi) it becoming unlawful for any Paying and Conversion Agent, the Issuer or any other party to calculate any payments due to be made to any Securityholder using the Swap Rate (or component part thereof),

provided that in the case of (ii), (iii) or (iv) above the Benchmark Event shall occur on the date of the cessation of publication of the Swap Rate, the discontinuation of the Swap Rate or the prohibition of use of the Swap Rate (or in each case a component part thereof), as the case may be, and not the date of the relevant public statement;

“BRRD” means Directive 2014/59/EU establishing an EU-wide framework for the recovery and resolution of credit institutions and investment firms, as may be amended or replaced from time to time;

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

“Calculation Amount” means SGD250,000;

a “Capital Disqualification Event” will occur if at any time the Issuer determines that as a result of a change (which the Relevant Regulator considers to be sufficiently certain) to the regulatory classification of the Securities under the Capital Regulations, in any such case becoming effective on or after the Issue Date, all or any part of the outstanding aggregate principal amount of the Securities ceases (or would cease) to be included in, or count towards, the Tier 1 Capital (howsoever defined in the Capital Regulations) of the Group;

“Capital Regulations” means, at any time, the laws, regulations, requirements, standards, guidelines and policies (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 in 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, BRRD and related regulatory technical standards;

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

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

“Clearstream, Luxembourg” means Clearstream Banking, S.A.;

“Closing Price” means, in respect of a Relevant Security, option, warrant or other right on any dealing day, the last reported price of such Relevant Security, option, warrant or other right on the Relevant Stock Exchange on such dealing day as published by or derived from Bloomberg page HP (or any successor page) in respect of such Relevant Security, option, warrant or other right for the Relevant Stock Exchange (using the setting “Last Price”, or any successor setting) on such dealing day or, if such price is not available from Bloomberg as aforesaid, in any such case, such other source as shall be determined in good faith to be appropriate by an Independent Adviser on such dealing day, provided that if on any such dealing day such price is not available or cannot otherwise be determined as provided above, the Closing Price of a Relevant Security, option, warrant or other right, as the case may be, in respect of such dealing day shall be the Closing Price, determined as provided above, on the immediately preceding dealing day on which the same can be so determined, or if such price cannot be determined as provided above, the Closing Price shall be determined as an Independent Adviser might otherwise determine in good faith to be appropriate;

“Common Equity Tier 1 Capital” has the meaning given to it in accordance with the Capital Regulations then applicable to the Group;

“Companies Act” means the Companies Act 2006;

“Conversion” means the conversion of the Securities into Ordinary Shares (or, as applicable, into Relevant Shares of the Approved Entity) pursuant to Condition 7, and “convert” and “converted” shall be construed accordingly;

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

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

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

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

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

“Conversion Shares Offer Consideration” means in respect of each Security and as determined by the Conversion Calculation Agent: (i) if all of the Ordinary Shares to be issued and delivered on Conversion are sold in the Conversion Shares Offer, the *pro rata* share of the cash proceeds from the sale of such Ordinary Shares attributable to such Security translated, if necessary, into Singapore Dollars at the Prevailing Rate on the date specified by the Issuer (less any foreign exchange transaction costs) (rounded down if necessary to the nearest whole multiple of SGD0.01), (ii) if some but not all of such Ordinary Shares are sold in the Conversion Shares Offer, (x) the *pro rata* share of the cash proceeds from the sale of such Ordinary Shares attributable to such Security translated, if necessary, into Singapore Dollars at the Prevailing Rate on the date specified by the Issuer (less any foreign exchange transaction costs) (rounded

down if necessary to the nearest whole multiple of SGD0.01) and (y) the *pro rata* share of such Ordinary Shares not sold pursuant to the Conversion Shares Offer attributable to such Security rounded down to the nearest whole number of Ordinary Shares, and (iii) if no Ordinary Shares are sold in a Conversion Shares Offer, the relevant Ordinary Shares attributable to such Security rounded down to the nearest whole number of Ordinary Shares, subject in the case of (i) and (ii)(x) above to deduction from any such whole proceeds of an amount equal to the *pro rata* share of any stamp duty, stamp duty reserve tax, or any other capital, issue, transfer, registration, financial transaction or documentary tax that may arise or be paid as a consequence of the transfer of any interest in such Ordinary Shares to the Conversion Shares Depository as a consequence of the Conversion Shares Offer;

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

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

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

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

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

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

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

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

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

only one, or no, such Volume Weighted Average Price is available in the relevant period, the Current Market Price shall be determined in good faith by an Independent Adviser;

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

“Distributable Items” has the meaning given to it in the Capital Regulations then applicable to the Issuer, but, to the extent applicable, amended so that any reference therein to “before distributions to holders of own funds instruments” shall be read as a reference to “before distributions by the Issuer to holders of Parity Securities, the Securities or any Junior Securities”;

“Euroclear” means Euroclear Bank SA/NV;

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

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

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

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

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

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

“Fair Market Value” means:

- (i) with respect to a Cash Dividend, the amount of such Cash Dividend;
- (ii) with respect to any other cash amount, the amount of such cash;
- (iii) with respect to Relevant Securities, options, warrants or other rights that are publicly traded on a Relevant Stock Exchange of adequate liquidity (as determined in good faith by the Conversion Calculation Agent), (a) with respect to such Relevant Securities (to the extent constituting equity share capital), the arithmetic mean of the daily Volume Weighted Average Prices of such Relevant Securities and (b) with respect to such Relevant Securities (other than to the extent constituting equity share capital), options, warrants or other rights, the arithmetic mean of the daily Closing Prices of such Relevant Securities, options, warrants or other rights, in the case of (a) and (b), during the period of five dealing days on the Relevant Stock Exchange commencing on such date (or, if later, the first such dealing day such Relevant Securities, options, warrants or other rights are publicly traded) or such shorter period as such Relevant Securities, options, warrants or other rights are publicly traded;
- (iv) with respect to Relevant Securities, options, warrants or other rights that are not publicly traded on a Relevant Stock Exchange of adequate liquidity (as aforesaid), the fair market value of such Relevant Securities, options, warrants or other rights as determined in good faith by an Independent Adviser, on the basis of a commonly accepted market valuation method and taking account of such factors as it considers appropriate, including the market price per Ordinary Share, the dividend yield of an Ordinary Share, the volatility of such market price, prevailing interest rates and the terms of such Relevant Securities, options, warrants or other rights, including as to the expiry date and exercise price (if any) thereof.

Such amounts shall, in the case of (i) and (ii) above, be translated (if expressed in a currency other than the Relevant Currency) into the Relevant Currency (if declared, announced, made, paid or payable in a currency other than the Relevant Currency, and if the relevant dividend is payable at the option of the Issuer or a Shareholder in any currency additional to the Relevant Currency, the relevant dividend shall be treated as payable in the Relevant Currency) at the rate of exchange (if any) used to determine the amount payable to Shareholders who were paid or are to be paid or are entitled to be paid the Cash Dividend in the Relevant Currency; and, in any other case, shall be translated into the Relevant Currency (if expressed in a currency other than the Relevant Currency) at the Prevailing Rate on that date. In addition, in the case of (i)

and (ii) above, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit;

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

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

“First Reset Date” means [●];

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

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

“Group” means the Issuer and its Subsidiaries;

“HK\$” and “Hong Kong dollars” means the lawful currency for the time being of Hong Kong;

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

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

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

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

“Interest Payment Date” means [●] and [●] in each year, commencing on [●] 2019;

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

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

“Issue Date” means [●] 2019;

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

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

“Margin” means [●] per cent. per annum;

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

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

holds, directly or indirectly, the same percentage of the ordinary share capital and equity share capital of those Subsidiaries as was held by the Issuer immediately prior to the Scheme of Arrangement;

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

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

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

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

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

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

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

“Relevant Currency” means the currency in which the Ordinary Shares or the Relevant Shares (as applicable) are quoted or dealt in on the Relevant Stock Exchange at such time;

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

“Relevant Nominating Body” means:

- (i) the central bank for Singapore dollars or any central bank or other supervisory authority which is responsible for supervising the administrator of the Swap Rate (or the relevant component part(s) thereof); or
- (ii) any working group or committee established, approved or sponsored by, chaired or co-chaired by or constituted at the request of:
 - (a) the central bank for Singapore dollars;
 - (b) the central bank or other supervisory authority which is responsible for supervising the administrator of the Swap Rate (or the relevant component part(s) thereof);
 - (c) a group of the aforementioned central banks or other supervisory authorities; or
 - (d) the Financial Stability Board or any part thereof;

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

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

“Relevant Stock Exchange” means (i) with respect to Ordinary Shares, the London Stock Exchange or, if at the relevant time the Ordinary Shares are not at that time listed and admitted to trading on the London Stock Exchange, the principal stock exchange or securities market (if any) on which the Ordinary Shares

are then listed, admitted to trading or quoted or accepted for dealing, and (ii) with respect to Relevant Securities (other than Ordinary Shares), options, warrants or other rights, the principal stock exchange or securities market (if any) on which such Relevant Securities, options, warrants or other rights are then listed, admitted to trading or quoted or accepted for dealing;

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

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

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

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

“Reset Reference Rate” means, in respect of a Reset Period, the Swap Rate displayed on the Screen Page at close of business (Singapore time) on the Reset Determination Date, provided that, subject to Condition 5(i), if such rate does not appear on the Screen Page the Reset Reference Rate shall instead be determined by the Interest Calculation Agent on the basis of quotations provided to the Interest Calculation Agent by the principal office of each of five major banks (such banks to be selected and appointed by the Issuer on the advice of an investment bank of international repute) in the interbank market for Singapore Dollar swap transactions with an equivalent maturity to the relevant Reset Period quoted by such banks at close of business in Singapore on the Singapore business day immediately following the relevant Reset Determination Date to participants in the Singapore Dollar swap market. If more than three quotations are provided, the rate will be the arithmetic mean of the quotations, 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, it will be the arithmetic mean of the quotations provided. If only one quotation is provided, it will be the quotation provided. If no quotations are provided, the Reset Rate of Interest in respect of the Interest Period to which such Reset Determination Date relates shall be the Reset Rate of Interest determined by the Interest Calculation Agent as at the last preceding Reset Determination Date, or, in the case of the first Reset Determination Date, the Reset Rate of Interest shall be the Initial Fixed Interest Rate;

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

“Screen Page” means Page TPIS on the monitor of the Bloomberg Agency (or such other page as may replace that page on the monitor of the Bloomberg Agency, or such other service as may be nominated by the person providing or sponsoring the information appearing there for the purposes of displaying comparable rates);

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

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

“Settlement Date” means:

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

Conversion Shares Settlement Notice has been so received by the Conversion Shares Depository or its designated agent; and

- (iii) with respect to any Security in relation to which a Conversion Shares Settlement Notice is not so received by the Conversion Shares Depository or its designated agent on or before the Notice Cut-off Date, the date on which the Conversion Shares Depository delivers the relevant Ordinary Shares or Conversion Shares Offer Consideration, as applicable, to Securityholders;

“SGD” and “Singapore Dollar” means the lawful currency for the time being of Singapore;

“Shareholders” means the holders of Ordinary Shares;

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

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

“Successor Relevant Rate” means the rate which has been formally published, endorsed, approved, recommended or recognised as a successor or replacement to the Swap Rate (or component part thereof) by any Relevant Nominating Body;

“Swap Rate” means the Singapore Dollar swap offer rate for a maturity of five years appearing on the Screen Page under the caption “Tullett Prebon – Rates – Interest Rate Swaps – Asia Pac – SGD” and the column headed “Ask” for purposes of determining the Reset Reference Rate;

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

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

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

“Tax Law Change” means a change in or amendment to, the laws or regulations of the United Kingdom, or any political subdivision or authority therein or thereof, having the power to tax, including any treaty to which the United Kingdom is a party, or any change in the application of such laws or regulations, including by a decision of any court or tribunal or the application by any tax authority that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position in respect to similar transactions (in respect of securities similar to the Securities and which are capable of constituting Tier 1 Capital) and which change or amendment or pronouncement (x) (subject to (y)) becomes effective on or after the Issue Date, or (y) in the case of a change in law, if such change is enacted by United Kingdom Act of Parliament or implemented by statutory instrument, if such UK Act of Parliament or statutory instrument is enacted on or after the Issue Date;

“Tier 1 Capital” has the meaning given to it in accordance with the Capital Regulations then applicable to the Group;

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

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

“Volume Weighted Average Price” means, in respect of an Ordinary Share or other Relevant Security on any dealing day, the order book volume-weighted average price of such Ordinary Share or other Relevant Security on the Relevant Stock Exchange on such dealing day as published by or derived from Bloomberg page HP (or any successor page) in respect of such Ordinary Share or other Relevant Security for the Relevant Stock Exchange (which shall, for the avoidance of doubt, be, as at the Issue Date, in the case of an Ordinary Share, STAN LN Equity HP) (using the setting “Weighted Average Line”, or any successor setting) on such dealing day or, if such volume-weighted average price is not available from Bloomberg as aforesaid, in any such case, such other source as shall be determined in good faith to be appropriate by an Independent Adviser on such dealing day, provided that if on any such dealing day such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of an Ordinary Share or other Relevant Security, as the case may be, in respect of such dealing day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding dealing day on which the same can be so determined, or if such volume-weighted average price cannot be determined as provided above, the Volume Weighted Average Price shall be determined as an Independent Adviser might otherwise determine in good faith to be appropriate; and

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

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

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

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

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

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

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

20 Governing Law and Jurisdiction

(a) Governing Law

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

(b) Jurisdiction

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

SUMMARY OF PROVISIONS RELATING TO THE SECURITIES WHILE IN GLOBAL FORM

1. Initial Issue

The Global Certificate has been deposited with a Common Depository.

Upon the initial registration of Securities in the name of any nominee for a Common Depository for the applicable Clearing System(s) and delivery of the Global Certificate to the Common Depository, the applicable Clearing System(s) will credit each subscriber with a principal amount of Securities equal to the principal amount thereof for which it has subscribed and paid.

2. Relationship of Accountholders with Clearing Systems

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

3. Exchange

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

- 3.1 if Euroclear or Clearstream, Luxembourg 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
- 3.2 if principal in respect of any Securities is not paid when due; or
- 3.3 with the consent of the Issuer,

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

4. Exchange Date

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

5. Transfer

Transfers of book-entry interests in the Securities will be effected through the records of the Clearing Systems and their respective direct and indirect participants in accordance with their respective rules and procedures.

Amendment to Conditions

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

1. *Payments*

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

All payments in respect of Securities represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System

Business Day immediately prior to the date for payment (the "Record Date"), where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January.

2. Prescription

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

3. Meetings

All holders of Securities are entitled to one vote in respect of each integral currency unit of the currency of the Securities.

4. Cancellation

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

5. Issuer's Option

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

6. Trustee's Powers

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

7. Notices

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

8. Suspension

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

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

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

Delivery of the Conversion Shares Offer Consideration, if applicable, following a Conversion of the Securities shall be made by the Conversion Shares Depositary in accordance with the applicable Clearing System(s) practices from time to time. The Conversion Shares Settlement Notice must be given in accordance with the standard procedures of the applicable Clearing System(s) (which may include, without limitation, delivery of the notice to the Conversion Shares Depositary by electronic means) and in a form

acceptable to the applicable Clearing System(s) and the Conversion Shares Depository. Any Conversion Shares Settlement Notice delivered prior to the day following the Suspension Date shall be void.

USE OF PROCEEDS

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

THE ISSUER

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

The Group is an international banking and financial services group particularly focused on the markets of Asia, Africa and the Middle East. As at 31 December 2018, the Group had a total workforce of more than 85,000 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 5,000 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 connect its clients multilaterally to investors, suppliers, buyers and sellers and enable them to move capital, manage risk, invest to create wealth, and provide them with bespoke financing solutions.

The Group collaborates increasingly with other segments, introducing Commercial Banking services to clients' ecosystem partners – their networks of buyers, suppliers, customers and service providers – and offering clients' employees banking services through Retail Banking.

The Group is committed to sustainable finance, delivering on its ambitions to increase support and funding for financial products and services that have a positive impact on communities and the environment.

Retail Banking

Retail Banking serves over nine million individuals and small businesses, with a focus on the 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 with services spanning across deposits, payments, financing products and wealth management, as well as supporting their business banking needs.

Retail Banking generates 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 Retail Banking provides a 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 45,000 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 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 financial 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 30 April 2019, the principal subsidiary undertakings of the Issuer 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.

As at 30 April 2019, all the above were directly or indirectly wholly owned subsidiaries of the Issuer, except Standard Chartered Bank (Thai) Public Company Limited, which was 99.87 per cent. indirectly owned by the Issuer, Standard Chartered Bank (Pakistan) Limited, which was 98.99 per cent. indirectly owned by the Issuer, and Standard Chartered Bank Kenya Limited, which was 74.3 per cent. indirectly owned by the Issuer.

Directors

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

J M I Viñals *Group Chairman*¹

W T Winters *Group Chief Executive and Director of SCB*¹

Non-Executive Director of Novartis International AG and an Overseer of International Rescue Committee (IRC).

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

Independent Non-Executive Director of Fubon Financial Holding Co Limited, Managing Partner of Boyu Overseas Services Limited, Fellow and Council Member of the Hong Kong Management Association and a Director of The Friends of Cambridge University in Hong Kong.

D P Conner *Independent Non-Executive Director*

Non-Executive Director of GasLog Ltd.

Dr B E Grote *Independent Non-Executive Director*¹

Non-Executive Director of Tesco plc, Senior Independent Director of Anglo American plc, Deputy Chairman of the Supervisory Board at Akzo Nobel NV and member of the European Audit Committee Leadership Network.

A N Halford *Group Chief Financial Officer and Director of SCB*¹

Senior Independent Director of Marks and Spencer Group plc.

C M Hodgson *Senior Independent Director*¹

Chair of Capgemini UK plc, sits on the board of The Prince of Wales' Business in the Community and is Chair of The Careers & Enterprise Company Limited.

G Huey Evans, OBE *Independent Non-Executive Director*¹

Non-Executive Director of ConocoPhillips and Bank Itau BBA International plc, Non-Executive Member of the UK HM Treasury Board and Chair Designate of the London Metal Exchange with effect from December 2019.

N Kheraj *Independent Non-Executive Director and Deputy Chairman*¹

Chairman of Rothesay Life and a member of the Finance Committee of the Oxford University Press. He is also a senior adviser to the Aga Khan Development Network serving on the boards of various entities within its network.

J Whitbread *Independent Non-Executive Director*¹

Non-Executive Director of BT Group plc.

Dr N Okonjo-Iweala *Independent Non-Executive Director*¹

Independent Director of Twitter inc, Co-Chair of Lumos, Senior Adviser of Lazard, Member of International Advisory Panel of Asian Infrastructure Investment Bank, International Advisory Council Member of MercyCorps, Chair of the African Risk Capacity, Chair of GAVI, the Global Alliance for Vaccines and Immunisations, member of the G20 Eminent Persons Group and is an ambassador of the Open Government Partnership.

C Tong *Independent Non-Executive Director*¹

Non-executive director of the Airport Authority of Hong Kong, Chair of the University Grants Committee, a member of the Hong Kong Exchange Fund Advisory Committee and a member of the Hong Kong Exchange Fund.

D Tang *Independent Non-Executive Director*¹

Managing Director and Partner of NGP Capital in Beijing and non-executive director of Kingsoft Corporation Limited and YY Inc.

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 the Issuer and/or their private interests and other duties which would require disclosure in this Offering Circular. 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 the Issuer and their private interests and/or other duties.

CAPITALISATION AND INDEBTEDNESS OF THE GROUP

The following table sets out the unaudited consolidated capitalisation and indebtedness of the Group as at 31 December 2018 and 31 December 2017 prepared in accordance with the International Financial Reporting Standards as adopted by the EU ("IFRS").

<i>Capitalisation</i>	31 December 2018 U.S.\$ million	31 December 2017 U.S.\$ million
Shareholders' equity		
Allotted, called-up and fully paid share capital		
Ordinary shares	1,654	1,648
Share premium	5,457	5,449
Capital and merger reserves	17,129	17,129
Reserves and retained earnings	20,878	22,279
Other equity instruments	4,961	4,961
Total parent company shareholders' equity (excluding minority interest)	50,079	51,466
Subordinated Liabilities and Other Borrowed Funds		
	31 December 2018 U.S.\$ million	31 December 2017 U.S.\$ million
Subordinated loan capital – issued by subsidiary undertakings		
£700 million 7.75 per cent. subordinated notes 2018	-	956
£675 million 5.375 per cent. undated step up subordinated notes (callable 2020)	296	327
£200 million 7.75 per cent. undated step up subordinated notes (callable 2022)	53	221
\$750 million 5.875 per cent. subordinated notes 2020	754	768
\$700 million 8.0 per cent. subordinated notes 2031	405	426
BWP 127.26 million 8.2 per cent. subordinated notes 2022 (callable 2017)	12	13
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
KRW 90 billion 6.05 per cent. subordinated debt 2018	-	85
SGD 450 million 5.25 per cent. subordinated notes 2023 (callable 2018)	-	339
€700 million 5.875 per cent. subordinated notes 2017	-	-
€400 million 5.875 per cent. subordinated notes 2017	-	-
\$1 billion 6.4 per cent. notes subordinated notes 2017	-	-
PKR 2.5 billion floating rate notes 2022 (callable)	-	-
	1,532	3,236
Subordinated loan capital – issued by the Company		
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	15	16
£900 million 5.125 per cent. subordinated debt 2034	797	1,498
\$2 billion 5.7 per cent. subordinated debt 2044	2,387	2,395
\$2 billion 3.95 per cent. subordinated debt 2023	1,941	1,959
\$1 billion 5.7 per cent. subordinated notes 2022	1,003	1,004
\$1 billion 5.2 per cent. subordinated debt 2024	1,001	1,014
\$750 million 5.3 per cent. subordinated debt 2043	787	787
€1.25 billion 4 per cent. subordinated debt 2025 (callable 2020)	1,472	1,565
€750 million 3.625 per cent. subordinated notes 2022	907	958
€500 million 3.125 per cent. subordinated debt 2024	587	613
SGD 700 million 4.4 per cent. subordinated notes 2026 (callable 2021)	516	531
\$1.25 billion 4.3 per cent. subordinated debt 2027	1,129	1,144
\$500 million 4.886 per cent. subordinated debt 2033	498	-
Other subordinated borrowings – issued by the Company ¹	268	295
	13,469	13,940
Total for Group	15,001	17,176
Total Capitalisation and Indebtedness	65,080	68,642

¹ Other subordinated borrowings includes irredeemable sterling preference shares.

	2018				
	U.S.\$ \$million	GBP \$million	EUR \$million	Others \$million	Total \$million
Fixed rate subordinated debt	9,905	1,414	2,966	528	14,813
Floating rate subordinated debt	161	15	-	12	188
Total	10,066	1,429	2,966	540	15,001

	2017				
	U.S.\$ \$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
Total	9,658	3,313	3,136	1,069	17,176

Notes:

- All subordinated liabilities are unsecured, unguaranteed and subordinated to the claims of other creditors including without limitation, customer deposits and deposits by banks. The Group has the right to settle these debt instruments in certain circumstances as set out in the contractual agreements.
- Liabilities denominated in foreign currencies are translated into U.S. dollars at market exchange rates prevailing at 31 December 2018. The exchange rates used were U.S.\$1.00 = £ 0.7847; U.S.\$1.00 = BWP 10.720; U.S.\$1.00 = KRW 1,115.9071; U.S.\$1.00 = EURO 0.8739; U.S.\$1.00 = PKR 138.8480; U.S.\$1.00 = JPY 109.8450; U.S.\$1.00 = SGD 1.3624.
- Contingent liabilities amounted to U.S.\$42 billion as at 31 December 2018, of which U.S.\$36.5 billion related to guarantees and irrevocable letters of credit.
- The total amount of all other borrowings and indebtedness as at 31 December 2018 was U.S.\$484 billion, including deposits by banks U.S.\$30 billion, customer accounts U.S.\$392 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.\$1.4 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 the Issuer as set out in the above table since 31 December 2018.
- On 15 March 2018, Standard Chartered PLC issued U.S.\$500 million 4.866 per cent. subordinated debt 2033 (callable 2028).
- Redemptions and repurchases during the period:
 - On 19 March 2018, Standard Chartered Bank Korea Limited redeemed KRW90 billion 6.05 per cent. subordinated debt 2018 on its maturity.
 - On 3 April 2018, Standard Chartered Bank redeemed £700m 7.75 per cent. subordinated notes 2018 on its maturity.
 - On 10 April 2018, Standard Chartered Bank exercised its right to redeem SGD450 million 5.25 per cent. subordinated notes 2023 (callable 2018).
 - On 18 April 2018, Standard Chartered Bank exercised its right to redeem JPY10 billion 3.35 per cent. subordinated notes 2023 (callable 2018).
 - On 14 June 2018, Standard Chartered Bank repurchased in part, £95.1 million of its £200 million 7.75 per cent. subordinated notes (callable_2022).
 - On 14 June 2018, Standard Chartered PLC repurchased in part, £372.5 million of its £900 million 5.125 per cent. subordinated debt 2034.

SELECTED FINANCIAL INFORMATION ¹

The following table sets out summary financial information relating to the Group for the five financial years ended 31 December 2018.

	2018	2017	2016	2015	2014
	U.S.\$ million	U.S.\$ million	U.S.\$ million	U.S.\$ million	U.S.\$ million
Operating profit before impairment losses and taxation	3,142	4,008	3,849	4,116	7,289
Impairment losses on loans and advances and other credit risk provisions	(653)	(1,362)	(2,791)	(4,976)	(2,141)
Other impairment	(182)	(499)	(612)	(855)	(1,161)
Profit/(loss) before taxation	2,548	2,415	409	(1,523)	4,235
Profit/(loss) attributable to shareholders	1,054	1,219	(247)	(2,194)	2,613
Loans and advances to banks ²	61,414	78,188	72,609	64,494	83,890
Loans and advances to customers ²	256,557	282,288	252,719	257,356	284,695
Total assets	688,762	663,501	646,692	640,483	725,914
Deposits by banks ³	29,715	30,945	36,894	37,611	54,391
Customer accounts ³	391,013	370,509	371,855	350,633	405,353
Shareholders' equity	45,118	46,505	44,368	46,204	46,432
Total capital resources ⁴	66,203	68,983	68,181	70,364	69,685
Information per ordinary share					
Basic (loss)/earnings per share	18.7c	23.5c	(14.5)c	(91.9)c	97.3c
Underlying earnings/(loss) per share	61.4c	47.2c	3.4c	(6.6)c	138.9c
Dividends per share ⁵	17.0c	-	-	13.71c	81.85c
Net asset value per share	1,319.3c	1,366.9c	1,307.8c	1,366.0c	1,833.9c
Net tangible asset value per share ⁶	1,167.7c	1,214.7c	1,163.9c	1,224.1c	1,610.9c
Return on assets ⁷	0.3%	0.2%	0.0%	(0.3)%	0.4%
Ratios					
Statutory return on ordinary shareholders' equity ⁸	1.4%	1.7%	(1.1)%	(5.3)%	5.5%
Statutory return on ordinary shareholders' tangible equity ⁹	1.6%	2.0%	(1.2)%	(5.9)%	6.3%
Underlying return on ordinary shareholders' equity ⁸	4.6%	3.5%	0.3%	(0.4)%	7.8%
Underlying return on ordinary shareholders' tangible equity ⁹	5.1%	3.9%	0.3%	(0.4)%	9.0%
Statutory cost-income ratio	78.8%	72.2%	72.6%	73.1%	60.2%
Underlying cost-income ratio	69.9%	70.8%	72.2%	67.8%	58.9%
Capital ratios:					
CET1 capital ¹⁰	14.2%	13.6%	13.6%	12.6%	10.5%
Total capital base (CRD IV) ratio ^{10, 11}	21.6%	21.0%	21.3%	19.5%	16.7%

1. The amounts for the four financial years ended 2014 to 2017 are presented in line with IAS 39 and, therefore, not on a comparable basis to 2018 which is presented in accordance with IFRS 9.

2. Excludes amounts held at fair value through profit or loss and includes reverse repurchase agreements and other similar secured lending balances held at amortised cost

3. Excludes amounts held at fair value through profit or loss and repurchase agreements and other similar secured borrowings balances held at amortised cost

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

5. Dividend paid during year per share.

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

8. Weighted average equity for 2018 is U.S.\$44,636 million (2017: U.S.\$44,420 million, 2016: U.S.\$44,831 million, 2015: U.S.\$44,363 million, 2014: U.S.\$45,873 million).

9. Weighted average tangible equity for 2018 is U.S.\$39,613 million (2017: U.S.\$39,450, 2016: U.S.\$40,166 million, 2015: U.S.\$39,859 million, 2014: U.S.\$39,952 million).

10. Published in the 2018 Annual Report but not audited.

11. 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 2018 and 31 December 2017. This information has been extracted without material adjustment from the Group's audited consolidated financial statements for the year ended 31 December 2018 (including comparative figures for the year ended 31 December 2017), each prepared in accordance with IFRS.

	Year ended 31 December	
	2018 U.S.\$million	2017 U.S.\$ million
Operating profit before impairment losses and taxation	3,142	4,008
Credit impairment	(653)	(1,362)
Other impairment		
Goodwill impairment	-	(320)
Other	(182)	(179)
Profit/(loss) from associates and joint ventures	241	268
Profit before taxation	2,548	2,415
Profit/(loss) attributable to parent company's shareholders	1,054	1,219
Loans and advances to banks ¹	61,414	78,188
Loans and advances to customers ¹	256,557	282,288
Total assets	688,762	663,501
Deposits by banks	29,715	30,945
Customer accounts	391,013	370,509
Total parent company shareholders' equity	45,118	46,505
Total capital base (CRD IV)	55,696	58,758

1. Excludes amounts held at fair value through profit or loss and includes reverse repurchase agreements and other similar secured lending balances held at amortised cost.

The following table sets out summary financial information relating to the Group for the financial years ended 31 December 2018 and 31 December 2017. This information has been extracted without material adjustment from the 2018 Annual Report (including comparative figures for the year ended 31 December 2017).

	Year ended 31 December	
	2018	2017
Statutory performance		
Operating income	14,789	14,425
Operating expenses	(11,647)	(10,417)
Credit Impairment	(653)	(1,362)
Goodwill impairment	-	(320)
Other impairment	(182)	(179)
Profit from associates and joint ventures	241	268
Profit before taxation	2,548	2,415
Profit/(loss) attributable to parent company shareholders	1,054	1,219
Profit/(loss) attributable to ordinary shareholders ¹	618	774
Return on ordinary shareholders' equity (%)	1.4	1.7
Return on ordinary shareholders' tangible equity (%)	1.6	2.0
Net interest margin (%)	1.58	1.55
Cost to income ratio (%)	78.8	72.2
Underlying performance		
Operating income	14,968	14,289
Operating expenses	(10,464)	(10,120)
Impairment losses on loans and advances and other credit risk provisions	(740)	(1,200)
Other impairment	(148)	(169)
Profit from associates and joint ventures	241	210
Profit before taxation	3,857	3,010
Return on ordinary shareholders' equity (%)	4.6	3.5
Return on ordinary shareholders' tangible equity (%)	5.1	3.9
Cost to income ratio (%)	69.9	70.8
Total assets	688,762	663,501
Total equity	50,352	51,807
Loans and advances to customers ²	299,371	285,553
Customer accounts ³	437,181	411,724
Total capital	55,696	58,758
Advances-to-deposits ratio (%) ⁵	65.0	67
Common Equity Tier 1 ratio (%) ⁶	14.2	13.6
Total capital (%)	21.6	21.0
UK leverage ratio (%) ⁷	5.6	6.0
	Cents	Cents
Earnings per share – statutory	18.7	23.5
– underlying	61.4	47.2
Ordinary dividend per share ⁴	21.0	11.0
Net asset value per share	1,319.3	1,366.9
Tangible net asset value per share	1,167.7	1,214.7

¹ 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

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

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

⁴ Represents the recommended full year dividend per share

⁵ 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

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

⁷ 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:

2018

	Underlying U.S. \$million	Provision for regulatory matters U.S.\$million	Restructuring U.S.\$million	Gains arising on repurchase of senior and subordinat- ed liabilities U.S.\$million	Statutory U.S.\$ million
Operating income	14,968	-	(248)	69	14,789
Operating expenses	(10,464)	(900)	(283)	-	(11,647)
Operating profit/(loss) before impairment losses and taxation	4,504	(900)	(531)	69	3,142
Impairment losses on loans and advances and other credit risk provisions	(740)	-	87	-	(653)
Other impairment	(148)	-	(34)	-	(182)
Profit from associates and joint ventures	241	-	-	-	241
Profit/(loss) before taxation	3,857	(900)	(478)	69	2,548

2017

	Underlying U.S.\$million	Restructuring U.S.\$million	Net gain on businesses disposed/ held for sale U.S.\$million	Goodwill impairment U.S.\$million	Statutory U.S.\$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

THE GROUP

The information set out on pages 111 to 133 of this document is extracted without material adjustment from the 2018 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 2017, 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 121.

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 5,000 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, operating or investing in Asia, Africa and the Middle East. The Group's strong and deep local presence across these markets enables it to connect its clients multilaterally to investors, suppliers, buyers and sellers and enables them to move capital, manage risk, invest to create wealth, and provides them with bespoke financing solutions.

The Group collaborates increasingly with other segments: introducing Commercial Banking services to the Group's clients' ecosystem partners – their networks of buyers, suppliers, customers and service providers – and offering its clients employee banking services through Retail Banking.

The Group is committed to sustainable finance, delivering on its ambitions to increase support and funding for financial products and services that have a positive impact on the Group's communities and environment.

Strategic priorities

- Deliver sustainable growth for clients by understanding their agendas, providing trusted advice and data-driven analytical insights, and strengthening leadership in flow business.
- Generate high-quality returns by driving balance sheet velocity, improving funding quality and maintaining risk controls.
- Partner with clients and strategically selected third parties to expand capabilities and to address emerging client needs while driving innovation and efficiency

Priorities

- Completed on-boarding of over 100 new OECD clients, and continued to deepen relationships with existing clients.
- More closely aligned the Corporate & Institutional Banking and Commercial Banking segments, generating synergies across deal origination and capital allocation.
- The Group's momentum in developing and connecting its clients' ecosystems continues with over 81 buyers (2017: 43) and 2,625 suppliers (2017: 2,099) on-boarded.
- Improved balance sheet quality, with investment-grade clients now representing 57 per cent. of customer loans and advances (2017: 57 per cent.) and high quality operating account balances improving to 49 per cent. of Transaction Banking customer balances (2017: 48 per cent.).
- Co-founded the Trade Information Network which aims to be the first inclusive global multi-bank, multi-corporate network in trade finance. The network will provide clients and participants with a standardised platform driving improved financing optionality, pricing transparency and efficiency.

Performance highlights

- Underlying profit before taxation of U.S.\$2,072 million was up 64 per cent. year-on-year primarily driven by higher income and lower credit impairment.
- Underlying income of U.S.\$6,860 million was up 6 per cent. year-on-year primarily driven by Cash Management and Financial Markets income which partially offset margin compression in Corporate Finance and Trade Finance. Good balance sheet momentum with loans and advances to customers up 11 per cent. year-on-year.
- Return on equity (“RoE”) improved from 3.9 to 6.8 per cent. and return on tangible equity (“RoTE”) improved from 4.4 to 7.4 per cent.

Retail Banking

Segment overview

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

Retail Banking generates approximately one-third of the Group’s operating income and one-quarter of its 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 Retail Banking provides a high-quality liquidity source 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 driving digitisation, cost efficiencies and simplifying 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 the share of income from Priority clients from 45 per cent. in 2017 to 47 per cent. as a result of strong Wealth Management and Deposit income growth and increasing client numbers.
- Launched the first digital-only bank in Côte d’Ivoire with a plan to roll out across other markets in the Africa & Middle East region and develop stand-alone digital banking propositions in key markets in Asia.
- Launched real time on-boarding in India, enabling straight-through current and savings account opening and more efficient Credit Cards and Personal Loan applications with significantly improved customer experience.

- Launched Premium Banking in eight markets.
- A further improvement in digital adoption, with nearly 49 per cent. of clients now actively using online or mobile banking compared to 45 per cent. in 2017.

Performance highlights

- Underlying profit before taxation of U.S.\$1,033 million was up 18 per cent. year-on-year as income growth and lower credit impairment more than offset increased expenses.
- Underlying income of U.S.\$5,041 million was up 4 per cent. year-on-year with growth of 8 per cent. in Greater China & North Asia and 4 per cent. in ASEAN & South Asia partially offsetting a 6 per cent. decline in Africa & Middle East.
- Strong income momentum from Deposits with improved margins and balance growth together with growth in Wealth Management, particularly in the first half of the year. Together, Deposits and Wealth Management income, representing 61 per cent. of Retail Banking income, grew 15 per cent. year-on-year.
- RoE improved from 9.2 to 10.8 per cent. and RoTE improved from 10.3 to 11.8 per cent.

Commercial Banking

Segment overview

Commercial Banking serves over 45,000 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. The Group 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 purpose to drive commerce and prosperity through the Group's unique diversity.

Strategic priorities

- Drive quality sustainable growth by deepening relationships with existing clients and on-boarding new clients focusing on rapidly growing and internationalising companies.
- Improve balance sheet and income mix, accelerating cash and FX growth.
- Continue to enhance capital allocation discipline and credit risk management.
- Improve client experience, leveraging technology and investing in frontline training, tools and analytics.

Progress

- On-boarded over 6,400 new clients in 2018, of which 19 per cent. came from the Group's clients' international and domestic networks of buyers and suppliers.

- Increased share of income from cash and FX products to 44 per cent. (up from 39. per cent. in 2017).
- Strengthened foundations in credit risk management and improved asset quality, with RWA efficiency improving from 78 per cent. in 2017 to 74 per cent. in 2018. However, gross credit impairments remain elevated, partially offset by recoveries.
- Increased Straight2Bank utilisation by Commercial Banking active clients from 52 per cent. in 2017 to 58 per cent. in 2018.
- Rolled out new digital platform to empower frontline staff with client analytics and data-driven insights into clients' needs.

Performance highlights

- Underlying profit before taxation of U.S.\$224 million was down 21 per cent. year-on-year due to higher credit impairments in Africa & Middle East.
- Underlying income of U.S.\$1,391 million was up 4 per cent. year-on-year, mainly driven by growth from Cash. Income was up 11 per cent. in Greater China & North Asia and up 4 per cent. in ASEAN & South Asia, partially offsetting a 6 per cent. decline in Africa & Middle East.
- RoE declined from 3.9 to 3.1 per cent. and RoTE declined from 4.4 to 3.4 per cent.

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 financial centres: Hong Kong, Singapore, London, Jersey, Dubai and Mumbai.

Strategic priorities

- Leverage the significant wealth creation and wealth transfers taking place in the Group's markets to achieve greater scale in the business.
- Make it easier for clients to access products and services across the Group.
- Improve clients' experience and grow the Group's share of client's assets under management by enhancing the Group's advisory proposition and reducing the turnaround time of the investment process.
- Implementation of a rigorous controls enhancement plan to balance growth and controls.

Progress

- Targeted marketing of the Group's investment philosophy and advisory capabilities which are both focused on mitigating biases in clients' investment decisions, in order to continue the Group's shift towards clients with more than U.S.\$5 million in assets under management.
- Leveraged the Group's new open architecture platforms for Equity Structured Products, Fixed Income and FX/FX Derivatives to significantly enhance trading activity and simplified critical processes to reduce client transaction time.
- Continued investment in building a senior team of frontline relationship managers across the Group's markets.
- Strengthened the Group's client position through the referrals programme to and from Commercial and Corporate & Institutional Banking.

Performance highlights

- Private Banking generated an underlying income of U.S.\$516 million which was up 3 per cent. year-on-year, making a second consecutive year of top line growth in the Group's third year of transformation. The income growth was mainly driven by improved product margins across Retail Deposits and Wealth Lending and higher Managed Investment income. Wealth Management and Retail Products income were up 2 per cent. and 5 per cent. respectively.
- There was an underlying loss before taxation of U.S.\$14 million however, compared with a loss of U.S.\$1 million in the prior period, due to non-recurrence of cost provision release in the prior year (U.S.\$10 million) and an increase in largely one-off costs including a regulatory fine (U.S.\$5 million).
- Assets under management decreased by U.S.\$5 billion or 8 per cent. from 31 December 2017, mainly impacted by negative market movements offsetting net new money growth of U.S.\$0.7 billion during the year.
- RoE and RoTE declined from (0.1) to (1.0) per cent.

Greater China & North Asia

Region overview

Greater China & North Asia generated the largest share of the Group's income in 2018 at 41 per cent., 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 and strong regional presence, distinctive proposition and continued investment positions it strongly to capture opportunities as they arise from the continued 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 Greater Bay Area, renminbi, Belt & Road Initiative, onshore capital markets and mainland wealth, as well as from the Group's development in its digital capabilities.
- Strengthen market position in Hong Kong, and improve performance in China and Korea.

Progress

- The Group has been active in the opening of China's capital markets, helping overseas investors do business through channels such as Bond Connect, Stock Connect and the Qualified Domestic Institutional Investor initiative.
- Good progress in Retail Banking in Hong Kong attracted more than 51,000 new Priority clients during the year and increased the Group's active qualified Priority clients by 11 per cent.
- In August, the Group applied for a virtual bank licence in Hong Kong and has been working to develop a strong platform and client proposition.
- The Group has delivered a small profit in Retail Banking in Korea and refreshed the strategic agenda in Retail Banking China where performance remained broadly flat.

Performance highlights

- Underlying profit before taxation of U.S.\$2,369 million was 22 per cent. higher year-on-year with income growth and lower credit impairment partially offset by increased expenses as the Group continued to invest.
- Underlying income of U.S.\$6,157 million was 10 per cent. higher year-on-year, with broad based growth across all markets and client segments particularly in Hong Kong and China. Retail Banking income grew 8 per cent. and Private Banking was up 13 per cent. year-on-year driven by Wealth Management and Deposits with improving margins and strong balance sheet growth. Corporate & Institutional Banking and Commercial Banking income grew 12 per cent. and 11 per cent. year-on-year respectively, driven by Cash Management and Corporate Finance.
- Balance sheet momentum was sustained with loans and advances to customers up 3 per cent. and customer accounts up 6 per cent. year-on-year.

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 across many key South Asian markets – which is a key component of the Group's international offering to corporate and institutional clients. The two markets in the region contributing the highest income are Singapore and India, where the Group has had a deep-rooted presence for more than 160 years.

The region generates over a quarter of the Group's income. Within the region, Singapore is home to the majority of the Group's global business and functional leadership 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 actively generated from the Belt & Road Initiative, continued strong investment and a rising middle class which is driving consumption growth and digital connectivity.

Strategic priorities

- Deliver comprehensive client propositions in larger markets and a targeted offering in smaller, high-growth markets; invest in technology and digital capabilities to build scale and offer best-in-class client experience.
- Support clients' cross-border activities and expansions building on the ASEAN corridor (intra-ASEAN, ASEAN-China, ASEAN-India) and leverage the strength of the Group's international network in Asia, Africa and the Middle East.
- Deploy cost and capital to higher returning businesses and reshape sub-scale and unprofitable ones.

Progress

- Eight out of 12 markets grew in both income and operating profit, reflecting the actions taken to deliver broad-based growth.
- Delivered strong growth in targeted client segments – the Group added 10,000 Priority Banking clients, 2,000 Commercial Banking clients; Global Subsidiary and Priority Banking income grew strongly.
- Shift to capital-lite business making progress – Retail Banking and Transaction Banking current accounts and savings accounts (CASA) income grew double-digit and risk-weighted assets reduced by 9 per cent. As a result, over 50 per cent. of the Group's income was from capital-lite products.
- Launched market-leading digital capabilities to drive a better client experience, including real-time on-boarding in India and Retail Banking digital journeys in Singapore, India and Malaysia.

Performance highlights

- Underlying profit before taxation almost doubled year-on-year to U.S.\$970 million, underpinned by 4 per cent. income growth, costs up 2 per cent. and 51 per cent. lower credit impairments from improved credit quality and recoveries.
- Underlying income of U.S.\$3,971 million is 4 per cent. higher year-on-year, with income growth in Retail Banking, Corporate & Institutional Banking and Commercial Banking offsetting an income decline in Private Banking which was impacted by slower market activity.
- Risk-weighted assets declined by 9 per cent. year-on-year as the Group improved the asset quality mix; customer deposits were up 2 per cent., customer loans and advances declined 1 per cent. year-on-year mainly in mortgages.

Africa & Middle East

Region overview

The Group has a deep-rooted heritage of over 160 years in Africa & Middle East and is present in 25 markets, of which the UAE, Nigeria, Pakistan and Kenya are the largest by income. The Group is present in more sub-Saharan African markets than any other international banking group.

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 China's Belt and Road Initiative and the Group is well placed to facilitate these flows.

Macroeconomic and geopolitical headwinds in 2018 impacted income momentum across both the Middle East and Africa; however, the Group 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

- Continue to provide best-in-class structuring and financing solutions and drive origination through client initiatives.
- Invest in market-leading digitisation initiatives in Retail Banking to protect and grow market share in core markets; continue with the Group's retail transformation agenda to recalibrate the Group's network and streamline structures.
- De-risk and improve the quality of income with continuous focus on return enhancements.

Progress

- After a successful launch of a digital-only bank in Côte d'Ivoire in the first half of 2018, the Group is extending this to other markets in Africa.
- Despite geopolitical and macroeconomic headwinds, enhanced risk profile and tighter underwriting standards led to lower credit impairments year-on-year.
- Cost efficiencies have allowed investments to continue through the cycle.

Performance highlights

- Underlying profit before taxation of U.S.\$532 million was down 17 per cent. year-on-year, driven by lower income partially offset by credit impairment with expenses largely flat. Good performance in East Africa and Saudi Arabia with underperformance in West Africa, Southern Africa and the UAE.
- Underlying income of U.S.\$2,604 million was down 6 per cent. year-on-year due to macro and geopolitical headwinds and material currency devaluation in some of the Group's markets. Middle East, North Africa and Pakistan were 6 per cent. lower and Africa was down 5 per cent. Transaction Banking and income was largely flat, Financial Markets income declined due to lower volatility while Corporate Finance and Retail products reported an income decline year-on-year with lower margins more than offsetting volume growth.
- Credit impairment was down U.S.\$38 million year-on-year driven by improved risk profile through tighter underwriting standards.
- Loans and advances to customers were up 1 per cent. year-on-year and customer accounts declined 6 per cent.

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 corporate and institutional 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 institution clients and deepen relationships with existing and new clients by banking them across more markets in the Group's network.
- Scale up the Group's continental European business.
- 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.
- Leverage the Group's network capabilities as new e-commerce based industries grow internationally.

Progress

- Good progress in improving the share of business from targeted multinational corporate clients with income up 48 per cent. and 9 per cent. from 'New 90' OECD and 'Next 100' client initiatives respectively.
- Continued to diversify and selectively expand the Group's client base in the region.
- Delivered high returns through improved quality of income combined with risk-weighted assets optimisation.
- Continued to improve the quality of the Group's funding base by increasing the proportion of operating account liabilities relative to the Group's balance sheet size.
- Set up a new subsidiary in Frankfurt to continue to serve the Group's European client base whether or not the UK leaves the EU.

Performance highlights

- Underlying profit before taxation of U.S.\$154 million more than doubled year-on-year from continued growth in income and lower credit impairments driven by an improvement in underlying credit quality. Expenses grew 3 per cent. as investments in platforms and people were offset by lower regulatory expense.
- Underlying income of U.S.\$1,670 million was up 4 per cent. year-on-year driven by strong momentum in Transaction Banking and Private Banking.
- Income growth was broad-based with a number of markets growing at a double-digit rate and income generated by the Group's clients but booked elsewhere in the network increased 8 per cent. in 2018.
- Loans and advances to customers were up 22 per cent. year-on-year and customer accounts grew 16 per cent.

Performance summary

The Group's income grew in 2018 at a faster rate than costs while maintaining discipline over the quality of new asset origination. Together with lower risk-weighted assets, this has resulted in another significant improvement in returns on a fundamentally more resilient platform.

All commentary that follows is on an underlying basis unless otherwise stated and a reconciliation to the Group's statutory accounts is provided in Note 2 on page 244 of the 2018 Annual Report. Comparisons are made to the full-year 2017 unless otherwise stated.

- Profit before tax of U.S.\$3.9 billion was 28 per cent. higher. Statutory profit before tax, which is stated after regulatory provisions and restructuring and other items of \$1.3 billion, rose 6 per cent.
- Operating income of U.S.\$15.0 billion grew 5 per cent. A strong performance in Transaction Banking, good growth in Retail Products and slightly lower growth in Wealth Management and Financial Markets more than offset lower income in Corporate Finance.
- The Group's net interest margin increased to 1.58 per cent. and remained stable in the fourth quarter.
- Operating expenses excluding the UK bank levy of \$10.1 billion were up 2 per cent. Continued discipline on costs has enabled significant investment into improving the business with a greater proportion targeted at technology-enabled productivity improvements.
- Credit impairment of U.S.\$740 million was lower by 38 per cent. reflecting the focus on higher-quality origination within tightened risk tolerances.
- Other impairment of U.S.\$148 million related primarily to transport leasing assets. The Group has taken the decision to discontinue its ship leasing business and future profit and losses associated with the related portfolio will be reported as restructuring.
- Profit from associates and joint ventures of U.S.\$241 million was 15 per cent higher following a return to profitability of the Group's joint venture in Indonesia.
- The Group has made a U.S.\$900 million provision in respect of legacy financial crime control matters and FX trading issues.
- Restructuring and other items of U.S.\$409 million relate primarily to Principal Finance and included charges in the fourth quarter of U.S.\$158 million, following the announced sale of the majority of the Group's related investment portfolios, and U.S.\$169 million related to the refreshed priorities announced today.
- The underlying effective tax rate excluding the impact of tax on regulatory provisions, restructuring and other normalised items was 34.6 per cent. compared to 32.0 per cent. in 2017.
- The Group's Common Equity Tier 1 (CET1) ratio increased 60 basis points to 14.2 per cent., just above the Group's updated target range of 13-14 per cent.
- The Group's return on equity improved 110 basis points to 4.6 per cent. and return on tangible equity improved 120 basis points to 5.1 per cent.
- The improved performance and strong capital position underpins the Board's decision to recommend a final dividend of 15 cents per ordinary share, a 36 per cent. increase. This takes the full-year 2018 ordinary dividend to 21 cents per share.

	2018 U.S.\$ million	2017 U.S.\$ million	Better/(worse) %
Net interest income	8,840	8,216	8
Other income	6,128	6,073	1
Operating income	14,968	14,289	5
Other operating expenses excluding UK bank levy	(10,140)	(9,900)	(2)
UK bank levy	(324)	(220)	(47)
Operating expenses	(10,464)	(10,120)	(3)
Operating profit before impairment losses and taxation	4,504	4,169	8
Impairment losses on loans and advances and other credit risk provisions	(740)	(1,200)	38
Other impairment	(148)	(169)	12
Profit from associates and joint ventures	241	210	15
Underlying profit before taxation	3,857	3,010	28
Provision for regulatory matters	(900)	-	nm
Restructuring and other items	(409)	(595)	31
Statutory profit before taxation	2,548	2,415	6
Taxation	(1,439)	(1,147)	(25)
Profit/(loss) for the period	1,109	1,268	(13)
Net interest margin (%)	1.58	1.55	
Underlying return on equity (%)	4.6	3.5	
Underlying return on tangible equity (%)	5.1	3.9	
Statutory return on equity (%)	1.4	1.7	
Statutory return on tangible equity (%)	1.6	2.0	
Underlying earnings per share (cents)	61.4	47.2	
Statutory earnings/(loss) per share (cents)	18.7	23.5	
Dividend per share (cents)	21.0	11.0	
Common Equity Tier 1 (%)	14.2	13.6	

Underlying Income

Operating income growth of 5 per cent. was in line with the Group's medium-term target range with all client segments and all regions contributing positively, with the exception of the Africa & Middle East region that was impacted by challenging economic conditions generally and local currency devaluation.

Net interest income grew 8 per cent. with sustained momentum in Cash Management and Deposits more than offsetting the impact of asset margin compression. Wealth Management income grew 3 per cent. but weaker investor sentiment in the fourth quarter resulted in 14 per cent. lower income compared to the same period in 2017.

- Corporate & Institutional Banking income was 6 per cent. higher after a resilient fourth quarter performance, including in Financial Markets. The focus on high-quality operating accounts and the benefit of rising global interest rates resulted in a 22 per cent. increase in income from Cash Management and Custody that more than offset the impact of asset margin compression in Corporate Finance and Trade Finance.
- Retail Banking income was up 4 per cent. driven by 8 per cent. growth in Greater China & North Asia and 4 per cent. growth in ASEAN & South Asia, that together offset lower income in Africa & Middle East. Although income was slightly lower in the fourth quarter the business continues to increase the proportion of income it generates from serving affluent and emerging affluent clients.
- Commercial Banking income was up 4 per cent. Income in Greater China & North Asia and ASEAN & South Asia grew 11 per cent. and 4 per cent. respectively. Together this offset 6 per cent. lower income from Africa & Middle East.
- Private Banking attracted U.S.\$0.7 billion net new money and income was 3 per cent. higher with growth across all products.
- Income in Central & other items (segment) was 3 per cent. higher as Treasury income benefited from rises in global interest rates.
- Income from Greater China & North Asia increased 10 per cent. with broad-based improvement across all markets and client segments, particularly in Hong Kong and China.
- Income from ASEAN & South Asia was 4 per cent. higher with growth in most markets, particularly in Singapore where income was up 9 per cent. Excluding one-off Treasury gains from the prior period,

income in India was broadly stable.

- Income from Africa & Middle East was 6 per cent. lower and 3 per cent. lower on a constant currency basis as macroeconomic conditions in the region remained challenging.
- Europe & Americas income grew 4 per cent. with 10 per cent. higher income in the UK, where a greater proportion is derived from corporate clients, more than offsetting 1 per cent. lower income in the U.S.

Underlying Expenses

Operating expenses excluding the UK bank levy were slightly lower half-on-half and up 2 per cent. year-on-year, generating 3 per cent. positive income-to-cost operating leverage (“jaws”). Increases were driven by new investments in people and technology as well as the amortisation of investments made in prior years. The Group will continue to maintain tight control of costs to enable cash investment at a similar elevated rate with a growing proportion into technology-enabled initiatives to deliver improvements in productivity. As a result, it is expected that expenses between 2019 and 2021 will continue to grow below the rate of inflation with a target to deliver significantly positive jaws.

Underlying Impairment

Credit impairment of U.S.\$740 million was 38 per cent. lower, driven by a significant reduction in impairment in Corporate & Institutional Banking that reflects the continued focus on high-quality new origination. This was partially offset by an increase in Commercial Banking, primarily due to a small number of exposures in the Middle East.

Other impairment of U.S.\$148 million related primarily to transport leasing assets.

Profit from associates and joint ventures

Profit from associates and joint ventures of U.S.\$241 million reflected a return to underlying profitability of the Group’s joint venture in Indonesia.

Overall

As a result profit before tax of U.S.\$3.9 billion was 28 per cent. higher and statutory profit before tax of U.S.\$2.5 billion which is stated after regulatory provisions, restructuring and other items was 6 per cent. higher.

	2018 U.S.\$ million	2017 U.S.\$ million	Better/(worse) %
Corporate & Institutional Banking	2,072	1,261	64
Retail Banking	1,033	873	18
Commercial Banking	224	282	(21)
Private Banking	(14)	(1)	nm
Central & other items	542	595	(9)
Underlying profit before taxation	3,857	3,010	28
Greater China & North Asia	2,369	1,942	22
ASEAN & South Asia	970	492	97
Africa & Middle East	532	642	(17)
Europe & Americas	154	71	nm
Central & other items	(168)	(137)	(23)
Underlying profit before taxation	3,857	3,010	28

Net interest margin

The Group’s net interest margin is calculated on a statutory basis. Statutory net interest income grew 7 per cent. to U.S.\$8.8 billion and the Group’s net interest margin increased 3 basis points to 1.58 per cent.. Rises in global interest rates have benefited asset yields and interest-earning assets have grown faster than interest-bearing liabilities. Together this offset an increase in the rate paid on liabilities particularly in markets like India and China where the Group has a higher proportion of more rate-sensitive customer deposits.

As interest rates rose there was a greater propensity among some clients to switch to higher rate time

deposits that, coupled with competitive pressures on asset yields, resulted in net interest income growing more slowly in the second half. This switching however was not evident in the fourth quarter.

The Group maintains a large proportion of less rate-sensitive current accounts and savings deposits that since 2017 have increased 139 basis points to 32 per cent. of total average liabilities. The Group is executing a number of operational initiatives and planned legal entity changes to further improve the mix of liabilities and expects to continue to benefit from rises in global interest rates as monetary policy normalises, albeit at a reducing rate as the rate-hike cycle matures.

	2018 U.S.\$million	2017 U.S.\$million
Statutory net interest income	8,793	8,181
Average interest-earning assets	558,135	527,691
Average interest-bearing liabilities	484,068	475,432
Gross yield (%)	3.09	2.74
Rate paid (%)	1.75	1.32
Net yield (%)	1.34	1.42
Net interest margin (%) ¹	1.58	1.55

Credit quality

Continued focus on high-quality origination within a more granular risk appetite has enabled sustained improvements in credit quality in 2018 and resulted in a balance sheet that is significantly more resilient. This is evidenced by the increase in exposure to investment grade clients from 57 per cent. to 62 per cent.

The Group remains alert to broader geopolitical uncertainties and performs regular reviews and stress tests to identify early signs of emerging risks.

IFRS 9 became effective from 1 January 2018 and the Group has not restated comparative information. Accordingly, comparisons are made to balances as at 1 January 2018. This primarily impacts credit impairment, which is determined using an expected credit loss approach under IFRS 9 compared with an incurred loss approach under IAS 39 (please refer to page 155 and Note 41 (Transition to IFRS 9 Financial Instruments) published in the 2018 Annual Report).

Ongoing business

Gross credit-impaired (stage 3) loans in the ongoing business of U.S.\$5.6 billion were U.S.\$894 million lower. A lower level of new inflows, particularly in Corporate & Institutional Banking, as well as debt sales, write-offs and repayments more than offset higher inflows of Commercial Banking exposures that had been on early alert for some time. The cover ratio of stage 3 loans in the ongoing business remained stable both before and after collateral, credit grade 12 accounts were broadly unchanged at U.S.\$1.4 billion and early alerts were down U.S.\$3.9 billion or 45 per cent.

Liquidation portfolio

Gross loans and advances in the liquidation portfolio were lower by U.S.\$887 million reflecting further significant progress made exiting these exposures since 2015. The remaining U.S.\$1.4 billion gross loans and advances are 93 per cent. covered after collateral. Recognising that the Group has substantially completed the run-down of this portfolio it will be reported in underlying performance in 2019.

	2018 U.S.\$million			01.01.18 U.S.\$million		
	Ongoing business	Liquidation portfolio	Total	Ongoing business	Liquidation portfolio	Total
Gross loans and advances to customers ¹	260,094	1,361	261,455	255,589	2,248	257,837
Of which stage 1 and 2	254,445	86	254,531	249,046	22	249,068
Of which stage 3	5,649	1,275	6,924	6,543	2,226	8,769
Expected credit loss provisions	(3,932)	(966)	(4,898)	(4,704)	(1,626)	(6,330)
Of which stage 1 and 2	(838)	(4)	(842)	(1,048)	-	(1,048)
Of which stage 3	(3,094)	(962)	(4,056)	(3,656)	(1,626)	(5,282)
Net loans and advances to customers	256,162	395	256,557	250,885	622	251,507
Of which stage 1 and 2	253,607	82	253,689	247,998	22	248,020
Of which stage 3	2,555	313	2,868	2,887	600	3,487

Cover ratio of stage 3 before collateral (%)	55	75	59	56	73	60
Cover ratio of stage 3 after collateral (%)	79	93	81	78	88	81
Credit grade 12 accounts (U.S.\$million)	1,437	86	1,523	1,483	22	1,505
Early alerts (U.S.\$million)	4,767	-	4,767	8,668	-	8,668
Investment grade corporate exposures (%)	62	-	62	57	-	57

1 Includes reverse repurchase agreements and other similar secured lending held at amortised cost of U.S.\$3,151 million at 31 December 2018 and U.S.\$4,566 million at 1 January 2018

Restructuring and other items

The Group's statutory performance is adjusted for profits or losses of a capital nature, amounts consequent to investment transactions driven by strategic intent, other infrequent and/or exceptional transactions that are significant or material in the context of the Group's normal business earnings for the period and items which management and investors would ordinarily identify separately when assessing performance period by period.

The Group took a provision of U.S.\$900 million in the fourth quarter of 2018 for penalties relating to previously disclosed matters, namely, the U.S. investigation into historical violation of sanctions laws and regulations, the decision notice from the Financial Conduct Authority concerning the Group's historical financial crime controls, and investigations related to foreign exchange trading issues. The Group took a further and final charge of U.S.\$190 million in the first quarter of 2019. Further details of these and other legal and regulatory matters can be found in Note 26 on page 305 of the 2018 Annual Report.

Restructuring charges of U.S.\$478 million related primarily to Principal Finance and included a U.S.\$158 million charge following the announced agreement to sell the majority of the business's related investment portfolio. The total restructuring charge arising from the Group's planned actions announced in 2015 totalled U.S.\$3.4 billion.

As well as the fourth quarter restructuring charge related to Principal Finance the Group has as a result of the refreshed strategic priorities announced in the 2018 Annual Report incurred a U.S.\$124 million expense to reduce ongoing costs and U.S.\$34 million other impairment related to the decision to discontinue the ship leasing business. The Group expects to incur a further U.S.\$500 million of restructuring charges over the next three years in order to execute the refreshed priorities.

Following the Group's decision that its joint venture investment in PT Bank Permata Tbk is no longer core, profits related to it will in 2019 be reported in restructuring.

	2018			2017	
	Provision for regulatory matters U.S.\$million	Restructuring U.S.\$million	Other items U.S.\$million	Restructuring U.S.\$million	Other items U.S.\$million
Operating income	-	(248)	69	58	78
Operating expenses	(900)	(283)	-	(297)	-
Credit impairment	-	87	-	(162)	-
Other impairment	-	(34)	-	(10)	(320)
Profit from associates and joint ventures	-	-	-	58	-
Profit/(loss) before taxation	(900)	(478)	69	(353)	(242)

Balance sheet and liquidity

The Group's balance sheet is strong, highly liquid and diversified.

Loans and advances to customers were up 2 per cent. to U.S.\$257 billion with broad-based growth across a range of products. Customer accounts were up 5 per cent. as the Group continued to focus on improving the quality and mix of its liabilities.

The advances-to-deposits ratio increased slightly to 65 per cent.

As a result of classification and measurement of financial assets under IFRS 9, U.S.\$45 billion of reverse repurchase agreement assets and U.S.\$38 billion of repurchase agreement liabilities were on 1 January 2018 reclassified as financial assets held at fair value through profit or loss. Further details are provided in

Note 13 on page 269 of the 2018 Annual Report.

	IFRS 9 31.12.18 U.S.\$million	IFRS 9 01.01.18 U.S.\$million	IAS 39 31.12.17 U.S.\$million	31.12.18 vs 01.01.18 Increase / (decrease) U.S.\$million	31.12.18 vs 31.12.17 Increase / (decrease) %
Assets					
Loans and advances to banks ¹	61,414	62,295	78,188	(1)	(21)
Loans and advances to customers ¹	256,557	251,507	282,288	2	(9)
Other assets	370,791	348,963	303,025	6	22
Total assets	688,762	662,765	663,501	4	4
Liabilities					
Deposits by banks	29,715	30,945	30,945	(4)	(4)
Customer accounts	391,013	370,509	370,509	6	6
Other liabilities	217,682	210,365	210,240	3	4
Total liabilities	638,410	611,819	611,694	4	4
Equity	50,352	50,946	51,807	(1)	(3)
Total equity and liabilities	688,762	662,765	663,501	4	4
Advances-to-deposits ratio ²	65%		67%		
Liquidity coverage ratio	0%		146%		

1 Includes reverse repurchase agreements and other similar secured lending balances held at amortised cost

2 Excludes reverse repurchase and repurchase agreements and other similar secured lending and borrowing balances

Risk-weighted assets by business and type

Since 31 December 2017, total risk-weighted assets (“RWA”s) reduced by 8 per cent. or U.S.\$21.5 billion. On a constant currency basis RWAs were 5 per cent. or U.S.\$15.6 billion lower.

Credit risk RWA was U.S.\$15.1 billion lower or U.S.\$9.4 billion on a constant currency basis with decreases primarily in Corporate & Institutional Banking due to net positive credit migration and ongoing RWA efficiency actions.

Market risk RWA decreased by U.S.\$3.9 billion. Around half of the reduction related to the full recognition for certain structured products in the Group’s Internal Models Approach from March 2018. The remainder followed a reduction in trading book debt security holdings.

Operational risk RWA was U.S.\$2.4 billion lower due to a decrease in the average income over a rolling three-year time horizon, as lower 2017 income replaced higher 2014 income.

Risk-weighted assets by business and type

	31.12.18 \$million	31.12.17 \$million	Increase/ (decrease) \$million	Increase/ (decrease) %
By client segment				
Corporate & Institutional Banking	128,991	147,102	(18,111)	(12)
Retail Banking	42,903	44,106	(1,203)	(3)
Commercial Banking	30,481	33,068	(2,587)	(8)
Private Banking	5,861	5,943	(82)	(1)
Central & other items	50,061	49,529	532	1
Total risk-weighted assets	258,297	279,748	(21,451)	(8)
By risk type				
Credit risk	211,138	226,230	(15,092)	(7)
Operational risk	28,050	30,478	(2,428)	(8)
Market risk	19,109	23,040	(3,931)	(17)

Capital base and ratios

The Group's capital and liquidity positions are strong with all metrics remaining above regulatory thresholds. The CET1 ratio of 14.2 per cent. was 60 basis points higher, driven by lower RWA.

The Group invited holders of a number of GBP-denominated subordinated and senior securities to tender their notes for repurchase by the Group. As a result of this liability management exercise and other movements, Tier 2 capital was lower by U.S.\$1.6 billion.

The Board has recommended a 36 per cent. higher final ordinary dividend of 15 cents per ordinary share that, together with the interim dividend of 6 cents per ordinary share, would result in a full-year dividend of U.S.\$694 million compared with U.S.\$363 million in 2017 when no interim dividend was paid. The final ordinary dividend was paid on 16 May 2019.

	IFRS9	IAS39
	31.12.18	31.12.17
	U.S.\$million	U.S.\$million
Common Equity Tier 1 capital	36,717	38,162
Additional Tier 1 capital (AT1) instruments	6,684	6,699
Tier 1 capital	43,401	44,861
Tier 2 capital	12,295	13,897
Total capital	55,696	58,758
Common Equity Tier 1 capital ratio end point (%)	14.2	13.6
Total capital ratio transitional (%)	21.6	21.0
UK leverage ratio (%)	5.6	6.0

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2018

	2018 U.S.\$ million	2017 U.S.\$ million
Interest income	17,264	14,435
Interest expense	(8,471)	(6,254)
Net interest income	8,793	8,181
Fees and commission income	4,029	3,942
Fees and commission expense	(537)	(430)
Net fees and commission income	3,492	3,512
Net trading income	1,683	1,527
Other operating income	821	1,205
Operating income	14,789	14,425
Staff costs	(7,074)	(6,758)
Premises costs	(790)	(823)
General administrative expenses	(2,926)	(2,007)
Depreciation and amortisation	(857)	(829)
Operating expenses	(11,647)	(10,417)
Operating profit before impairment losses and taxation	3,142	4,008
Impairment losses on loans and advances and other credit risk provisions	(653)	(1,362)
Other impairment		
Goodwill	-	(320)
Other	(182)	(179)
Profit/(loss) from associates and joint ventures	241	268
Profit before taxation	2,548	2,415
Taxation	(1,439)	(1,147)
Profit for the year	1,109	1,268
Profit attributable to		
Non-controlling interests	55	49
Parent company shareholders	1,054	1,219
Profit for the year	1,109	1,268
	cents	cents
Earnings per share:		
Basic earnings per ordinary share	18.6	23.5
Diluted earnings per ordinary share	18.5	23.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	2018 U.S.\$ million	2017 U.S.\$ million
Profit for the year	1,109	1,268
Other comprehensive (loss)/income		
Items that will not be reclassified to Income statement:	382	(238)
Own credit gains/(losses) on financial liabilities designated at fair value through profit or loss	394	(249)
Equity instruments at fair value through other comprehensive income	36	-
Actuarial (losses)/gains on retirement benefit obligations	(19)	32
Taxation relating to components of other comprehensive income	(29)	(21)
Items that may be reclassified subsequently to income statement:	(1,189)	1,532
Exchange differences on translation of foreign operations:		
Net (losses)/gains taken to equity	(1,462)	1,637
Net gains/(losses) on net investment hedges	282	(288)
Share of other comprehensive income(loss) from associates and joint ventures	33	(1)
Debt instruments at fair value through other comprehensive income/available-for-sale investments:		
Net valuation (losses)/gains taken to equity	(128)	369
Reclassified to income statement	31	(233)
Cash flow hedges:		
Net gains taken to equity	34	35
Reclassified to income statement	7	11
Taxation relating to components of other comprehensive income	14	2
Other comprehensive (loss)/income for the year, net of taxation	(807)	1,294
Total comprehensive income for the year	302	2,562
Total comprehensive income attributable to:		
Non-controlling interests	34	50
Parent company shareholders	268	2,512
	302	2,562

CONSOLIDATED BALANCE SHEET
As at 31 December 2018

	2018 U.S.\$ million	2017 U.S.\$ million
Assets		
Cash and balances at central banks	57,511	58,864
Financial assets held at fair value through profit or loss	87,132	27,564
Derivative financial instruments	45,621	47,031
Loans and advances to banks ¹	61,414	78,188
Loans and advances to customers ²	256,557	282,288
Investment securities	125,901	117,025
Other assets	35,401	33,490
Current tax assets	492	491
Prepayments and accrued income	2,505	2,307
Interests in associates and joint ventures	2,307	2,307
Goodwill and intangible assets	5,056	5,013
Property, plant and equipment	6,490	7,211
Deferred tax assets	1,047	1,177
Assets classified as held for sale	1,328	545
Total assets	688,762	663,501
Liabilities		
Deposits by banks	29,715	30,945
Customer accounts	391,013	370,509
Repurchase agreements and other similar secured borrowing	1,401	39,783
Financial liabilities held at fair value through profit or loss	60,700	16,633
Derivative financial instruments	47,209	48,101
Debt securities in issue	46,454	46,379
Other liabilities	38,309	35,257
Current tax liabilities	676	376
Accruals and deferred income	5,393	5,493
Subordinated liabilities and other borrowed funds	15,001	17,176
Deferred tax liabilities	563	404
Provisions for liabilities and charges	1,330	183
Retirement benefit obligations	399	455
Liabilities included in disposal groups held for sale	247	-
Total liabilities	638,410	611,694
Equity		
Share capital and share premium account	7,111	7,097
Other reserves	11,878	12,767
Retained earnings	26,129	26,641
Total parent company shareholders' equity	45,118	46,505
Other equity instruments	4,961	4,961

Total equity excluding non-controlling interests	50,079	51,466
Non-controlling interests	273	341
Total equity	50,352	51,807
Total equity and liabilities	688,762	663,501

1 Reverse repurchase agreements and other similar secured lending balances held at amortised cost of U.S.\$3,815 million (31 December 2017: U.S.\$20,694 million) have been included with loans and advances to banks.

2 Reverse repurchase agreements and other similar secured lending balances held at amortised cost of U.S.\$3,151 million (31 December 2017: U.S.\$33,581 million) have been included with loans and advances to customers.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Share capital and share premium account	Capital and merger reserves ¹	Own credit adjustment reserve	Available - for-sale reserve	Fair value through other comprehensive income - reserve - debt	Fair value through other comprehensive income - reserve - equity	Cash flow hedge reserve	Translation reserve	Retained earnings	Parent company shareholders' equity	Other equity instruments	Non-controlling interests	Total
	U.S.\$ million	U.S.\$ million	U.S.\$ million	U.S.\$ million	U.S.\$ million	U.S.\$ million	U.S.\$ million	U.S.\$ million	U.S.\$ million	U.S.\$ million	U.S.\$ million	U.S.\$ million	U.S.\$ million
At 1 January 2017	7,091	17,129	289	(4)	-	-	(85)	(5,805)	25,753	44,368	3,969	321	48,658
Profit after tax for the year	-	-	-	-	-	-	-	-	1,219	1,219	-	49	1,268
Other comprehensive (loss)/income	-	-	(235)	87	-	-	40	1,351	50 ²	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 ³	-	-	-	-	-	-	-	-	(445)	(445)	-	-	(445)
Other movements ⁴	-	-	-	-	-	-	-	-	(71)	(71)	-	21 ⁵	(50)
As at 31 December 2017	7,097	17,129	54	83	-	-	(45)	(4,454)	26,641	46,505	4,961	341	51,807
IFRS 9 Reclassifications ⁶	-	-	-	(83)	(131)	45	-	-	169	-	-	-	-
IFRS 9	-	-	-	-	-	4	-	-	31	35	-	-	35
Expected credit loss, net	-	-	-	-	65	-	-	-	(1,074) ⁷	(1,009)	-	(8)	(1,017)
Tax impact	-	-	-	-	(11)	5	-	-	179	173	-	-	173
Impact of IFRS 9 on share of joint ventures and associates, net of tax	-	-	-	-	-	(1)	-	-	(51)	(52)	-	-	(52)
IFRS 9 transition adjustments	-	-	-	(83)	(77)	53	-	-	(746)	(853)	-	(8)	(861)
As at 1 January 2018	7,097	17,129	54	-	(77)	53	(45)	(4,454)	25,895	45,652	4,961	333	50,946
Profit after tax for the year	-	-	-	-	-	-	-	-	1,054	1,054	-	55	1,109
Other comprehensive income/(loss)	-	-	358	-	(84)	67	35	(1,158)	(4) ²	(786)	-	(21)	(807)
Distributions	-	-	-	-	-	-	-	-	-	-	-	(97)	(97)
Shares issued, net of expenses	14	-	-	-	-	-	-	-	-	14	-	-	14
Net own shares adjustment	-	-	-	-	-	-	-	-	1	1	-	-	1
Share option expense, net of taxation	-	-	-	-	-	-	-	-	158	158	-	-	158
Dividends ³	-	-	-	-	-	-	-	-	(975)	(975)	-	-	(975)
Other movements	-	-	-	-	-	-	-	-	-	-	-	3 ⁸	3

As at 31 December 2018	7,111	17,129	412	-	(161)	120	(10)	(5,612)	26,129	45,118	4,961	273	50,352
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- 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 Comprises actuarial gain/(loss), net of taxation and share from associates and joint ventures U.S.\$(4) million (31 December 2017: U.S.\$50 million)
- 3 Comprises dividends paid net of scrip U.S.\$539 million (31 December 2017: U.S.\$nil) and dividends on preference shares classified as equity and Additional Tier 1 securities U.S.\$436 million (31 December 2017: U.S.\$445 million) (please refer to Note 11 published in the 2018 Annual Report)
- 4 Other movements of U.S.\$(71) million is mainly due to issue of shares by Nepal to its non-controlling interests including premium (U.S.\$19 million) as the adjustment to the carrying value of the Group's share of the issue. This is offset by other equity adjustments of U.S.\$(90) million
- 5 Other movements of U.S.\$21 million relates to issue of shares by Nepal to its non-controlling interests including premium (U.S.\$12 million) as the increase in non-controlling interest. The remaining U.S.\$9 million relates to an acquisition
- 6 As per Note 41 Transition to IFRS 9 Financial Instruments published in annual accounts
- 7 The Group's initial estimate of credit impairment provisions on adoption of IFRS 9 was U.S.\$6,720 million. Following refinement of the Group's expected loss models, the estimate of the opening credit impairment provisions has been revised down by U.S.\$222 million to U.S.\$6,498 million, and the net expected credit loss of U.S.\$(1,296) million adjusted against retained earnings has similarly decreased by U.S.\$222 million to U.S.\$1,074 million
- 8 Mainly due to additional share capital issued by Angola subscribed by its non-controlling interests without change in shareholding percentage.

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2018

	Group		The Issuer	
	2018 U.S.\$ million	2017 U.S.\$ million	2018 U.S.\$ million	2017 U.S.\$ million
Cash flows from operating activities				
Profit before taxation	2,548	2,415	790	207
Adjustments for non-cash items and other adjustments included within income statement	2,635	3,241	232	615
Change in operating assets	(12,837)	(13,625)	61	459
Change in operating liabilities	33,859	5,819	(462)	575
Contributions to defined benefit schemes	(143)	(143)	-	-
UK and overseas taxes paid	(770)	(915)	-	(14)
Net cash from/(used in) operating activities	25,292	(3,208)	621	1,842
Cash flows from investing activities				
Purchase of property, plant and equipment	(171)	(165)	-	-
Disposal of property, plant and equipment	85	29	-	-
Acquisition of investment in subsidiaries, associates and joint ventures, net of cash acquired	-	(44)	-	(1,000)
Dividends received from associates and joint ventures	67	2	1,035	392
Disposal of subsidiaries	7	-	-	-
Purchase of investment securities	(276,388)	(265,186)	-	-
Disposal and maturity of investment securities	263,983	261,316	621	2,850
Net cash (used in)/from investing activities	(12,417)	(4,048)	1,656	2,242
Cash flows from financing activities				
Issue of ordinary and preference share capital, net of expenses	14	6	14	6
Exercise of share options	9	10	9	10
Purchase of own shares	(8)	-	(8)	-
Issue of Additional Tier 1 capital, net of expenses	-	992	-	992
Gross proceeds from issue of subordinated liabilities	500	-	500	-
Interest paid on subordinated liabilities	(602)	(743)	(507)	(353)
Repayment of subordinated liabilities	(2,097)	(2,984)	(474)	(1,249)
Proceeds from issue of senior debt	9,766	2,292	4,552	1,501
Repayment of senior debt	(7,030)	(4,162)	(3,141)	(3,237)
Interest paid on senior debt	(507)	(896)	(355)	(825)
Investment from/(repayment to) non-controlling interests	-	21	-	-
Dividends paid to non-controlling interests and preference shareholders	(533)	(496)	(436)	(445)
Dividends paid to ordinary shareholders	(539)	-	(539)	-
Net cash used in financing activities	(1,027)	(5,960)	(385)	(3,600)
Net increase/(decrease) in cash and cash equivalents	11,848	(13,216)	(1,892)	484
Cash and cash equivalents at beginning of the year	87,231	96,977	15,714	15,230
Effect of exchange rate movements on cash and cash equivalents	(1,579)	3,470	-	-
Cash and cash equivalents at end of the year	97,500	87,231	17,606	15,714

DESCRIPTION OF THE ORDINARY SHARES

1. Share Capital

The Issuer's share capital consists of its ordinary shares of U.S.\$0.50 each in the capital of the Issuer (the "Ordinary Shares") and four classes of preference shares (the "Existing Preference Shares"), namely (i) 6.409 per cent. non-cumulative redeemable preference shares of U.S.\$5.00 each, (ii) 7.014 per cent. non-cumulative redeemable preference shares of U.S.\$5.00 each ((i) and (ii) being the "Existing Dollar Preference Shares"), (iii) 8¼ per cent. non-cumulative irredeemable preference shares of £1.00 each, and (iv) 7¾ per cent. non-cumulative irredeemable preference shares of £1.00 each ((iii) and (iv) being the "Existing Sterling Preference Shares").

As at close of business on [●] 2019, the number of outstanding shares in the capital of the Issuer was as follows:

Class of Share	Number
Ordinary Shares	3,311,011,362
6.409 per cent. non-cumulative redeemable preference shares	7,500
7.014 per cent. non-cumulative redeemable preference shares	7,500
8.25 per cent. non-cumulative irredeemable preference shares	99,250,000
7.375 per cent. non-cumulative irredeemable preference shares	96,035,000

2. Memorandum and Articles of Association

The Issuer's articles of association (the "Articles of Association") were adopted by special resolution of the Issuer on 7 May 2010. A summary of the material provisions of the Articles of Association in respect of the Ordinary Shares is set out below. As resolved at the annual general meeting of the Issuer held on 7 May 2010 and in accordance with changes in English company law with effect from 1 October 2009, the Issuer deleted all provisions of its Memorandum of Association which, by virtue of Section 28 of the Companies Act, are to be treated as part of the Articles of Association, including those provisions dealing with the Issuer's objects.

3. Objects of the Issuer

The objects of the Issuer are unrestricted.

4. General

There are no limitations imposed by English law or the Articles of Association restricting the rights of non-residents of the UK or non-citizens of the UK to hold or vote shares of the Issuer.

5. Shares

Ordinary Shares rank *pari passu* with each other in all respects. Fully paid Ordinary Shares confer identical rights in respect of capital, dividends (save where and to the extent that any such share is issued on terms providing that it shall rank for dividend as from a particular date), voting and otherwise.

The Existing Preference Shares and any further preference shares which may be issued in the future confer the rights determined by the Board prior to their allotment.

6. Voting Rights

For the purposes of determining which persons are entitled to attend or vote at a meeting of the Issuer and how many votes such persons may cast, the Issuer may, pursuant to the Uncertificated Securities Regulations 2001 (as amended) (the "Regulations"), specify in the notice of the meeting a time, not more than 48 hours before the time fixed for the meeting, by which a person must be entered on a register of members of the Issuer kept pursuant to the Companies Act. Every holder of Ordinary Shares who is entitled to be and is present in person (including any corporation by its duly authorised representative) at a general meeting of the Issuer and is entitled to vote will have one vote on a show of hands and, on a poll, if present in person or by proxy, will have one vote for every U.S.\$2 nominal value of Ordinary Shares held by them.

Unless the Board decides otherwise, no member is entitled to attend or vote at a general meeting in respect of any Ordinary Share held by them unless all calls or other sums presently payable in respect of that

Ordinary Share have been paid. Restrictions on the right of a member to attend or vote at a general meeting may be imposed on any member who has a holding of at least 0.25 per cent. in number or nominal value of the Issuer's issued Ordinary Share capital if the member fails to comply within the relevant period with a statutory notice issued by the Issuer under the Companies Act requiring disclosure of interests in the Ordinary Shares or, in purported compliance with such a notice, makes a statement which is false or inadequate in any material particular.

Holders of Existing Preference Shares do not have any right to attend or vote at general meetings except where any relevant dividend due is not paid in full, where a resolution is proposed varying or abrogating the rights, preferences, privileges, limitations or restrictions of the relevant shares, or in other circumstances as the Board determined prior to the allotment of the Existing Preference Share.

7. General Meetings

The Issuer must give at least 21 clear days' notice in writing of an annual general meeting. All other general meetings may be called by at least 14 clear days' notice in writing, provided that a special resolution authorising this shorter notice period has been passed by the shareholders of the Issuer. Such authority was renewed at the Issuer's most recent annual general meeting held on 8 May 2019. The Board may direct that persons wishing to attend any general meeting should submit to such searches or other security arrangements or restrictions as the Board shall consider appropriate in the circumstances. In any such case, the Board will direct that the meeting be held at a specified place, where the chairman of the meeting shall preside, and make arrangements for simultaneous attendance and participation by shareholders and proxies at other locations. The chairman of a general meeting shall take such action or give such directions for such action to be taken as he thinks fit to promote the orderly conduct of the business of the meeting as laid down in the notice of the meeting. The chairman of a general meeting has express authority to adjourn the meeting if, in his opinion, it has become necessary to do so in order to secure the proper conduct of the meeting. Annual general meetings of the Issuer are to be held at such time and in such place as the Board may determine.

8. Dividends and other Distributions and Return of Capital

The Issuer may, by ordinary resolution, declare dividends to be paid to holders of Ordinary Shares, but no dividend shall exceed the amount recommended by the Board. The Board may pay interim dividends and any dividend payable at a fixed rate at intervals settled by the Board as appear to the Board to be justified by the financial position of the company.

The Board may, with the prior authority of an ordinary resolution, offer to any holder of Ordinary Shares the right to elect to receive assets, in particular paid up shares or debentures of any other company, instead of cash in respect of any dividend specified by the ordinary resolution. At the annual general meeting of the Issuer held on 8 May 2014, shareholders gave authority to the directors to offer a scrip dividend in respect of any dividend declared and paid for any financial period of the Issuer ending on or before 31 December 2018. Such authority was not renewed at the Issuer's most recent annual general meeting held on 8 May 2019.

On any distribution by way of capitalisation, the amount to be distributed will be appropriated amongst the shareholders as if it were distributed by way of dividend and in the same proportions, on the footing that it is applied either in or towards paying up the amounts unpaid at the relevant time on any shares in the company held by those shareholders respectively or in paying up in full shares, debentures or other obligations of the company to be allotted and distributed credited as fully paid up among those members.

The Existing Preference Shares carry the right in priority to the payment of any dividend to the holders of Ordinary Shares and any other class of shares (other than other preference shares that rank *pari passu* or in priority as regards income) to a non-cumulative preferential dividend payable in such currency at such rates and on such terms as the Board may determine prior to the allotment of such shares.

A dividend will not be payable on the Existing Preference Shares if payment of the dividend would cause the Issuer not to meet the applicable capital adequacy requirements of the Relevant Regulator or if the profits of the Issuer available for distribution are not sufficient to enable it to pay in full dividends of any relevant preference shares.

All dividends shall be apportioned and paid proportionately to the percentage of the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid. Subject to the rights attaching to any shares, any dividend or other monies payable in respect of a share may be paid in such currency as the Board may determine.

Any dividend unclaimed after a period of 12 years from the date of declaration of such dividend may be forfeited and revert to the Issuer. Subject to the rights attaching to any shares, no dividends or other monies payable on or in respect of a share shall bear interest against the Issuer.

On a return of capital, whether in a winding-up or otherwise, the Ordinary Shares will rank equally in all respects and the preference shares in the Issuer will be entitled to the rights attaching to them on issue.

9. Variation of Rights and Alteration of Capital

The rights attached to any class of shares in the Issuer may (subject to their terms of issue) be varied or abrogated in such manner (if any) as may be provided by the rights contained in the Articles of Association or, in the absence of such provision, with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of that class (excluding any shares held in treasury) or with the sanction of a special resolution passed at a separate meeting of the holders of shares of that class. At any such separate meeting, the provisions of the Articles of Association relating to general meetings will apply, but the necessary quorum at any such meeting will be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of that class (except at an adjourned meeting, at which the quorum shall be any holder of shares of the class, present in person or by proxy) and any such person may demand a poll.

As a matter of English law, the Issuer may:

- by ordinary resolution, increase its share capital, consolidate and divide all or any of its shares into shares of larger amount, sub-divide all or any of its shares into shares of smaller amount and cancel any shares not taken or agreed to be taken by any person; and
- by special resolution, reduce its share capital, any capital redemption reserve, share premium account or other undistributable reserve in any way.

10. Transfer of Shares

All transfers of shares which are in certificated form may be effected by an instrument of transfer in writing in any usual form or in any other form approved by the Board. Such instrument must be executed by or on behalf of the transferor and, if the shares thereby transferred are not fully paid up, by or on behalf of the transferee. The transferor will be deemed to remain the holder of the shares transferred until the name of the transferee is entered in a register of members of the Issuer in respect thereof. All transfers of shares which are in uncertificated form may be effected by means of a computer based system and procedures which enable title to units of a security to be evidenced and transferred without a written instrument (a "relevant system").

The Board may refuse to register any transfer of certificated shares where the transfer:

- relates to any share which is not a fully paid share;
- relates to more than one class of shares;
- is in favour of more than four persons; and/or
- is not duly stamped or certificated (if required).

The Board may also refuse to register a transfer of uncertificated shares in such other circumstances as may be permitted or required by the Regulations and the relevant system or if the transfer is to joint holders and the number of joint holders exceeds four.

Subject to applicable law, any class of shares may be held, registered, converted to, transferred or otherwise dealt with, in uncertificated form or certificated form and converted from uncertificated form to certificated form.

11. Disclosure of Holdings Exceeding Certain Percentages

The Disclosure Guidance and Transparency Rules of the FCA require the Issuer's shareholders to notify the Issuer if the voting rights held by such shareholders (including by way of certain financial instruments) reach, exceed or fall below 3 per cent. and each 1 per cent. threshold thereafter up to 100 per cent. Under the Disclosure Guidance and Transparency Rules, certain voting rights in the Issuer may be disregarded.

If a shareholder or any person appearing to be interested in shares in the Issuer has been sent a notice under section 793 of the Companies Act (which confers upon public companies the power to require information from any person whom the Issuer knows or has reasonable cause to believe to be interested in the shares) and has failed in relation to any shares (the "default shares"), to supply the information

requested within the period set out in the notice, then unless the Board otherwise determines, the shareholder is not entitled to be present at or to vote the default shares at any general meeting of the Issuer or to exercise any other right conferred by being a shareholder of the Issuer. Unless the Board otherwise determines, if the default shares represent at least 0.25 per cent. in nominal value of the issued shares of that class, any dividend shall be withheld by the Issuer without interest, no election may be made for any scrip dividend alternative, and no transfer of any shares held by the shareholder will be registered except in limited circumstances.

The Issuer, its directors, chief executives and shareholders have been granted a partial exemption from the disclosure requirements under Part XV of the SFO (as defined herein). As a result of this exemption, directors, chief executives and shareholders no longer have an obligation under the SFO to notify the Issuer of shareholding interests, and the Issuer is no longer required to maintain a register of directors' and chief executives' interests under section 352 of the SFO nor a register of interests of substantial shareholders under section 336 of the SFO. The Issuer is, however, required to file with the Hong Kong Stock Exchange any disclosure of interests made in the United Kingdom as set out above.

12. Mandatory Takeover-Bids, Squeeze-Out and Sell-Out Rules

Other than as provided by the Companies Act, the Takeover Code of the United Kingdom and the Hong Kong Code on Takeovers and Mergers, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules in relation to the Ordinary Shares.

13. Untraced Members

The Issuer is empowered to sell, at the best price reasonably obtainable, any share registered in the name of a member remaining untraced for 12 years who fails to communicate with the Issuer within three months following the publication of advertisements in the UK, Hong Kong and in the area of the last known address of the relevant member, of the Issuer's intention to make such a disposal; provided that during the 12-year period at least three cash dividends have become payable, no such dividend has been claimed, as far as any director of the company is aware no communication has been received by the shareholder, and a notice has been made by the Issuer to the Hong Kong Stock Exchange on which the shares are listed of the Issuer's intention to make such sale.

The Issuer will be obliged to account to the member for the proceeds of the disposal but no interest will be payable to the member in respect of such proceeds or account for any money earned on them.

14. Forfeiture and Lien

If a member fails to pay in full any call or instalment of a call on or before the due date for payment, then, following notice by the Board requiring payment of the unpaid amount with any accrued interest and any expenses incurred, such share may be forfeited by a resolution of the Board to that effect (including all dividends declared and other moneys payable in respect of the forfeited share and not actually paid before forfeiture). A member whose shares have been forfeited will cease to be a member in respect of the shares, but will, notwithstanding the forfeiture, remain liable to pay to the Issuer all monies which at the date of forfeiture were presently payable together with interest without any allowance for the value of the shares at the time of forfeiture or for any consideration received on their disposal.

A forfeited share becomes the property of the Issuer, and it may be sold, re-allotted, otherwise disposed of or cancelled as the Board may determine.

The Issuer has a first and paramount lien on every share which is not fully paid, to the extent and in the circumstances permitted by the Companies Act.

The Board may sell all and any of the shares subject to any lien as it may determine, where monies have been called or are payable and a demand has been made in respect thereof and has not been complied with. Any share on which the Issuer has a lien may be sold on the terms set out in the Articles of Association. The proceeds of sale shall first be applied towards payment of the amount in respect of the lien insofar as it is still payable and then on surrender of the share certificate for cancellation (in the case of shares in certificated form), to the person entitled to the shares at the time of sale.

15. Winding-Up

Subject to applicable insolvency laws and the Articles of Association, on a winding-up of the Issuer, holders of the Existing Preference Shares have the right to receive out of assets available for distribution to members, in priority to any payment to holders of Ordinary Shares and any other class of shares (other than other preference shares that rank *pari passu* or in priority as regards repayment of capital), a sum

equal to any unpaid dividend on the relevant shares and the amount paid up on the relevant shares together with such premium (if any) as may be determined by the Board prior to the allotment thereof.

On a winding-up of the Issuer, the Ordinary Shares rank equally in all respects and distributions of the Issuer's assets to holders of Ordinary Shares will be made in accordance with applicable insolvency laws.

16. Admission to Trading of the Ordinary Shares

The Ordinary Shares have dual primary listing in the United Kingdom and in Hong Kong. Ordinary Shares are also listed in India through Indian Depository Receipts on the Bombay Stock Exchange and National Stock Exchange of India.

In the United Kingdom, the Ordinary Shares currently in issue are listed on the Official List of the UK Listing Authority and are admitted to trading on the main market of the London Stock Exchange's regulated market for listed securities.

The London Stock Exchange is a key element of the financial infrastructure in the United Kingdom. It dates back to 1801 and the London Stock Exchange's regulated market is regulated by the UK Financial Conduct Authority.

On [●] 2019, the daily trading volume (in terms of value) of all order book trading on the London Stock Exchange was approximately £[●]. Price and trading information is available on the London Stock Exchange's website which is continually updated with a 15 minute time delay. The trading prices of the Ordinary Shares and daily trading volumes are published on the London Stock Exchange's website and in the London Stock Exchange's Daily Official List, as well as on the Issuer's website. The ISIN of the Ordinary Shares is GB0004082847.

Further information about the London Stock Exchange can be obtained from the website of the London Stock Exchange at www.londonstockexchange.com.

In Hong Kong, the Ordinary Shares currently in issue are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK"). The SEHK operates and maintains the only recognised stock exchange in Hong Kong.

The roots of the Hong Kong stock market stretch back to 1891, when the first formal stock exchange was formed. The SEHK, being the current operator of the Hong Kong stock market, was created from the merger of the Hong Kong Stock Exchange, Far East Exchange, Kam Ngan Stock Exchange and Kowloon Stock Exchange in 1986. The principal regulator of Hong Kong's securities and futures markets, including the Main Board of the SEHK, is the Securities and Futures Commission.

On [●] 2019, the SEHK had a daily trading volume (in terms of value) of HK\$[●]. Stock price information on the Ordinary Shares is available on the website of Hong Kong Exchanges and Clearing Limited which is continually updated with a delay of at least 15 minutes.

Further information about the SEHK can be obtained from the website of Hong Kong Exchanges and Clearing Limited at <http://www.hkex.com.hk/>.

The past and future performance of the Ordinary Shares and their volatility may be obtained from: <http://investors.sc.com/en/stockquote.cfm>.

TAXATION

The comments below are of a general nature based on the Issuer's understanding of current tax law and practice in the United Kingdom, Hong Kong and Singapore, respectively, as at the date of this document and may be subject to change, possibly with retroactive effect. They are not exhaustive. Except as described under "*Withholding tax under Foreign Account Tax Compliance Act ("FATCA Withholding")*", they do not address United States tax consequences to non-U.S. holders because non-U.S. holders generally will not be subject to United States tax consequences in respect of the Securities or Ordinary Shares. However, a non-U.S. holder who is (i) engaged in a United States trade or business to which its income with respect to the Securities or Ordinary Shares is "effectively connected", (ii) present in the United States for 183 or more days during the taxable year, or (iii) otherwise subject to United States taxation generally, should consult its own tax advisor regarding United States tax consequences. All non-U.S. holders and investors should read "*Withholding tax under Foreign Account Tax Compliance Act ("FATCA Withholding")*". The comments below do not necessarily apply where the income is deemed for tax purposes to be the income of any other person. They relate only to the position of persons who are the absolute beneficial owners of their Securities and may not apply to certain classes of persons such as dealers, to whom special rules may apply. They relate to the deduction from payments of interest on the Securities for or on the account of tax in the United Kingdom and to certain aspects of Hong Kong tax and Singapore tax. Prospective Securityholders who may be unsure of their tax position or who may be subject to tax in any other jurisdiction should consult their own professional advisers.

United Kingdom

Withholding of tax on interest

While the Securities are listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act ("ITA"), payments of interest on the Securities may be made without withholding or deduction for or on account of United Kingdom income tax. The Hong Kong Stock Exchange is a recognised stock exchange for these purposes. The Securities will be treated as listed on a recognised stock exchange if they are admitted to trading on the Main Board of the Hong Kong Stock Exchange.

Interest on the Securities may also be paid without deduction or withholding for or on account of United Kingdom income tax where the Issuer reasonably believes at the time the payment is made that it is an "excepted payment" under section 930 of ITA. A payment is an excepted payment where (a) the person beneficially entitled to the income in respect of which payment is made is (i) a UK resident company; or (ii) a non-UK resident company that carries on a trade in the UK through a permanent establishment and the payment is one that is required to be brought into account for calculating the profits chargeable to corporation tax of the non-UK resident company; or (b) the person to whom payment is made is one of the further classes of bodies or persons, and meets any relevant conditions, set out in sections 935 to 937 of ITA, provided that HM Revenue & Customs has not given a direction that the interest should be paid under deduction of tax in circumstances where it has reasonable grounds to believe that the payment will not be an excepted payment of interest at the time the payment is made.

In all other cases yearly interest on the Securities will generally be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Securityholder, the Securityholder can apply to HM Revenue & Customs to issue a notice to the Issuer to pay interest to the Securityholder without any withholding or deduction for or on account of tax (or for interest to be paid with tax withheld or deducted at the rate provided for in the relevant double tax treaty).

The references to "interest" and "principal" above mean "interest" and "principal" as understood in United Kingdom tax law. The statements above do not take account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the Conditions or any related documentation.

Stamp Duty and Stamp Duty Reserve Tax

The Finance Act 2019 introduced a new regime for hybrid capital instruments (the "HCI Rules"). The HCI Rules contain an exemption from all stamp duties so that no liability to United Kingdom stamp duty or SDRT should arise on the issue or transfer of the Securities provided that the Securities each constitute a "hybrid capital instrument" for the purposes of the HCI Rules and there are no arrangements the main

purpose, or one of the main purposes, of which is to secure a tax advantage.

The Securities should constitute “hybrid capital instruments” for the purposes of the HCI Rules provided that:

- the Issuer is entitled to defer or cancel a payment of interest under the Securities;
- the Securities “have no other significant equity features”; and
- the Issuer has made an election in respect of the Securities.

The Securities would “have no other significant equity features” provided that:

- the Securities carry neither significant voting rights in the Issuer nor a right to exercise a dominant influence over the Issuer;
- any provision in the Securities for altering the amount of the principal is limited to write-down or conversion events in certain qualifying cases and that is not a right exercisable by the Securityholders; one of the qualifying cases is where a provision is included solely because of a need to comply with a regulatory or other legal requirement; and
- any provision for the Securityholders to receive anything other than interest or principal is limited to conversion events in qualifying cases.

The Issuer will make a valid hybrid capital election in respect of the Securities within the required timeframe, in accordance with the provisions of section 475C of the Corporation Tax Act 2009 and the Securities are not being issued in consequence of, or otherwise in connection with, any arrangements, the main purpose, or one of the main purposes of which, is to secure a tax advantage. Consequently, the Issuer expects that the HCI Rules will apply to the Securities such that they would benefit from the exemption from all stamp duties.

No United Kingdom stamp duty or SDRT will be payable by a Securityholder on a cash redemption of the Securities in accordance with the Conditions.

No liability to United Kingdom stamp duty or SDRT will generally arise for a Securityholder on the redemption of the Securities, and the issue of any Ordinary Shares, under a Conversion of the Securities into Ordinary Shares, in accordance with the Conditions.

United Kingdom stamp duty and SDRT may be payable in relation to a Conversion Shares Offer.

The above description of the United Kingdom stamp duty and SDRT position does not deal with the issue, transfer or agreement to transfer of any Relevant Shares of an Approved Entity.

United States

Withholding tax under Foreign Account Tax Compliance Act (“FATCA Withholding”)

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 Issuer generally will not be required to identify or report information with respect to the holders of the Securities, although other non-U.S. financial institutions (such as banks or custodians) through which a holder holds the Securities 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 Securities directly or indirectly through such non-compliant non-U.S. financial institutions or have otherwise failed to establish an exemption from this withholding, the Issuer 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 Securities. Accordingly, such Securityholder could be subject to withholding if, for example, its bank or broker 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 the date that is two years after the date on which final regulations defining the term “foreign passthru payments” and implementing such withholding are enacted, subject to certain exceptions. In the preamble to the proposed regulations, the U.S. Treasury Department

indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Therefore, since the rules for implementing such withholding on the Securities 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 Securities. You should consult your own tax advisors regarding the relevant U.S. law and other official guidance on FATCA withholding.

The Issuer 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 Securities. 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 Securities or in respect of any capital gains arising from the resale of the Securities.

2. Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Securities may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) interest on the Securities is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Securities 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;
- (iii) interest on the Securities is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong) (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;
- (iv) interest on the Securities 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; or
- (v) the Securities are treated as "regulatory capital security" for the purposes of the IRO and interest on the Securities is received by or accrues to a LAC banking entity (within the meaning of section 2 of the IRO), and arises through or from the carrying on by the entity of its business in Hong Kong, even if the moneys laid out for the acquisition of the security in respect of which the interest is received or accrues are made available outside Hong Kong.

In addition, if the Securities are treated as "regulatory capital security" for the purposes of the IRO, gains or profits arising on the sale, disposal or redemption of the Securities may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) gains or profits from the sale, disposal or redemption of the Securities arise in or are derived from Hong Kong and are received by or accrue to a corporation carrying on a trade, profession or business in Hong Kong;

- (ii) gains or profits from the sale, disposal or redemption of Securities arise in or are derived from Hong Kong and are received by or accrue to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and are in respect of the funds of that trade, profession or business;
- (iii) gains or profits from the sale, disposal or redemption of Securities are received by or accrue to a financial institution and arise through or from the carrying on by the financial institution of its business in Hong Kong, even if the moneys laid out for the acquisition of the Securities were made available outside Hong Kong or the sale, disposal or redemption is effected outside Hong Kong;
- (iv) gains or profits from the sale, disposal or redemption of Securities are received by or accrue to a corporation, other than a financial institution, and arise 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) even if the moneys laid out for the acquisition of the Securities were made available outside Hong Kong or the sale, disposal or redemption is effected outside Hong Kong; or
- (v) gains or profits from the sale, disposal or redemption of Securities are received by or accrue to a LAC banking entity (within the meaning of section 2 of the IRO), and arise through or from the carrying on by the entity of its business in Hong Kong, even if the moneys even if the moneys laid out for the acquisition of the Securities were made available outside Hong Kong or the sale, disposal or redemption is effected outside Hong Kong.

Gains or profits from the sale, disposal or redemption of the Securities will be subject to Hong Kong profits tax where they arise in or are derived from Hong Kong and are received by or accrue to a person, including a corporation (whether or not a financial institution), from the carrying on by such person of a trade, profession or business in Hong Kong.

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. Prospective holders of the Securities are advised to seek their own professional advice in relation to Hong Kong profits tax.

3. Stamp Duty

No stamp duty is payable on the issue, transfer (for so long as the register of holders of the Securities is outside Hong Kong) or conversion of the Securities.

No stamp duty will be chargeable upon the issue of the Ordinary Shares upon conversion of the Securities. Stamp duty may be payable on any transfer of the Ordinary Shares if the relevant transfer is required to be registered in Hong Kong. If stamp duty is payable in respect of the transfer of Ordinary Shares it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by the seller and 0.1 per cent. is payable by the purchaser) normally by reference to the consideration or its value. If, in the case of either the sale or purchase of such Ordinary Shares, stamp duty is not paid, both the seller and the purchaser may be liable jointly and severally to pay any unpaid stamp duty and also any penalties for late payment. If stamp duty is not paid on or before the due date (two days after the sale or purchase if effected in Hong Kong or 30 days if effected elsewhere) a penalty of up to 10 times the duty payable may be imposed. In addition, stamp duty is payable at the fixed rate of HK\$5.00 on each instrument of transfer executed in relation to any transfer of the Ordinary Shares if the relevant transfer is required to be registered in Hong Kong.

Singapore

The statements made herein regarding taxation are general in nature and based on certain aspects of the current tax laws of Singapore and administrative guidelines issued by the relevant authorities in force as of the date of this document and are subject to any changes in such laws or administrative guidelines, or in the interpretation of these laws or guidelines, occurring after such date, which changes could be made on a retrospective basis. These laws and guidelines are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below. The statements below are not to be regarded as advice on the tax position of any holder of the Securities or of any person acquiring, selling or otherwise dealing with the Securities or on any tax implications arising from the acquisition, sale or other dealings in respect of the Securities. The statements made herein do not purport to be a comprehensive or exhaustive description of all of the tax considerations that may be

relevant to a decision to purchase, own or dispose of the Securities and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules. Prospective Securityholders are advised to consult their own tax advisers as to the Singapore or other tax consequences of the acquisition, ownership of or disposal of the Securities. It is emphasised that neither the Issuer nor any other persons involved in this document accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Securities.

Individual income tax

An individual is a tax resident in Singapore in a year of assessment if, in the preceding year, he was physically present in Singapore or exercised an employment in Singapore (other than as a director of a company) for 183 days or more, or if he resides in Singapore except for such temporary absences therefrom as may be reasonable and not inconsistent with a claim by such person to be tax resident in Singapore.

Individual taxpayers who are Singapore tax residents are subject to Singapore income tax on income accruing in or derived from Singapore, subject to certain exceptions. All foreign-sourced income received in Singapore on or after 1 January 2004 by a Singapore tax resident individual (except for income received through a partnership in Singapore) is exempt from Singapore income tax if the Comptroller of Income Tax in Singapore is satisfied that the tax exemption would be beneficial to the individual. Foreign-sourced income received in Singapore by an individual not resident in Singapore is exempt from Singapore income tax.

A Singapore tax resident individual is taxed at progressive rates currently ranging from 0 per cent. to 22 per cent.. Non-tax resident individuals, subject to certain exceptions and conditions, are subject to Singapore income tax on income accruing in or derived from Singapore at the current rate of 22 per cent..

Corporate income tax

A corporate taxpayer is regarded as resident in Singapore for Singapore tax purposes if the control and management of its business is exercised in Singapore.

Corporate taxpayers who are Singapore tax residents are subject to Singapore income tax on income accruing in or derived from Singapore and, subject to certain exceptions, on foreign-sourced income received or deemed to be received in Singapore.

However, foreign-sourced income in the form of dividends, branch profits and service income received or deemed to be received in Singapore by Singapore tax resident companies is exempt from tax if certain prescribed conditions are met, including the following:

- (i) such income is subject to tax of a similar character to income tax under the law of the jurisdiction from which such income is received; and
- (ii) at the time the income is received in Singapore, the highest rate of tax of a similar character to income tax (by whatever name called) levied under the law of the territory from which the income is received on any gains or profits from any trade or business carried on by any company in that territory at that time is not less than 15 per cent..

In the case of dividends paid by a company resident in a territory from which the dividends are received, the “subject to tax condition” in (i) above is considered met where tax is paid in that territory by such company in respect of its income out of which such dividends are paid or tax is paid on such dividends in that territory from which such dividends are received. Certain concessions and clarifications have also been announced by the Inland Revenue Authority of Singapore (“**IRAS**”) with respect to the above conditions.

A non-tax resident corporate taxpayer is subject to income tax on income accruing in or derived from Singapore, and on foreign-sourced income received or deemed received in Singapore, subject to certain exceptions.

The corporate tax rate in Singapore is currently 17 per cent.. In addition, three-quarters of up to the first SGD10,000, and one-half of up to the next SGD190,000, of a company’s annual chargeable income otherwise subject to normal taxation is exempt from corporate tax. New companies will also, subject to certain conditions and exceptions, be eligible for tax exemption on three-quarters of up to the first SGD100,000, and one-half of up to the next SGD100,000, of a company’s annual chargeable income for each of the company’s first three years of assessment. The remaining chargeable income (after the tax exemption) will be taxed at the applicable corporate tax rate.

Distributions of interest on the Securities

It is not clear whether the Securities will be regarded as “debt securities” under the Income Tax Act, Chapter 134 of Singapore (“**SITA**”) and the tax treatment to holders of the Securities may differ depending on the characterisation and treatment of the Securities by the IRAS. In addition, the Securities are not intended to be “qualifying debt securities” for the purposes of the SITA and holders of the Securities will not be eligible for the tax exemption or concessionary tax rate under the qualifying debt securities scheme. Prospective holders of the Securities are advised to consult their own tax advisers on the tax treatment to them of the distributions of interest on the Securities, and the tax consequences of the acquisition, ownership of or disposal of the Securities.

Gains on disposal of Securities (including by way of the Conversion of the Securities)

Singapore does not impose tax on capital gains (i.e. gains which are considered to be capital in nature) but imposes tax on income. There are no specific laws or regulations which deal with the characterisation of whether a gain is income or capital in nature. Gains arising from the disposal of the Securities may be construed to be of an income nature and subject to Singapore income tax, especially if they arise from activities which the IRAS regards as the carrying on of a trade or business in Singapore.

A Conversion of the Securities into the Ordinary Shares (or, as applicable, into Relevant Shares of the Approved Entity) may be regarded as a disposal of the Securities for Singapore income tax purposes and the Securityholder may consequently need to recognise a gain or loss. Such gain or loss may be income or capital in nature depending on the circumstances of the Securityholder (e.g. whether he is trading in Securities) and may or may not be taxable or deductible accordingly. Investors are advised to seek their own tax advice on the tax consequences applicable to them on a Conversion of the Securities.

Securityholders who apply, or who are required to apply, the Singapore Financial Reporting Standard (“**FRS**”) 39, FRS 109 or Singapore Financial Reporting Standard (International) 9 (“**SFRS(I) 9**”) (as the case may be) for the purposes of Singapore income tax may be required to recognise gains or losses (not being gains or losses in the nature of capital) in accordance with the provisions of FRS 39, FRS 109 or SFRS(I) 9 (as the case may be) (as modified by the applicable provisions of Singapore income tax law) even though no sale or disposal of the Securities is made.

Securityholders who may be subject to this tax treatment should consult their accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding and disposal of the Securities.

SUBSCRIPTION AND SALE

The Securities are being offered to Professional Investors only and are not suitable for retail investors. Investors should not purchase the Securities in the primary or secondary markets unless they are Professional Investors. Investing in the Securities involves risks. Prospective investors should have regard to the factors described under the section of this document headed "Risk Factors", which includes the risk that the Securities may be converted into Ordinary Shares of the Issuer and/or may be subject to statutory write-down or bail-in.

Subject to the terms and on the conditions contained in a Subscription Agreement dated [●] 2019 (the "Subscription Agreement"), between the Issuer and the Managers, the Managers have jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe for the Securities.

Each Manager named below has agreed jointly and severally to purchase the principal amount of the Securities set out opposite its name below:

<i>Structuring Adviser and Bookrunner</i>	<i>Principal amount</i>
Standard Chartered Bank	SGD[●]
<i>Joint Lead Managers</i>	
Credit Suisse Securities (Europe) Limited	SGD[●]
Oversea-Chinese Banking Corporation Limited	SGD[●]
Société Générale	SGD[●]
UBS AG London Branch	SGD[●]
United Overseas Bank Limited	SGD[●]
Total	SGD[●]

The Issuer will pay to the Managers a commission as agreed between the Issuer and the Managers in respect of Securities subscribed by them. The Issuer has agreed to reimburse the Managers for certain of their expenses incurred in connection with the issuance of the Securities.

The Issuer has agreed to indemnify the Managers against certain liabilities in connection with the offer and sale of the Securities. The Subscription Agreement entitles the Managers to terminate and be released and discharged from their obligations under the Subscription Agreement in certain circumstances prior to payment for the Securities being made to the Issuer.

The Securities are a new issue of securities and there is currently no established trading market for the Securities. The Managers have advised the Issuer that they intend to make a market in the Securities, but they are not obligated to do so. The Managers may discontinue any market making in the Securities at any time in their sole discretion. Accordingly, the Issuer can make no assurances that a liquid trading market will develop for the Securities, that the Securities will be able to be sold at a particular time or that the prices the Securities sell for will be favourable.

United States

Neither the Securities nor the Ordinary Shares into which they may be converted have been or will be registered under the Securities Act, or may be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Manager has represented and agreed, except as permitted by the Subscription Agreement, that it will not offer or sell Securities (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of an identifiable tranche of which such Securities are a part (the "Distribution Compliance Period") as determined, and certified to each relevant Manager, by the Principal Paying and Conversion Agent, within the United States or to, or for the account or benefit of, U.S. persons and, at or prior to confirmation of sale of Securities, it will have sent to each distributor, dealer, or person receiving a selling concession, fee or other remuneration to which it sells Securities during the Distribution Compliance

Period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for, the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

The Securities are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Securities, an offer or sale of such Securities within the United States by any dealer (whether or not participating in the offering of the Securities) may violate the registration requirements of the Securities Act.

This document has been prepared by the Issuer for use in connection with the offer and sale of the Securities outside the United States to non-U.S. persons and for the listing of the Securities on the Hong Kong Stock Exchange. The Issuer and the Managers reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than the number of Securities which may be offered. This document does not constitute an offer to any person in the United States or to any U.S. person. Distribution of this document by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States, other than those persons, if any, retained to advise such non-U.S. person or QIB with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, other than those persons, if any, retained to advise such non-U.S. person is prohibited.

United Kingdom

Each Manager has represented and agreed that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Securities in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Securities in, from or otherwise involving the United Kingdom.

EEA Retail

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities to any retail investor in the European Economic Area, where "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 MiFID II; or
- (ii) a customer within the meaning of Directive 2002/92/EC where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Hong Kong

Each Manager has represented and agreed that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "CWUMPO") or which do not constitute an offer to the public within the meaning of the CWUMPO; and (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

PRC

Each Manager has represented and agreed that the offer of the Securities is not an offer of securities within the meaning of the securities laws and regulations of the PRC and the Securities are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (which, for such purposes, shall not

include the Hong Kong and Macau Special Administrative Regions or Taiwan), except as otherwise permitted by applicable laws and regulations of the PRC.

Japan

Each Manager has acknowledged that the Securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the “Financial Instruments and Exchange Act”). Accordingly, each Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Securities in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other applicable laws and regulations and guidelines of Japan.

France

Each of the Managers has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, any Securities to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this document or any other offering material relating to the Securities and any offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties and/or (b) qualified investors (*investisseurs qualifiés*) and/or (c) a limited circle of investors (*cercle restreint*) acting for their own account, all as defined in, and in accordance with, articles L.411-1, L.411-2 and D.411-1 to D.411-4 of the French *Code monétaire et financier*.

This document has not been submitted to the clearance procedures of the AMF.

Italy

The offering of the Securities has not been registered with the *Commissione Nazionale per le Società e la Borsa* (“CONSOB”) pursuant to Italian securities legislation and, accordingly, each Manager has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver any Securities or any copy of this document or any other document relating to the Securities in the Republic of Italy (“Italy”) except:

- (a) to qualified investors (*investitori qualificati*), pursuant to Article 100 of Legislative Decree no. 58 of 24 February 1998 (the “Consolidated Financial Services Act”) and Article 34-ter, paragraph 1, letter (b) of CONSOB regulation No. 11971 of 14 May 1999 (the “CONSOB Regulation”), all as amended; or
- (b) in any other circumstances where an express exemption from compliance with the restrictions on offers to the public applies, as provided under the Consolidated Financial Services Act or the CONSOB Regulation.

Moreover, and subject to the foregoing, any offer, sale or delivery of the Securities or distribution of copies of this document or any other document relating to the Securities in Italy under (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Consolidated Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the “Banking Act”) and CONSOB Regulation No. 16190 of 29 October 2007, all as amended;
- (ii) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority; and
- (iii) in compliance with Article 129 of the Banking Act as amended and the implementing guidelines of the Bank of Italy, pursuant to which the Bank of Italy may request information on the offering and issue of securities in Italy.

Any investor purchasing any Securities is solely responsible for ensuring that any offer or resale of the Securities occurs in compliance with applicable laws and regulations.

This document and the information contained herein are intended only for the use of its recipient and are not to be distributed to any third-party resident or located in Italy for any reason. No person resident or located in Italy other than the original recipients of this document may rely on it or its contents.

The Netherlands

The Securities (or any interest therein) are not and may not, directly or indirectly, be offered, sold, pledged, delivered or transferred in the Netherlands, on the Issue Date or at any time thereafter, and neither this document nor any other document in relation to any offering of the Securities (or any interest therein) may be distributed or circulated in the Netherlands, other than to qualified investors as defined in Directive 2003/71/EC (as amended, including pursuant to Directive 2010/73/EU, to the extent implemented in the Netherlands), provided that these parties acquire the Securities for their own account or that of another qualified investor.

Singapore

Each Manager has acknowledged that this document has not been registered as a prospectus with the Monetary Authority of Singapore (the "MAS"). Accordingly, each Manager has represented and agreed that it has not offered or sold any Securities and/or the Ordinary Shares to be delivered following Conversion or caused such Securities and/or the Ordinary Shares to be delivered following Conversion to be made the subject of an invitation for subscription or purchase and will not offer or sell such Securities and/or such Ordinary Shares to be delivered following Conversion or cause such Securities and/or such Ordinary Shares to be delivered following Conversion to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this document or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Securities and/or the Ordinary Shares to be delivered following Conversion, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, 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.

This document has not been registered as a prospectus with the MAS. Accordingly, this document or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Securities and/or the Ordinary Shares to be delivered following Conversion may not be circulated or distributed, nor may the Securities and/or the Ordinary Shares to be delivered following Conversion be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Securities pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person, 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 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Notification under Section 309B(1) of the SFA

In connection with Section 309B of the SFA, the Securities and the Ordinary Shares to be delivered following Conversion are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16; Notice on Recommendations on Investment Products).

General

No action has been taken in any jurisdiction that would permit a public offering of any of the Securities, or possession or distribution of this document or any other offering material, in any country or jurisdiction where action for that purpose is required.

Each Manager has agreed that it will, to the best of its knowledge and belief, comply with all relevant securities laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers Securities or has in its possession or distributes this document or any other offering material, in all cases at its own expense.

Certain of the Managers or their affiliates have performed investment banking, financial advisory, commercial banking and other services for the Issuer from time to time for which they have received customary fees and expenses. The Managers or their affiliates may, from time to time, engage in transactions with and perform services for the Issuer in the ordinary course of business, for which they will receive customary fees in connection with these services. In addition, in the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve debt securities and/or instruments of the Issuer or the Issuer's affiliates. If any of the Managers or their affiliates has a lending relationship with the Issuer, certain of those Managers or their affiliates may hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, these Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the Securities offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Securities offered hereby. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

GENERAL INFORMATION

1. Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Securities by way of a debt issue to Professional Investors only and such permission is expected to become effective on or around [●] 2019. The Securities will be traded and settled in Singapore Dollars only. The listing of Securities on the Hong Kong Stock Exchange will be expressed as a percentage of their principal amount. The Securities will not be cleared or settled through the Central Clearing and Settlement System of Hong Kong Exchanges and Clearing Limited.

2. Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Ordinary Shares to be issued upon Conversion of the Securities. Upon the occurrence of the Conversion Trigger Event, application will be made to the United Kingdom Listing Authority for the Ordinary Shares to be issued upon Conversion of the Securities to be admitted to trading on the Regulated Market of the London Stock Exchange.

3. The Issuer has obtained all necessary consents, approvals and authorisations in the United Kingdom in connection with the issue and performance of the Securities. The issue of the Securities was authorised by resolutions of the Issuer's Board of Directors passed on 20 June 2017 and 27 September 2017 and of a duly authorised resolution of a committee of the Issuer's Board of Directors passed on 18 June 2019.

4. There has been no significant change in the financial or trading position of the Issuer and its subsidiaries since 31 March 2019. There has been no material adverse change in the prospects of the Issuer and its subsidiaries since 31 December 2018.

5. As discussed in the "Legal and regulatory matters" section on pages 305 to 306 of the 2018 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 the Issuer is aware) during the twelve months preceding the date of this document, which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer and/or the Group nor is the Issuer aware that any such proceedings are pending or threatened.

The Group has in recent years been subject to a number of proceedings with various authorities the resolution of which has in certain cases included substantial monetary penalties, additional compliance and remediation requirements and additional business restrictions. In 2019, for example, the following has occurred:

- On 9 April 2019, the Group announced that it had resolved previously disclosed investigations by various U.S. regulatory and enforcement authorities and the FCA. Under the terms of the resolutions, the Group agreed to pay a total of U.S.\$947 million in monetary penalties to the U.S. authorities and £102 million to the FCA. The Group took a U.S.\$900 million provision which included these matters in the fourth quarter of 2018 and took a further and final charge of U.S.\$190 million in the first quarter of 2019. The Group's DPAs previously entered with each of the DOJ and DANY were also extended to 9 April 2021. The penalties to the U.S. authorities related to their investigations of historical violations of U.S. sanctions laws and regulations from 2007 through to 2014. The penalty imposed by the FCA related to the FCA's investigation of SCB's historical financial crime controls 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 SCB's UAE branches and the oversight exercised at Group level over those controls. Prior to 9 April 2019, the monitorships from previous settlements with U.S. authorities had terminated on 31 December 2018 (for the NYDFS) and on 31 March 2019 (for the DOJ and DANY), but the Group agreed to engage an independent consultant selected by the NYDFS for up to one year (beginning 1 January 2019 with a possible extension for up to one additional year) to provide guidance in connection with the tasks necessary to complete the remediation contemplated by such settlements.

- In January 2019, the Group reached a settlement with the NYDFS regarding past control failures and improper conduct related to the Group's FX trading and sales business between 2007 and 2013. As part of this settlement, the Group agreed to pay a civil monetary penalty of U.S.\$40 million to the NYDFS.

The Group is also a defendant in a number of lawsuits that have been filed since 2014 in the United States District Courts for the Southern and Eastern Districts of New York against a number of banks (including SCB) on behalf of plaintiffs who are, or are relatives of, victims of various terrorist attacks in Iraq. Five of the lawsuits were filed in late December 2018. The plaintiffs allege that the defendant banks aided and abetted the unlawful conduct of U.S. sanctioned parties in breach of the U.S. Anti-Terrorism Act. Based on the facts currently known, it is not possible for the Group to predict the outcome of these lawsuits.

The DPP and related agencies in Kenya are investigating SCBK and other banks in connection with the alleged theft of funds from Kenya's State Department of Public Service, Youth and Gender Affairs. This investigation follows fines being imposed on those banks, including SCBK, by the Central Bank of Kenya regarding adequacy of controls related to the processing of the allegedly stolen funds. The DPP has announced that it has received recommendations from the Kenyan Directorate of Criminal Investigations that charges should be brought against a number of banks, including SCBK, bank officials and other individuals. The Group does not know whether any charges will be brought, but there may be penalties or other financial consequences for SCBK in connection with this investigation.

6. The Securities have been accepted for trading in book entry form by Clearstream, Luxembourg and Euroclear. The International Securities Identification Number (ISIN) for the Securities is XS2013525253. The Common Code applicable to the Securities is 201352525. The FISN of the Securities is [●] and the CFI Code of the Securities is [●].

7. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg.

8. From the date of this document and for so long as any Securities are outstanding, the following documents will be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the registered office of the Issuer and at the office of the Principal Paying and Conversion Agent:

- i. the Trust Deed (which includes the form of the Global Certificate and the Certificates);
- ii. the Agency Agreement;
- iii. the Conversion Calculation Agency Agreement;
- iv. the Articles of Association of the Issuer;
- v. copies of each of the documents incorporated by reference herein, being:
 - a. the Annual Report and audited accounts of the Group for the year ended 31 December 2017;
 - b. the 2018 Annual Report;
 - c. the Interim Management Statement;
 - d. the document entitled "IFRS 9 Transition Document" released by the Issuer on 28 March 2018;
 - e. the document entitled "Standard Chartered PLC statement on the Bank of England 2018 stress test results" released by the Issuer on 29 November 2018;
 - f. the document entitled "Pillar 3 Disclosures 2018" released by the Issuer on 26 February 2019; and
 - g. the document entitled "Pillar 3 Disclosures 31 March 2019" released by the Issuer on 30 April 2019;
- vi. a copy of this document or any further offering circular or supplementary offering circular.

9. Copies of the latest annual report and accounts of the Issuer may be obtained, and copies of the Trust Deed will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Securities is outstanding.

10. KPMG 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 the Issuer for the two years ended 31 December 2017 and 31 December 2018. 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, 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".

11. The Issuer's Legal Entity Identifier is U4LOSYZ7YG4W3S5F2G91.

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