

Prospectus dated 10 October 2014



## Standard Chartered PLC

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

## Standard Chartered Bank

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

## Standard Chartered Bank (Hong Kong) Limited

*(Incorporated with limited liability in Hong Kong: Number 875305)*

# U.S.\$70,000,000,000 Debt Issuance Programme

Under the Debt Issuance Programme described in this document (the "Programme") (which supersedes and replaces the Prospectus dated 10 October 2013 and each supplement thereto), Standard Chartered PLC ("SCPLC"), Standard Chartered Bank ("SCB") and Standard Chartered Bank (Hong Kong) Limited ("SCBHK") (each of SCPLC, SCB and SCBHK in such capacity an "Issuer" and together, the "Issuers"), subject to compliance with all relevant laws, regulations and directives, may each from time to time issue debt securities (the "Notes"). The Notes may rank as senior obligations of the relevant Issuer ("Senior Notes") or subordinated obligations of the relevant Issuer ("Dated Subordinated Notes"). The aggregate principal amount of Notes outstanding will not at any time exceed U.S.\$70,000,000,000 (or the equivalent in other currencies and subject to increase as provided herein).

Application has been made to the Financial Conduct Authority under Part VI (Official Listing) of the Financial Services and Markets Act 2000 ("FSMA") (the "UK Listing Authority") for Notes issued by SCPLC, SCB or SCBHK under the Programme within 12 months of the date of this document to be admitted to the official list of the UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for such Notes to be admitted to trading on the London Stock Exchange's Regulated Market (the "Market"). The Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council (the "Markets in Financial Instruments Directive").

Application has also been made to The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") for the listing of the Programme on the Hong Kong Stock Exchange for 12 months from the date of this document. The relevant Final Terms (as defined below) or Pricing Supplement (as defined below) in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List and admitted to trading on the Market and/or listed on the Hong Kong Stock Exchange (or listed on any other stock exchange).

This Prospectus includes particulars given in compliance with the 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 SCPLC, SCB and SCBHK and the Notes. SCPLC, SCB and SCBHK accept full responsibility for the accuracy of the information contained in this Prospectus in respect of SCPLC, SCB and SCBHK, respectively and confirm, having made all reasonable enquiries, that to the best of the knowledge and belief of SCPLC, SCB and SCBHK there are no other facts the omission of which would make any statement herein misleading in respect of SCPLC, SCB and SCBHK, respectively. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

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

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

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

As at the date of this Prospectus, i) SCPLC's long term senior debt ratings are A2 by Moody's Investors Service Hong Kong Limited ("Moody's Hong Kong"), A+ by Standard & Poor's Hong Kong Limited ("S&P") and AA- by Fitch Ratings Ltd ("Fitch"); ii) SCB's long term senior debt ratings are A1 by Moody's Hong Kong, AA- by S&P and AA- by Fitch; and iii) SCBHK's long term senior debt ratings are Aa3 by Moody's Hong Kong and AA- by S&P. Moody's Hong Kong is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009, as amended (the "CRA Regulation"). Moody's Hong Kong is affiliated to Moody's Investors Service Ltd which is established in the European Union and is registered under the CRA Regulation. In accordance with the CRA Regulation, Moody's Investors Service Ltd may endorse credit ratings issued by Moody's Hong Kong. S&P is not established in the European Union and has not applied for registration under the CRA Regulation. Fitch is established in the European Union and is registered under the CRA Regulation.

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

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

**Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this document.**

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

Joint Arrangers

J.P. Morgan Cazenove

Dealers

Standard Chartered Bank

Barclays

BofA Merrill Lynch

Goldman Sachs International

Lloyds Bank

Standard Chartered Bank (Hong Kong) Limited

BNP PARIBAS

Deutsche Bank

J.P. Morgan Cazenove

Standard Chartered Bank

UBS Investment Bank

## IMPORTANT

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

This document includes the SCPLC Prospectus, the SCB Prospectus and the SCBHK Prospectus. Investors should note that:

1. the SCPLC Prospectus comprises this document with the exception of the documents incorporated by reference in paragraphs 1, 2, 3, 4 and 9 on pages 7 and 8 in the section entitled “Documents Incorporated by Reference”, the information contained in the sections entitled “Standard Chartered Bank”, “Capitalisation and Indebtedness of Standard Chartered Bank”, “Standard Chartered Bank (Hong Kong) Limited”, “Capitalisation and Indebtedness of Standard Chartered Bank (Hong Kong) Limited” and paragraphs 4, 5, 7 and 8 in the section entitled “General Information”;
2. the SCB Prospectus comprises this document with the exception of the documents incorporated by reference in paragraphs 3, 4 and 9 on pages 7 and 8 in the section entitled “Documents Incorporated by Reference”, the information contained in the sections entitled “Standard Chartered PLC”, “Capitalisation and Indebtedness of Standard Chartered PLC”, “Standard Chartered Bank (Hong Kong) Limited”, “Capitalisation and Indebtedness of Standard Chartered Bank (Hong Kong) Limited” and paragraphs 5 and 8 in the section entitled “General Information”; and
3. the SCBHK Prospectus comprises this document with the exception of the information contained in the sections entitled “Standard Chartered PLC”, “Capitalisation and Indebtedness of Standard Chartered PLC”, “Standard Chartered Bank”, “Capitalisation and Indebtedness of Standard Chartered Bank” and paragraphs 4, 6, 7 and 18 in the section entitled “General Information”.

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

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

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

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

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

SCBHK accepts responsibility for the information contained in the SCBHK Prospectus and any applicable Final Terms in relation to Notes issued by it. To the best of the knowledge and belief of SCBHK, which has taken all reasonable care to ensure that such is the case, the information contained in the SCBHK

Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

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

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

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

**THE NOTES ARE BEING OFFERED AND SOLD OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S AND IN THE CASE OF REGISTERED NOTES, IF PROVIDED IN THE RELEVANT FINAL TERMS, WITHIN THE UNITED STATES TO QIBs IN RELIANCE ON RULE 144A. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF REGISTERED NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. IT IS NOT CURRENTLY ANTICIPATED THAT SCBHK WOULD OFFER OR SELL ANY NOTES IN RELIANCE ON RULE 144A. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS, SALES AND TRANSFERS OF NOTES AND THE DISTRIBUTION OF THIS DOCUMENT, SEE "SUBSCRIPTION AND SALE" AND "TRANSFER RESTRICTIONS".**

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

**NOTICE TO NEW HAMPSHIRE RESIDENTS: NEITHER THE FACT THAT A REGISTRATION STATEMENT NOR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

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

To the fullest extent permitted by law, none of the Dealers or the Arrangers accept any responsibility for the contents of this document or for any other statement, made or purported to be made by the Arrangers or a Dealer or on its behalf in connection with the Issuers or the issue and offering of the Notes. Each of the Arrangers and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this document or any such statement. Neither this document nor any document incorporated by reference nor any other financial statements or information supplied in connection with the Programme or the Notes is intended to provide

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

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

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this document or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the potential risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

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

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

**In connection with the issue of any Tranche (as defined in "Overview of the Programme"), the Dealer or Dealers (if any) named as the stabilising manager(s) (the "Stabilising Manager(s)") (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) will undertake stabilisation action. Any**

**stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.**

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## DOCUMENTS INCORPORATED BY REFERENCE

This document should be read and construed in conjunction with the following documents (or sections of documents) which have been previously published or are published simultaneously with this document and which have been filed with the Financial Conduct Authority (“FCA”):

1. the audited annual accounts of SCB for the year ended 31 December 2012 (including the audit report thereon);
2. the audited annual accounts of SCB for the year ended 31 December 2013 (including the audit report thereon);
3. the audited annual accounts of SCBHK for the year ended 31 December 2012 (including the audit report thereon);
4. the audited annual accounts of SCBHK for the year ended 31 December 2013 (including the audit report thereon);
5. the following sections of the consolidated Annual Report and audited accounts of SCPLC, its subsidiaries and its subsidiary undertakings (the “Group”) for the year ended 31 December 2012:
  - (i) Our Performance in Our Markets;
  - (ii) The Group in 2012;
  - (iii) Consumer Banking;
  - (iv) Wholesale Banking;
  - (v) Risk Review;
  - (vi) Capital;
  - (vii) Board of Directors;
  - (viii) Senior Management;
  - (ix) Corporate Governance;
  - (x) Directors' Remuneration Report;
  - (xi) Report of the Directors;
  - (xii) Statement of Directors' Responsibilities;
  - (xiii) Independent Auditor's Report;
  - (xiv) Audited consolidated financial statements of the Group for the year ended 31 December 2012 (including the audit report thereon and notes thereto); and
  - (xv) Pages 270 to 280 (inclusive) of Supplementary Financial Information;
6. the following sections of the consolidated Annual Report and audited accounts of the Group for the year ended 31 December 2013:
  - (i) Our Performance in Our Markets;
  - (ii) The Group in 2013;
  - (iii) Consumer Banking;
  - (iv) Wholesale Banking;
  - (v) Risk Review;
  - (vi) Capital;
  - (vii) Board of Directors;
  - (viii) Senior Management;
  - (ix) Corporate Governance;
  - (x) Directors' Remuneration Report;
  - (xi) Report of the Directors;
  - (xii) Statement of Directors' Responsibilities;
  - (xiii) Independent Auditor's Report;

- (xiv) Audited consolidated financial statements of the Group for the year ended 31 December 2013 (including the audit report thereon and notes thereto); and
  - (xv) Pages 314 to 324 (inclusive) of Supplementary Financial Information;
7. the document entitled “Pillar 3 Disclosures 31 December 2013” released by SCPLC on 28 March 2014;
  8. the unaudited interim report of the Group for the six months ended 30 June 2014 (the “2014 Interim Report”);
  9. SCBHK’s unaudited Interim Financial Information Disclosure Statements for the six months ended 30 June 2014;
  10. the section headed “Terms and Conditions of the Notes” on pages 22 to 49 of the prospectus dated 7 November 2007 prepared in connection with the U.S.\$15,000,000,000 Debt Issuance Programme established by SCPLC, SCB, SCBHK and Standard Chartered First Bank Korea Limited (“SC First Bank”);
  11. the section headed “Terms and Conditions of the Notes” on pages 26 to 53 of the prospectus dated 5 November 2008 prepared in connection with the U.S.\$20,000,000,000 Debt Issuance Programme established by SCPLC, SCB, SCBHK and SC First Bank;
  12. the section headed “Terms and Conditions of the Notes” on pages 27 to 54 of the prospectus dated 5 November 2009 prepared in connection with the U.S.\$27,500,000,000 Debt Issuance Programme established by SCPLC, SCB, SCBHK and SC First Bank;
  13. the section headed “Terms and Conditions of the Notes” on pages 34 to 62 of the prospectus dated 10 November 2010 prepared in connection with the U.S.\$35,000,000,000 Debt Issuance Programme established by SCPLC, SCB, SCBHK and SC First Bank;
  14. the section headed “Terms and Conditions of the Notes” on pages 35 to 57 of the prospectus dated 11 November 2011 prepared in connection with the U.S.\$42,500,000,000 Debt Issuance Programme established by SCPLC, SCB, SCBHK and SC First Bank;
  15. the section headed “Terms and Conditions of the Notes” on pages 39 to 59 of the prospectus dated 10 October 2012 prepared in connection with the U.S.\$50,000,000,000 Debt Issuance Programme established by SCPLC, SCB and SCBHK; and
  16. the section headed “Terms and Conditions of the Notes” on pages 42 to 62 of the prospectus dated 10 October 2013 prepared in connection with the U.S.\$57,500,000,000 Debt Issuance Programme established by SCPLC, SCB and SCBHK.

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

The financial statements for SCPLC and SCB as detailed in paragraphs 1, 2, 5, 6 and 8 listed above were prepared in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union. The financial statements for SCBHK as detailed in paragraphs 3, 4 and 9 listed above were prepared in accordance with the Hong Kong Financial Reporting Standards.

The parts of the above mentioned documents which are not incorporated by reference into the SCPLC Prospectus, the SCB Prospectus or the SCBHK Prospectus (as detailed at paragraphs 1 to 3 on page 2 of this Prospectus respectively) are either not relevant for investors or are covered elsewhere within the SCPLC Prospectus, the SCB Prospectus or the SCBHK Prospectus respectively.

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



## **SUPPLEMENTARY PROSPECTUS**

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

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

## **AVAILABLE INFORMATION**

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

## ***ENFORCEABILITY OF JUDGMENTS***

SCPLC is a company incorporated as a public limited company in England and Wales with registered number 966425, SCB is a company incorporated with limited liability in England by Royal Charter with reference number ZC18 and SCBHK is a company incorporated with limited liability in Hong Kong: Number 875305. Most of the directors of the Issuers are not residents of the United States, and all or a substantial portion of the assets of the Issuers are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuers or such persons or to enforce against any of them in the United States courts judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any State or territory within the United States.

## ***FORWARD-LOOKING STATEMENTS***

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

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

## OVERVIEW OF THE PROGRAMME

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

<b>Issuers</b>	Standard Chartered PLC, Standard Chartered Bank and Standard Chartered Bank (Hong Kong) Limited.
<b>Description of Issuers</b>	SCPLC, SCB and SCBHK are companies within the Group, an international banking and financial services group particularly focused on the markets of Asia, Africa and the Middle East. SCPLC was incorporated in England and Wales as a public limited company in 1969. SCB was incorporated in England with limited liability by Royal Charter in 1853. SCBHK was incorporated in Hong Kong with limited liability in 2003 as a non-private company.
<b>Risk Factors</b>	There are certain factors which may affect the Issuers' ability to fulfil their obligations under the Notes issued under the Programme. These are set out under the section entitled "Risk Factors" and include (i) business, macroeconomic and geopolitical risks, (ii) macro-prudential, regulatory and legal risks and (iii) operational risks. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme (see the section entitled "Risk Factors").
<b>Description</b>	Debt Issuance Programme.
<b>Programme Limit</b>	Up to U.S.\$70,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate principal amount of Notes outstanding at any one time. The Issuers may increase this amount in accordance with the Programme Agreement.
<b>Joint Arrangers</b>	J.P. Morgan Securities plc and SCB (each an "Arranger" and together the "Arrangers").
<b>Dealers</b>	Barclays Bank PLC BNP Paribas Deutsche Bank AG, London Branch Goldman Sachs International J.P. Morgan Securities plc Lloyds Bank plc Merrill Lynch International SCB SCBHK UBS Limited
	The Issuers may from time to time terminate the appointment of any dealer or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this document to "Permanent Dealers" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "Dealers" are to all Permanent Dealers and all persons appointed as a dealer in respect of the Programme, a syndicated issue or one or more Tranches.
<b>Trustee</b>	BNY Mellon Corporate Trustee Services Limited.
<b>Issuing and Paying Agent</b>	The Bank of New York Mellon ("BONY").
<b>CMU Paying Agent and CMU Lodging Agent</b>	BONY.

**Currencies**

Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the relevant Issuer and the relevant Dealers.

**Denomination**

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

**Form of Notes**

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

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

Restricted Notes will bear a legend applicable to purchasers who purchase the Registered Notes as described under “Transfer Restrictions”.

<b>Maturities</b>	Subject to compliance with all relevant laws, regulations and directives, Senior Notes may have any maturity that is one month or greater and Dated Subordinated Notes will have a minimum maturity of five years and one day.
<b>Issue Price</b>	Notes may be issued at their principal amount or at a discount or premium to their principal amount.
<b>Method of Issue</b>	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a “Series”), having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “Tranche”), on the same or different issue dates. The specific terms of each Tranche (save in respect of the issue date, issue price, first payment of interest and principal amount of the Tranche), will be identical to the terms of other Tranches of the same Series and will be set out in a set of Final Terms.
<b>Fixed Rate Notes</b>	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.
<b>Reset Notes</b>	Reset Notes will, in respect of an initial period, bear interest at the initial fixed rate of interest specified in the applicable Final Terms. Thereafter, the fixed rate of interest will be reset on one or more date(s) specified in the applicable Final Terms by reference to a Mid-Swap Rate, a Benchmark Gilt Rate or a Reference Bond Rate and for a period equal to the reset period, as adjusted for any applicable margin, in each case as may be specified in the applicable Final Terms. Interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.
<b>Floating Rate Notes</b>	Floating Rate Notes will bear interest set separately for each Series by reference to LIBOR, LIBID, LIMEAN, EURIBOR, HIBOR or SIBOR as adjusted for any applicable margin. Interest periods will be specified in the relevant Final Terms.
<b>Zero Coupon Notes</b>	Zero Coupon Notes may be issued at their principal amount or at a discount to it and will not bear interest, other than in the case of late payment.
<b>Redemption</b>	The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes issued by SCPLC or SCBHK which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by SCPLC or SCBHK in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
<b>Optional Redemption</b>	The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the relevant Issuer (either in whole or in part) and/or the Noteholders and if so, the terms applicable to such redemption.
<b>Early Redemption</b>	Except as provided in “Optional Redemption” above, Notes will be redeemable at the option of the relevant Issuer prior to maturity only for tax reasons or, if specified in the relevant Final Terms in relation to Dated Subordinated Notes, upon the occurrence of a Regulatory Capital Event. See “ <i>Terms and Conditions of the Notes – Redemption, Purchase and Options</i> ”.

<b>Withholding Tax</b>	All payments of principal and interest in respect of the Notes and the Coupons will be made free and clear of withholding taxes of the United Kingdom (in the case of Notes issued by SCPLC or SCB) or Hong Kong (in the case of Notes issued by SCBHK) unless required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders or Couponholders (after the withholding or deduction) of such amount as would have been received by them in the absence of the withholding or deduction, subject to customary exceptions, all as described in “ <i>Terms and Conditions of the Notes – Taxation</i> ”.
<b>Status of Notes</b>	The Senior Notes will constitute direct, unsubordinated and unsecured obligations of the relevant Issuer and the Dated Subordinated Notes will constitute direct, subordinated and unsecured obligations of the relevant Issuer, all as described in “ <i>Terms and Conditions of the Notes – Status</i> ”.
<b>Negative Pledge</b>	None.
<b>Cross Default</b>	None.
<b>Listing</b>	<p>Application has been made for Notes (other than PD Exempt Notes) issued by SCPLC, SCB or SCBHK under the Programme to be listed on the Official List and to be admitted to trading on the Market and for the Programme to be listed on the Hong Kong Stock Exchange.</p> <p>PD Exempt Notes may be unlisted and/or may be admitted to trading on another market or stock exchange, as set out in the applicable Pricing Supplement.</p>
<b>Ratings</b>	<p>As at the date of this Prospectus, i) SCPLC's long term senior debt ratings are A2 by Moody's Hong Kong, A+ by S&amp;P and AA- by Fitch; ii) SCB's long term senior debt ratings are A1 by Moody's Hong Kong, AA- by S&amp;P and AA- by Fitch; and iii) SCBHK's long term senior debt ratings are Aa3 by Moody's Hong Kong and AA- by S&amp;P.</p> <p>Notes issued under the Programme may be rated or unrated. When an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme. The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.</p>
<b>Governing Law</b>	The Notes will be governed by and construed in accordance with English law, except for the provisions relating to the subordination of Dated Subordinated Notes to be issued by SCBHK (as set out in Condition 3) which will be governed by, and construed in accordance with, Hong Kong law.
<b>Selling Restrictions</b>	The United States, the EEA, the United Kingdom, Hong Kong, Japan, PRC, France, Italy, The Netherlands, Singapore and such other restrictions as may be required in connection with a particular issue of Notes. See “ <i>Subscription and Sale</i> ” and “ <i>Transfer Restrictions</i> ”.

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

#### **Transfer Restrictions**

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

## RISK FACTORS

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

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

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

*SCBHK is a licensed bank incorporated in Hong Kong, and is subject to the supervision of the Hong Kong Monetary Authority (the "HKMA") under the Banking Ordinance (Cap. 155) of Hong Kong and the Securities and Futures Commission under the Securities and Futures Ordinance (Cap. 571) of Hong Kong. References in the risk factors below to the regulations of the PRA and any European legislation are applicable to SCBHK only to the extent that it must comply, or is affected, as a member of the Group.*

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

### **Risks relating to the Group and its business operations**

#### **Business, macroeconomic and geopolitical risks**

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

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

The world economy is coming out of a difficult period and although the rate of economic growth in many countries is increasing, uncertainty remains. The unwinding by the US Federal Reserve (the "Fed") of its quantitative easing programme could lead to higher interest rates, volatility in financial markets and capital flight from emerging markets which may threaten the growth trajectory of some vulnerable economies. A slowdown in China's growth may depress prices and trade in a number of commodity sectors such as the energy, metals and mining sectors, and a prolonged slowdown could have wider economic repercussions.

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

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

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

Although inflation and property prices appear to be under control in most of the countries in which the Group operates, some central banks are employing macro-prudential tools to temper property price increases. Changes in monetary policy could lead to significant increases in interest rates from the



historically low levels currently prevailing in many markets, with resulting impacts on the wider economy and on property values.

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

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

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

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

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

The Group is subject to significant competition from local banks and other international banks carrying on business in the markets in which it operates, including competitors that may have greater financial and other resources. In addition, the Group may experience increased competition from new entrants in the relevant product or geographic markets and existing competitors may combine to increase their existing market presence or market share. Furthermore, in certain of the Group's markets, it competes against financial institutions that are supported or controlled by governments or governmental bodies and which are required to satisfy certain lending thresholds and other identified targets. In order to remain competitive, the Group may not realise the margins in certain markets which it would otherwise have expected or desired. Regulations may also favour local banks by restricting the ability of international banks, such as the Group, operating in the relevant country 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, certain competitors may have access to lower cost funding and be able to offer retail deposits on more favourable terms than the Group. Furthermore, the Group's competitors may be better able to attract and retain clients and talent, which may have a negative impact on the Group's competitive position and profitability in the relevant markets. Moreover, 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. The foregoing matters, individually or in combination, may have a material adverse effect on the Group's financial condition, results of operations and prospects.

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

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

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

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

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

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

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

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

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

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

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

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

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

The primary categories of market risk for the Group are:

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

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

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

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

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

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

Additional volatility, and further dislocation affecting certain financial markets and asset classes, are factors that may have a material adverse effect on the Group's assets, financial condition, results of operations and prospects. These factors have had and may have a negative impact on the mark-to-market valuations of assets in the Group's available-for-sale and trading portfolios. In addition, any further deterioration in the performance of the assets underlying the Group's asset backed securities ("ABS") portfolio could lead to additional impairment. The ABS portfolio accounted for approximately 1 per cent. of Group assets as at 30 June 2014.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**18 *The Group is exposed to pension risk***

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

## **Macro-prudential, regulatory and legal risks**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **Basel III**

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

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

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

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

The Group was designated a G-SIB by the Financial Stability Board ("FSB") in November 2012 and was again designated a G-SIB by the FSB in November 2013. The Group has been categorised within the 1 per cent. capital buffer requirement and will need to meet this additional capital requirement between 2016 and January 2019 if it is still on the G-SIB list that is published by the FSB in November 2014. Certain of the Group's non-UK entities may be designated domestic systemically important banks in the markets in which



they operate in accordance with the approach developed by the BCBS and FSB, which may result in higher capital requirements for such entities.

### ***CRD IV Capital Requirements***

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

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

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

### ***The EU Bank Recovery and Resolution Directive***

The EU directive establishing a framework for the recovery and resolution of credit institutions and investment firms (the “EU Bank Recovery and Resolution Directive” or “BRRD”) also imposes requirements on Member States to ensure that Institutions meet a Minimum Requirement for Eligible Liabilities (“MREL”), calculated as a percentage of an Institution’s total liabilities and own funds. The level of MREL to be maintained by the Group is yet to be finalised but it is likely that the level of MREL required to be maintained by the Group could have an adverse impact on the Group’s cost of doing business. The FSB is also currently developing a consultation paper on guidance relating to Loss-Absorbing Capital (“LAC”) which will include consideration of the quantum of LAC for G-SIBs. This consultation is expected to be issued by November 2014.

### ***The Financial Services (Banking Reform) Act 2013***

The Financial Services (Banking Reform) Act 2013 amended FSMA to provide HM Treasury with the power to require an institution to issue any debt instruments or to ensure that any part of its debt consists of debt instruments of a particular kind. This power is additional to the regulatory capital requirements under CRD

IV. HM Treasury has indicated that it intends to use this power, as appropriate, to impose requirements for firms to meet LAC or, in accordance with the BRRD, MREL requirements. HM Treasury has consulted on a draft Order that will regulate the exercise of this power in setting LAC and MREL requirements on institutions, although the finalisation of detailed requirements is currently being delayed pending international agreement in relation to LAC and MREL. The power is expected to become exercisable on or before 1 January 2016, at which time the power may be used to introduce LAC and MREL requirements on the Group. This could materially increase the Group's cost of doing business.

#### ***New liquidity standards under CRD IV***

Under CRD IV (implementing requirements proposed by Basel III), banks will be required to meet two new liquidity standards: a liquidity coverage ratio requirement ("LCR") and a net stable funding ratio requirement ("NSFR"). The LCR will require banks to hold an amount of unencumbered, high quality liquid assets that can be used to offset the net cash outflows the bank could encounter under an acute short-term liquidity stress scenario. The NSFR will measure the amount of longer-term, 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, although the details of the NSFR are subject to further development and calibration. The LCR will be introduced on 1 January 2015 and the minimum requirement will begin at 60 per cent., rising in equal annual steps of 10 percentage points to reach 100 per cent. on 1 January 2018. The NSFR will remain subject to an observation period ahead of its planned implementation on 1 January 2018.

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

#### ***UK Macro-prudential Regulation***

The Financial Services Act 2012 empowers the Financial Policy Committee ("FPC"), which is a sub-committee of the Bank of England's Court of Directors, to give directions to the PRA and the FCA so as to ensure implementation of macro-prudential measures intended to manage systemic risk. HM Treasury consulted in October 2013 on a proposal to provide the FPC with the power to impose the counter-cyclical capital buffer in advance of the international timeline of 2016. The UK Government intends that the FPC should be able to require the PRA to impose additional specific capital requirements on banks to address risks to the UK market for banking services. The UK Government intends to provide the FPC with a power of direction over the leverage ratio although the date of implementation is unclear at present. The Bank of England, acting through the FPC, is currently undertaking a review of the leverage ratio within the capital framework and, in connection with such review, published a consultation paper in July 2014. The FPC has indicated that the results of the consultation will inform a final review, which the FPC has indicated that it intends to publish in November 2014. In the meantime, the FPC intends to manage systemic risks impacting the UK financial system using its power of direction to set sectoral capital requirements or through its power to make recommendations to the PRA, FCA and other parties. The new powers conferred on the FPC will enable it to set higher prudential standards for UK banks through the PRA, although it is not yet possible to ascertain definitively what the impact of exercising such powers would be on the Group.

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

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

#### **4 The business and operations of the Group may be affected by resolution measures developed by its regulators, including those introduced in accordance with the EU Bank Recovery and Resolution Directive and the Banking Act 2009**

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

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

##### ***Regulatory Capital Write-Down and Bail-in Powers***

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

##### ***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. The amounts to be contributed by individual Institutions are yet to be determined but it is expected that contributions will be made on an annual basis, beginning once the BRRD has been implemented, and could represent a material cost to SCB or the Group, although the UK has effectively obtained powers to treat the UK bank levy as the chosen source of funding going forward. Institutions may also be required to make an extraordinary ex-post contribution if the amounts raised by the ex-ante contributions are insufficient to cover the losses, costs or other expenses involved in the resolution of an Institution or Institutions.

##### ***Potential impact on funding in non-EU jurisdictions***

Article 55 of the BRRD introduces a new requirement in respect of contracts relating to the liabilities of an Institution (including branches of any Institution established in the EU, such as SCPLC or SCB) which are governed by the law of a non-EEA country. Member States must require Institutions to ensure that such contracts contain a term whereby the creditor or party to the agreement creating the liability recognises that the liability may be subject to the Bail-in Powers, and agrees to be bound by any reduction of the principal or outstanding amount due, conversion or cancellation that is effected by the exercise of the Bail-in Powers. Resolution Authorities may require institutions to provide legal opinions in relation to the enforceability and effectiveness of such contractual terms. Failure to include such a contractual term shall not prevent the Resolution Authority from exercising the Bail-in Powers in respect of the relevant liability. The Group is currently working to identify the potential impact of this requirement in those non-EEA jurisdictions in which

it maintains a branch presence. There is a risk that this requirement could affect the ability of the Group's non-EEA branches to raise capital in their local markets, increase the cost of such capital, give rise to a competitive disadvantages for the Group, impact funding in periods of stress and give rise to additional operational requirements.

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

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

### ***Additional resolution powers under the BRRD***

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

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

Similar powers are already contained within, or are scheduled to be introduced into, the existing resolution framework in the UK to be applied by HM Treasury, the PRA, the FCA and the Bank of England pursuant to the Banking Act 2009. Moreover, the UK government has transposed the statutory framework relating to, and is currently consulting on the detailed requirements for, the introduction of a bail-in power into its resolution framework under the Banking Act 2009 with effect from 1 January 2015.

### ***Resolution powers under the Banking Act 2009***

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

The stabilisation options involve:

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

The insolvency procedures are:

- (i) bank insolvency, designed to ensure that eligible depositors' accounts are transferred to another bank, or that eligible depositors are compensated under the Financial Services Compensation Scheme, followed by winding-up of the affairs of the bank so as to achieve the best result for the bank's creditors; and
- (ii) a bank administration procedure designed to ensure that where the transfer of part of a bank to a private sector purchaser or bridge bank is effected in accordance with the special resolution regime, the non-sold or non-transferred bank continues to provide services and facilities to the business which has been transferred to enable the commercial purchaser or transferee to operate effectively.

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

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

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

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

### ***Ongoing requirements***

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

## **5 European Banking Union**

The European Commission adopted proposals on 12 September 2012 for a regulation that will confer specific responsibilities on the European Central Bank (the "ECB") in respect of the prudential supervision

of credit institutions. In accordance with the proposals, the ECB will become responsible for the authorisation and supervision of all credit institutions within the eurozone, and will have certain responsibilities for credit institutions incorporated outside of the eurozone that establish a branch or provide services within the eurozone on a cross-border basis. Other EU Member States (such as the UK) will be able to establish close cooperation with the ECB in which case the ECB could become responsible for the authorisation and supervision of credit institutions in such Member States. If the UK established close cooperation with the ECB, or joined the European Monetary Union, the ECB would, under the proposals, become responsible for the supervision of the Group which may differ in significant respects from that carried out by the PRA and FCA, and which, depending on the circumstances, could have a material adverse effect on the conduct of the business of the Group, its strategy and profitability, and therefore its financial condition, results of operations and prospects.

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

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

The Group has been and may in the future be subject to regulatory actions, reviews, requests for information (including subpoenas and requests for documents) and investigations across its markets, the outcomes of which are generally difficult to predict and can be material to the Group. Where laws and regulations across the geographies in which the Group operates contradict each other or create conflicting obligations, the Group aspires to meet both local requirements and appropriate global standards.

In 2012, the Group reached settlements with the US authorities regarding US sanctions compliance in the period 2001 to 2007, involving a Consent Order by the New York Department of Financial Services ("NYSDFS"), a Cease and Desist Order by the Federal Reserve Bank of New York ("FRBNY"), Deferred Prosecution Agreements with each of the Department of Justice and the District Attorney of New York (each a "DPA") and a settlement agreement with the Office of Foreign Assets Control. In addition to the civil penalties totalling U.S.\$667 million, the terms of these settlements (together the "Settlements") include a number of conditions and ongoing obligations with regard to improving sanctions, Anti-Money Laundering ("AML") and Bank Secrecy Act ("BSA") controls such as remediation programmes, reporting requirements, compliance reviews and programmes, banking transparency requirements, training measures, audit programmes, disclosure obligations and the appointment of an independent monitor (the "Monitor"). These obligations are managed under a programme of work referred to as the US Supervisory Remediation Program ("SRP"). The SRP comprises workstreams designed to ensure compliance with the remediation requirements contained in all of the Settlements. The Group has established a Financial Crime Risk Mitigation Programme ("FCRMP"), which is a comprehensive, multi-year programme designed to review many aspects of the Group's existing approach to anti-money laundering and sanctions compliance and to enhance them as appropriate.

One key component of the FCRMP is to oversee and manage the SRP. As part of the FCRMP the Group or its advisors may identify new issues, potential breaches or matters requiring further review or further process improvements that could impact the scope or duration of the FCRMP.

The Group is engaged with all relevant authorities to implement these programmes and meet the obligations under the Settlements and is responding to further requests for information and inquiries related to its historic, current and future compliance with the relevant sanctions and AML regimes of all jurisdictions in which it operates.

As a result of its ongoing reviews and continuing engagement with US authorities, the Group believes that the term of the DPAs is likely to be extended. (The DPAs provide that if the Group fulfils all the requirements imposed by the DPAs, the applicable charges against the Group will be dismissed at the end of their applicable term.)

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

The settlement provisions are summarised as follows:

- (i) a civil monetary penalty of U.S.\$300 million;
- (ii) enhancements to the transaction surveillance system at the Branch;
- (iii) a two-year extension to the term of the Monitor; and
- (iv) the following set of temporary remediation measures, which will remain in place until the transaction surveillance system's detection scenarios are operating to a standard approved by the Monitor:
  - (a) the Branch will not, without prior approval of the NYSDFS in consultation with the Monitor, open a U.S. dollar demand deposit account for any client that does not already have such an account with the Branch;
  - (b) requirements for inclusion of identifying information for originators and beneficiaries of some affiliate and third-party payment messages cleared through the Branch;
  - (c) a restriction on U.S. dollar clearing services for certain Hong Kong retail business clients; and
  - (d) enhanced monitoring of certain small and medium sized enterprise clients in the United Arab Emirates. The Group is seeking to exit this business as part of its broader efforts to sharpen its strategic focus, withdrawing or re-aligning non-strategic businesses, including those where increased regulatory costs and risks undermine their economic viability. The exit will take place under the timeline set out in the settlement; if the exit is not achieved within this period, further restrictions will be required, unless an extension is granted by the NYSDFS.

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

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

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

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

In March 2010, the United States passed legislation commonly known as "FATCA" that would require non-U.S. banks to provide information on United States account holders. A number of jurisdictions have entered into intergovernmental agreements with respect to FATCA, modifying the reporting and withholding obligations with respect to banks resident in such jurisdictions. The UK has entered into such an intergovernmental agreement, and Hong Kong has reached an agreement in substance to enter into an intergovernmental agreement. Under applicable guidance issued by the U.S. Internal Revenue Service, such reporting requirements will begin to take effect in 2015. If this information is not provided in a form satisfactory to the U.S. tax authorities (or local authorities under an applicable intergovernmental agreement), that bank will have a 30 per cent. withholding tax applied to certain amounts derived from U.S.

sources, and possibly in the future, non-U.S. sources. The increased due diligence of customer information and the reporting of information to the U.S. authorities (or to local authorities under an applicable intergovernmental agreement for subsequent transmission to the U.S. authorities) will increase operational and compliance costs for banks. At this time, it is not possible to quantify the full costs of complying with the new legislation as some aspects are still to be determined.

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

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

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

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

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

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

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



## Operational risks

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

Operational risk is the risk of direct or indirect loss due to an event or action resulting from the failure of internal processes, people and systems, or from external events. Operational losses can result, for example, from fraud, errors by employees, failure to document transactions properly or to obtain proper authorisation, failure to comply with legal or regulatory requirements or conduct of business rules (including regimes covering anti-money laundering and anti-terrorism, applicable sanctions, insider dealing, market manipulation and market abuse or similar behaviour, including practices for setting market interest rates and other benchmarks) or equipment failures, natural disasters or the failure of external systems. The Group seeks to ensure that operational risks are managed in a timely and effective manner, through a framework of policies, procedures and tools but this framework may prove inadequate in managing such risks. Any of these risks could have a material adverse effect on the Group's ability to conduct business, its financial condition, results of operations and prospects.

However, this does not imply that either SCPLC or any member of the Group will be unable to comply with their obligations as a company with securities admitted to the Official List or as a supervised firm regulated by the PRA and the FCA.

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

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

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

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

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

The banking industry has long been a target for third parties seeking to defraud, to disrupt legitimate economic activity, or to facilitate other illegal activities. Concerns about cyber risk have risen significantly, driven in part by geopolitical events. Cyber crime risks include fraud, vandalism and damage to critical infrastructure.

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

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

The Group seeks to be vigilant to the risks of internal and external crime in its management of people, processes, systems and in its dealings with customers and other stakeholders. The Group has implemented a range of cyber defences to protect from hacking, misuse, malware, errors, social engineering and physical threats. Controls are embedded in the Group's policies and procedures across a wide range of the Group's activities, such as origination, recruitment, physical and information security. The Group uses third parties where appropriate to further protect, test, validate and strengthen its defences.

The Group also actively collaborates with its peers, regulators and other expert bodies as part of its response to this risk. However, such measures may not be adequate and these risks could have a material adverse effect on the Group's ability to conduct business, its financial condition, results of operations and prospects.

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

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

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

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

SCPLC is a holding company and operates its business entirely through its subsidiaries, including SCB and SCBHK. SCB and SCBHK also operate part of their respective businesses through their subsidiaries. Payments on Notes issued by SCPLC, SCB or SCBHK are structurally subordinated to all existing and future liabilities and obligations of each company's subsidiaries. Claims of creditors of such subsidiaries will have priority as to the assets of such subsidiaries over SCPLC, SCB or SCBHK and their creditors, including holders of any Notes issued by SCPLC, SCB or SCBHK. Each Issuer's obligation to make payments on the Notes issued by it is solely an obligation of that Issuer and will not be guaranteed by any of its subsidiaries or associates. Neither the terms and conditions of the Notes nor the Trust Deed contain any restrictions on the ability of SCPLC's, SCB's or SCBHK's subsidiaries or associates to incur additional unsecured or secured indebtedness.

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

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

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

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

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

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

Fixed/Floating Rate Notes may bear interest at a rate that an Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. An Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since such Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If such Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than the then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If such Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

### ***Reset Notes***

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

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

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

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

An Issuer's obligations under Dated Subordinated Notes will be unsecured and subordinated and will rank junior in priority to the claims of Senior Creditors (as defined in "*Terms and Conditions of the Notes*" herein). Although Dated Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in Dated Subordinated Notes will lose all or some of his investment should the relevant Issuer become insolvent.

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

In most circumstances the sole remedy against an Issuer available to the Trustee (on behalf of the holders of Dated Subordinated Notes) to recover any amounts owing in respect of the principal of or interest on the Dated Subordinated Notes will be to institute proceedings for the winding-up of the relevant Issuer in its jurisdiction of incorporation. See "*Terms and Conditions of the Notes, Condition 9(c)*".

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

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

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

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

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

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

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

Under the Regulatory Capital Write-Down Powers in the BRRD, Resolution Authorities will have the power (and will be obliged when specified conditions are met) to write-down, or convert into CET1 Capital instruments (e.g. ordinary shares) of the Institution, Tier 1 and Tier 2 Capital instruments issued by Institutions before determining that the relevant Institution 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 Tier 1 and/or Tier 2 Capital instruments that are currently in issue and, consequently, no transitional rules will apply.

Resolution Authorities will also be able to exercise Bail-In Powers to write-down certain unsecured liabilities of Institutions 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 (subject to appropriate restructuring of the Institution’s business) or to provide capital for any bridge institution that the Resolution Authorities establish in connection with the resolution of the Institution. Subject to certain exemptions set out in the BRRD (including secured liabilities, bank deposits guaranteed under an EU member state’s deposit guarantee scheme, liabilities arising by virtue of the holding of client money, liabilities to other non-group banks or investment firms that have an original maturity of fewer than seven days and certain other exceptions), it is intended that all liabilities of Institutions 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 in accordance with a hierarchy prescribed by the BRRD, pursuant to which, for example, subordinated debt instruments are to be written down or converted ahead of senior unsecured debt. The Bail-In Powers that are to be given to Resolution Authorities include the ability to write-down or convert certain unsecured debt instruments into shares of the Institution, to reduce the outstanding amount due under such debt instruments (including reducing such amounts to zero) or to cancel such debt instruments. The BRRD does not exempt Eligible Liabilities recognised or issued before a particular date from the scope of the Bail-In Powers.

Member States are required to transpose the requirements set out under the BRRD by 31 December 2014 and apply the requirements from 1 January 2015, although Member States are permitted to delay the application of Bail-in Powers until 1 January 2016. However, the UK government has transposed the statutory framework relating to, and is currently consulting on the detailed requirements for, the introduction of Bail-in Powers into its resolution framework under the Banking Act 2009 with effect from 1 January 2015.

Dated Subordinated Notes issued under the Programme may, accordingly, fall within the pool of regulatory capital instruments that would be subject to the proposed Regulatory Capital Write-Down Powers. Senior Notes and Dated Subordinated Notes issued under the Programme (insofar as they have not already been written down or converted under the Regulatory Capital Write-Down Powers referred to above) will fall within the scope of the Bail-In Powers set out in the BRRD (which the UK is implementing through the Financial Services (Banking Reform) Act 2013 and secondary legislation, which will introduce 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 existing stabilisation options provided under the Banking Act 2009). The determination

that all or part of the principal amount of the Notes will be subject to the Regulatory Capital Write-Down Powers or Bail-In Powers may be unpredictable and may be outside of the Issuer's control. Accordingly, trading behaviour in respect of the Notes which are subject to such write-down or conversion powers is not necessarily expected to follow trading behaviour associated with other types of securities. Any final determination that the Notes will become subject to the Regulatory Capital Write-Down Powers or Bail-In Powers set out in the proposed BRRD could have an adverse effect on the market price of the relevant Notes.

Potential investors should also consider the risk that a Noteholder may lose all of its investment in such Notes and claims to unpaid interest. Any amounts written-off as a result of the application of either the Regulatory Capital Write-Down Powers or the Bail-in Powers would be irrevocably lost and holders of such Notes would cease to have any claims for (i) the written-off principal amount of the Notes and (ii) any unaccrued obligations or claims arising in relation to such amounts if the full principal amount of a Note is written-off. In circumstances where UK Resolution Authorities use their Bail-In Powers to reduce part of the principal amount of the Notes, the terms of the Notes would continue to apply in relation to the residual principal amount, subject to any modification to the amount of interest payable to reflect the reduction of the principal amount. In addition, where UK Resolution Authorities use their Bail-In Powers in this way, they must ensure that creditors do not incur greater losses than they would have incurred had the Institution been wound up under normal insolvency proceedings immediately before the exercise of the resolution power, however there can be no guarantee that the application of this requirement will mean that a Noteholder will not lose all of its investment in the Notes in the event that the UK Resolution Authorities use their Bail-in Powers in this way.

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

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

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

The Renminbi is not freely convertible at present. The PRC government continues to regulate conversion between the Renminbi and foreign currencies despite the significant reduction over the years by the PRC government of control over routine foreign exchange transactions under current accounts. Participating banks in Hong Kong have been permitted to engage in the settlement of RMB trade transactions under a pilot scheme introduced in July 2009. This represents a current account activity. The pilot scheme was extended in June 2010 to cover 20 provinces and cities in the PRC and to make RMB trade and other current account item settlement available in all countries worldwide. The pilot scheme was further extended in August 2011 to cover all provinces in the PRC.

On 25 February 2011, the Ministry of Commerce of the PRC ("MOFCOM") promulgated the Circular on Issues concerning Foreign Investment Management (the "MOFCOM Circular"). The MOFCOM Circular states that if a foreign investor intends to make investments in the PRC (whether by way of establishing a new enterprise, increasing the registered capital of an existing enterprise, acquiring an onshore enterprise or providing loan facilities) with Renminbi that it has generated from cross-border trade settlement or that is lawfully obtained by it outside the PRC, MOFCOM's prior written consent is required. On 3 June 2011, the People's Bank of China (the "PBOC") issued the Notice on Clarification of Issues regarding Cross-border Renminbi Activities (the "PBOC Notice"), which provides that the pilot programme of foreign direct investment in Renminbi will be launched on a case by case basis, and approval by the PBOC is required for foreign direct investment in Renminbi. For industries under restrictions or strictly regulated by the PRC government, foreign direct investment in Renminbi is prohibited.

On 12 October 2011, MOFCOM promulgated the Circular on Issues in relation to Cross-border RMB Foreign Direct Investment (the "MOFCOM RMB FDI Circular"). Pursuant to the MOFCOM RMB FDI Circular, MOFCOM's prior written consent which was previously required under the MOFCOM Circular, is no longer required for RMB foreign direct investments ("RMB FDI"), and MOFCOM and its local counterparts are authorised to approve RMB FDI in accordance with existing PRC laws and regulations regarding foreign investment, with certain exceptions which require the preliminary approval by the provincial counterpart of MOFCOM and the consent of MOFCOM as described under "PRC Currency Controls – Capital Account Items". The MOFCOM RMB FDI Circular also requires that the proceeds of RMB FDI may not be used towards investment in securities, financial derivatives or entrustment loans in

the PRC, except for investments in PRC domestic listed companies through private placements or share transfers by agreement. On 13 October 2011, PBOC issued the Measures on Administration of the RMB Settlement in relation to Foreign Direct Investment (the “PBOC RMB FDI Measures”), to implement PBOC’s detailed RMB FDI administration system, which covers almost all aspects of RMB FDI, including capital injection, payment of purchase price in the acquisition of PRC domestic enterprises, repatriation of dividends and distribution, as well as Renminbi denominated cross-border loans. Under the PBOC RMB FDI Measures, special approval for RMB FDI and shareholder loans from the PBOC which was previously required by the PROC Notice is no longer necessary. As new regulations, the MOFCOM Circular, the PBOC Notice, the MOFCOM RMB FDI Circular and the PBOC RMB FDI Measures will be subject to interpretation and application by the relevant PRC authorities.

Subject to the prior receipt of all necessary governmental approvals, an Issuer may remit the net proceeds from the offering of RMB Notes into the PRC. There is no assurance that such approvals will be granted and, if granted, will not be revoked or amended in the future. There is no assurance that the PRC government will continue to gradually liberalise the control over cross-border RMB remittances in the future or that new PRC regulations will not be promulgated in the future which would have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. An Issuer may need to source Renminbi offshore to finance its obligations under RMB Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

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

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

However, the current size of Renminbi-denominated financial assets outside China is limited. In addition, participating banks are also required by the HKMA to maintain a Renminbi liquidity ratio (computed on the same basis as the statutory liquidity ratio) of no less than 25 per cent., which further limits the availability of Renminbi that participating banks can utilise for conversion services for their customers. Renminbi business participating banks do not have direct Renminbi liquidity support from PBOC. The Renminbi Clearing Bank will only have access to onshore liquidity support from PBOC to square open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporates in relation to cross-border trade settlement and for personal customers resident in Hong Kong of up to RMB20,000 per person per day. The Renminbi Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from the offshore market to square such open positions.

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

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

The value of the Renminbi against the U.S. dollar, the Hong Kong dollar and other currencies fluctuates and is affected by changes in the PRC and international political and economic conditions and by many other factors. An Issuer will make all payments of interest and principal with respect to RMB Notes in Renminbi. As a result, the value of these Renminbi payments in foreign currency may vary with the prevailing exchange rates in the marketplace. For example, when an investor buys RMB Notes, such

investor may need to convert foreign currency to Renminbi at the exchange rate available at that time. If the value of Renminbi depreciates against the relevant foreign currency between then and the time that the Issuer pays back the principal of RMB Notes in Renminbi at maturity, the value of the investment in the relevant foreign currency will have declined.

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

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

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

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

***Modification, waivers and substitution***

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

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

***Changes to regulatory capital requirements***

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

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

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

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

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

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

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

Any of the foregoing could affect the risk-weighting of the Notes for investors who are subject to capital adequacy requirements that follow, or are based on, Basel I (being the International Convergence of Capital Measurement and Capital Standards published by the BCBS in July 1988 together with the Amendment to the Capital Accord to Incorporate Market Risks published by the BCBS in January 1996, in each case as amended by the BCBS), Basel II or Basel III (including, in the EU/EEA, banks and investment firms).

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

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

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

### **European Monetary Union**

If the United Kingdom joins the European Monetary Union prior to the maturity of the Notes, there is no assurance that this would not adversely affect investors in the Notes. It is possible that prior to the maturity of the Notes the United Kingdom may become a participating Member State and that the euro may become the lawful currency of the United Kingdom. In that event (i) all amounts payable in respect of any Notes denominated in Sterling may become payable in euro (ii) the law may allow or require such Notes to be redenominated into euro and additional measures to be taken in respect of such Notes; and (iii) there may no



longer be available published or displayed rates for deposits in Sterling used to determine the rates of interest on such Notes or changes in the way those rates are calculated, quoted and published or displayed. The introduction of the euro could also be accompanied by a volatile interest rate environment, which could adversely affect investors in the Notes.

### ***EU Savings Directive***

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

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

However, for a transitional period, the end of which is dependent upon the conclusion of certain other agreements relating to information exchange with certain non-EU countries, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Savings Directive.

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

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

### ***Change of law***

The Terms and Conditions of the Notes are based on English law in effect as at the date of issue of the relevant Notes (save for Condition 3 which shall be governed by and construed in accordance with Hong Kong law where the Notes are issued by SCBHK). No assurance can be given as to the impact of any possible judicial decision or change to English law, Hong Kong law or any administrative practice after the date of issue of the relevant Notes.

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

The United States may impose a withholding tax of 30 per cent. on any portion of payments made with respect to the Notes treated as attributable to certain U.S. source payments (“foreign passthru payments”), but the rules for calculating the amount of such withholding tax are still undetermined. According to recently enacted U.S. Treasury regulations and related U.S. Treasury Department guidance, this withholding tax generally will only apply to payments made on or after January 1, 2017, at the earliest. Moreover, such withholding would generally only apply to Notes issued or materially modified more than six months after the date on which final regulations implementing such rules are enacted, subject to certain exceptions. The withholding tax, when it applies, may be imposed at any point in a series of payments unless the relevant

payee (including a bank, broker or individual) at each point complies with information reporting, certification and related requirements. Accordingly, a holder that holds Notes through a bank or broker 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. If a payment on the Notes is subject to this withholding tax, no additional amounts will be paid, and a holder of Notes will receive less than the amount of the expected payment.

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

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

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

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

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have an adverse effect on the market value of Notes.

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

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

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

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

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

##### ***Credit ratings may not reflect all risks***

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be suspended, reduced or withdrawn by the rating agency at any time. Each rating should be evaluated independently of any other rating.

## TERMS AND CONDITIONS OF THE NOTES

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

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

The Notes are constituted by an Amended and Restated Trust Deed dated 10 October 2014, which amends and restates an Amended and Restated Trust Deed dated 10 October 2013, and as further amended and/or supplemented as at the date of issue of the Notes (the “Issue Date”) (the “Trust Deed”) between SCPLC, SCB, SCBHK and BNY Mellon Corporate Trustee Services Limited (the “Trustee”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Coupons and Talons referred to below. An Amended and Restated Agency Agreement dated 10 October 2014, which amends and restates an Amended and Restated Agency Agreement dated 10 October 2013 (and as amended and/or supplemented as at the Issue Date (the “Agency Agreement”)), was entered into in relation to the Notes between SCPLC, SCB, SCBHK, the Trustee and The Bank of New York Mellon, London Office as issuing and paying agent, paying agent, transfer agent and calculation agent, The Bank of New York Mellon (Luxembourg) S.A. as paying agent, registrar and transfer agent, The Bank of New York Mellon as Hong Kong registrar, CMU Paying Agent and CMU Lodging Agent (the “CMU Lodging Agent”, which expression shall include any successor CMU lodging agents), and The Bank of New York Mellon as exchange agent, paying agent and registrar and the other agents named therein. The issuing and paying agent, the paying agents, the registrars, the Hong Kong registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the “Issuing and Paying Agent”, the “Paying Agents” (which expression shall include the Issuing and Paying Agent and the CMU Lodging Agent), the “Registrar”, the “HK Registrar”, the “Transfer Agents” (which expression shall include the Registrar and the HK Registrar) and the “Calculation Agent(s)”. Copies of the Trust Deed and the Agency Agreement referred to above are available for inspection free of charge during usual business hours at the registered office of the Trustee (presently at One Canada Square, London E14 5AL) and at the specified offices of the Paying Agents and the Transfer Agents, save that, if any Series of Notes is neither admitted to trading on a regulated market within the European Economic Area (“EEA”) nor offered in the EEA in circumstances where a prospectus is required to be published pursuant to European Union Directive 2003/71/EC, as amended, to the extent that such amendments have been implemented in the relevant member state of the EEA (the “Prospectus Directive”), the applicable pricing supplement will only be available for inspection by a Noteholder holding one or more Notes of the Series and such Noteholder must produce evidence satisfactory to the relevant Issuer and the Trustee or, as the case may be, the relevant Paying Agent as to its holding of such Notes and identity. For the purposes of these Conditions, all references (other than in relation to the determination of interest and other amounts payable in respect of the Notes) to the issuing and paying agent shall, with respect to a Series of Notes to be held in the Hong Kong Central Money Markets Unit Service operated by the Hong Kong Monetary Authority (the “CMU Service”), be deemed to be a reference to the CMU Lodging Agent and all such references shall be construed accordingly.

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

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

specified or to the extent inconsistent with these Conditions, replace or modify these Conditions for the purposes of this Note. References to the “applicable Final Terms” are to the Final Terms (or relevant provisions thereof) attached to or endorsed on this Note. References to the “applicable Pricing Supplement” are to the Pricing Supplement (or relevant provisions thereof) attached to or endorsed on this Note.

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

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

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

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

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

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

Title to the Bearer Notes and the Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “Register”). The Issuer may appoint a registrar (the “Alternative Registrar”) in accordance with the provisions of the Agency Agreement other than the Registrar in relation to any Series comprising Registered Notes. In these Conditions, “Registrar” includes, if applicable, in relation to any Series comprising Registered Notes, the Registrar or, as the case may be, the Alternative Registrar, as specified hereon [provided always that the Registrar shall be the HK Registrar or shall have its specified office in Hong Kong]<sup>2</sup>. Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

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

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

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

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

surrendered with it. Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Denomination may not be exchanged for Bearer Notes of another Denomination. Bearer Notes that are not Exchangeable Bearer Notes may not be exchanged for Registered Notes.

**(b) Transfer of Registered Notes**

One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require without service charge and subject to payment of any taxes, duties and other governmental charges in respect of such transfer. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor.

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

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

**(d) Delivery of New Certificates**

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

**(e) Exchange Free of Charge**

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

**(f) Closed Periods**

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

**3. Status**

**(a) Status of Senior Notes**

The Senior Notes (being those Notes that specify their Status as Senior) and the Coupons relating to them constitute direct and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without

any preference among themselves. The payment obligations of the Issuer under the Senior Notes and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.

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

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

The rights and claims of Noteholders and Couponholders against the Issuer to payment in respect of the Dated Subordinated Notes (including, without limitation, any payments in respect of damages awarded for breach of any obligations) are, in the event of the winding-up of the Issuer [or in an administration of the Issuer following notice by the administrator of an intention to declare and distribute a dividend]<sup>1</sup> subordinated in right of payment in the manner provided in the Trust Deed to the claims of all Senior Creditors (as defined below). Accordingly, amounts (whether principal, interest or otherwise) in respect of the Notes and Coupons shall be payable in such winding-up [or such administration following notice by the administrator of an intention to declare and distribute a dividend]<sup>1</sup> only if and to the extent that the Issuer could be considered solvent at the time of payment thereof and still be considered solvent immediately thereafter. For this purpose, the Issuer shall be considered solvent if both (i) it is able to pay its debts to Senior Creditors as they fall due and (ii) its Assets exceed its Liabilities to Senior Creditors.

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

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

Subject to applicable law, no Noteholder or Couponholder may exercise, claim or plead any right of set-off, counter-claim or retention in respect of any amount owed to it by the Issuer arising under or in connection with the Dated Subordinated Notes or the Coupons in respect of them and each Noteholder and Couponholder shall, by virtue of being the holder of any Dated Subordinated Note or, as the case may be, Coupon in relation to it, be deemed to have waived all such rights of such set-off, counter-claim or retention. Notwithstanding the preceding sentence, if any of the amounts owing to any Noteholder or Couponholder by the Issuer under or in connection with the Dated Subordinated Notes is discharged by set-off, such Noteholder or Couponholder, as the case may be, shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer or, in the event of its winding-up [or administration]<sup>1</sup>, the liquidator [or administrator as appropriate]<sup>1</sup> of the Issuer for payment to the Creditors in respect of amounts owing to them by 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 of the Issuer (as the case may be), for the payment to the Creditors in respect of amounts owing to them by the Issuer, and accordingly any such discharge shall be deemed not to have taken place.

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

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

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

“*Creditor*” means any creditor of the Issuer (i) who is an unsubordinated creditor of the Issuer or (ii) whose claim is or is expressed to be subordinated to the claim of any unsubordinated creditor of the Issuer but not further or otherwise;

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

“*Senior Creditor*” means any creditor of the Issuer (and, for the purposes of Condition 10(c) only, any creditor of a holding company of the Issuer that is substituted for such Issuer in which case references in (i)

and (ii) below to the Issuer shall be construed as referring to such holding company) whose claims have been accepted by the liquidator in the winding-up of the Issuer, not being a creditor:

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

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

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

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

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

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

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which event interest shall continue to accrue (after as well as before judgment) at the Interest Rate in the manner provided in this Condition 4 to the Relevant Date (as defined in Condition 7).

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

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

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

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

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

(i) if the Primary Source for the Floating Rate is a Page, subject as provided below, the Interest Rate shall be:

(A) the Relevant Rate (where such Relevant Rate on such Page is a composite quotation or is customarily supplied by one entity); or

(B) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Page,

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

(ii) if the Primary Source for the Floating Rate is Reference Banks or if sub-paragraph (i)(A) applies and no Relevant Rate appears on the Page at the Relevant Time on the Interest Determination Date or if sub-paragraph (i)(B) above applies and fewer than two Relevant Rates appear on the Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Interest Rate shall be the arithmetic mean of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre at the Relevant Time on the Interest Determination Date, as determined by the Calculation Agent;

- (iii) if paragraph (ii) above applies and the Calculation Agent determines that fewer than two Reference Banks are so quoting Relevant Rates, subject as provided below, the Interest Rate shall be the arithmetic mean of the rates per annum (expressed as a percentage) that the Calculation Agent determines to be the rates (being the nearest equivalent to the Benchmark) in respect of a Representative Amount of the Relevant Currency that at least two out of five leading banks selected by the Calculation Agent in the principal financial centre of the country of the Relevant Currency or, if the Relevant Currency is euro, in the Eurozone (the "Principal Financial Centre") are quoting at or about the Relevant Time on the date on which such banks would customarily quote such rates for a period commencing on the Effective Date for a period equivalent to the Specified Duration (x) to leading banks carrying on business in Europe, or (if the Calculation Agent determines that fewer than two of such banks are so quoting to leading banks in Europe) (y) to leading banks carrying on business in the Principal Financial Centre; except that, if fewer than two of such banks are so quoting to leading banks in the Principal Financial Centre, the Interest Rate shall be the Interest Rate determined on the previous Interest Determination Date (after readjustment for any difference between any Margin, Rate Multiplier or Maximum or Minimum Interest Rate applicable to the preceding Interest Accrual Period and to the relevant Interest Accrual Period).

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

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

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

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

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

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

in each case, payable in arrear on each Interest Payment Date.

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



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

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

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

“*Benchmark Gilt Rate*” means, in respect of a Reset Period, the gross redemption yield (as calculated by the Calculation Agent in accordance with generally accepted market practice at such time) on a semi-annual compounding basis (converted to an annualised yield and rounded up (if necessary) to four decimal places) of the Benchmark Gilt in respect of that Reset Period, with the price of the Benchmark Gilt for this purpose being the arithmetic average (rounded up (if necessary) to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered prices of such Benchmark Gilt quoted by the Reference Banks at 3.00 p.m. (London time) on the relevant Reset Determination Date on a dealing basis for settlement on the next following dealing day in London. If at least four quotations are provided, the Benchmark Gilt Rate will be the rounded arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two or three quotations are provided, the Benchmark Gilt Rate will be the rounded arithmetic mean of the quotations provided. If only one quotation is provided, the Benchmark Gilt Rate will be the rounded quotation provided. If no quotations are provided, the Benchmark Gilt Rate will be determined by the Calculation Agent in its sole discretion following consultation with the Issuer;

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

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

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

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

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

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

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

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

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

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

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

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

- (i) if Single Mid-Swap Rate is specified hereon, the rate for swaps in the Relevant Currency:
  - (A) with a term equal to the relevant Reset Period; and

- (B) commencing on the relevant Reset Date, which appears on the Relevant Screen Page; or
- (ii) if Mean Mid-Swap Rate is specified hereon, the arithmetic mean (expressed as a percentage rate per annum and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered swap rate quotations for swaps in the Relevant Currency:
  - (A) with a term equal to the relevant Reset Period; and
  - (B) commencing on the relevant Reset Date, which appear on the Relevant Screen Page,in either case, as at approximately 11.00 a.m. in the principal financial centre of the Relevant Currency on such Reset Determination Date, all as determined by the Calculation Agent;

*“Reference Banks”* means:

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

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

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

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

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

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

*“Relevant Screen Page”* has the meaning specified hereon;

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

*“Reset Determination Date”* means, in respect of the First Reset Period, the second Business Day prior to the First Reset Date, in respect of the first Subsequent Reset Period, the second Business

Day prior to the Second Reset Date and, in respect of each Subsequent Reset Period thereafter, the second Business Day prior to the first day of each such Subsequent Reset Period;

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

“*Reset Rate*” means:

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

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

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

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

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

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

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

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

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

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes “unit” means the lowest amount of such currency that is available as legal tender in the country(ies) of such currency and in the case of euro means 0.01 euro.

**(g) *Calculations***

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

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

As soon as practicable after the Relevant Time on each Interest Determination Date or Reset Determination Date or such other time on such date as the Calculation Agent may be required to calculate any Redemption Amount, obtain any quotation or make any determination or calculation, it shall determine the Interest Rate and calculate the Interest Amount for the relevant Interest Accrual Period (or, if determining the First Reset Rate of Interest or a Subsequent Reset Rate of Interest in respect of Reset Notes, the Interest Amount for each Interest Accrual Period falling within the relevant Reset Period),

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

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

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

**(j) Definitions**

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

[any reference to “administration” in respect of the Issuer shall be deemed to include a bank administration of the Issuer pursuant to the Banking Act 2009 or the Investment Bank Special Administration Regulations 2011 SI 2011/245 and any reference to an “administrator” shall be deemed to include a bank administrator appointed pursuant to the Banking Act 2009 or an administrator appointed pursuant to the Investment Bank Special Administration Regulations 2011 SI 2011/245;]<sup>3</sup>

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

“*Applicable Regulatory Capital Requirements*” means any requirements contained in Capital Regulations from time to time applicable to the Issuer or the Group;

“*Basel III*” means the package of proposals to strengthen global capital and liquidity regulations published by the Basel Committee on Banking Supervision on 16 December 2010, as revised on 1 June 2011, together with the “Minimum requirements to ensure loss absorbency at the point of non-viability” published on 13 January 2011 together with the document dated November 2011 on “Global systemically important banks: Assessment methodology and the additional loss absorbency requirement”, the “Basel III definition of capital – frequently asked questions” and the “Basel III counterparty credit risk – frequently asked questions” (in each case, as may be supplemented or modified from time to time);

“*Business Day*” means:

(i) in the case of a specified currency other than euro and Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for that currency; or

(ii) in the case of euro, a day on which the TARGET System is operating (a “TARGET Business Day”); or

(iii) in the case of Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; or

(iv) in the case of a specified currency and one or more specified financial centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in the





*“Interest Amount”* means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“*Relevant Time*” means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified hereon or, if none is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Relevant Currency in the interbank market in the Relevant Financial Centre or, if no such customary local time exists, 11.00 hours in the Relevant Financial Centre and, for the purpose of this definition “local time” means, with respect to the Eurozone as a Relevant Financial Centre, Central European Time;

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

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

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

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

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

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

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

Unless previously redeemed [(with the consent of, or waiver from, or, as applicable, lack of objection on the part of, the PRA in the case of Dated Subordinated Notes, if required by the PRA)]<sup>1</sup>, purchased and cancelled as provided below or its maturity is extended pursuant to any Issuer's or Noteholder's option in accordance with Condition 5(c), 5(d), 5(e), 5(f), 5(g) or 5(h) each Note shall be finally redeemed on the Maturity Date specified hereon at its Redemption Amount (which, unless otherwise provided hereon, is its principal amount).

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

(i) The Redemption Amount payable in respect of any Note that does not bear interest prior to the Maturity Date, upon redemption of such Note pursuant to Condition 5(c) or upon it becoming due and payable as provided in Condition 9, shall be the Amortised Face Amount (calculated as provided below) of such Note.

(ii) Subject to the provisions of sub-paragraph (iii) below, the Amortised Face Amount of any such Note shall be the scheduled Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually. Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(iii) If the Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 5(c) or upon it becoming due and payable as provided in Condition 9 is not paid when due, the



Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (ii) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (as well after as before judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 4(d).

**(c) Redemption for Taxation Reasons**

The Notes may be redeemed at the option of the Issuer in whole, but not in part, [(with the consent of, or waiver from, or, as applicable, lack of objection on the part of, the PRA in the case of Dated Subordinated Notes)]<sup>1</sup> on any Interest Payment Date or, if so specified hereon, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 13 (which notice shall be irrevocable) at their Redemption Amount (together with interest accrued to the date fixed for redemption):

(i) if the Issuer satisfies the Trustee immediately before the giving of such notice that it has or will become obliged to pay additional amounts as described under Condition 7 and/or any undertaking given in addition thereto or in substitution thereof under the terms of the Trust Deed as a result of any change in, or amendment to, the laws or regulations of the [United Kingdom]<sup>1</sup> [Hong Kong]<sup>2</sup> or any political subdivision or any authority thereof or therein having power to tax, (or any taxing authority of any taxing jurisdiction to which the Issuer is or has become subject and in respect of which it has given such undertaking as referred to above in this Condition 5(c)(i)) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and

(ii) if such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Before the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that (a) the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and (b) the conditions set out in (iii) below have been satisfied, and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above and of the conditions set out in (iii) below, in which event it shall be conclusive and binding on Noteholders and Couponholders, and

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

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

If so provided hereon, the Issuer may [(with the consent of, waiver from, or, as applicable, lack of objection on the part of, the PRA in the case of Dated Subordinated Notes)]<sup>1</sup>, on giving not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 13 (which notice shall be irrevocable), redeem, or exercise any Issuer's option in relation to, all or, if so provided, some of the Notes in the principal amount or integral multiples thereof and on the date or dates so provided. Any such redemption of Notes shall be at their Redemption Amount (together with interest accrued to the date fixed for redemption).

All Notes in respect of which any such notice is given shall be redeemed, or the Issuer's option shall be exercised, on the date specified in such notice in accordance with this Condition.

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

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

(i) If Regulatory Capital Call is provided hereon and immediately prior to the giving of the notice referred to below a Regulatory Capital Event has occurred and is continuing, then the Issuer may, [(with the consent of, or waiver from, or, as applicable, lack of objection on the part of, the PRA in the case of Dated

Subordinated Notes)]<sup>1</sup>, redeem the Notes in whole but not in part on any Interest Payment Date or, if so specified hereon, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 13 (which notice shall be irrevocable) at their Redemption Amount (together with any interest accrued to the date fixed for redemption).

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

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

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

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

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

**(g) Purchases**

The Issuer or any of its subsidiaries or any holding company (within the meaning of [section 1159 of the Companies Act 2006]<sup>1</sup> [section 2 of the Companies Ordinance]<sup>2</sup>) of the Issuer or any other subsidiary of such holding company [(with the consent of, waiver from, or, as applicable, lack of objection on the part of, the PRA in the case of Dated Subordinated Notes and to the extent that such purchase is not prohibited by CRD IV)]<sup>1</sup> may purchase Notes (provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price, subject to the requirements (if any) of any stock exchange on which any Note is listed.

**(h) Cancellation**

All Notes purchased by or on behalf of the Issuer may be surrendered for cancellation [(with the consent of, waiver from, or, as applicable, lack of objection on the part of, the PRA in the case of Dated Subordinated Notes)]<sup>1</sup>, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

*[Under current PRA requirements, any optional redemption by the Issuer of Dated Subordinated Notes pursuant to Condition 5 may be made only with the prior written consent of, waiver from, or, as applicable, lack of objection on the part of, the PRA and may be subject to such conditions as the PRA may impose at the time of consent, waiver or lack of objection.]<sup>1</sup>*

**6. Payments and Talons**

**(a) Bearer Notes**

Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the Notes (in the case of all payments of principal and, in the case of interest, as specified in Condition 6(f)(v)) or Coupons (in the case of interest, save as specified in Condition 6(f)(ii)), as the case may be: (i) in the case of a currency other than Renminbi and euro, at the specified

office of any Paying Agent outside the United States by a cheque payable in the currency in which such payment is due drawn on; or (ii) in the case of a currency other than Renminbi and euro, at the option of the holder, by transfer to an account denominated in that currency with, a bank in the principal financial centre for that currency; or (iii) in the case of euro, at the option of the holder, by transfer to or cheque drawn on a euro account (or any other account to which euro may be transferred) specified by the holder; or (iv) in the case of Renminbi, by transfer to a Renminbi account maintained by or on behalf of the holder with a bank in Hong Kong.

**(b) Registered Notes**

(i) Payments of principal in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

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

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

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

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

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

All payments will be subject in all cases to: (i) any fiscal or other laws, regulations and directives applicable thereto in any jurisdiction, but without prejudice to the provisions of Condition 7; and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "Code") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto, but without prejudice to the provisions of Condition 7. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

Without prejudice to the provisions of Condition 7, if any payment made by the Issuer is subject to any deduction or withholding in any jurisdiction, the Issuer shall not be required to pay any additional amount in respect of such deduction or withholding and, accordingly, the Issuer shall be acquitted and discharged of so much money as is represented by any such deduction or withholding as if such sum had been actually paid.

**(e) Appointment of Agents**

The Issuing and Paying Agent, the Paying Agents, the CMU Lodging Agent, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed at the end of this document. The Issuing and Paying Agent, the CMU Lodging Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder.

The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, the CMU Lodging Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent, to appoint additional or other Paying Agents or Transfer Agents and to approve any change in the specified office through which any Paying Agent acts, provided that the Issuer shall at all times maintain, in each case as approved by the Trustee, (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, [(v) Paying Agents having specified offices in at least two major cities that are situated in a Member State of the European Union (including London) so long as the Notes are admitted to the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange's Regulated Market]<sup>1</sup> [(v)/(vi)] such other agents as may be required by any other stock exchange on which the Notes may be listed and [(vi)/(vii)] a Paying Agent with a specified office in a Member State of the European Union (as long as there is such a Member State) in which there is no obligation to withhold or deduct tax from payments pursuant to any law implementing or complying with, or introduced in order to conform to, European Council Directive 2003/48/EC (as amended from time to time) or any other European Union directive or regulation implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any agreement between the European Union and any non-European Union jurisdiction providing for equivalent measures.

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

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

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

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

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

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

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

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

**(g) *Talons***

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

**(h) *Non-Business Days***

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

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

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

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

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

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

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

In this Condition 6(i):

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

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

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

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

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

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

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

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

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

## 7. Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of [the United Kingdom]<sup>1</sup> [Hong Kong]<sup>2</sup> or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders (after the withholding or deduction) of such an amount as would have been received by them in respect of the Notes or, as the case may be, Coupons in the absence of the withholding or deduction; except that no such additional amounts shall be payable with respect of any Note or Coupon:

(a) to, or to a third party on behalf of, a holder of such Note or Coupon who is liable to such taxes, duties, assessments or governmental charges by reason of his having some connection with [the United Kingdom]<sup>1</sup> [Hong Kong]<sup>2</sup> other than the mere holding of the Note or Coupon; or

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

(c) if such withholding or deduction may be avoided by the holder complying with any statutory requirement or by making a declaration of non-residence or other similar claim for exemption to any authority of or in [the United Kingdom]<sup>1</sup> [Hong Kong]<sup>2</sup>, unless such holder proves that he is not entitled so to comply or to make such declaration or claim; or

(d) where such withholding or deduction is required to be made pursuant to any law implementing or complying with, or introduced in order to conform to, European Council Directive 2003/48/EC (as amended from time to time) or any other European Union directive or regulation implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any agreement between the European Union and any non-European Union jurisdiction providing for equivalent measures; or

(e) (except in the case of Registered Notes) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union.

In addition, any amounts to be paid on the Notes or the Coupons will be paid net of any deduction or withholding arising out of the Issuer's entry into an agreement pursuant to section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended, and such Issuer's compliance with an intergovernmental agreement executed to give effect to Sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986, as amended, or laws, regulations and directives implementing such agreement, and no additional amounts will be required to be paid on account of any such deduction or withholding.

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

## 8. Prescription

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

## 9. Events of Default

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

In the case of Senior Notes, if any of the following events (“Events of Default”) occurs and is continuing, the Trustee at its discretion may, and if so requested by holders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall, give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their Redemption Amount together with accrued interest:

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

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

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

(iv) Insolvency: the Issuer is (or is deemed by law or a court of competent jurisdiction to be) insolvent or bankrupt or unable to pay its debts (within the meaning of [section 123(1) or (2) of the Insolvency Act 1986]<sup>1</sup> [section 178(1) of the Companies Ordinance]<sup>2</sup>) as they fall due, stops, suspends or threatens to stop or suspend payment of all or a material (in the opinion of the Trustee) part of its debts, makes a general assignment or an arrangement or composition with or for the benefit of all its creditors or a moratorium is agreed or declared in respect of all or a material (in the opinion of the Trustee) part of the debts of the Issuer; or

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

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

### **(b) Events of Default in respect of Dated Subordinated Notes**

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

(ii) If default is made in the payment of principal or interest due in respect of the Dated Subordinated Notes and such default continues for a period of 14 days, the Trustee may, subject as provided below, at its discretion and without further notice, institute proceedings in [England]<sup>1</sup> [Hong Kong]<sup>2</sup> (but not elsewhere) for the winding-up of the Issuer provided that the Issuer shall not be in default if during the 14 days' grace period, it satisfies the Trustee that Withheld Amounts were not paid (A) in order to comply with any fiscal or other law, regulation or order of any court or competent jurisdiction, in each case applicable to such payment, the Issuer, the relevant Paying Agent, Transfer Agent or the holder of any Note or Coupon or (B) (subject as provided in the Trust Deed) in case of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice as to such validity or applicability given at any time during the said 14 days' grace period by independent legal advisers acceptable to the Trustee.

**(c) Remedies**

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

(ii) In the case of Dated Subordinated Notes, subject to applicable laws, no remedy (including the exercise of any right of set-off or analogous event) other than those provided for in paragraph (b) and paragraph (c)(i) above or submitting a claim in the winding-up of the Issuer will be available to the Trustee or the holders of Notes and/or Coupons.

**(d) Enforcement**

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

**(e) Withheld Amounts**

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

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

**(a) Meetings of Noteholders**

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



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

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

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

**(c) Substitution**

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

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

**(d) Entitlement of the Trustee**

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

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

If a Note, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent (in the case of Registered Notes), as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates,

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

## **12. Further Issues**

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

## **13. Notices**

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in [London (which is expected to be the *Financial Times*)]<sup>1</sup> [Hong Kong (which is expected to be the *South China Morning Post*)]<sup>2</sup>. If in the opinion of the Trustee any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in [Europe]<sup>1</sup> [Hong Kong]<sup>2</sup>. Any such notice (other than to holders of Registered Notes as specified above) shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

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

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

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

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

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

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

(a) The Trust Deed, the Notes, the Coupons and the Talons, and any non-contractual obligations arising out of or in connection with them, are governed by, and shall be construed in accordance with, English law[, save for Condition 3 and any non-contractual obligations arising out of or in connection with it, which is governed by, and shall be construed in accordance with, Hong Kong law]<sup>2</sup>.

(b) The Courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed, the Notes, Coupons or Talons [{"Proceedings"}]<sup>2</sup> may be brought in such courts. [The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.]<sup>2</sup>

[(c) Service of Process: The Issuer has irrevocably appointed SCB to receive, for it and on its behalf, service of process in any Proceedings in England.]<sup>2</sup>

1 Include for Notes issued by SCPLC or SCB.

2 Include for Notes issued by SCBHK.

3 Include for Notes issued by SCB.

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

### Initial Issue of Notes

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

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

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

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

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

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

### Relationship of Accountholders with Clearing Systems

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

If a Global Note is lodged with the CMU Service, the person(s) for whose account(s) interests in such Global Note are credited as being held in the CMU Service in accordance with the CMU Rules as notified by the CMU Service to the CMU Lodging Agent in a relevant CMU Instrument Position Report or any other

relevant notification by the CMU Service (which notification, in either case, shall be conclusive evidence of the records of the CMU Service save in the case of manifest error) shall be the only person(s) entitled to receive payments in respect of Notes represented by such Global Note and the relevant Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note are credited as being held in the CMU Service in respect of each amount so paid. Each of the persons shown in the records of the CMU Service, as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to the CMU Lodging Agent for his share of each payment so made by the relevant Issuer in respect of such Global Note.

## **Exchange**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.1 if in the case of Restricted Notes, DTC notifies the relevant Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Restricted Global Certificate, or ceases to be a “clearing agency” registered under the Exchange Act, or is at any time no longer eligible to act as such and such Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or

3.2 if in the case of Unrestricted Notes, Euroclear or Clearstream, Luxembourg or the CMU Service is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

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

3.4 with the consent of the relevant Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to 3.1 or 3.2 or 3.3 above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

### **4. Partial Exchange of Permanent Global Notes**

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

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

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

### **6. Exchange Date**

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

## **Amendment to Conditions**

The Temporary Global Notes, Permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this document. The following is a summary of certain of those provisions:

### **1. Payments**

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a Permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any Temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of CGNs represented by a Global Note will be made, if in CGN form, against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. Conditions 6(e)(vii) and 7(e), in the case of Notes issued by SCPLC or SCB, or 6(e)(vi) and 7(e), in the case of Notes issued by SCBHK, will apply to Definitive Notes only.

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

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

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment (the "Record Date"), where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January.

### **2. Prescription**

Claims against the relevant Issuer in respect of Notes that are represented by a Permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 7).

### **3. Meetings**

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

### **4. Cancellation**

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

## **5. Purchase**

Notes represented by a Permanent Global Note may only be purchased by the relevant Issuer or any of its subsidiaries or any holding company (in the case of SCPLC or SCB, within the meaning of section 1159 of the Companies Act 2006 and in the case of SCBHK, within the meaning of Section 2 of the Companies Ordinance) or any other subsidiary of such holding company if they are purchased together with the rights to receive all future payments of interest thereon.

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

Any option of the relevant Issuer provided for in the Conditions of any Notes while such Notes are represented by a Permanent Global Note shall be exercised by the relevant Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the certificate numbers of Bearer Notes drawn, or in the case of Registered Notes shall not be required to specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Note, in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the relevant Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), the CMU Service or any other clearing system (as the case may be).

## **7. Noteholders' Options**

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

## **8. NGN Nominal Amount**

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

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

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

## **10. Notices**

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

## **11. Eurosystem eligibility**

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



## **USE OF PROCEEDS**

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

## STANDARD CHARTERED PLC

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

The Group is an international banking and financial services group particularly focused on the markets of Asia, Africa and the Middle East. As at 30 June 2014, the Group had a network of around 1,700 offices and outlets in 70 markets and over 88,000 employees worldwide.

As of 1 January 2014, the Group implemented a simplified structure of eight geographic regions: Greater China, Middle East, North Africa and Pakistan ('MENAP'), The Association of South East Asian Nations ('ASEAN'), North East Asia, South Asia, Africa, Europe and The Americas.

On 9 January 2014 the Group announced a reorganisation, integrating its Wholesale Banking and Consumer Banking businesses to form one business, organised in three customer segment groups, and serviced by five global product groups. The reorganisation took effect on 1 April 2014.

The three new client segment groups are Corporate and Institutional Clients, Commercial and Private Banking Clients, and Retail Clients. The five new global product groups are Financial Markets, Corporate Finance, Transaction Banking, Wealth Management and Retail Products.

### Client Segment Groups

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

#### *Corporate and Institutional Clients*

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

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

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

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

#### *Commercial and Private Banking Clients*

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

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

#### *Retail Clients*

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

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

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

## **Product Groups**

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

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

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

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

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

## **Geographic Markets**

The Group's network covers Greater China, North East Asia, South Asia, ASEAN, MENAP, Africa, The Americas and Europe.

### **Greater China**

For the six months ended 30 June 2014, the Greater China region contributed U.S.\$2,785 million operating income to the Group (of which over 90 per cent. was from Hong Kong and China) and U.S.\$1,152 million profit before tax. For the year ended 31 December 2013, the region contributed U.S.\$5,198 million operating income and U.S.\$2,331 million profit before tax to the Group.

### **North East Asia**

For the six months ended 30 June 2014, the North East Asia region contributed U.S.\$709 million operating income to the Group (of which over 90 per cent. was from Korea) and a pre-tax loss to the Group of U.S.\$116 million. For the year ended 31 December 2013, the operating income for the region amounted to U.S.\$1,639 million and a pre-tax loss of U.S.\$3 million.

The Group acquired Korea First Bank, a major banking group in the Republic of Korea (South Korea) in April 2005 and completed the rebranding as Standard Chartered First Bank Korea Limited ("SC First Bank") in September 2005. In November 2005, SCB's branch business in South Korea was integrated with SC First Bank and in January 2012 was renamed Standard Chartered Bank Korea Limited.

### **South Asia**

For the six months ended 30 June 2014, the South Asia region contributed operating income of U.S.\$959 million to the Group (around 80 per cent. of which was from India) and profit before tax of U.S.\$519 million. For the year ended 31 December 2013, the South Asia region contributed U.S.\$2,040 million operating income and U.S.\$897 million profit before tax to the Group.

In India, the Group operates the country's largest foreign bank in terms of branch network, with 99 branches in 42 cities as at 30 June 2014.

### **ASEAN**

For the six months ended 30 June 2014, the ASEAN region contributed U.S.\$1,920 million operating income and U.S.\$701 million profit before tax to the Group. For the year ended 31 December 2013, the region contributed U.S.\$4,011 million operating income and U.S.\$1,620 million profit before tax to the Group.

Singapore business activities contributed U.S.\$1,015 million operating income and U.S.\$435 million profit before tax to the Group. For the year ended 31 December 2013, Singapore business activities contributed U.S.\$2,132 million operating income and U.S.\$925 million profit before tax to the Group.

Singapore is one of the largest markets for the Group in terms of profit and SCB was among the first foreign banks in Singapore to be awarded a Qualifying Full Bank (QFB) licence in October 1999. In October 2013, the Group subsidarised its retail business in Singapore.

### **Middle East, North Africa and Pakistan (MENAP)**

For the six months ended 30 June 2014, MENAP contributed operating income of U.S.\$951 million and profit before tax of U.S.\$442 million to the Group. For the year ended 31 December 2013, MENAP contributed operating income of U.S.\$1,865 million and profit before tax of U.S.\$858 million to the Group.

In the United Arab Emirates, Standard Chartered has the largest network among international banks, with 11 branches, and over 100 ATMs in the region.

Standard Chartered Bank (Pakistan) Limited is the largest international bank in Pakistan, with 116 branches spread over 22 cities as at 30 June 2014.

## **Africa**

The Group has a presence in 17 sub-Saharan African countries, of which Nigeria and Kenya contributed around 39 per cent. of total African income in the first half of 2014. The Group's core African markets are Botswana, Ghana, Kenya, Nigeria, Zambia, Tanzania, Uganda and South Africa. For the six months ended 30 June 2014, Africa contributed operating income of U.S.\$878 million and profit before tax of U.S.\$317 million to the Group. For the year ended 31 December 2013, Africa contributed operating income of U.S.\$1,751 million and profit before tax of U.S.\$619 million to the Group.

## **Americas**

In the Americas, the United Kingdom and Europe, the Group is focused on serving clients with needs in Asia, Africa and the Middle East. For the six months ended 30 June 2014, operating income from the Americas was U.S.\$414 million and operating profit before tax was U.S.\$114 million. For the year ended 31 December 2013, the Group's operations in the Americas contributed operating income of U.S.\$858 million and a profit before tax of U.S.\$311 million to the Group.

The Group's history in the Americas dates back to 1902. Today, it can be found in 14 locations across the North and South American continent.

The Group provides financial products and services to multi-national corporations, financial institutions and development organizations, and has expertise in facilitating trade and investment flows between the Americas and the Group's core geographies of Asia, Africa, and the Middle East.

## **Europe**

Standard Chartered has a history of over 150 years in the UK. In addition to the many Group functions based in the UK, London is the main hub in Europe for Corporate and Institutional business and a centre of expertise for the major product groups: Financial Markets, Transaction Banking and Corporate Finance. It also hosts significant Private Banking and International Banking operations. The Group's Europe region spans 14 markets of which Frankfurt is the next largest operation after London, being home to the Bank's Euro clearing and a global Transaction Banking product support group.

For the six months ended 30 June 2014, operating income from Europe was U.S.\$653 million and operating profit before tax was U.S.\$139 million. For the year ended 31 December 2013, the Group's operations in Europe contributed operating income of U.S.\$1,309 million and a profit before tax of U.S.\$325 million to the Group.

## **Subsidiaries**

As at 30 June 2014, the principal subsidiary undertakings of SCPLC principally engaged in the business of banking and provision of other financial services, were as follows: SCB, SCBHK, Standard Chartered Bank Korea Limited, Standard Chartered Bank (Singapore) Limited, Standard Chartered Bank Malaysia Berhad, Standard Chartered Bank (Thai) Public Company Limited, Standard Chartered Bank (China) Limited, Standard Chartered Bank (Taiwan) Limited, Standard Chartered Bank (Pakistan) Limited, Standard Chartered Bank Nigeria Limited, Standard Chartered Bank Kenya Limited, and Standard Chartered Private Equity Limited.

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

## **Directors**

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

**Sir John Peace** *Non-Executive Chairman*<sup>1</sup>  
*Chairman Burberry Group plc*

**P A Sands** *Group Chief Executive, Director and Chairman of SCB*<sup>1</sup>  
*Non-Executive Director of the Board of the Department of Health, and Board Member of the Institute of International Finance and World Economic Forum*

**O P Bhatt** *Non-Executive Director*<sup>1</sup>  
*Non-Executive Director of Hindustan Unilever Limited, Oil and Natural Gas Corporation, Tata Consultancy Services, India, and Tata Steel Limited*

**J S Bindra** *Group Executive Director, Chief Executive Officer, Asia and Director of SCB*<sup>2</sup>  
*Non-Executive Director of Reckitt Benckiser Group plc*

**Dr K M Campbell** *Non-Executive Director*<sup>1</sup>  
*Chairman and Chief Executive Officer of Asia Group LLC*

**Dr L C Y Cheung** *Non-Executive Director*<sup>1</sup>

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

**Dr B E Grote** *Non-Executive Director*<sup>1</sup>

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

**A N Halford** *Group Finance Director and Director of SCB*<sup>1</sup>

*Non-Executive Director of Marks and Spencer Group plc*

**Dr Han Seung-soo, KBE** *Non-Executive Director*<sup>1</sup>

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

**C M Hodgson** *Non-Executive Director*<sup>1</sup>

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

**S J Lowth** *Non-Executive Director*<sup>1</sup>

*Director of BG Group plc*

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

**R Markland** *Non-Executive Director*<sup>1</sup>

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

**J G H Paynter** *Non-Executive Director*<sup>1</sup>

*Non-Executive Director of Standard Life plc, and Senior Advisor to Greenhill & Co., Inc*

**A M G Rees** *Deputy Group Chief Executive and Director of SCB*<sup>1</sup>

**P D Skinner CBE** *Non-Executive Director*<sup>1</sup>

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

**O H J Stocken CBE** *Non-Executive Director*<sup>1</sup>

*Chairman of Stanhope Group Holdings Limited*

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

*Non-Executive Director of Majid Al Futtaim Holding LLC*

**Dr L T Thunell** *Non-Executive Director*<sup>1</sup>

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

Notes:

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

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

## CAPITALISATION AND INDEBTEDNESS OF STANDARD CHARTERED PLC

The following table sets out the unaudited consolidated capitalisation and indebtedness of the SCPLC Group as at 30 June 2014 prepared in accordance with IFRS.

<i>Capitalisation</i>	<i>30 June 2014 (U.S.\$ million)</i>
<b>Shareholders' equity</b>	
<b>Allotted, called-up and fully paid share capital</b>	
Ordinary shares .....	1,235
Share premium .....	5,483
Merger reserve.....	12,421
Reserves and retained earnings .....	29,138
<b>Total shareholders' equity .....</b>	<b>48,277</b>
<i>Subordinated Liabilities and Other Borrowed Funds</i>	<i>30 June 2014 (U.S.\$ million)</i>
<b>Subordinated loan capital – issued by subsidiary undertakings</b>	
£675 million 5.375 per cent. Undated Step-Up Subordinated Notes (callable and floating rate from 2020).....	751
£600 million 8.103 per cent. Step-Up Callable Perpetual Preferred Securities (callable and floating from 2016) .....	1,134
£700 million 7.75 per cent. Subordinated Notes due 2018.....	1,320
£200 million 7.75 per cent. Undated Step Up Subordinated Notes (callable and floating rate from 2022).....	424
€1,100 million 5.875 per cent. Subordinated Notes due 2017 .....	1,693
U.S.\$1 billion 6.4 per cent. Subordinated Notes due 2017.....	1,120
U.S.\$750 million 5.875 per cent. Subordinated Notes due 2020.....	801
U.S.\$700 million 8.0 per cent. Subordinated Notes due 2031.....	618
U.S.\$1.5 billion 9.5 per cent. Perpetual Preferred Securities (callable 2014).....	1,521
BWP 70 million Subordinated Notes due 2021 (callable 2016).....	8
BWP 127.26 million 8.2 per cent. Subordinated Notes due 2022 .....	15
BWP 50 million Floating Rate Subordinated Notes due 2022 (callable 2017) .....	6
KRW 90 billion 6.05 per cent. Subordinated Debt due 2018 .....	100
KRW 270 billion 4.67 per cent. Subordinated Debt due 2021 (callable 2016) .....	266
PKR 2.5 billion Floating Rate Subordinated Debt due 2022 (callable 2017) .....	25
JPY 10 billion 3.35 per cent. Subordinated Notes due 2023 (callable 2018) .....	104
SGD 750 million 4.15 per cent. Subordinated Notes due 2021 (callable and floating rate from 2016) .....	576
SGD 450 million 5.25 per cent. Subordinated Notes due 2023 (callable and floating rate from 2018).....	384
TZS 10 billion 11 per cent. Subordinated Notes due 2020 (callable and floating rate from 2015).....	6
TWD 10 billion 2.9 per cent. Subordinated Debt due 2019 (callable 2014) .....	335
UGX 40 billion 13 per cent. Subordinated Notes due 2020 (callable 2015) .....	15
	11,222
<b>Subordinated loan capital – issued by SCPLC</b>	
Primary Capital Floating Rate Notes:	
U.S.\$400 million.....	44
U.S.\$300 million (Series 2) .....	80
U.S.\$400 million (Series 3) .....	64
U.S.\$200 million (Series 4) .....	50
£150 million.....	52
U.S.\$1 billion 5.7 per cent. Subordinated Notes due 2022.....	973
U.S.\$1.25 billion 4.0 per cent. Subordinated Notes due 2022 (callable 2017).....	1,243
€750 million 3.625 per cent. Subordinated Notes 2022.....	1,059
U.S.\$2 billion 3.950 per cent. Subordinated Notes due 2023.....	1,905
€1.25 billion 4 per cent. Subordinated Debt 2025 (callable 2020).....	1,791
U.S.\$1.0 billion 5.2 per cent. Subordinated Debt 2024.....	996
SGD 700 million 4.4 per cent. Subordinated Notes 2026.....	559
U.S.\$2.0 billion 5.7 per cent. Subordinated Notes 2044.....	2,082
£ 900 million 5.125 per cent. Subordinated Notes 2034.....	1,508
U.S.\$750 million 5.30 per cent. Subordinated Notes due 2043.....	685
	13,091
<b>Other borrowings – issued by SCPLC</b>	
£96 million 7.375 per cent. Irredeemable Preference Shares .....	186
£99 million 8.25 per cent. Irredeemable Preference Shares .....	192
	378
<b>Total for Group .....</b>	<b>24,691</b>
<b>Total Capitalisation and Indebtedness .....</b>	<b>72,968</b>

1. All subordinated liabilities are unsecured, unguaranteed and subordinated to the claims of other creditors including without limitation, customer deposits and deposits by banks. The Group has the right to settle these debt instruments in certain circumstances as set out in the contractual agreements.
2. Liabilities denominated in foreign currencies are translated into US Dollars at market exchange rates prevailing at 30 June 2014. The exchange rates used were £1.00 = U.S.\$1.7109; U.S.\$1.00 = HK\$7.7477; U.S.\$1.00 = BWP 8.7961; U.S.\$1.00 = KRW1,011.7343; U.S.\$1.00 = TZS 1,657.0782; U.S.\$1.00 = EURO 0.7302; U.S.\$1.00 = PKR 98.7639; U.S.\$1.00 = MYR 3.2107; U.S.\$1.00 = TWD 29.8907; U.S.\$1.00 = UGX 2605.15; U.S.\$1.00 = JPY 101.2883; U.S.\$1.00 = SGD 1.2464.

3. Contingent liabilities amounted to U.S.\$45 billion as at 30 June 2014, of which U.S.\$36 billion related to guarantees and irrevocable letters of credit.
4. The total amount of all other borrowings and indebtedness as at 30 June 2014 was U.S.\$521 billion, comprising deposits by banks U.S.\$50 billion, customer accounts U.S.\$391 billion and debt securities in issue (including certificates of deposits) U.S.\$80 billion. These obligations are unsecured and are not guaranteed. However, U.S.\$7.8 billion of the deposits by banks and U.S.\$1.5 billion of the customer accounts include liabilities under repurchase agreements, which are collateralised with treasury bills/bonds.
5. Following a change in IFRS accounting standards from 1 January 2013 – IFRS 11 Joint Arrangements, which requires all joint ventures to be equity accounted, the Group's interest in PT Permata Bank Tbk (Permata) is now equity accounted. The Group has a 44.56 per cent. interest in Permata. Resultantly the Group does not separately recognise the Group's share of subordinated debt issued by Permata.
6. Details of subordinated debt issued between 1 January 2014 and 30 June 2014:
  - (a) On 23 January 2014, Standard Chartered PLC (the Company) issued SGD700 million 4.4 per cent. fixed interest rate notes due January 2026.
  - (b) On 26 March 2014, Standard Chartered PLC (the Company) issued \$2 billion 5.7 per cent. fixed interest rate notes due March 2044.
  - (c) On 6 June 2014, Standard Chartered PLC (the Company) issued £900 million 5.125 per cent. fixed interest rate notes due June 2034.
7. Details of subordinated debt issued since 1 July 2014:
8. Details of subordinated debt redeemed since 1 January 2014:
  - (a) On 13 March 2014, Standard Chartered Bank Korea Limited exercised its right to redeem its KRW300 billion 7.05 per cent. subordinated debt in full on the first optional call date.

Note:

Save as disclosed in this Prospectus, there has been no material change in the authorised and issued share capital and no material change in total capitalisation and indebtedness and contingent liabilities (including guarantees) of SCPLC as set out in the above table since 30 June 2014..

## STANDARD CHARTERED BANK

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

The Group to which SCB belongs is an international banking and financial services group particularly focused on the markets of Asia, Africa and the Middle East. As at 30 June 2014, the Group had a network of 1,700 offices in 70 markets and over 88,000 employees worldwide.

As of 1 January 2014, the Group implemented a simplified structure of eight geographic regions: Greater China, Middle East, North Africa and Pakistan ('MENAP'), The Association of South East Asian Nations ('ASEAN'), North East Asia, South Asia, Africa, Europe and The Americas.

On 9 January 2014 the Group announced a reorganisation, integrating its Wholesale Banking and Consumer Banking businesses to form one business, organised in three customer segment groups, and serviced by five global product groups. The reorganisation took effect on 1 April 2014.

The three new client segment groups are Corporate and Institutional Clients, Commercial and Private Banking Clients, and Retail Clients. The five new global product groups are Financial Markets, Corporate Finance, Transaction Banking, Wealth Management and Retail Products.

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

### Client Segment Groups

#### *Corporate and Institutional Clients*

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

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

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

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

#### *Commercial and Private Banking Clients*

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

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

#### *Retail Clients*

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

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

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

### Product Groups



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

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

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

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

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

## **Geographic Markets**

The Group's network covers Greater China, North East Asia, South Asia, ASEAN, MENAP, Africa, The Americas and Europe.

### **Greater China**

For the six months ended 30 June 2014, the Greater China region contributed U.S.\$2,785 million operating income to the Group (of which over 90 per cent. was from Hong Kong and China) and U.S.\$1,152 million profit before tax. For the year ended 31 December 2013, the region contributed U.S.\$5,198 million operating income and U.S.\$2,331 million profit before tax to the Group.

### **North East Asia**

For the six months ended 30 June 2014, the North East Asia region contributed U.S.\$709 million operating income to the Group (of which over 90 per cent. was from Korea) and a pre-tax loss to the Group of U.S.\$116 million. For the period ending 31 December 2013, the operating income for the region amounted to U.S.\$1,639 million and a pre-tax loss of U.S.\$3 million.

The Group acquired Korea First Bank, a major banking group in the Republic of Korea (South Korea) in April 2005 and completed the rebranding as Standard Chartered First Bank Korea Limited ("SC First Bank") in September 2005. In November 2005, SCB's branch business in South Korea was integrated with SC First Bank and in January 2012 was renamed Standard Chartered Bank Korea Limited.

### **South Asia**

For the six months ended 30 June 2014, the South Asia region contributed operating income of U.S.\$959 million to the Group (around 80 per cent. of which was from India) and profit before tax of U.S.\$519 million. For the year ended 31 December 2013, the South Asia region contributed U.S.\$2,040 million operating income and U.S.\$897 million profit before tax to the Group.

In India, the Group operates the country's largest foreign bank in terms of branch network, with 99 branches in 42 cities as at 30 June 2014.

### **ASEAN**

For the six months ended 30 June 2014, the ASEAN region contributed U.S.\$1,920 million operating income and U.S.\$701 million profit before tax to the Group. For the year ended 31 December 2013, the region contributed U.S.\$4,011 million operating income and U.S.\$1,620 million profit before tax to the Group.

Singapore business activities contributed U.S.\$1,015 million operating income and U.S.\$435 million profit before tax to the Group. For the year ended 31 December 2013, Singapore business activities contributed U.S.\$2,132 million operating income and U.S.\$925 million profit before tax to the Group.

Singapore is one of the largest markets for the Group in terms of profit and SCB was among the first foreign banks in Singapore to be awarded a Qualifying Full Bank (QFB) licence in October 1999. In October 2013, the Group transferred its Singapore Retail and SME business to a locally-incorporated subsidiary, Standard Chartered Bank (Singapore) Limited.

### **Middle East, North Africa and Pakistan (MENAP)**

For the six months ended 30 June 2014, MENAP contributed operating income of U.S.\$951 million and profit before tax of U.S.\$442 million to the Group. For the year ended 31 December 2013, MENAP contributed operating income of U.S.\$1,865 million and profit before tax of U.S.\$858 million to the Group.

In the United Arab Emirates, Standard Chartered has the largest network among international banks, with 11 branches, and over 100 ATMs in the region.

Standard Chartered Bank (Pakistan) Limited is the largest international bank in Pakistan, with 116 branches spread over 22 cities as at 30 June 2014.

### **Africa**

The Group has a presence in 17 sub-Saharan African countries, of which Nigeria and Kenya contributed

around 39 per cent. of total African income in the first half of 2014. The Group's core African markets are Botswana, Ghana, Kenya, Nigeria, Zambia, Tanzania, Uganda and South Africa. For the six months ended 30 June 2014, Africa contributed operating income of U.S.\$878 million and profit before tax of U.S.\$317 million to the Group. For the year ended 31 December 2013, Africa contributed operating income of U.S.\$1,751 million and profit before tax of U.S.\$619 million to the Group.

### **Americas**

In the Americas, the United Kingdom and Europe, the Group is focused on serving clients with needs in Asia, Africa and the Middle East. For the six months ended 30 June 2014, operating income from the Americas was U.S.\$414 million and operating profit before tax was U.S.\$114 million. For the year ended 31 December 2013, the Group's operations in the Americas contributed operating income of U.S.\$858 million and a profit before tax of U.S.\$311 million to the Group.

The Group's history in the Americas dates back to 1902. Today, it can be found in 14 locations across the North and South American continent.

The Group provides financial products and services to multi-national corporations, financial institutions and development organizations, and has expertise in facilitating trade and investment flows between the Americas and the Group's core geographies of Asia, Africa, and the Middle East.

### **Europe**

Standard Chartered has a history of over 150 years in the UK. In addition to the many Group functions based in the UK, London is the main hub in Europe for Corporate and Institutional business and a centre of expertise for the major product groups: Financial Markets, Transaction Banking and Corporate Finance. It also hosts significant Private Banking and International Banking operations. The Group's Europe region spans 14 markets of which Frankfurt is the next largest operation after London, being home to the Bank's Euro clearing and a global Transaction Banking product support group.

For the six months ended 30 June 2014, operating income from Europe was U.S.\$653 million and operating profit before tax was U.S.\$139 million. For the year ended 31 December 2013, the Group's operations in Europe contributed operating income of U.S.\$1,309 million and a profit before tax of U.S.\$325 million to the Group.

### **Subsidiaries**

As at 30 June 2014, the principal subsidiary undertakings of SCB principally engaged in the business of banking and provision of other financial services, were as follows: SCBHK, Standard Chartered Bank Korea Limited, Standard Chartered Bank (Singapore) Limited, Standard Chartered Bank Malaysia Berhad, Standard Chartered Bank (Thai) Public Company Limited, Standard Chartered Bank (China) Limited, Standard Chartered Bank (Taiwan) Limited, Standard Chartered Bank (Pakistan) Limited, Standard Chartered Bank Nigeria Limited, Standard Chartered Bank Kenya Limited, and Standard Chartered Private Equity Limited.

All the above are directly or indirectly wholly owned subsidiaries of SCPLC, except Standard Chartered Bank (Thai) Public Company Limited, which is 99.99 per cent. directly owned by SCB, Standard Chartered Bank (Pakistan) Limited, which is 98.99 per cent. directly owned by SCB, and Standard Chartered Bank Kenya Limited, which is 74.3 per cent. indirectly owned by SCB. SCBHK is 49 per cent. owned by Standard Chartered Holdings Limited, SCB's parent company.

### **Directors**

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

**P A Sands** *Chairman, and Group Chief Executive of SCPLC*<sup>1</sup>

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

**J S Bindra** *Director, Group Executive Director of SCPLC and Chief Executive Officer, Asia*<sup>2</sup>

*Non-Executive Director of Reckitt Benckiser Group plc*

**T J Clarke** *Director*<sup>1</sup>

*Non-Executive Director of British Sky Broadcasting Group plc*

**A N Halford** *Group Finance Director and Director of SCB*<sup>1</sup>

*Non-Executive Director of Marks and Spencer Group plc*

**R F Goulding** *Director*<sup>1</sup>

**A M G Rees** *Director, Deputy Group Chief Executive of SCPLC*<sup>1</sup>

**V Shankar** *Director, Group Executive Director of SCPLC and CEO Europe, Middle East, Africa, Americas*<sup>3</sup>

*Non-Executive Director of Majid Al Futtaim Holding LLC*

**J P Verplancke** *Director<sup>4</sup>*

Notes:

1. The business address should be regarded for the purposes of this Prospectus as:  
1 Basinghall Avenue  
London EC2V 5DD
2. The business address should be regarded for the purposes of this Prospectus as:  
Standard Chartered Bank (Hong Kong) Limited  
32nd Floor, 4-4A Des Voeux Road  
Central, Hong Kong
3. The business address should be regarded for the purposes of this Prospectus as:  
Standard Chartered Bank, Dubai Branch  
DIFC Level 7, DIFC Bur Dubai  
Dubai 999
4. The business address should be regarded for the purposes of this Prospectus as:  
Changi, 7 Changi Business Park Crescent  
Level 4, 486028,  
Singapore

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

## CAPITALISATION AND INDEBTEDNESS OF STANDARD CHARTERED BANK

The following table sets out the unaudited consolidated capitalisation and indebtedness of SCB as at 30 June 2014 prepared in accordance with IFRS.

Capitalisation	30 June 2014 (U.S.\$million)
<b>Shareholders' equity</b>	
<b>Allotted, called-up and fully paid share capital</b>	
Ordinary shares .....	17,754
Share premium .....	1,796
Reserves and retained earnings .....	24,273
<b>Total shareholders' equity .....</b>	<b>43,823</b>
<b>Subordinated Liabilities and Other Borrowed Funds</b>	
<b>Subordinated loan capital – issued by subsidiary undertakings:</b>	
BWP 70 million Subordinated Notes due 2021 (callable 2016) .....	8
BWP 127.26 million 8.2 per cent. Subordinated Notes due 2022 .....	15
BWP 50 million Floating Rate Subordinated Notes due 2022 (callable 2017) .....	6
U.S.\$750 million 5.875 per cent. Subordinated Notes due 2020 .....	801
SGD 750 million 4.15 per cent. Subordinated Notes due 2021 (callable and floating rate from 2016) .....	576
KRW 90 billion 6.05 per cent. Subordinated Debt due 2018 .....	100
KRW 270 billion 4.67 per cent. Subordinated debt due 2021 (callable 2016) .....	266
PKR 2.5 billion Floating Rate Subordinated Debt due 2022 (callable 2017) .....	25
TWD 10 billion 2.9 per cent. Subordinated Notes due 2019 (callable 2014) .....	335
UGX 40 billion 13 per cent. Subordinated Notes due 2020 (callable 2015) .....	15
TZS 10 billion 11 per cent. Subordinated Notes due 2020 (callable and floating rate from 2015) .....	6
	2,153
<b>Subordinated loan capital – issued by SCB:</b>	
£675 million 5.375 per cent. undated Step-Up Subordinated Notes (callable and floating rate from 2020) .....	751
£600 million 8.103 per cent. Step-Up Callable Perpetual Preferred Securities (callable and floating from 2016) .....	1,134
£700 million 7.75 per cent. Subordinated Notes due 2018 .....	1,320
£200 million 7.75 per cent. Undated Step Up Subordinated Notes (callable and floating rate from 2022) .....	424
€1,100 million 5.875 per cent. Subordinated Notes due 2017 .....	1,693
U.S.\$1 billion 6.4 per cent. Subordinated Notes due 2017 .....	1,120
U.S.\$700 million 8.0 per cent. Subordinated Notes due 2031 .....	618
U.S.\$1 billion Floating Rate Subordinated Notes due 2022 .....	1,000
U.S.\$1.5 billion 9.5 per cent. Perpetual Preferred Securities (callable 2014) .....	1,521
U.S.\$1.3 billion Floating Rate Subordinated Notes due 2021 (callable 2016) .....	1,300
U.S.\$1.25 billion Floating Rate Subordinated Notes due 2022 (callable 2017) .....	1,250
U.S.\$960 million Floating Rate Subordinated Notes due 2022 .....	960
U.S.\$1.6 billion Floating Rate Subordinated Notes due 2022 (callable 2017) .....	1,600
U.S.\$2 billion Floating Rate Subordinated Notes due 2023 .....	2,000
U.S.\$500 million Floating Rate Subordinated Notes due 2043 .....	500
JPY 10 billion 3.35 per cent. Subordinated Notes due 2023 (callable 2018) .....	104
SGD 450 million 5.25 per cent. Subordinated Notes due 2023 (callable and floating rate from 2018) .....	384
U.S.\$1.698 billion Floating Rate Subordinated Notes due 2025 .....	1,698
U.S.\$2 billion 2.3218 per cent. Subordinated Notes due 2044 .....	2,000
<b>Primary Capital Floating Rate Notes:</b>	
U.S.\$400 million .....	57
U.S.\$300 million (Series 2) .....	81
U.S.\$400 million (Series 3) .....	83
U.S.\$200 million (Series 4) .....	51
£150 million .....	52
<b>Total for SCB .....</b>	<b>21,701</b>
<b>Total for Group .....</b>	<b>23,854</b>
<b>Total Capitalisation and Indebtedness .....</b>	<b>67,677</b>

1. All subordinated liabilities are unsecured, unguaranteed and subordinated to the claims of other creditors including without limitation, customer deposits and deposits by banks. The Group has the right to settle these debt instruments in certain circumstances as set out in the contractual agreements.
2. Liabilities denominated in foreign currencies are translated into US Dollars at market exchange rates prevailing at 30 June 2014. The exchange rates used were £1.00 = U.S.\$1.7109; U.S.\$1.00 = HK\$7.7477; U.S.\$1.00 = BWP 8.7961; U.S.\$1.00 = KRW1,011.7343; U.S.\$1.00 = TZS 1,657.0782; U.S.\$1.00 = EURO 0.7302; U.S.\$1.00 = PKR 98.7639; U.S.\$1.00 = MYR 3.2107; U.S.\$1.00 = TWD 29.8907; U.S.\$1.00 = UGX 2605.15; U.S.\$1.00 = JPY 101.2883; U.S.\$1.00 = SGD 1.2464.
3. Contingent liabilities amounted to U.S.\$45 billion as at 30 June 2014, of which U.S.\$36 billion related to guarantees and irrevocable letters of credit.
4. The total amount of all other borrowings and indebtedness as at 30 June 2014 was U.S.\$502 billion, comprising deposits by banks U.S.\$50 billion, customer accounts U.S.\$391 billion and debt securities in issue (including certificates of deposits) U.S.\$61 billion. These obligations are unsecured and are not guaranteed. However, U.S.\$7.8 billion of the deposits by

banks and U.S.\$1.5 billion of the customer accounts include liabilities under repurchase agreements, which are collateralised with treasury bills/bonds.

5. Following a change in IFRS accounting standards from 1 January 2013 – IFRS 11 Joint Arrangements, which requires all joint ventures to be equity accounted, the Group's interest in PT Permata Bank Tbk (Permata) is now equity accounted. The Group has a 44.56 per cent. interest in Permata. Resultantly the Group does not separately recognise the Group's share of subordinated debt issued by Permata.
6. Details of subordinated debt issued between 1 January 2014 and 30 June 2014:
  - (a) On 28 February 2014, Standard Chartered Bank issued \$1,698 billion floating rate subordinated notes due 2025
  - (b) On 26 June 2014, Standard Chartered Bank issued \$2 billion 2.3218 per cent. fixed rate subordinated notes due 2044
7. Details of subordinated debt issued since 1 July 2014: None.
8. Details of subordinated debt redeemed since 1 January 2014:
  - (a) On 29 June 2014, Standard Chartered Bank redeemed \$1.8 billion floating rate undated Subordinated Notes.
  - (b) On 13 March 2014, Standard Chartered Bank Korea Limited exercised its right to redeem its KRW300 billion 7.05 per cent. subordinated debt in full on the first optional call date.

Note:

Save as disclosed in this Prospectus, there has been no material change in the authorised and issued share capital and no material change in total capitalisation and indebtedness and contingent liabilities (including guarantees) of SCB as set out in the above table since 30 June 2014.

## STANDARD CHARTERED BANK (HONG KONG) LIMITED

### Introduction

SCBHK was incorporated in Hong Kong with limited liability on 12 December 2003 under the previous Companies Ordinance (Cap. 32) of Hong Kong as a non-private company (registered number 875305). With effect from 1 July 2004, the businesses of the Hong Kong branch of SCB, Manhattan Card Company Limited, Standard Chartered Finance Limited, Standard Chartered International Trade Products Limited and Chartered Capital Corporation Limited were merged into SCBHK principally by a private ordinance in Hong Kong.

SCBHK is an indirect wholly-owned subsidiary of SCPLC and its registered office is situated at 32nd Floor, 4-4A Des Voeux Road Central in Hong Kong.

SCBHK is a licensed bank in Hong Kong. It has a network of approximately 80 branch outlets in Hong Kong with over 6,000 employees (as of June 2014). The main businesses and activities of SCBHK are described below.

### Corporate and Institutional Banking

Corporate and Institutional Banking provides a wide range of solutions to help corporate and institutional clients facilitate trade and finance across markets and trade corridors in today's global economy. Corporate and Institutional Banking provides clients with trade finance, cash management, securities services, foreign exchange, risk management, capital raising and corporate finance solutions.

### Commercial and Private Banking

Commercial and Private Banking provides a wide range of solutions to help both commercial clients and private banking clients.

### Retail Banking

Retail Banking provides financial services to Small Businesses, Priority and Personal Banking customers across the Group's franchise.

### Directors

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

**B P C Hung** *Non-Executive Director and Chairman*

*Chairman of Standard Chartered Bank (Taiwan) Limited and Non-Executive Director of Standard Chartered Bank (China) Limited*

**J S Bindra** *Non-Executive Director and Director of SCB and SCPLC*

*Non-Executive Chairman of Standard Chartered Bank (China) Limited*

**S B Tan** *Executive Director and Chief Executive Officer*

*Chairman and Non-Executive Director of Standard Chartered Securities (Hong Kong) Limited*

**J L C Fong** *Non-Executive Director*

*Chairman of PrimeCredit Limited*

**F T Ling** *Executive Director and Chief Financial Officer*

**S Kaushal** *Non-Executive Director*

**A W K Chan** *Independent Non-Executive Director*

*Managing Director of The Hong Kong and China Gas Company Limited*

**E C Fong** *Independent Non-Executive Director*

**S R Eno** *Independent Non-Executive Director*

**E W S Cheng** *Independent Non-Executive Director*

Note: The business address of each of the above named directors of SCBHK should be regarded for the purposes of this Prospectus as 32nd Floor, 4-4A Des Voeux Road, Central Hong Kong

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

**CAPITALISATION AND INDEBTEDNESS OF STANDARD CHARTERED  
BANK (HONG KONG) LIMITED**

The following table sets out the unaudited consolidated capitalisation and indebtedness of SCBHK as at 30 June 2014 prepared in accordance with Hong Kong Financial Reporting Standards.

	<i>30 June 2014 (HK\$million)</i>
<b>Shareholders' equity</b>	
Share capital .....	16,378
Reserves .....	44,173
	60,551
<b>Subordinated loan capital</b>	
5.875 per cent. fixed rate notes due 2020 .....	6,208
4.15 per cent. fixed rate notes due 2021 .....	4,499
	10,707
Total capitalisation and indebtedness .....	71,258

Note:

Save as disclosed in this Prospectus, there has been no material change in total capitalisation and indebtedness of SCBHK, as set out in the above table, since 30 June 2014.



## SELECTED FINANCIAL INFORMATION

The following table sets out summary financial information relating to the Group for the five financial years ended 31 December 2013. Except for the total capital resources, dividends per share, net asset value per share, ratios, capital ratios and where otherwise indicated, this information has been extracted without material adjustment from the Group's audited consolidated financial statements for the five years ended 31 December 2013, other than for comparative restatements.

The total capital resources, dividends per share, net asset value per share, ratios and capital ratios for the years ended 31 December 2013, 31 December 2012, 31 December 2011, 31 December 2010 and 31 December 2009 have been extracted from the unaudited "Supplementary Financial Information" section of the Group's annual report for the year ended 31 December 2013.

	2013 \$million	2012 \$million	2011 \$million	2010 \$million	2009 \$million
Operating profit before impairment losses and taxation.....	8,584	8,061	7,720	7,039	7,232
Impairment losses on loans and advances and other credit risk provisions.....	(1,617)	(1,196)	(908)	(883)	(2,000)
Other impairment.....	(1,129)	(196)	(111)	(76)	(102)
Profit before taxation.....	6,064	6,851	6,775	6,122	5,151
Profit attributable to shareholders.....	4,090	4,887	4,849	4,332	3,380
Loans and advances to banks <sup>1</sup> .....	83,702	67,797	65,981	52,058	50,885
Loans and advances to customers <sup>1,4</sup> .....	290,708	279,638	266,790	240,358	198,292
Total assets <sup>4</sup> .....	674,380	631,208	592,686	516,560	436,653
Deposits by banks <sup>1</sup> .....	43,517	36,427	35,296	28,551	38,461
Customer accounts <sup>1,4</sup> .....	381,066	372,874	345,726	306,992	251,244
Shareholders' equity.....	46,246	45,362	40,714	38,212	27,340
Total capital resources <sup>2</sup> .....	67,238	64,643	58,092	54,804	44,650
<b>Information per ordinary share</b>					
Basic earnings per share.....	164.4c	199.7c	200.8c	196.3c	161.8c
Normalised earning per share <sup>3</sup> .....	204.0c	225.2c	198.0c	197.0c	173.2c
Dividends per share.....	86.00c	84.00c	76.00c	69.15c	63.61c
Net asset value per share.....	1,872.8c	1,852.3c	1,653.2c	1,573.2c	1281.6c
Net tangible asset value per share.....	1,597.6c	1,526.5c	1,355.6c	1,273.4c	953.4c
Return on assets <sup>5</sup> .....	0.6%	0.8%	0.8%	0.9%	0.8%
<b>Ratios</b>					
Normalised return on ordinary shareholders' equity <sup>3</sup> .....	11.2%	12.8%	12.2%	14.1%	14.3%
Basic cost-income ratio <sup>6</sup> .....	54.3%	57.1%	56.2%	56.2%	52.4%
Cost-income ratio – normalised basis <sup>3</sup> .....	54.4%	53.7%	56.5%	55.9%	51.3%
Capital ratios:					
Tier 1 capital <sup>7</sup> .....	13.1%	13.4%	13.7%	14.0%	11.5%
Total capital <sup>7</sup> .....	18.0%	17.4%	17.6%	18.4%	16.5%

<sup>1</sup> Excludes amounts held at fair value through profit or loss.

<sup>2</sup> Shareholders funds, non-controlling interests and subordinated liabilities.<sup>8</sup>

<sup>3</sup> Results on a normalised basis reflect the Group's results, excluding amortisation and impairment of intangible assets, gains and losses of a capital nature, and gains and losses on repurchase of subordinated liabilities.

<sup>4</sup> Amounts have been restated.

<sup>5</sup> Represents profit attributable to shareholders divided by the total assets of the Group.

<sup>6</sup> Represents the proportion of total operating expenses to total operating income.

<sup>7</sup> Unaudited.

<sup>8</sup> Subordinated liabilities are liabilities which, in the event of insolvency or liquidation of the issuer, are subordinated to the claims of depositors and other creditors of the issuer.

The following table sets out summary financial information relating to the Group for the six months ended 30 June 2014, 30 June 2013 and 31 December 2013. Except where otherwise stated, this information has been extracted without material adjustment from the Group's unaudited interim report for the six months ended 30 June 2014 prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU. The summary financial information in the table below should be read in conjunction with such interim report.

	<i>6 months ended 30.06.14 \$million</i>	<i>6 months ended 30.06.13 \$million</i>	<i>6 months ended 31.12.13 \$million</i>
<b>Results</b>			
Operating income (excludes own credit adjustment) <sup>1</sup> .....	9,269	9,751	8,920
Impairment losses on loans and advances and other credit risk provisions.....	(846)	(730)	(887)
Goodwill impairment .....	-	(1,000)	-
Other impairment .....	(185)	(11)	(118)
Profit before goodwill impairment and own credit adjustment .....	3,268	4,088	2,870
Profit before taxation.....	3,253	3,325	2,739
Profit attributable to parent company shareholders .....	2,360	2,181	1,909
Profit attributable to ordinary shareholders <sup>2</sup> .....	2,310	2,131	1,858
<b>Balance sheet</b>			
Total assets .....	690,138	649,957	674,380
Total equity .....	48,562	45,358	46,841
Total capital base (CRD IV) .....	60,691	-	56,369
Total capital base (Basel II) .....	-	54,650	-
<b>Information per ordinary share</b>			
	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
Earnings per share.....			
– normalised <sup>3</sup> .....	96.5	121.9	82.4
– basic.....	94.6	88.1	76.5
Dividend per share <sup>4</sup> .....	28.80	28.80	57.20
Net asset value per share .....	1,909.9	1,814.7	1,872.8
Tangible net asset value per share .....	1,646.8	1,537.9	1,597.5
<b>Ratios</b>			
Return on ordinary shareholders' equity - normalised basis <sup>3</sup> .....	10.4	13.3	9.1
Cost to income ratio - normalised basis <sup>3</sup> .....	54.7	51.4	57.6
Capital ratios:			%
Common Equity Tier 1 (CRD IV) .....	10.5	-	10.9
Common Equity Tier 1 (CRD IV) end point basis .....	10.7	-	-
Core Tier 1 capital (Basel II).....	-	11.4	-
Total capital (CRD IV) .....	17.3	-	17.0
Total capital (Basel II).....	-	16.9	-

1 Excludes own credit adjustment of \$(15) million (30 June 2013: \$237 million and 31 December 2013: \$(131) million).

2 Profit attributable to ordinary shareholders is after the deduction of dividends payable to the holders of those non-cumulative redeemable preference shares classified as equity.

3 Results on a normalised basis reflect the results of SCPLC and its subsidiaries, excluding items presented in note 11 on page 115 of the 2014 Interim Report.

4 Represents the interim dividend per share declared for the six months ended 30 June 2014 and 30 June 2013 and the recommended final dividend per share for the six months ended 31 December 2013 (subsequently declared at the Annual General Meeting on 8 May 2014).

The following table sets out summary financial information relating to SCB for the financial years ended 31 December 2013 and 31 December 2012. This information has been extracted without material adjustment from SCB's audited consolidated financial statements for the year ended 31 December 2013 (including comparative figures for the year ended 31 December 2012), each prepared in accordance with IFRS.

	<i>Year ended 31 December</i>	
	<i>2013</i>	<i>2012</i>
		<i>(U.S.\$ million)</i>
Operating profit before impairment losses and taxation.....	8,499	7,971
Impairment losses on loans and advances and other credit risk provisions.....	(1,617)	(1,196)
Other impairment .....	(1,129)	(196)
Goodwill impairment.....	(1,000)	-
Other.....	(129)	(196)
Profit before taxation.....	5,979	6,761
Profit attributable to parent company's shareholders .....	3,216	4,275
Loans and advances to banks .....	83,701	67,796
Loans and advances to customers .....	290,584	279,638
Total assets .....	673,678	630,776
Deposits by banks.....	43,418	36,427
Customer accounts.....	381,066	372,874
Total parent company shareholders' equity .....	42,089	36,299
Total capital base.....	59,062	51,318

## THE GROUP

Set out on pages 91 to 108 of this document is an extract of the Financial Review extracted without material adjustment from the unaudited 2014 interim results of the Group for the six months ended 30 June 2014, announced on 6 August 2014.

The following financial review provides an analysis of:

- Group income statement
- Profit of the Group's four client segments, split by geographic region
- Product income, split by client segment
- Profit for each geographic

This financial review also:

- Reflects the restatement of prior period amounts for the four new client segments and the new geographic regions (see note 29 on page 146 of the Group's H1 2014 published accounts for further details);
- Excludes the impact of a \$15 million loss relating to an own credit adjustment (OCA) (six months to 30 June 2013: gain of \$237 million; six months to 31 December 2013: loss of \$131 million) and the \$1 billion goodwill impairment in the six months to 30 June 2013 to better reflect the underlying performance of the Group

The following commentary reflects movements compared to the six months to 30 June 2013 (H1 2013) unless otherwise indicated.

### Group summary

The Group's performance for the six months to 30 June 2014 (H1 2014) has been impacted by a challenging external environment, with operating income down \$482 million, or 5 per cent., to \$9,269 million compared to H1 2013 although income rose 4 per cent. compared to the six months to 31 December 2013 (H2 2013).

The normalised cost to income ratio was higher at 54.7 per cent. compared to 51.4 per cent. in H1 2013. Costs continue to be tightly managed, growing only 1 per cent. despite continued investments, increased regulatory and compliance costs and inflationary pressures.

Profit before taxation fell by \$820 million, or 20 per cent., to \$3,268 million but was up 14 per cent. compared to H2 2013.

Profit before taxation on a statutory basis was down 2 per cent. at \$3,253 million.

Normalised earnings per share fell 21 per cent. to 96.5 cents. Further details of normalised items and the basic and diluted earnings per share are provided in note 11 on page 115 of the Group's H1 2014 published accounts.

In accordance with accounting requirements, the cost of the UK bank levy is charged in the second half of the year. Note 5 on page 111 of the Group's H1 2014 published accounts provides further details of the UK bank levy together with the impact, on a pro-forma basis, if the levy had been recognised in these financial statements on a proportionate basis.

The Group remains focused on the drivers of value creation for its shareholders and continues to build out its franchise to take advantage of the opportunities that the Group sees across its footprint in Asia, Africa and the Middle East.

### *Balance sheet*

The Group's balance sheet remains strong and well diversified with limited exposure to problem asset classes (which is further discussed in the Risk Review on page 48 of the Group's H1 2014 published accounts).

Asset quality remains good although the Group remains watchful in India and of commodity exposures in general. 79 per cent. of the Retail loan book is fully secured and over 60 per cent. of Corporate and Institutional (C&I) client loans have a maturity of less than one year and are well collateralised.

Customer deposits, 54 per cent. of which are in Current and Savings Accounts (CASA), were flat to the end of 2013, with growth in CASA in Hong Kong and Singapore offset by lower Time Deposit balances. The Group maintains a conservative funding structure with only limited levels of refinancing required over the next few years and the Group continues to be a significant net lender to the interbank market.

## Liquidity

The Group continues to be highly liquid and the Group's advances-to-deposits ratio was 78.1 per cent., up from 75.7 per cent. at the year end. The Group's liquid asset ratio was 30.5 per cent., up from 29.8 per cent. at 31 December 2013, and both the Group LCR and NSFR were above 100 per cent. at 30 June 2014.

## Capital

The Group remains strongly capitalised and the Common Equity Tier 1 ratio at 30 June 2014 was 10.5 per cent., compared to 10.9 per cent. (11.8 per cent. under Basel II) at the last year end primarily due to the timing of dividends and higher risk weighted assets.

## Operating income and profit

	6 months ended 30.06.14 \$million	6 months ended 30.06.13 \$million	6 months ended 31.12.13 \$million	H1 2014 vs H1 2013 Better / (worse) %	H1 2014 vs H2 2013 Better / (worse) %
Net interest income	5,604	5,598	5,558	-	1
Non-interest income	3,665	4,153	3,362	(12)	9
<b>Operating income<sup>1</sup></b>	<b>9,269</b>	<b>9,751</b>	<b>8,920</b>	<b>(5)</b>	<b>4</b>
Of which - Client income	8,373	8,648	8,224	(3)	2
<b>Operating expenses</b>	<b>(5,083)</b>	<b>(5,034)</b>	<b>(5,159)</b>	<b>(1)</b>	<b>2</b>
<b>Operating profit before impairment losses and taxation<sup>1</sup></b>	<b>4,186</b>	<b>4,717</b>	<b>3,761</b>	<b>(11)</b>	<b>11</b>
Impairment losses on loans and advances and other credit risk provisions	(846)	(730)	(887)	(16)	5
Other impairment	(185)	(11)	(118)	nm	(57)
Profit from associates and joint ventures	113	112	114	1	(1)
<b>Profit before taxation (excluding goodwill impairment and own credit adjustment)</b>	<b>3,268</b>	<b>4,088</b>	<b>2,870</b>	<b>(20)</b>	<b>14</b>
Own credit adjustment	(15)	237	(131)	(106)	89
Goodwill impairment	-	(1,000)	-	100	-
<b>Profit before taxation</b>	<b>3,253</b>	<b>3,325</b>	<b>2,739</b>	<b>(2)</b>	<b>19</b>

<sup>1</sup> Excludes own credit adjustment - "nm" – not meaningful

Operating income fell to \$9,269 million, down 5 per cent., or \$482 million compared to H1 2013. Client income remained resilient and was down 3 per cent. overall.

Income across the Group remains diverse and while it was a challenging period for most of its geographies, the Greater China and Africa regions both increased income and this helped to partly offset lower income from Korea, which was down \$229 million compared to H1 2013.

In terms of the Group's client segments:

- Corporate and Institutional (C&I) income fell \$243 million, or 4 per cent., to \$5,334 million due to lower Financial Markets (FM) income, as low levels of volatility impacted Foreign Exchange (FX) income, and income from Rates was affected by reduced client activity
- Commercial income was down \$196 million, or 24 per cent., to \$616 million with a decline in FX income in Hong Kong, which was disrupted as a result of reduced client demand following the Renminbi (RMB) band widening by the Peoples Bank of China (PBoC), and lower Principal Finance income, due to reduced levels of realisations in the period and lower mark-to-market valuations
- Private Banking income rose \$13 million, or 4 per cent., to \$314 million driven by Wealth Management and secured lending
- Retail income fell \$56 million, or 2 per cent., to \$3,005 million compared to H1 2013 as the Group reduced higher risk Personal Loans in Korea and property cooling measures reduced Mortgages income in some markets. This was partly offset by higher Wealth Management income, which benefitted from the renewal of a multi-country insurance agreement in the period

From a product perspective, income from FM fell 20 per cent., or \$432 million, to \$1,780 million compared to H1 2013 reflecting the difficult market conditions. Income from Retail products fell 6 per cent. to \$2,435 million, largely due to the derisking actions in respect of unsecured lending. This was, however, partly

offset by improved income from Asset and Liability Management (ALM), which was up 38 per cent. to \$420 million compared to H1 2013.

The Group net interest margin was lower at 2.1 per cent. compared to 2.2 per cent. at H1 2013, but was flat compared to H2 2013. C&I and Commercial client interest income benefitted from higher Trade balances and higher Lending margins, which was partly offset by lower margins from Cash Management and Custody. Retail net interest income was lower due to a decline in unsecured balances and margins as the Group de-risked Personal Loan portfolios, and this impacted Korea in particular.

Operating expenses increased \$49 million, or 1 per cent., to \$5,083 million. Expenses for H1 2013 benefitted from \$36 million of provision recoveries; H2 2013 was impacted by \$235 million in respect of the UK bank levy; and in H1 2014, IT depreciation was \$52 million lower than the prior year due to a change in the period over which the assets are depreciated. Excluding these items, operating expenses were 1 per cent. higher than H1 2013 and 4 per cent. higher than H2 2013. Costs remain tightly controlled and staff costs rose 2 per cent. compared to H1 2013 as inflationary increases were partly offset by lower headcount. Despite increased regulatory and compliance costs, the Group continued to make targeted investments in the Group's franchise.

Loan impairment increased by \$116 million, or 16 per cent., to \$846 million. Loan impairment from C&I and Commercial clients increased 53 per cent. primarily due to a small number of exposures in Greater China, including \$62 million in respect of lending secured by commodities, and within the Africa, Europe and ASEAN regions. This was partly offset by lower provisions in India. Impairment from Retail clients was broadly flat as increased provisioning in Korea was offset by lower provisioning requirements in the ASEAN region.

Other impairment increased by \$174 million to \$185 million reflecting provisions against commodity financing assets in Greater China as a result of a fraud and the impairment of certain strategic and associate investments in the Europe region.

Profit before taxation fell \$820 million, or 20 per cent., to \$3,268 million compared to H1 2013 but was up 14 per cent. compared to H2 2013.

The Group's effective tax rate (ETR), on a statutory basis, was 26.1 per cent., down from 32.8 per cent. at H1 2013, reflecting a change in profit mix and the impact of the non-deductible goodwill impairment in the prior period.

### Corporate and Institutional Clients

The following tables provide an analysis of operating profit by geographic regions for Corporate and Institutional Clients:

	6 months ended 30.06.14								
	Greater China	North East Asia	South Asia	ASEAN	MENAP	Africa	Americas	Europe	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Operating income <sup>1</sup>	1,385	220	623	993	570	565	414	564	5,334
Of which - Client income	1,187	195	568	859	479	451	400	476	4,615
Operating expenses	(577)	(155)	(179)	(499)	(245)	(277)	(300)	(314)	(2,546)
Loan impairment	(61)	(2)	(28)	(66)	(4)	(79)	-	(26)	(266)
Other impairment	(95)	-	-	(3)	-	-	-	(71)	(169)
Profit from associates and joint ventures	76	-	-	14	-	-	-	-	90
Operating profit <sup>1</sup>	728	63	416	439	321	209	114	153	2,443

<sup>1</sup> Operating income and operating profit excludes \$(15) million in respect of own credit adjustment (Greater China \$33 million, ASEAN \$(27) million and Europe \$(21) million)

	6 months ended 30.06.13								
	Greater China	North East Asia	South Asia	ASEAN	MENAP	Africa	Americas	Europe	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Operating income <sup>1</sup>	1,273	340	679	1,051	593	585	443	613	5,577
Of which - Client income	1,164	240	567	891	498	498	402	490	4,750

Operating expenses	(569)	(151)	(204)	(500)	(252)	(238)	(278)	(308)	(2,500)
Loan impairment	(14)	(17)	(88)	(13)	(1)	(62)	1	(3)	(197)
Other impairment	(11)	(19)	-	1	-	-	-	1	(28)
Profit from associates and joint ventures	66	-	-	13	-	-	-	-	79
Operating profit <sup>1</sup>	745	153	387	552	340	285	166	303	2,931

<sup>1</sup> Operating income and operating profit excludes \$237 million in respect of own credit adjustment (Greater China \$7 million, NE Asia \$2 million, ASEAN \$93 million and Europe \$135 million)

6 months ended 31.12.13									
	Greater China	North East Asia	South Asia	ASEAN	MENAP	Africa	Americas	Europe	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Operating income <sup>1</sup>	1,195	220	605	991	526	610	415	517	5,079
Of which - Client income	1,088	191	553	890	455	521	397	467	4,562
Operating expenses	(568)	(154)	(199)	(476)	(242)	(261)	(258)	(296)	(2,454)
Loan impairment	13	(36)	(18)	(79)	21	(185)	(4)	(3)	(291)
Other impairment	(3)	(8)	(76)	1	-	-	-	1	(85)
Profit from associates and joint ventures	65	-	-	12	-	-	-	-	77
Operating profit <sup>1</sup>	702	22	312	449	305	164	153	219	2,326

<sup>1</sup> Operating income and operating profit excludes \$(131) million in respect of own credit adjustment (Greater China \$(8) million, ASEAN \$(48) million and Europe \$(75) million)

Corporate and Institutional (C&I) clients comprises Global Corporates (major multinational corporations and large business groups which have sophisticated, cross-border needs requiring high levels of international service); Local Corporates (typically clients with operations in three geographies or less); and Financial Institutions (Banks, Investor clients, Insurance companies, Broker Dealers, Public Sector names (including Central Banks, Sovereign Wealth Funds and Development Organisations) and other types of financial institutions).

Around 90 per cent. of C&I client income is generated by Transaction Banking, FM and Corporate Finance products.

Income from C&I clients fell \$243 million, or 4 per cent., to \$5,334 million but remains well diversified by client segment, product and geographic region and the Group continued deepening and broadening its relationship with clients.

Client income, which constitutes over 85 per cent. of C&I income, fell by 3 per cent. compared to H1 2013 reflecting challenging industry-wide market conditions. On a geographic basis, client income was lower across most regions except Greater China.

Income from Transaction Banking fell 2 per cent., as higher Cash Management and Custody income on the back of increased average balances was offset by lower Trade income.

FM income was impacted by cyclical factors, many of which were specific to the Group's footprint. Income from Rates fell 33 per cent., particularly in the structured business in Korea, while FX income was down 22 per cent., despite strong volume growth as spreads compressed.

Own account income fell 13 per cent. compared to H1 2013. FM income was sharply lower, reflecting the difficult market conditions which particularly impacted FX and Rates income. This was partly offset by higher ALM income, driven by improved accrual income, and higher income from Principal Finance realisations during the period.

Operating expenses were up \$46 million, or 2 per cent., to \$2,546 million. Expenses remain well controlled, despite increased regulatory and compliance costs.

The following tables provide an analysis of operating profit by key countries for Corporate and Institutional Clients:

6 months ended 30.06.14							
	Hong Kong	Singapore	Korea	India	UAE	China	UK
	\$million	\$million	\$million	\$million	\$million	\$million	\$million

Operating income <sup>1</sup>	952	522	180	495	358	375	512
Of which - Client income	856	460	166	453	295	280	428
Operating expenses	(376)	(271)	(127)	(147)	(149)	(174)	(281)
Loan impairment	(58)	3	(2)	(27)	(2)	(4)	(26)
Other impairment	(95)	(1)	-	-	-	-	(71)
Profit from associates and joint ventures	-	-	-	-	-	76	-
Operating profit <sup>1</sup>	423	253	51	321	207	273	134

<sup>1</sup> Operating income and operating profit excludes \$(15) million in respect of own credit adjustment (Greater China \$33 million, ASEAN \$(27) million and Europe \$(21) million)

6 months ended 30.06.13

	Hong Kong \$million	Singapore \$million	Korea \$million	India \$million	UAE \$million	China \$million	UK \$million
Operating income <sup>1</sup>	926	577	305	563	394	289	538
Of which - Client income	850	455	214	468	322	262	419
Operating expenses	(366)	(305)	(123)	(173)	(156)	(175)	(272)
Loan impairment	(1)	-	(17)	(88)	4	(10)	(3)
Other impairment	(2)	10	(19)	-	-	(11)	1
Profit from associates and joint ventures	-	-	-	-	-	66	-
Operating profit <sup>1</sup>	557	282	146	302	242	159	264

<sup>1</sup> Operating income and operating profit excludes \$237 million in respect of own credit adjustment (Greater China \$7 million, NE Asia \$2 million, ASEAN \$93 million and Europe \$135 million)

6 months ended 31.12.13

	Hong Kong \$million	Singapore \$million	Korea \$million	India \$million	UAE \$million	China \$million	UK \$million
Operating income <sup>1</sup>	848	487	182	491	355	295	461
Of which - Client income	771	465	164	449	298	268	417
Operating expenses	(371)	(246)	(126)	(165)	(154)	(170)	(256)
Loan impairment	8	(9)	(36)	(7)	(6)	-	(3)
Other impairment	-	-	(8)	(76)	-	(3)	1
Profit from associates and joint ventures	-	-	-	-	-	65	-
Operating profit <sup>1</sup>	485	232	12	243	195	187	203

<sup>1</sup> Operating income and operating profit excludes \$(131) million in respect of own credit adjustment (Greater China \$(8) million, ASEAN \$(48) million and Europe \$(75) million)

Loan impairment increased by \$69 million, or 35 per cent., to \$266 million, driven by a small number of clients in Greater China, including \$62 million in respect of lending secured by Commodities, Africa, Europe and within the ASEAN region. This was partly offset by lower impairment in India as the prior period was impacted by a small number of exposures.

Other impairment was higher by \$141 million at \$169 million, largely due to commodity financing positions in Greater China and impairments against certain strategic investments within the Europe region.

Operating profit fell by \$488 million, or 17 per cent., to \$2,443 million.

## Commercial Clients

The following tables provide an analysis of operating profit by geographic regions for Commercial Clients:

6 months ended 30.06.14

	Greater China	North East Asia	South Asia	ASEAN	MENAP	Africa	Americas	Europe	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Operating income	248	33	90	89	83	73	-	-	616
Of which - Client income	267	46	86	82	77	59	-	-	617



Operating expenses	(142)	(41)	(35)	(68)	(37)	(39)	-	-	(362)
Loan impairment	(49)	(22)	(18)	(4)	(6)	(1)	-	-	(100)
Other impairment	-	-	-	-	-	-	-	-	-
Profit from associates and joint ventures	-	-	-	11	-	-	-	-	11
Operating profit/(loss)	57	(30)	37	28	40	33	-	-	165

6 months ended 30.06.13

	Greater China	North East Asia	South Asia	ASEAN	MENAP	Africa	Americas	Europe	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Operating income	306	50	157	155	86	58	-	-	812
Of which - Client income	308	51	102	91	80	63	-	-	695
Operating expenses	(144)	(44)	(46)	(66)	(38)	(36)	-	-	(374)
Loan impairment	(5)	(8)	(11)	(3)	(13)	(3)	-	-	(43)
Other impairment	17	-	-	(3)	-	-	-	-	14
Profit from associates and joint ventures	-	-	-	17	-	-	-	-	17
Operating profit/(loss)	174	(2)	100	100	35	19	-	-	426

6 months ended 31.12.13

	Greater China	North East Asia	South Asia	ASEAN	MENAP	Africa	Americas	Europe	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Operating income	293	43	108	99	87	69	-	-	699
Of which - Client income	254	46	90	92	80	64	-	-	626
Operating expenses	(145)	(45)	(37)	(54)	(35)	(41)	-	-	(357)
Loan impairment	(22)	(13)	(57)	(6)	(15)	(1)	-	-	(114)
Other impairment	(1)	-	(26)	-	-	-	-	-	(27)
Profit from associates and joint ventures	-	-	-	20	-	-	-	-	20
Operating profit/(loss)	125	(15)	(12)	59	37	27	-	-	221

The Commercial client segment serves medium-sized business clients who are managed by relationship managers.

Over three quarters of the client income from Commercial clients is generated by Transaction Banking, Financial Markets and Lending products.

Operating income for Commercial clients fell by \$196 million, or 24 per cent., to \$616 million.

Client income fell 11 per cent., with FM income in Hong Kong being the biggest driver of the fall, as the RMB band widening reduced client demand which disrupted the flow of FX revenues. Transaction Banking income declined primarily due to lower Cash Management income. Lending income was also lower as the Group exited low return exposures.

Own account income declined by \$118 million reflecting a fall in income from Principal Finance as a result of lower mark to market valuations and reduced levels of realisations in the current period relating to Commercial clients. This primarily impacted income in Singapore and India.

Expenses were down \$12 million, or 3 per cent., to \$362 million as the Group tightly managed costs.

Loan impairment increased by \$57 million to \$100 million, driven by a small number of exposures in Hong Kong, Korea and China.

Other impairment in H1 2013 benefitted from recoveries on the realisation of previously impaired Principal Finance investments in China while H2 2013 was impacted by an investment write-down in India.

Operating profit fell by \$261 million, or 61 per cent., to \$165 million, with Hong Kong down \$81 million to \$87 million, India down \$64 million to \$34 million and Singapore down \$54 million to \$11 million.

The following tables provide an analysis of operating profit by key countries for Commercial Clients:

6 months ended 30.06.14							
	Hong Kong \$million	Singapore \$million	Korea \$million	India \$million	UAE \$million	China \$million	UK \$million
Operating income	214	50	33	86	69	7	-
Of which - Client income	204	47	46	82	64	40	-
Operating expenses	(95)	(40)	(41)	(34)	(31)	(31)	-
Loan impairment	(32)	1	(22)	(18)	(2)	(17)	-
Other impairment	-	-	-	-	-	-	-
Profit from associates and joint ventures	-	-	-	-	-	-	-
Operating profit/(loss)	87	11	(30)	34	36	(41)	-

6 months ended 30.06.13							
	Hong Kong \$million	Singapore \$million	Korea \$million	India \$million	UAE \$million	China \$million	UK \$million
Operating income	259	106	50	153	74	21	-
Of which - Client income	244	55	51	97	69	41	-
Operating expenses	(90)	(42)	(44)	(44)	(31)	(37)	-
Loan impairment	(1)	1	(8)	(11)	(6)	(4)	-
Other impairment	-	-	-	-	-	17	-
Profit from associates and joint ventures	-	-	-	-	-	-	-
Operating profit/(loss)	168	65	(2)	98	37	(3)	-

6 months ended 31.12.13							
	Hong Kong \$million	Singapore \$million	Korea \$million	India \$million	UAE \$million	China \$million	UK \$million
Operating income	210	52	43	103	71	66	-
Of which - Client income	192	53	46	86	67	45	-
Operating expenses	(91)	(29)	(45)	(36)	(30)	(36)	-
Loan impairment	(3)	(1)	(13)	(56)	(12)	(19)	-
Other impairment	(2)	-	-	(26)	-	1	-
Profit from associates and joint ventures	-	-	-	-	-	-	-
Operating profit/(loss)	114	22	(15)	(15)	29	12	-

## Private Banking Clients

The following tables provide an analysis of operating profit by geographic regions for Private Banking Clients:

6 months ended 30.06.14									
	Greater China	North East Asia	South Asia	ASEAN	MENAP	Africa	Americas	Europe	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Operating income	70	-	17	138	14	-	-	75	314

Of which - Client income	63	-	15	134	14	-	-	69	295
Operating expenses	(53)	-	(8)	(76)	(15)	-	-	(75)	(227)
Loan impairment	-	-	-	-	-	-	-	-	-
Other impairment	-	-	-	-	-	-	-	(16)	(16)
Profit from associates and joint ventures	-	-	-	-	-	-	-	-	-
Operating profit/(loss)	17	-	9	62	(1)	-	-	(16)	71

6 months ended 30.06.13

	Greater China	North East Asia	South Asia	ASEAN	MENAP	Africa	Americas	Europe	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Operating income	58	10	20	124	12	-	-	77	301
Of which - Client income	52	9	15	127	12	-	-	69	284
Operating expenses	(47)	(10)	(8)	(73)	(12)	-	-	(63)	(213)
Loan impairment	-	-	-	-	-	-	(8)	-	(8)
Other impairment	-	-	-	-	-	-	-	-	-
Profit from associates and joint ventures	-	-	-	-	-	-	-	1	1
Operating profit/(loss)	11	-	12	51	-	-	(8)	15	81

6 months ended 31.12.13

	Greater China	North East Asia	South Asia	ASEAN	MENAP	Africa	Americas	Europe	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Operating income	58	-	14	125	16	-	-	72	285
Of which - Client income	54	-	13	128	14	-	-	73	282
Operating expenses	(45)	-	(8)	(68)	(11)	-	-	(62)	(194)
Loan impairment	-	-	-	-	-	-	-	-	-
Other impairment	-	-	-	-	-	-	-	-	-
Profit from associates and joint ventures	-	-	-	-	-	-	-	1	1
Operating profit	13	-	6	57	5	-	-	11	92

The Private Banking client segment is dedicated to giving high net worth clients highly personalised service and a comprehensive suite of products and services tailored to meet their financial needs.

Income from Private Banking clients primarily relates to Wealth Management and Retail products, including lending, generated from clients across Asia, Africa and the Middle East.

Operating income from Private Banking clients increased \$13 million, or 4 per cent., to \$314 million. Excluding income from Korea (which the Group exited in H2 2013), income rose 8 per cent. This reflected strong growth across the Hong Kong and the advising centres, led by Wealth Management, Lending and Mortgage products and good traction in sales of structured notes, equities and funds leveraging on improved market sentiment. This was partly offset by lower income from Deposits due to margin compression.

Client assets under management (AuM) grew 13 per cent. compared to H1 2013 driven by higher investment balances.

Expenses were up \$14 million, or 7 per cent., at \$227 million. Excluding Korea, expenses rose 12 per cent. The increase reflects additional costs related to the exit of the Group's Geneva business.

Other impairment increased to \$16 million following a writedown of an associate investment.

Operating profit fell by \$10 million, or 12 per cent., to \$71 million. Excluding the other impairment charge, operating profit rose 7 per cent.

## Retail Clients

The following tables provide an analysis of operating profit by geographic regions for Retail Clients:

6 months ended 30.06.14									
	Greater China	North East Asia	South Asia	ASEAN	MENAP	Africa	Americas	Europe	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Operating income	1,082	456	229	700	284	240	-	14	3,005
Of which - Client income	1,015	431	220	671	269	227	-	13	2,846
Operating expenses	(638)	(420)	(157)	(387)	(185)	(151)	-	(10)	(1,948)
Loan impairment	(102)	(185)	(15)	(145)	(17)	(14)	-	(2)	(480)
Other impairment	-	-	-	-	-	-	-	-	-
Profit from associates and joint ventures	8	-	-	4	-	-	-	-	12
Operating profit/(loss)	350	(149)	57	172	82	75	-	2	589

6 months ended 30.06.13									
	Greater China	North East Asia	South Asia	ASEAN	MENAP	Africa	Americas	Europe	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Operating income	1,022	536	243	756	280	210	-	14	3,061
Of which - Client income	974	502	226	734	269	201	-	13	2,919
Operating expenses	(624)	(380)	(167)	(430)	(191)	(147)	-	(8)	(1,947)
Loan impairment	(108)	(168)	(18)	(156)	(20)	(10)	-	(2)	(482)
Other impairment	-	-	-	3	-	-	-	-	3
Profit from associates and joint ventures	7	-	-	8	-	-	-	-	15
Operating profit/(loss)	297	(12)	58	181	69	53	-	4	650

6 months ended 31.12.13									
	Greater China	North East Asia	South Asia	ASEAN	MENAP	Africa	Americas	Europe	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Operating income	993	440	214	710	265	219	-	16	2,857
Of which - Client income	952	423	204	693	255	213	-	14	2,754
Operating expenses	(630)	(402)	(154)	(408)	(179)	(139)	-	(7)	(1,919)
Loan impairment	(106)	(185)	(23)	(139)	(19)	(9)	-	(1)	(482)
Other impairment	(1)	(2)	(3)	-	-	-	-	-	(6)
Profit from associates and joint ventures	8	-	-	8	-	-	-	-	16
Operating profit/(loss)	264	(149)	34	171	67	71	-	8	466

Retail clients comprise:

- Priority & International clients, managing and servicing High Value Segment customers and delivering a distinct and differentiated customer experience to them;
- Personal & Preferred clients, providing banking products and services to a broader consumer market; and
- Business Clients, serving small business clients, sole proprietors and private companies, offering solutions such as working capital, business expansion, businesses protection and yield enhancement.

Operating income from Retail clients fell \$56 million, or 2 per cent., to \$3,005 million but was up 5 per cent. against H2 2013. Income from Retail clients remains diverse both by product and across geographic region. Hong Kong continues to be the Group's largest retail market, growing income 10 per cent., which partly offset lower income from Korea, which was down 14 per cent. Excluding Korea, income rose 1 per cent. compared to H1 2013.

The fall in income reflects reduced asset momentum due to derisking actions and lower margins, both of which impacted income from unsecured lending in Korea. Margin compression also impacted deposits income, which more than offset volume growth. Mortgages income was impacted by property cooling measures in Hong Kong and Singapore, reducing fee income as new transaction volumes decreased, and lower levels of originations under the Mortgage Purchase Program in Korea. Wealth Management income grew as market sentiment improved together with higher bancassurance income, which benefitted from the renewal of a multi-country distribution agreement in the current period.

Expenses were broadly flat at \$1,948 million and continue to be tightly managed. Excluding the impact of a special retirement charge in Korea of \$29 million, expenses fell 2 per cent.

Loan impairment was broadly flat at \$480 million. Impairment in Korea rose by \$17 million as the Group continued to see increased levels of PDRS filings. This was largely offset by lower provision levels in Malaysia and Singapore.

Operating profit fell by \$61 million, or 9 per cent., to \$589 million. Excluding Korea, which fell \$141 million to a loss of \$148 million, operating profit rose 12 per cent.

The following tables provide an analysis of operating profit by key countries for Retail Clients:

	6 months ended 30.06.14						
	Hong Kong \$million	Singapore \$million	Korea \$million	India \$million	UAE \$million	China \$million	UK \$million
Operating income	756	325	456	161	155	133	-
Of which - Client income	704	316	431	154	148	121	-
Operating expenses	(342)	(164)	(419)	(119)	(91)	(166)	-
Loan impairment	(73)	(32)	(185)	(11)	(17)	(14)	-
Other impairment	-	-	-	-	-	-	-
Profit from associates and joint ventures	-	-	-	-	-	8	-
Operating profit/(loss)	341	129	(148)	31	47	(39)	-

	6 months ended 30.06.13						
	Hong Kong \$million	Singapore \$million	Korea \$million	India \$million	UAE \$million	China \$million	UK \$million
Operating income	686	316	533	172	151	138	-
Of which - Client income	644	315	500	160	144	132	-
Operating expenses	(323)	(194)	(372)	(131)	(91)	(171)	-
Loan impairment	(68)	(40)	(168)	(14)	(15)	(13)	-
Other impairment	-	-	-	-	-	-	-
Profit from associates and joint ventures	-	-	-	-	-	7	-
Operating profit/(loss)	295	82	(7)	27	45	(39)	-

6 months ended 31.12.13

	Hong Kong \$million	Singapore \$million	Korea \$million	India \$million	UAE \$million	China \$million	UK \$million
Operating income	680	316	440	147	149	125	-
Of which - Client income	642	315	422	137	141	119	-
Operating expenses	(333)	(172)	(400)	(119)	(88)	(164)	-
Loan impairment	(70)	(39)	(185)	(19)	(17)	(12)	-
Other impairment	-	-	(2)	(3)	-	-	-
Profit from associates and joint ventures	-	-	-	-	-	8	-
Operating profit/(loss)	277	105	(147)	6	44	(43)	-

## Operating income by product and segment

Income by product and client segment is set out below:

	6 months ended 30.06.14				
	Total \$million	Corporate & Institutional \$million	Commercial \$million	Private Banking \$million	Retail \$million
Transaction Banking	1,918	1,603	302	1	12
Trade	999	824	162	1	12
Cash Management and Custody	919	779	140	-	-
Financial Markets	1,780	1,662	118	-	-
Foreign Exchange	636	537	99	-	-
Rates	371	363	8	-	-
Commodities and Equities	262	252	10	-	-
Capital Markets	284	280	4	-	-
Credit and Other <sup>1</sup>	227	230	(3)	-	-
Corporate Finance	1,241	1,227	14	-	-
Wealth Management	817	-	64	205	548
Retail Products	2,435	-	2	94	2,339
Cards, Personal Loans and Unsecured Lending (CCPL)	1,315	-	-	-	1,315
Deposits	598	-	2	65	531
Mortgage and Auto	474	-	-	29	445
Other Retail Products	48	-	-	-	48
Others	1,078	842	116	14	106
Asset and Liability Management	420	278	22	14	106
Lending and Portfolio Management	529	393	136	-	-
Principal Finance	129	171	(42)	-	-
<b>Total Operating income<sup>1</sup></b>	<b>9,269</b>	<b>5,334</b>	<b>616</b>	<b>314</b>	<b>3,005</b>

<sup>1</sup> Excludes \$(15) million relating to an own credit adjustment

	6 months ended 30.06.13				
	Total \$million	Corporate & Institutional \$million	Commercial \$million	Private Banking \$million	Retail \$million
Transaction Banking	1,964	1,633	322	1	8
Trade	1,042	865	168	1	8
Cash Management and Custody	922	768	154	-	-
Financial Markets	2,212	2,043	169	-	-
Foreign Exchange	835	687	148	-	-

Rates	552	542	10	-	-
Commodities and Equities	288	276	12	-	-
Capital Markets	283	281	2	-	-
Credit and Other <sup>1</sup>	254	257	(3)	-	-
Corporate Finance	1,238	1,220	18	-	-
Wealth Management	755	-	71	191	493
Retail Products	2,588	-	3	98	2,487
Cards, Personal Loans and Unsecured Lending (CCPL)	1,401	-	-	-	1,401
Deposits	605	-	3	72	530
Mortgage and Auto	519	-	-	25	494
Other Retail Products	63	-	-	1	62
Others	994	681	229	11	73
Asset and Liability Management	305	199	22	11	73
Lending and Portfolio Management	522	380	142	-	-
Principal Finance	167	102	65	-	-
<b>Total Operating income<sup>1</sup></b>	<b>9,751</b>	<b>5,577</b>	<b>812</b>	<b>301</b>	<b>3,061</b>

<sup>1</sup> Excludes \$237 million relating to an own credit adjustment

	6 months ended 31.12.13				
	Total \$million	Corporate & Institutional \$million	Commercial \$million	Private Banking \$million	Retail \$million
Transaction Banking	1,947	1,620	318	2	7
Trade	1,027	850	168	2	7
Cash Management and Custody	920	770	150	-	-
Financial Markets	1,644	1,551	93	-	-
Foreign Exchange	578	508	70	-	-
Rates	365	358	7	-	-
Commodities and Equities	219	216	3	-	-
Capital Markets	275	272	3	-	-
Credit and Other <sup>1</sup>	207	197	10	-	-
Corporate Finance	1,281	1,266	15	-	-
Wealth Management	694	-	69	187	438
Retail Products	2,458	-	2	98	2,358
Cards, Personal Loans and Unsecured Lending (CCPL)	1,387	-	-	-	1,387
Deposits	588	-	2	68	518
Mortgage and Auto	478	-	-	29	449
Other Retail Products	5	-	-	1	4
Others	896	642	202	(2)	54
Asset and Liability Management	243	176	15	(2)	54
Lending and Portfolio Management	543	387	156	-	-
Principal Finance	110	79	31	-	-
<b>Total Operating income<sup>1</sup></b>	<b>8,920</b>	<b>5,079</b>	<b>699</b>	<b>285</b>	<b>2,857</b>

<sup>1</sup> Excludes \$(131) million relating to an own credit adjustment

## Product performance

**Transaction Banking** income fell \$46 million, or 2 per cent., to \$1,918 million.

Trade income fell 4 per cent. with lower margins than the previous year and a decline in fee income offsetting growth in balances. Growth in balances was lower than the first half of 2013, impacted by balance sheet optimisation actions taken during the period. Trade margins as a whole have stabilised since the end of 2013.

Cash Management and Custody income was flat, with margins down 4 basis points while average balances increased compared to H1 2013.

**Financial Markets (FM)** income was \$432 million lower at \$1,780 million compared to H1 2013 impacted by challenging industry-wide conditions and factors specific to Emerging Markets.

FX income fell 24 per cent. to \$636 million impacted by low levels of volatility across the Group's footprint markets which reduced spreads although volumes grew strongly. Cash FX notionals rose 24 per cent. and FX Option notionals rose 45 per cent. FX Options income in Hong Kong was impacted by the widening of the RMB trading band by the PBoC, which disrupted revenue flows.

Rates income fell 33 per cent. to \$371 million largely reflecting the challenging market conditions in the first half of 2014. Rates flow business remained resilient while the structured business was impacted by market conditions.

Commodities and Equities income fell 9 per cent. to \$262 million. Client hedging activity declined, as markets were range bound leading to low levels of volatility across most asset classes.

Equities income increased on the back of new product offerings and improved client connectivity.

Capital Markets income was flat at \$284 million, with increased loan syndications volumes on the prior year period.

Credit and other income fell by 11 per cent. to \$227 million, primarily impacted by rising bonds yields.

**Corporate Finance** income was flat at \$1,241 million as strong growth in M&A advisory income offset lower income from Strategic Finance, reflecting repayments and timing of deal flow. Structured Trade Finance income up slightly on higher client activity levels.

**Wealth Management** income rose 8 per cent. to \$817 million. Bancassurance income increased overall, benefitting from the renewal of a multi-country distribution agreement in the current period. Income from managed funds reduced as equity markets continue to recover, although this was offset by higher income from structured notes and Wealth Management lending.

Income from **Retail products** was \$153 million lower at \$2,435 million.

Income from CCPL fell 6 per cent. to \$1,315 million as the Group reduced its exposure to higher risk Personal Loans portfolio in a number of markets, particularly in Korea. Margins overall were compressed due to regulatory changes across multiple markets. Korea suffered significant margin decline as the Group exited the higher risk Personal Loans segment.

Deposits income was down 1 per cent. at \$598 million as good growth in CASA balances in Korea and Hong Kong was offset by lower margins in Time Deposits.

Mortgages and Auto Finance income fell 9 per cent. to \$474 million despite improved margins as property cooling measures impacted new transaction volumes in the Group's key markets in Hong Kong and Singapore and income in Korea was primarily impacted by lower levels of origination under the Mortgage Purchase Program.

Other retail income fell 24 per cent. to \$48 million compared to H1 2013. Income was up \$43 million against H2 2013, which was impacted by a \$49 million loss on businesses held for sale in Korea.

**ALM** income was up 38 per cent. to \$420 million reflecting improved accrual income which offset lower income from securities sales.

**Lending and Portfolio Management** income rose by 1 per cent. to \$529 million. While average balances fell compared to H1 2013, this was more than offset by improved margins.

**Principal Finance** income fell 23 per cent. to \$129 million as gains from portfolio realisations were offset by reduced market valuations. Income relating to Commercial clients fell sharply largely as a result of reduced realisations and lower mark-to-market valuations.

### Performance by geographic region and key countries

The following tables provide an analysis of operating profit by geographic regions and key countries:

6 months ended 30.06.14

Greater China	North East	South Asia	ASEAN	MENAP	Africa	Americas	Europe	Total
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	Asia								
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Operating income <sup>1</sup>	2,785	709	959	1,920	951	878	414	653	9,269
Of which - Client income	2,532	672	889	1,746	839	737	400	558	8,373
Operating expenses	(1,410)	(616)	(379)	(1,030)	(482)	(467)	(300)	(399)	(5,083)
Loan impairment	(212)	(209)	(61)	(215)	(27)	(94)	-	(28)	(846)
Other impairment	(95)	-	-	(3)	-	-	-	(87)	(185)
Profit from associates and joint ventures	84	-	-	29	-	-	-	-	113
Operating profit/(loss) <sup>1</sup>	1,152	(116)	519	701	442	317	114	139	3,268

<sup>1</sup> Operating income and operating profit excludes \$(15) million in respect of own credit adjustment (Greater China \$33 million, ASEAN \$(27) million and Europe \$(21) million)

	6 months ended 30.06.13								
	Greater China	North East Asia <sup>2</sup>	South Asia	ASEAN	MENAP	Africa	Americas	Europe	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Operating income <sup>1</sup>	2,659	936	1,099	2,086	971	853	443	704	9,751
Of which - Client income	2,498	802	910	1,843	859	762	402	572	8,648
Operating expenses	(1,384)	(585)	(425)	(1,069)	(493)	(421)	(278)	(379)	(5,034)
Loan impairment	(127)	(193)	(117)	(172)	(34)	(75)	(7)	(5)	(730)
Other impairment	6	(19)	-	1	-	-	-	1	(11)
Profit from associates and joint ventures	73	-	-	38	-	-	-	1	112
Operating profit <sup>1</sup>	1,227	139	557	884	444	357	158	322	4,088

<sup>1</sup> Operating income and operating profit excludes \$237 million in respect of own credit adjustment (Greater China \$7 million, NE Asia \$2 million, ASEAN \$93 million and Europe \$135 million)

<sup>2</sup> Other impairment excludes \$1 billion relating to goodwill impairment charge on Korea business

	6 months ended 31.12.13								
	Greater China	North East Asia <sup>2</sup>	South Asia	ASEAN	MENAP	Africa	Americas	Europe	Total
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Operating income <sup>1</sup>	2,539	703	941	1,925	894	898	415	605	8,920
Of which - Client income	2,348	660	860	1,803	804	798	397	554	8,224
Operating expenses	(1,388)	(601)	(398)	(1,006)	(467)	(441)	(258)	(600)	(5,159)
Loan impairment	(115)	(234)	(98)	(224)	(13)	(195)	(4)	(4)	(887)
Other impairment	(5)	(10)	(105)	1	-	-	-	1	(118)
Profit from associates and joint ventures	73	-	-	40	-	-	-	1	114
Operating profit/(loss) <sup>1</sup>	1,104	(142)	340	736	414	262	153	3	2,870

<sup>1</sup> Operating income and operating profit excludes \$(131) million in respect of own credit adjustment (Greater China \$(8) million, ASEAN \$(48) million and Europe \$(75) million)

## Geographic performance

### Greater China

Income was up \$126 million, or 5 per cent., to \$2,785 million. Over 90 per cent. of the income in this region is from Hong Kong and China.

Income in Hong Kong rose \$63 million, or 3 per cent., to \$1,992 million. Client income increased slightly, up 2 per cent. Lower income from FM was offset by an improved performance in CCPL and Wealth Management. FM income was impacted as momentum slowed following the widening of the RMB trading band during 2014, reducing income from FX Options. Rates income also fell as low levels of volatility contributed to reduced client activity. CCPL income increased reflecting growth in fee income from Cards and higher Personal loan balances although this was partly offset by lower Mortgages income as property cooling measures impacted new transaction volumes. Wealth Management income grew strongly particularly in bancassurance. Own account income rose due to gains from commodities and increased income from ALM reflecting the deployment of surplus CNH funding.

Income in China rose \$67 million, or 15 per cent., to \$515 million. Client income rose slightly, up 1 per cent. compared to H1 2013. Transaction Banking income grew as margins in Cash and Trade increased coupled with strong growth in Trade volumes. Income from FM products increased with good flow FX momentum as a result of the wider RMB trading band although Rates income was impacted by low volatility in the market. Income from Retail products was largely flat as growth in CCPL income was offset by lower Mortgages income, which was impacted by significant margin compression. Own account income rose, as a result of the deployment of RMB funds accumulating in from Hong Kong, Taiwan and Singapore as the Group continued to be a leader in the internationalisation of RMB.

The following tables provide an analysis of operating profit by key countries:

	6 months ended 30.06.14						
	Hong Kong \$million	Singapore \$million	Korea \$million	India \$million	UAE \$million	China \$million	UK \$million
Operating income <sup>1</sup>	1,992	1,035	669	759	596	515	535
Of which - Client income	1,827	957	643	704	521	441	447
Operating expenses	(866)	(551)	(587)	(308)	(286)	(371)	(308)
Loan impairment	(163)	(28)	(209)	(56)	(21)	(35)	(26)
Other impairment	(95)	(1)	-	-	-	-	(87)
Profit from associates and joint ventures	-	-	-	-	-	84	-
Operating profit/(loss) <sup>1</sup>	868	455	(127)	395	289	193	114

<sup>1</sup> Operating income and operating profit excludes own credit adjustment (Hong Kong \$32 million, Singapore \$(20) million, Korea \$1 million, China \$1 million and UK \$(21) million)

	6 months ended 30.06.13						
	Hong Kong \$million	Singapore \$million	Korea \$million	India \$million	UAE \$million	China \$million	UK \$million
Operating income <sup>1</sup>	1,929	1,123	898	908	631	448	566
Of which - Client income	1,790	952	774	740	547	435	443
Operating expenses	(826)	(614)	(549)	(356)	(290)	(383)	(297)
Loan impairment	(70)	(39)	(193)	(113)	(17)	(27)	(3)
Other impairment <sup>2</sup>	(2)	10	(19)	-	-	6	1
Profit from associates and joint ventures	-	-	-	-	-	73	1
Operating profit <sup>1</sup>	1,031	480	137	439	324	117	268

<sup>1</sup> Operating income and operating profit excludes own credit adjustment (Hong Kong \$2 million, Singapore \$64 million, Korea \$2 million, China \$5 million and UK \$135 million)

<sup>2</sup> Other impairment excludes \$1 billion relating to goodwill impairment charge on Korea business

	6 months ended 31.12.13						
	Hong Kong \$million	Singapore \$million	Korea \$million	India \$million	UAE \$million	China \$million	UK \$million
Operating income <sup>1</sup>	1,796	980	665	755	591	486	484
Of which - Client income	1,659	960	632	685	520	432	440
Operating expenses	(840)	(515)	(571)	(328)	(283)	(370)	(515)

Loan impairment	(65)	(49)	(234)	(82)	(35)	(31)	(3)
Other impairment	(2)	-	(10)	(105)	-	(2)	1
Profit from associates and joint ventures	-	-	-	-	-	73	1
Operating profit/(loss) <sup>1</sup>	889	416	(150)	240	273	156	(32)

<sup>1</sup> Operating income and operating profit excludes own credit adjustment (Hong Kong \$(2) million, Singapore \$(35) million, Korea \$(1) million, China \$(6) million and UK \$(75) million)

Operating expenses across the region rose \$26 million, or 2 per cent. Expenses in Hong Kong increased \$40 million on the back of higher depreciation charges relating to the Group's leasing business and investments in front-line technology. Expenses in China fell \$12 million.

Loan impairment in the region was \$85 million higher at \$212 million and Other impairment rose \$101 million to \$95 million, primarily due to provisions relating to commodity financing transactions.

Operating profit fell \$75 million, or 6 per cent., to \$1,152 million, with Hong Kong down \$163 million to \$868 million and China up \$76 million to \$193 million.

### North East Asia

Income was down \$227 million, or 24 per cent., to \$709 million. Korea represents over 90 per cent. of income within this region.

Income in Korea fell \$229 million, or 26 per cent., to \$669 million. Income was up 1 per cent. against H2 2013, but down 6 per cent. excluding the \$49 million fair value charge relating to businesses held for sale in that period. Client income fell 17 per cent. compared to H1 2013 due to lower levels of income from FM and Retail products. Income from Rates was sharply lower, impacted by lower client volumes particularly in respect of structured notes and structured deposits. Lower levels of client activity also impacted Transaction Banking, where Trade income fell due to lower volumes and Cash Management income was impacted by a reduction in the size and tenor of balances. CCPL income declined as the Group continued to derisk the personal loan portfolio. Mortgages income also fell as Mortgage Purchase Program volumes declined. Own account income fell sharply primarily due to lower levels of Principal Finance realisations. The Group continued to generate income from Korean clients across its network and the Group opened three Korea desks in other countries to further increase the flow of cross-border transactions.

Operating expenses in Korea increased \$38 million, or 7 per cent., to \$587 million and includes a \$32 million special retirement charge. Excluding this, expenses rose 1 per cent. as the Group continued to tightly manage costs.

Loan impairment in Korea increased \$16 million to \$209 million primarily due to higher provisioning levels under the Personal Debt Rehabilitation Scheme.

Operating profit in Korea fell by \$264 million to a loss of \$127 million.

### South Asia

Income fell \$140 million, or 13 per cent., to \$959 million. Around 80 per cent. of the income in this region is from India.

Income in India fell by \$149 million, or 16 per cent., to \$759 million. On a constant currency basis, income fell 9 per cent. Client income was 5 per cent. lower primarily due to reduced income from Transaction Banking and FM products. Transaction Banking income fell due to a fall in average balances across Trade and Cash Management, as the Group reduced low return exposures. The fall in FM income reflected lower spreads on FX products which more than offset higher volumes. This was partly offset by higher Lending income as margins improved. Income from CCPL fell as margins and balanced declined. Own account income was also lower due to lower derisking activity in the current period and lower Principal Finance realisations.

Operating expenses across the region fell \$46 million, or 11 per cent., to \$379 million. Expenses in India were down 13 per cent., or 4 per cent. on a constant currency basis, as the Group reduced headcount and continued to manage costs tightly.

Loan impairment in the region fell \$56 million, or 48 per cent., to \$61 million as the prior period was impacted by charges on a small number of exposures.

Operating profit fell \$38 million to \$519 million, with India down \$44 million to \$395 million.

### ASEAN

Income was down \$166 million, or 8 per cent., to \$1,920 million. While Corporate Finance income increased, difficult market conditions and regulatory headwinds, together with margin compression, impacted other products.

Income in Singapore fell \$88 million, or 8 per cent., to \$1,035 million. Client income remained resilient, however, increasing marginally by 1 percent compared to H1 2013. Transaction Banking income fell largely due to lower Cash Management and Trade margins which more than offset strong Trade volume momentum on the back of higher RMB assets. FM income was also down with lower income from Commodities and Equities partly offset by resilient FX flow volumes as the Group continued to focus on growing the RMB franchise despite increased competition and reduced client activity. Rates income was largely flat. Income from Corporate Finance rose and the Group gained market share, although the number of deals closed fell due to lower client activity levels. Income from retail products fell as regulatory cooling measures impacted Mortgages & Auto income, offsetting higher income from Cards reflecting portfolio growth. Own account income fell due to lower volatility, narrowing trading ranges and lower Principal Finance income.

Operating expenses fell \$39 million, or 4 per cent., to \$1,030 million. Expenses in Singapore fell \$63 million reflecting lower levels of variable compensation and tight management of discretionary costs.

Loan impairment was up by \$43 million, or 25 per cent., to \$215 million. Although impairment levels in Singapore fell this was more than offset by higher provisions in Thailand.

ASEAN delivered an operating profit of \$701 million, down 21 per cent., with Singapore down \$25 million to \$455 million.

### **Middle East, North Africa and Pakistan (MENAP)**

Income fell \$20 million, or 2 per cent., to \$951 million, reflecting a challenging business environment, margin compression and heightened competition.

Income in the UAE, which generates over half of the income in this region, was down \$35 million, or 6 per cent., to \$596 million. Client income was down 5 per cent. Income from FM products fell primarily due to lower income from FX as spreads compressed and from Rates reflecting reduced client flows. Transaction Banking income was down, as margin compression in Cash Management offset higher average balances. Income from Corporate Finance was lower, as deal flow slowed, and Lending income was impacted by repayments and continued balance sheet optimisation. Volumes in CCPL and Mortgages increased as market conditions improved, offsetting margin compression from competitive pricing and surplus liquidity. Own account income fell due to lower income from commodities, partly offset by higher income from derisking activities in ALM.

Operating expenses in the region were \$11 million, or 2 per cent., lower at \$482 million, reflecting headcount rationalisation in the UAE and good cost discipline across the region.

Loan impairment in MENAP fell by \$7 million to \$27 million, largely within the UAE.

Operating profit for MENAP was broadly flat at \$442 million although profit in the UAE fell \$35 million to \$289 million.

### **Africa**

Income rose \$25 million, or 3 per cent., to \$878 million. On a constant currency basis income rose 11 per cent. Client income, however, fell 3 per cent. on a headline basis. Transaction Banking fell due to compressed Cash Management margins and lower Trade balances, and FM income was impacted by lower FX spreads and reduced Rates volumes. Lending income also fell due to repayments and exiting low return exposures. This was partly offset by increased income from CCPL income on the back of higher balances and improved Cards margins. Unsecured lending across the region is primarily driven by payroll-linked accounts. Income from Mortgages also rose as margins and balances grew. Nigeria continues to be the largest C&I revenue engine in Africa and Kenya continues to be the largest generator of Retail income. Own account income grew primarily due to increased Principal Finance income.

Operating expenses in Africa were higher by \$46 million, or 11 per cent., to \$467 million. On a constant currency basis, expenses rose 20 per cent. primarily due to flow through of prior year investments together with investments in developing new markets.

Loan impairment increased to \$94 million, up \$19 million due to a small number of exposures.

Operating profit fell 11 per cent., down \$40 million to \$317 million. On a constant currency basis, profit fell 4 per cent.

The Americas and Europe regions act as a two-way bridge, leveraging capabilities within these regions to support the Group's clients' cross-border needs in Asia, Africa and the Middle East

### **Americas**

Income fell \$29 million, or 7 per cent., to \$414 million. Client income was flat despite increased client activity and higher volumes in Trade and Cash Management and across FX products in FM. FM income fell

as a result of lower income from Rates, which was affected by low volatility and reduced bid-offer spreads, and Commodities and Equities, reflecting lower commodity prices. This was partly offset by improved FX income as increased volumes helped offset spread compression. Own account income fell, primarily as market conditions impacted FX income. This was partly offset by improved ALM income on higher reinvestment yields.

Operating expenses were \$22 million, or 8 per cent., higher at \$300 million primarily due to increased compliance and regulatory costs.

Operating profit fell \$44 million, or 28 per cent. to \$114 million.

## **Europe**

Income was down \$51 million, or 7 per cent. to \$653 million.

Client income fell 2 per cent. due to weaker demand for FM products as a result of low levels of market volatility reducing client hedging requirements and investment opportunities. While volumes in FX and Rates grew strongly, this was more than offset by significant spread compression. Corporate Finance income also fell on the back of repayments and lower deal volumes. This was partly offset by a rise in Transaction Banking income as balances grew and margins improved. Lending income was lower as balances reduced as the Group managed down low return exposures. Income from Wealth Management and Retail products provided to Private Banking clients was broadly flat. Own account income fell, impacted by difficult market conditions, although ALM income rose as the Group deployed surplus liquidity.

Operating expenses rose \$20 million, or 5 per cent., to \$399 million partly due to costs incurred to exit the Group's Private Banking operations in Geneva. Expenses in H2 2013 included the cost of the UK bank levy of \$235 million.

Loan Impairment was higher by \$23 million to \$28 million. Other impairment increased \$88 million to \$87 million as a result of impairments on certain strategic and associate investments.

Operating profit fell by \$183 million to \$139 million.

**CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT**  
**For the six months ended 30 June 2014**

	<i>6 months ended 30.06.14</i>	<i>6 months ended 30.06.13</i>	<i>6 months ended 31.12.13</i>
	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>
Interest income.....	8,603	8,914	8,679
Interest expense.....	(2,999)	(3,316)	(3,121)
Net interest income.....	5,604	5,598	5,558
Fees and commission income.....	2,284	2,338	2,243
Fees and commission expense.....	(223)	(243)	(237)
Net trading income.....	954	1,685	829
Other operating income.....	635	610	396
Non-interest income.....	3,650	4,390	3,231
Operating income.....	9,254	9,988	8,789
Staff costs.....	(3,454)	(3,397)	(3,173)
Premises costs.....	(441)	(426)	(451)
General administrative expenses.....	(875)	(860)	(1,172)
Depreciation and amortisation.....	(313)	(351)	(363)
Operating expenses.....	(5,083)	(5,034)	(5,159)
Operating profit before impairment losses and taxation.....	4,171	4,954	3,630
Impairment losses on loans and advances and other credit risk provisions.....	(846)	(730)	(887)
Other impairment.....			
Goodwill impairment.....	—	(1,000)	—
Other.....	(185)	(11)	(118)
Profit from associates and joint ventures.....	113	112	114
Profit before taxation.....	3,253	3,325	2,739
Taxation.....	(849)	(1,089)	(775)
Profit for the period.....	2,404	2,236	1,964
Profit attributable to:			
Non-controlling interests.....	44	55	55
Parent company shareholders.....	2,360	2,181	1,909
Profit for the period.....	2,404	2,236	1,964
	<i>cents</i>	<i>cents</i>	<i>cents</i>
Earnings per share:			
Basic earnings per ordinary share.....	94.6	88.1	76.5
Diluted earnings per ordinary share.....	94.0	87.3	75.7
Dividends per ordinary share:			
Interim dividend declared.....	28.80	—	—
Interim dividend paid.....	—	28.80	—
Final dividend paid.....	—	—	57.20
	<b>\$million</b>	<b>\$million</b>	<b>\$million</b>
Total dividend:			
Total interim dividend payable <sup>1</sup> .....	710	—	—
Total interim dividend (paid 17 October 2013).....	—	696	—
Total final dividend (paid 14 May 2014).....	—	—	1,385

<sup>1</sup> Dividend declared/payable represents the interim dividend as declared by the Board of Directors on 6 August 2014 and is expected to be paid on 20 October 2014. This dividend does not represent a liability to the Group at 30 June 2014 and is a non-adjusting event as defined by IAS 10 'Events after the reporting period'

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
**For the six months ended 30 June 2014**

	<i>6 months ended 30.06.14</i>	<i>6 months ended 30.06.13</i>	<i>6 months ended 31.12.13</i>
	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>
<b>Profit for the period</b> .....	2,404	2,236	1,964
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to income statement:</b>			
Actuarial (losses)/gains on retirement benefit obligations.....	(70)	44	35
<b>Items that may be reclassified subsequently to income statement:</b>			
Exchange differences on translation of foreign operations:			
Net (losses)/gains taken to equity.....	358	(1,112)	(94)
Net (losses)/gains on net investment hedges.....	(58)	81	(116)
Share of other comprehensive income from associates and joint ventures.....	6	(3)	(12)
Available-for-sale investments:			
Net valuation gains/(losses) taken to equity.....	278	(115)	286
Reclassified to income statement.....	(249)	(210)	(38)
Cash flow hedges:			
Net gains/(losses) taken to equity.....	67	(161)	78
Reclassified to income.....	3	(2)	8
Taxation relating to components of other comprehensive income.....	(30)	64	(30)
Other comprehensive income for the period, net of taxation.....	305	(1,414)	117
<b>Total comprehensive income for the period</b> .....	<u>2,709</u>	<u>822</u>	<u>2,081</u>
<b>Total comprehensive income attributable to:</b>			
Non-controlling interests.....	29	39	40
Parent company shareholders.....	2,680	783	2,041
	<u>2,709</u>	<u>822</u>	<u>2,081</u>

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET**  
**As at 30 June 2014**

	30.06.14	30.06.13	31.12.13
	<u>\$million</u>	<u>\$million</u>	<u>\$million</u>
<b>Assets</b>			
Cash and balances at central banks.....	62,182	57,621	54,534
Financial assets held at fair value through profit or loss.....	36,497	28,135	29,335
Derivative financial instruments.....	48,105	54,548	61,802
Loans and advances to banks.....	87,324	73,305	83,702
Loans and advances to customers.....	299,209	285,353	290,708
Investment securities.....	100,907	94,812	102,716
Other assets.....	37,084	38,041	33,570
Current tax assets.....	290	198	234
Prepayments and accrued income.....	2,807	2,687	2,510
Interests in associates and joint ventures.....	1,932	1,819	1,767
Goodwill and intangible assets.....	6,200	5,943	6,070
Property, plant and equipment.....	6,967	6,759	6,903
Deferred tax assets.....	634	736	529
<b>Total assets</b> .....	<u>690,138</u>	<u>649,957</u>	<u>674,380</u>
<b>Liabilities</b>			
Deposits by banks.....	49,189	45,012	43,517
Customer accounts.....	380,609	371,314	381,066
Financial liabilities held at fair value through profit or loss.....	26,916	22,456	23,030
Derivative financial instruments.....	47,785	53,781	61,236
Debt securities in issue.....	71,272	58,690	64,589
Other liabilities.....	34,006	28,719	27,338
Current tax liabilities.....	1,162	1,286	1,050
Accruals and deferred income.....	5,154	4,212	4,668
Subordinated liabilities and other borrowed funds.....	24,691	18,393	20,397
Deferred tax liabilities.....	218	178	176
Provisions for liabilities and charges.....	102	147	107
Retirement benefit obligations.....	472	411	365
<b>Total liabilities</b> .....	<u>641,576</u>	<u>604,599</u>	<u>627,539</u>
<b>Equity</b>			
Share capital.....	1,235	1,212	1,214
Reserves.....	47,042	43,556	45,032
Total parent company shareholders' equity.....	<u>48,277</u>	<u>44,768</u>	<u>46,246</u>
Non-controlling interests.....	285	590	595
<b>Total equity</b> .....	<u>48,562</u>	<u>45,358</u>	<u>46,841</u>
<b>Total equity and liabilities</b> .....	<u>690,138</u>	<u>649,957</u>	<u>674,380</u>



**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**  
For the six months ended 30 June 2014

	<b>Share capital</b>	<b>Share premium account</b>	<b>Capital and capital redemption reserve<sup>1</sup></b>	<b>Merger reserve</b>	<b>Available-for-sale reserve</b>	<b>Cash flow hedge reserve</b>	<b>Translation reserve</b>	<b>Retained earnings</b>	<b>Parent company shareholders equity</b>	<b>Non-controlling interests</b>	<b>Total</b>
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
At 1 January 2013.....	1,207	5,476	18	12,421	478	81	(885)	26,566	45,362	693	46,055
Profit for the period.....	—	—	—	—	—	—	—	2,181	2,181	55	2,236
Other comprehensive income.....	—	—	—	—	(277)	(132)	(1,023)	34 <sup>2</sup>	(1,398)	(16)	(1,414)
Distributions.....	—	—	—	—	—	—	—	—	—	(38)	(38)
Shares issued, net of expenses.....	4	17	—	—	—	—	—	—	21	—	21
Net own shares adjustment.....	—	—	—	—	—	—	—	(129)	(129)	—	(129)
Share option expense, net of taxation.....	—	—	—	—	—	—	—	103	103	—	103
Capitalised on scrip dividend.....	1	(1)	—	—	—	—	—	—	—	—	—
Dividends, net of scrip.....	—	—	—	—	—	—	—	(1,372)	(1,372)	—	(1,372)
Other decreases <sup>3</sup> .....	—	—	—	—	—	—	—	—	—	(104)	(104)
<b>At 30 June 2013.....</b>	<b>1,212</b>	<b>5,492</b>	<b>18</b>	<b>12,421</b>	<b>201</b>	<b>(51)</b>	<b>(1,908)</b>	<b>27,383</b>	<b>44,768</b>	<b>590</b>	<b>45,358</b>
Profit for the period.....	—	—	—	—	—	—	—	1,909	1,909	55	1,964
Other comprehensive income.....	—	—	—	—	245	66	(198)	19 <sup>2</sup>	132	(15)	117
Distributions.....	—	—	—	—	—	—	—	—	—	(39)	(39)
Shares issued, net of expenses.....	1	2	—	—	—	—	—	—	3	—	3
Net own shares adjustment.....	—	—	—	—	—	—	—	5	5	—	5
Share option expense, net of taxation.....	—	—	—	—	—	—	—	137	137	—	137
Capitalised on scrip dividend.....	1	(1)	—	—	—	—	—	—	—	—	—
Dividends, net of scrip.....	—	—	—	—	—	—	—	(696)	(696)	—	(696)
Other (decreases)/increases.....	—	—	—	—	—	—	—	(12)	(12)	4	(8)
<b>At 31 December 2013.....</b>	<b>1,214</b>	<b>5,493</b>	<b>18</b>	<b>12,421</b>	<b>446</b>	<b>15</b>	<b>(2,106)</b>	<b>28,745</b>	<b>46,246</b>	<b>595</b>	<b>46,841</b>
Profit for the period.....	—	—	—	—	—	—	—	2,360	2,360	44	2,404
Other comprehensive income.....	—	—	—	—	(5)	59	323	(57) <sup>2</sup>	320	(15)	305
Distributions.....	—	—	—	—	—	—	—	—	—	(47)	(47)
Shares issued, net of expenses.....	3	6	—	—	—	—	—	—	9	—	9
Net own shares adjustment.....	—	—	—	—	—	—	—	(89)	(89)	—	(89)
Share option expense, net of taxation.....	—	—	—	—	—	—	—	135	135	—	135
Capitalised on scrip dividend.....	18	(18)	—	—	—	—	—	—	—	—	—
Dividends, net of scrip.....	—	—	—	—	—	—	—	(718)	(718)	—	(718)
Other increases/(decreases).....	—	—	—	—	—	—	—	14	14	(292)	(278)
<b>At 30 June 2013.....</b>	<b>1,235</b>	<b>5,481</b>	<b>18</b>	<b>12,421</b>	<b>441</b>	<b>74</b>	<b>(1,783)</b>	<b>30,390</b>	<b>48,277</b>	<b>285</b>	<b>48,562</b>

1 Includes capital reserve of \$5 million and capital redemption reserve of \$13 million

2 For the period ended 30 June 2014, comprises actuarial loss, net of taxation and non-controlling interests of \$57 million (30 June 2013: gain of \$37 million and 31 December 2013: gain of \$21 million) and share of comprehensive income from associates and joint ventures of \$nil million (30 June 2013: \$(3) million and 31 December 2013: \$(2) million)

3 Relate to the impact of losing control in a subsidiary after divesting from the company

**CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT**  
**For the six months ended 30 June 2014**

	<b>6 months ended 30.06.14</b>	<b>6 months ended 30.06.13</b>	<b>6 months ended 31.12.13</b>
	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>
<b>Cash flows from operating activities</b>			
Profit before taxation.....	3,253	3,325	2,739
Adjustments for:			
Non-cash items and other adjustments included within income statement.....	1,540	2,041	2,080
Change in operating assets.....	(1,024)	(35,770)	(8,374)
Change in operating liabilities.....	7,835	26,942	18,310
Contributions to defined benefit schemes.....	(25)	(77)	(91)
UK and overseas taxes paid.....	(832)	(836)	(880)
Net cash (used in)/from operating activities.....	<u>10,747</u>	<u>(4,375)</u>	<u>13,784</u>
Net cash flows from investing activities			
Purchase of property, plant and equipment.....	(74)	(89)	(116)
Disposal of property, plant and equipment.....	21	54	102
Acquisition of associates and joint ventures, net of cash acquired.....	—	—	(46)
Purchase of investment securities.....	(93,521)	(72,839)	(70,049)
Disposal and maturity of investment securities.....	96,450	74,828	62,335
Dividends received from associates and joint ventures.....	11	4	1
Net cash from/(used in) investing activities	<u>2,887</u>	<u>1,958</u>	<u>(7,773)</u>
Net cash flows from financing activities			
Issue of ordinary and preference share capital, net of expenses.....	9	21	3
Purchase of own shares.....	(105)	(154)	—
Exercise of share options through ESOP.....	16	25	5
Interest paid on subordinated liabilities.....	(530)	(492)	(321)
Gross proceeds from issue of subordinated liabilities.....	4,056	2,750	2,698
Repayment of subordinated liabilities.....	(285)	(1,689)	(927)
Repayment of non-controlling interests.....	(300)	(104)	—
Interest paid on senior debts.....	(408)	(500)	(63)
Gross proceeds from issue of senior debts.....	3,394	4,252	2,564
Repayment of senior debts.....	(4,255)	(2,406)	(1,324)
Dividends paid to non-controlling interests and preference shareholders, net of scrip.....	(97)	(88)	(90)
Dividends paid to ordinary shareholders, net of scrip.....	(668)	(1,322)	(645)
Net cash from financing activities.....	<u>827</u>	<u>293</u>	<u>1,900</u>
Net (decrease)/increase in cash and cash equivalents.....	<u>14,461</u>	<u>(2,124)</u>	<u>7,911</u>
Cash and cash equivalents at beginning of the period.....	84,156	79,518	76,491
Effect of exchange rate movements on cash and cash equivalents.....	224	(903)	(246)
Cash and cash equivalents at end of the period.....	<u><u>98,841</u></u>	<u><u>76,491</u></u>	<u><u>84,156</u></u>

## TAXATION

The comments below are of a general nature based on the Issuers' understanding of current tax law and practice in the United Kingdom, the European Union and Hong Kong, respectively, as at the date of this document and may be subject to change, possibly with retroactive effect. They are not exhaustive. They do not address United States tax consequences because (i) in the event of any offer in reliance upon Rule 144A, an applicable final terms will discuss United States tax consequences to United States holders and (ii) except to the extent described below, non-United States holders generally will not be subject to United States tax consequences in respect of the Notes. However, a non-United States holder who is (i) engaged in a United States trade or business, (ii) present in the United States for 183 or more days during the taxable year, or (iii) otherwise subject to United States taxation generally, should consult its own tax advisor regarding United States tax consequences. The comments below do not necessarily apply where the income is deemed for tax purposes to be the income of any other person. They relate only to the position of persons who are the absolute beneficial owners of their Notes and Coupons and may not apply to certain classes of persons such as dealers and persons connected with the Issuer, to whom special rules may apply. They relate to the deduction from payments of interest on the Notes for or on the account of tax in the United Kingdom and to certain aspects of Hong Kong tax and the laws of the European Union. Prospective Noteholders who may be unsure of their tax position or who may be subject to tax in any other jurisdiction should consult their own professional advisers.

### United Kingdom

#### Withholding of tax on interest

Interest paid by SCPLC or SCB on Notes which have a maturity date of less than one year from the date of issue (and are not issued with the intention, or under arrangements the effect of which is, to render such Notes part of a borrowing with a total term of a year or more) may be paid without withholding or deduction for or on account of United Kingdom income tax.

Yearly interest paid by SCB (but not SCPLC) on Notes may be paid without withholding or deduction for or on account of United Kingdom income tax provided that SCB continues to be a bank within the meaning of section 991 of the Income Tax Act 2007 ("ITA") and provided that the interest on the Notes is paid in the ordinary course of business within the meaning of section 878 of ITA.

Further, with effect from 1 January 2014, the Taxation of Regulatory Capital Securities Regulations 2013 (the "Regulations") disapply the exemption referred to in the paragraph above in the case of a payment of interest on a regulatory capital security (within the meaning of the Regulations), but provide a new exemption such that payments of interest by the Issuer on a regulatory capital security could be made without withholding or deduction for or on account of United Kingdom income tax provided that there are no arrangements the main purpose, or one of the main purposes, of which is to obtain a tax advantage for any person as a result of the application of the Regulations in respect of that security.

Irrespective of whether interest may be paid by SCPLC or SCB without withholding or deduction for or on account of United Kingdom tax in accordance with the previous paragraphs, while Notes are listed on a "recognised stock exchange" within the meaning of section 1005 of ITA (which includes the London Stock Exchange), payments of interest on such Notes may be made without withholding or deduction for or on account of United Kingdom income tax. The Notes will be treated as listed on the London Stock Exchange if they are included in the Official List by the United Kingdom Listing Authority and are admitted to trading on the London Stock Exchange.

Interest on the Notes may also be paid without deduction or withholding for or on account of United Kingdom tax where the Issuer reasonably believes at the time the payment is made that it is an "excepted payment" under section 930 of ITA. A payment is an excepted payment where (a) the person beneficially entitled to the income in respect of which payment is made is (i) a UK resident company; or (ii) a non-UK resident company that carries on a trade in the UK through a permanent establishment and the payment is one that is required to be brought into account for calculating the profits chargeable to corporation tax of the non-UK resident company; or (b) the person to whom payment is made is one of the further classes of bodies or persons, and meets any relevant conditions, set out in sections 935 to 937 of ITA, provided that HM Revenue & Customs has not given a direction that the interest should be paid under deduction of tax in circumstances where it has reasonable grounds to believe that the payment will not be an excepted payment of interest at the time the payment is made.

In all other cases yearly interest on Notes will generally be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, the Noteholder can apply to HM Revenue & Customs to issue a notice to the Issuer to pay interest to the Noteholder without

any withholding or deduction for or on account of tax (or for interest to be paid with tax withheld or deducted at the rate provided for in the relevant double tax treaty).

HM Revenue & Customs have powers to obtain information, including in relation to interest or payments treated as interest and payments derived from securities. This may include details of the beneficial owners of the Notes (or the persons for whom the Notes are held), details of the persons to whom payments derived from the Notes are or may be paid and information in connection with transactions relating to the Notes. Information obtained by HM Revenue & Customs may be provided to tax authorities in other countries.

If Notes are issued at a discount to their principal amount the discount element on any such Notes will not be subject to any withholding or deduction for or on account of United Kingdom tax pursuant to the provisions mentioned above, provided that any payments on redemption in respect of the discount do not constitute payments in respect of interest. They may, however, be subject to reporting requirements as outlined in the above paragraph.

Where Notes are issued with a redemption premium, as opposed to being issued at a discount, then any such element of premium when the Notes are redeemed may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax as outlined above.

The references to “interest” and “principal” above mean “interest” and “principal” as understood in United Kingdom tax law. The statements above do not take account of any different definitions of “interest” or “principal” which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation.

### **EU Savings Directive**

Under the Savings Directive, each Member State is required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person established within its jurisdiction to (or for the benefit of) an individual resident in that other Member State or to certain limited types of entities established in that other Member State.

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

However, for a transitional period, the end of which is dependent upon the conclusion of certain other agreements relating to information exchange with certain non-EU countries, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Savings Directive.

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

### **United States Foreign Account Tax Compliance Withholding (FATCA Withholding)**

A 30 per cent. withholding tax will be imposed on certain payments to certain non-U.S. financial institutions that fail to comply with information reporting and certification requirements in respect of their direct and indirect U.S. security holders and/or U.S. accountholders (“FATCA withholding”). 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, guidance issued by HM Revenue and Customs regarding the implementation of that agreement, and an agreement reached in substance between the United States government and the Hong Kong Government, the Issuers generally will not be required to report or certify information with respect to the holders of Notes, although other non-U.S. financial institutions (such as banks or brokers) through which a holder holds Notes may be required to do so. In addition, in the case of holders who (i) are non-U.S. financial institutions that have not agreed to comply with these information reporting or certification requirements in respect of their direct and indirect U.S. security holders and/or U.S. accountholders or (ii) hold Notes directly or indirectly through such non-compliant non-U.S. financial institutions or have otherwise failed to establish an exemption from this withholding, the Issuers may be required to withhold on a portion of payments treated as attributable to certain U.S. source payments (“foreign passthru payments”) on the Notes. Accordingly, a holder that holds

Notes through a bank or broker 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 1 January 2017. Moreover, such withholding would generally only apply to Notes issued or materially modified more than six months after the date on which final regulations implementing such rule are enacted, subject to certain exceptions. You should consult your own tax advisors regarding the relevant U.S. law and other official guidance on FATCA withholding.

The Issuers will not pay any additional amounts in respect of FATCA withholding, so if this withholding applies, you will receive significantly less than the amount that you would have otherwise received with respect to your Notes. Depending on your circumstances, you may be entitled to a refund or credit in respect of some or all of this withholding. However, even if you are entitled to have such withholding refunded, the required procedures could be cumbersome and significantly delay the holder's receipt of any amounts withheld.

## **Hong Kong**

### **1. Withholding Tax**

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

### **2. Profits Tax**

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Notes is derived from Hong Kong and is received by or accrues to a company carrying on a trade, profession or business in Hong Kong; or

(ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a company, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or

(iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong) and arises through or from the carrying on by the financial institution of its business in Hong Kong.

Pursuant to the Exemption from Profits Tax (Interest Income) Order, interest income accruing to a person other than a financial institution on deposits (denominated in any currency and whether or not the deposit is evidenced by a certificate of deposit) placed with, *inter alia*, a financial institution in Hong Kong (within the meaning of section 2 of the Banking Ordinance (Cap. 155) of Hong Kong) are exempt from the payment of Hong Kong profits tax. Provided no prospectus with respect to the issue of Notes is registered under the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the issue of Notes by SCBHK is expected to constitute a deposit to which the above exemption from payment will apply. This exemption from Hong Kong profits tax does not apply, however, to deposits that are used to guarantee money borrowed in certain circumstances.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes will be subject to profits tax.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed.

### **3. Stamp Duty**

Stamp duty will not be payable on the issue of Bearer Notes by SCBHK, or on the issue in Hong Kong of Bearer Notes by SCPLC or SCB, provided (in either case) either:

(i) such Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong).

If stamp duty is payable it is payable by the relevant Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Notes at the time of issue.

No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes.

Stamp duty may be payable on any transfer of Registered Notes issued by SCBHK or, if the relevant transfer is required to be registered in Hong Kong, by SCPLC or SCB. Stamp duty will, however, not be payable on any transfers of Registered Notes, issued by any of SCBHK, SCPLC or SCB, provided that either:

(i) the Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) the Registered Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong).

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by the seller and 0.1 per cent. is payable by the purchaser) normally by reference to the consideration or its value. If, in the case of either the sale or purchase of such Registered Notes, stamp duty is not paid, both the seller and the purchaser may be liable jointly and severally to pay any unpaid stamp duty and also any penalties for late payment. If 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 Registered Notes if the relevant transfer is required to be registered in Hong Kong.

## SUBSCRIPTION AND SALE

Subject to the terms and on the conditions contained in an Amended and Restated Programme Agreement dated 10 October 2014 (as further amended and/or supplemented, the "Programme Agreement"), between, *inter alios*, the Issuers, the Permanent Dealers and the Arrangers, the Notes will be offered on a continuous basis by each Issuer to the Permanent Dealers. However, each Issuer has reserved the right to issue Notes directly on its own behalf to Dealers that are not Permanent Dealers and who agree to be bound by the restrictions below. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold outside the United States by each Issuer through the Dealers, acting as agents of such Issuer. The Programme Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

Each Issuer will pay each relevant Dealer a commission as agreed between such Issuer and the Dealer in respect of Notes subscribed by it. The Issuers have agreed to reimburse the Arrangers for certain of their expenses incurred in connection with the establishment and update of the Programme, and the Dealers for certain of their activities in connection with the Programme.

Each Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Programme Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the relevant Issuer.

### United States

The Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Notes in bearer form having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Regulation S ("Regulation S Notes"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, except as permitted by the Programme Agreement, that it will not offer, sell or, in the case of Notes in bearer form, deliver the Notes of any identifiable Tranche (other than Registered Notes offered or sold in accordance with Rule 144A), (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of an identifiable tranche of which such Notes are a part (the "Distribution Compliance Period") as determined, and certified to each relevant Dealer, by the Issuing and Paying Agent, or in the case of Notes issued on a syndicated basis, the Lead Manager, within the United States or to, or for the account or benefit of, U.S. persons and, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer, or person receiving a selling concession, fee or other remuneration to which it sells Notes during the Distribution Compliance Period (other than resales of Registered Notes pursuant to Rule 144A) a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for, the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. The Programme Agreement provides that the Dealers may directly or through their respective agents or affiliates which are U.S. registered broker-dealers arrange for the offer and resale of Registered Notes in the United States only to QIBs in accordance with Rule 144A.

In addition, until 40 days after the commencement of the offering of any identifiable Tranche of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering of such Tranche of Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

This document has been prepared by the Issuers for use in connection with the offer and sale of the Notes outside the United States to non-U.S. persons, the offer, sale and resale of Registered Notes in the United States to QIBs in reliance upon Rule 144A and for the admission of Notes to the Official List and to trading on the London Stock Exchange or the listing of the Notes on the Hong Kong Stock Exchange. The relevant Issuer and the Dealers reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than the number of Notes which may be offered. This document does not constitute an offer to any person in the United States or to any U.S. person other than any QIB to whom an offer has been

made directly by one of the Dealers or a U.S. broker-dealer affiliate of one of the Dealers. Distribution of this document by any non-U.S. person outside the United States or by any QIB in the United States to any U.S. person or to any other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB with respect thereto, is unauthorised and any disclosure without the prior written consent of the relevant Issuer of any of its contents to any such U.S. person or other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB, is prohibited. It is not currently anticipated that SCBHK would offer or sell any Notes in reliance on Rule 144A.

### **Public Offer Selling Restriction under the Prospectus Directive**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression **an offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

### **United Kingdom**

Each Dealer has represented and agreed that:

- (i) in relation to any Notes to be issued by SCPLC or SCBHK which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by SCPLC or SCBHK;
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not or, in the case of SCB would not, if it was not an authorised person, apply to the Issuers; and
- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

### **Hong Kong**

Each Dealer has represented and agreed that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO")) other than (a) to "professional investors" as defined in the SFO and any rules made under the SFO; or (b) in other



circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

## **PRC**

Each Dealer has represented and agreed that the offer of the Notes is not an offer of securities within the meaning of the securities laws and regulations of the PRC and the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (which, for such purposes, shall not include the Hong Kong and Macau Special Administrative Regions or Taiwan), except as otherwise permitted by the securities laws and regulations of the PRC.

## **Japan**

Each Dealer has acknowledged that the Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the “Financial Instruments and Exchange Act”). Accordingly, each Dealer has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other applicable laws and regulations and guidelines of Japan.

## **France**

Each of the Dealers and the relevant Issuer has represented and agreed that:

### **(i) Offer to the public in France**

It has only made and will only make an offer of Notes to the public in France in the period beginning on the date of notification to the *Autorité des marchés financiers* (the “AMF”) of approval of the prospectus in relation to those Notes, by the competent authority of a Member State of the European Economic Area, other than the AMF, which has implemented the EU Prospectus Directive 2003/71/EC, all in accordance with articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and the *Règlement général* of the AMF and ending at the latest on the date which is 12 months after the date of the approval of the Prospectus; or

### **(ii) Private placement in France**

It has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Prospectus, the relevant Final Terms or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties and/or (b) qualified investors (*investisseurs qualifiés*) and/or (c) a limited circle of investors (*cercle restreint*) acting for their own account, all as defined in, and in accordance with, articles L.411-1, L.411-2 and D.411-1 to D.411-4 of the French *Code monétaire et financier*.

This Prospectus has not been submitted to the clearance procedures of the AMF.

## Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* (“CONSOB”) pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver any Notes or any copy of this Prospectus or any other document relating to the Notes in the Republic of Italy (“Italy”) except:

- (a) to qualified investors (*investitori qualificati*), pursuant to Article 100 of Legislative Decree no. 58 of 24 February 1998 (the “Consolidated Financial Services Act”) and Article 34-ter, paragraph 1, letter (b) of CONSOB regulation No. 11971 of 14 May 1999 (the “CONSOB Regulation”), all as amended; or
- (b) in any other circumstances where an express exemption from compliance with the restrictions on offers to the public applies, as provided under the Consolidated Financial Services Act or the CONSOB Regulation.

Moreover, and subject to the foregoing, any offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in Italy under (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Consolidated Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the “Banking Act”) and CONSOB Regulation No. 16190 of 29 October 2007, all as amended;
- (ii) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority; and
- (iii) in compliance with Article 129 of the Banking Act as amended and the implementing guidelines of the Bank of Italy, pursuant to which the Bank of Italy may request information on the offering and issue of securities in Italy.

Any investor purchasing any Notes is solely responsible for ensuring that any offer or resale of the Notes occurs in compliance with applicable laws and regulations.

This Prospectus and the information contained herein are intended only for the use of its recipient and are not to be distributed to any third-party resident or located in Italy for any reason. No person resident or located in Italy other than the original recipients of this document may rely on it or its contents.

## The Netherlands

The Notes (or any interest therein) are not and may not, directly or indirectly, be offered, sold, pledged, delivered or transferred in the Netherlands, on their issue date or at any time thereafter, and neither this Prospectus nor any other document in relation to any offering of the Notes (or any interest therein) may be distributed or circulated in the Netherlands, other than to qualified investors as defined in the Prospectus Directive (as defined under “*Public Offer Selling Restriction under the Prospectus Directive*” above), provided that these parties acquire the Notes for their own account or that of another qualified investor.

## Singapore

Each Dealer has acknowledged that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore (the “MAS”). Accordingly, each Dealer has represented and agreed that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Note:

This Prospectus has not been registered as a prospectus with the MAS. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under section 274 of the SFA, (ii) to a relevant person pursuant to section 275(1), or any person pursuant to section 275(1A), and in accordance with the conditions specified in section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offer of Investments)(Share and Debentures) Regulations 2005 of Singapore.

#### **General**

These selling restrictions may be modified by the agreement of any Issuer and the Dealers, following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this document.

No action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this document or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer 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 Notes or has in its possession or distributes this document or any other offering material, in all cases at its own expense.

**FORM OF FINAL TERMS**

**STANDARD CHARTERED PLC,  
STANDARD CHARTERED BANK  
and  
STANDARD CHARTERED BANK  
(HONG KONG) LIMITED**

**U.S.\$70,000,000,000**

**Debt Issuance Programme**

[Brief Description and Amount of Notes]

Issued by

**[Standard Chartered PLC/  
Standard Chartered Bank/  
Standard Chartered Bank (Hong Kong) Limited]**

[Publicity Name(s) of Dealer(s)]

The date of the Final Terms is [●].

The Notes have not been and will not be registered under the U.S. Securities Act of 1933 (the “Securities Act”) or with any securities regulatory authority of any State or other jurisdiction of the United States. The Notes may include notes issued in bearer form (“Bearer Notes”) or in bearer form exchangeable for notes in registered form (“Exchangeable Bearer Notes”) that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered or sold or, in the case of Bearer Notes or Exchangeable Bearer Notes, delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S (“Regulation S”) under the Securities Act).

Notes in registered form (“Registered Notes”) may be offered and sold (i) in the United States or to U.S. persons in reliance on Rule 144A under the Securities Act (“Rule 144A”) only to qualified institutional buyers (“QIBs”) as defined in Rule 144A and (ii) outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act. It is not currently anticipated that SCBHK would offer or sell any Notes in reliance on Rule 144A.

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission, or any securities regulatory authority of any State or other jurisdiction of the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of Notes or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

## PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 10 October 2014 which[, together with the supplementary Prospectus[es] dated [●] [and [●]] constitute[s] (with the exception of certain sections) a base prospectus (the “Base Prospectus”) for the purposes of the Prospectus Directive (Directive 2003/71/EC, including amendments thereto) (the “Prospectus Directive”). This document constitutes the final terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing at [address] [and] [website] and copies may be obtained from [address].]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) contained in the Trust Deed dated [original date] and set forth in the Prospectus dated [original date]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC, including amendments thereto) (the “Prospectus Directive”) and must be read in conjunction with the Prospectus dated [10] October 2014 (the “Base Prospectus”) [and the supplementary Prospectus dated [●]], which [together] constitute[s] (with the exception of certain sections) a base prospectus for the purposes of the Prospectus Directive. The Base Prospectus is available for viewing at [address] [and] [website] and copies may be obtained from [address].]

1. Issuer: [Standard Chartered PLC/Standard Chartered Bank/Standard Chartered Bank (Hong Kong) Limited]
  
2. (i) Series Number: [●]  
(ii) Tranche Number: [●]  
(iii) Date on which the Notes will be consolidated and form a single Series: [The Notes will be consolidated and form a single Series with [●] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [●] below, which is expected to occur on or about [●]]] [Not Applicable]
  
3. Currency or Currencies: [●]
  
4. Aggregate Nominal Amount: [●]  
(i) Series: [●]  
(ii) [Tranche: [●]]
  
5. Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]
  
6. Denominations: [●]
  
7. Calculation Amount: [●]
  
8. (i) Issue Date: [●]  
(ii) Interest Commencement Date: [●]
  
9. Maturity Date: [●]
  
10. Interest Basis: [[●] per cent. Fixed Rate]  
[[●] per cent. Floating Rate]

[Reset Notes]  
[Zero Coupon]

11. Redemption/Payment Basis: [Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [99][100][101] per cent. of their nominal amount]
12. Change of Interest [●]
13. Put/Call Options: [Investor Put]  
[Issuer Call]  
[Regulatory Capital Call]  
[Not Applicable]
14. (i) Status of the Notes: [Senior/Dated Subordinated]
- (ii) [Date [Court/Board] approval for issuance of Notes obtained: [●] [and [●], respectively]]

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
- (i) Rate[(s)] of Interest: [●] per cent. per annum payable [annually/semi-annually/quarterly/monthly] in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [●] in each year [adjusted in accordance with [●]/not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount
- (iv) Broken Amount(s): [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
- (v) Day Count Fraction (Condition 4(j)): [Actual/Actual][Actual/Actual – ISDA]  
[Actual/365 (Fixed)]  
[Actual/360]  
[30/360][360/360][Bond Basis]  
[30E/360][30/360 (ISMA)][Eurobond Basis]  
[30E/360 (ISDA)]  
[Actual/Actual – ICMA]
- (vi) Determination Dates: [●] in each year
- (vii) Relevant Currency [Not Applicable/●]
16. **Floating Rate Note Provisions** [Applicable/Not Applicable]
- (i) Interest Period(s): [●]
- (ii) Interest Payment Dates: [●]
- (iii) First Interest Payment Date: [●]
- (iv) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/●]

- (v) Relevant Financial Centre(s) (Condition 4(j)):
- (vi) Manner in which the Rate(s) of Interest is/are to be determined:
- (vii) Interest Period Date(s):
- (viii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):
- (ix) Page (Condition 4(c)(i)):
  - Relevant Time:
  - Interest Determination Date:
  - Primary Source for Floating Rate:
  - Reference Banks (if Primary Source is “Reference Banks”):
  - Relevant Financial Centre:
  - Benchmark:
  - Effective Date:
  - Specified Duration:
- (x) Linear Interpolation:
- (xi) Margin(s):
- (xii) Minimum Rate of Interest:
- (xiii) Maximum Rate of Interest:
- (xiv) Day Count Fraction (Condition 4(j)):
- (xv) Rate Multiplier:

**17. Reset Note Provisions**

- [Applicable/Not Applicable]
- (i) Initial Rate of Interest:
- (ii) First Margin:
- (iii) Subsequent Margin:
- (iv) Interest Payment Dates:
- (v) First Interest Payment Date;
- (vi) Fixed Coupon Amount[(s)] up to (but excluding) the First Reset Date:
- (vii) Broken Amount(s):



		Applicable]
(viii)	First Reset Date:	[•]
(ix)	Second Reset Date:	[[•]/Not Applicable]
(x)	Subsequent Reset Date[(s)]:	[[•]/Not Applicable]
(xi)	Reset Rate:	[Mid-Swap Rate/Benchmark Gilt Rate/Reference Bond]
(xii)	Relevant Screen Page:	[[•]/Not Applicable]
(xiii)	Mid-Swap Rate:	[Single Mid-Swap Rate/Mean Mid-Swap Rate][Not Applicable]
(xiv)	Mid-Swap Maturity:	[[•]/Not Applicable]
(xv)	Day Count Fraction (Condition 4(j)):	[Actual/Actual][Actual/Actual – ISDA] [Actual/365 (Fixed)] [Actual/360] [30/360][360/360][Bond Basis] [30E/360][30/360 (ISMA)][Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual – ICMA]
(xvi)	Relevant Time:	[[•]/Not Applicable]
(xvii)	Interest Determination Dates:	[[•] in each year][Not Applicable]
(xviii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/•][Not Applicable]
(xix)	Relevant Currency:	[[•]/Not Applicable]
(xx)	Relevant Financial Centre(s) (Condition 4(j)):	[•]
<b>18.</b>	<b>Zero Coupon Note Provisions</b>	[Applicable/Not Applicable]
(i)	Amortisation Yield (Condition 5(b)):	[•] per cent. per annum
(ii)	Day Count Fraction (Condition 4(j)):	[•]
(iii)	Relevant Currency	[Not Applicable/•]

## PROVISIONS RELATING TO REDEMPTION

<b>19.</b>	<b>Call Option</b>	[Applicable/Not Applicable]
(i)	Optional Redemption Date(s):	[•]
(ii)	Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	[•] per Calculation Amount
(iii)	If redeemable in part:	
(a)	Minimum Redemption Amount:	[•] per Calculation Amount
(b)	Maximum Redemption Amount:	[•] per Calculation Amount

- (iv) Notice period: [●]
- 20. Regulatory Capital Call** [Applicable/Not Applicable]
- [(i) Redemption Amount per Note:] [[●] per Calculation Amount]
- 21. Put Option** [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note: [●] per Calculation Amount
- (iii) Option Exercise Date(s): [●]
- (iv) Description of any other Noteholders' option: [●]
- (v) Notice period: [●]
- 22. Final Redemption Amount of each Note** [[●] per Calculation Amount/other]
- 23. Early Redemption Amount**
- (i) Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption: [●]
- (ii) Redemption for taxation reasons permitted on days other than Interest Payment Dates (Condition 5(c)): [Yes/No]
- (iii) Unmatured Coupons to become void upon early redemption (Bearer Notes only) (Condition 6(f)): [Yes/No/Not Applicable]

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 24. Form of Notes:** [Bearer Notes/Exchangeable Bearer Notes/Registered Notes]
- [temporary Global Note/Certificate exchangeable for a permanent Global Note/ Certificate which is exchangeable for Definitive Notes/Certificates on [●] days' notice/at any time/in the limited circumstances specified in the permanent Global Note/Certificate]
- [temporary Global Note/Certificate exchangeable for Definitive Notes/Certificates on [●] days' notice]
- [permanent Global Note/Certificate exchangeable for Definitive Notes/Certificates on [●] days' notice/at any time/in the limited circumstances specified in the permanent Global Note/Certificate]
- [Registered Notes  
Unrestricted Global Certificates ([●] insert currency and aggregate nominal amount) registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]] [Restricted

Global Certificate ([●] insert currency and aggregate nominal amount) registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]]

- 25. New Global Note:** [Yes]/[No]
- 26. Business Day Jurisdiction(s)** (Condition 6(h)) or other special provisions relating to Payment Dates: [Not Applicable/●]
- 27. Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):** [Yes (give details)/No.]

Signed on behalf of the Issuer:

By: \_\_\_\_\_

*Duly authorised*

## PART B – OTHER INFORMATION

### 1. LISTING

- (i) Listing: [Official List of the UK Listing Authority and trading on the London Stock Exchange/Hong Kong Stock Exchange]
- (ii) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [●] with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [●] with effect from [●].]
- (iii) Estimated total expenses of admission to trading [●]

### 2. RATINGS

Ratings The Notes to be issued [have been/are expected to be] assigned the following ratings:

[S&P: [●]]

[Moody's: [●]]

[Fitch: [●]]

### 3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.

The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.]

### 4. [Fixed Rate Notes only – YIELD

Indication of yield: See "General Information" on page [140] of the Base Prospectus.

Calculated as [●] on the Issue Date.

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

### 4. [Floating Rate Notes only – HISTORIC INTEREST RATES

Details of historic [LIBOR, LIBID, LIMEAN, EURIBOR, HIBOR or SIBOR] rates can be obtained from [relevant screen page].]

## 5. OPERATIONAL INFORMATION

- [(i) Unrestricted Notes]
- [(i)] [(a)] ISIN: [•]
- [(ii)] [(b)] Common Code: [•]
- [(ii) Restricted Notes]
- [(a) ISIN:] [•]
- [(b) CUSIP Number:] [•]
- (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V., Clearstream Banking, société anonyme and DTC and the relevant identification number(s): [Not Applicable/•]
- (iv) Delivery: Delivery [against/free of] payment
- (v) Names and addresses of initial Paying Agent(s): The Bank of New York Mellon, One Canada Square, London E14 5AL, United Kingdom/The Bank of New York Mellon (Luxembourg) S.A., Vertigo Building – Polaris, 2-4 rue Eugène Ruppert, L-2453 Luxembourg/The Bank of New York Mellon, 101 Barclay Street, New York, NY 10286, USA/The Bank of New York Mellon, Three Pacific Place, 24/F, 1 Queen’s Road East, Hong Kong]
- (vi) Names and addresses of additional Paying Agent(s) (if any): [•]

## 6. DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated:
- (A) Names of Managers: [Not Applicable/give names]
- (B) Stabilising Manager(s) [Not Applicable/give names]  
(if any):
- (iii) If non-syndicated, name of Dealer: [Not Applicable/give name]
- (iv) US Selling Restrictions: [Reg. S Compliance Category; TEFRA C/ TEFRA D/ TEFRA not applicable]  
[Rule 144A: Qualified Institutional Buyers only]

**STANDARD CHARTERED PLC,  
STANDARD CHARTERED BANK  
and  
STANDARD CHARTERED BANK  
(HONG KONG) LIMITED**

**U.S.\$70,000,000,000**

**Debt Issuance Programme**

[Brief Description and Amount of Notes]

Issued by

[Standard Chartered PLC/  
Standard Chartered Bank/  
Standard Chartered Bank (Hong Kong) Limited]

[Publicity Name(s) of Dealer(s)]

The date of this Pricing Supplement is [●].

No prospectus is required in accordance with Directive 2003/71/EC, as amended, for this issue of Notes. The UK Listing Authority has neither approved or reviewed information contained in this Pricing Supplement.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933 (the “Securities Act”) or with any securities regulatory authority of any State or other jurisdiction of the United States. The Notes may include notes issued in bearer form (“Bearer Notes”) or in bearer form exchangeable for notes in registered form (“Exchangeable Bearer Notes”) that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered or sold or, in the case of Bearer Notes or Exchangeable Bearer Notes, delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S (“Regulation S”) under the Securities Act).

Notes in registered form (“Registered Notes”) may be offered and sold (i) in the United States or to U.S. persons in reliance on Rule 144A under the Securities Act (“Rule 144A”) only to qualified institutional buyers (“QIBs”) as defined in Rule 144A and (ii) outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act. It is not currently anticipated that SCBHK would offer or sell any Notes in reliance on Rule 144A.

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission, or any securities regulatory authority of any State or other jurisdiction of the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of Notes or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

## PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 10 October 2014 [, which together with the supplementary Prospectus[es] dated [●] [and [●]] constitute[s] (with the exception of certain sections) a base prospectus (the “Base Prospectus”). Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus. [The Base Prospectus is available for viewing at [address] [and] [website] and copies may be obtained from [address].]]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) contained in the Trust Deed dated [original date] and set forth in the Prospectus dated [original date]. This Pricing Supplement must be read in conjunction with the Prospectus dated 10 October 2014 [and the supplementary Prospectus[es] dated [●] [and[●]], which [together] constitute[s] (with the exception of certain sections) a base prospectus (the “Base Prospectus”).]. [The Base Prospectus is available for viewing at [address] [and] [website] and copies may be obtained from [address].]]

- |     |  |   |
|-----|--|---|
| 1.  | Issuer:  | [Standard Chartered PLC/Standard Chartered Bank/Standard Chartered Bank (Hong Kong) Limited]  |
| 2.  | (i) Series Number:   | [●]   |
|     | (ii) Tranche Number:   | [●]   |
|     | (iii) Date on which the Notes will be consolidated and form a single Series: | [The Notes will be consolidated and form a single Series with [●] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [●] below, which is expected to occur on or about [●]]] [Not Applicable] |
| 3.  | Currency or Currencies:  | [●]   |
| 4.  | Aggregate Nominal Amount:  | [●]   |
|     | (i) Series:  | [●]   |
|     | (ii) [Tranche:   | [●]]  |
| 5.  | Issue Price:   | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]  |
| 6.  | Denominations:   | [●]   |
| 7.  | Calculation Amount:  | [●]   |
| 8.  | (i) Issue Date:  | [●]   |
|     | (ii) Interest Commencement Date:   | [●]   |
| 9.  | Maturity Date:   | [●]   |
| 10. | Interest Basis:  | [[●] per cent. Fixed Rate]<br><br>[[●] per cent. Floating Rate]<br>[Reset Notes]<br>[Zero Coupon]   |



11. Redemption/Payment Basis: [Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [99][100][101] per cent. of their nominal amount]
12. Change of Interest [●]
13. Put/Call Options: [Investor Put]  
[Issuer Call]  
[Regulatory Capital Call]  
[Not Applicable]
14. (i) Status of the Notes: [Senior/Dated Subordinated]
- (ii) [Date [Court/Board] approval for issuance of Notes obtained: [●] [and [●], respectively]]

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
- (i) Rate[(s)] of Interest: [●] per cent. per annum payable [annually/semi-annually/quarterly/monthly] in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [●] in each year [adjusted in accordance with [●]/not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount
- (iv) Broken Amount(s): [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
- (v) Day Count Fraction (Condition 4(j)): [Actual/Actual][Actual/Actual – ISDA]  
[Actual/365 (Fixed)]  
[Actual/360]  
[30/360][360/360][Bond Basis]  
[30E/360][30/360 (ISMA)][Eurobond Basis]  
[30E/360 (ISDA)]  
[Actual/Actual – ICMA]
- (vi) Determination Dates: [●] in each year
- (vii) Relevant Currency [Not Applicable/●]
16. **Floating Rate Note Provisions** [Applicable/Not Applicable]
- (i) Interest Period(s): [●]
- (ii) Interest Payment Dates: [●]
- (iii) First Interest Payment Date: [●]
- (iv) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/●]
- (v) Relevant Financial Centre(s) (Condition 4(j)): [●]
- (vi) Manner in which the Rate(s) of Interest [Page/●]

is/are to be determined:

- (vii) Interest Period Date(s): [Not Applicable/●]
- (viii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent): [●]
- (ix) Page (Condition 4(c)(i)):
  - Relevant Time: [●]
  - Interest Determination Date: [●]
  - Primary Source for Floating Rate: [●]
  - Reference Banks (if Primary Source is “Reference Banks”): [●]
  - Relevant Financial Centre: [●]
  - Benchmark: [LIBOR/LIBID/LIMEAN/EURIBOR/HIBOR/SIBOR]
  - Effective Date: [●]
  - Specified Duration: [●]
- (x) Linear Interpolation: [Not Applicable/Applicable – the Interest Rate for the [long/short] [first/last] Interest Accrual Period shall be calculated using Linear Interpolation (specify for each short or long interest period)]
- (xi) Margin(s): [+/-][●] per cent. per annum
- (xii) Minimum Rate of Interest: [●] per cent. per annum
- (xiii) Maximum Rate of Interest: [●] per cent. per annum
- (xiv) Day Count Fraction (Condition 4(j)): [●]
- (xv) Rate Multiplier: [●]

**17. Reset Note Provisions**

- [Applicable/Not Applicable]
- (i) Initial Rate of Interest: [●] per cent. per annum
- (ii) First Margin: [●] per cent. per annum
- (iii) Subsequent Margin: [[●] per cent. per annum/Not Applicable]
- (iv) Interest Payment Dates: [●]
- (v) First Interest Payment Date; [●]
- (vi) Fixed Coupon Amount[(s)] up to (but excluding) the First Reset Date: [●] per Calculation Amount
- (vii) Broken Amount(s): [[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]/Not Applicable]
- (viii) First Reset Date: [●]

(ix)	Second Reset Date:	[[●]/Not Applicable]
(x)	Subsequent Reset Date[(s)]:	[[●]/Not Applicable]
(xi)	Reset Rate:	[Mid-Swap Rate/Benchmark Gilt Rate/Reference Bond]
(xii)	Relevant Screen Page:	[[●]/Not Applicable]
(xiii)	Mid-Swap Rate:	[Single Mid-Swap Rate/Mean Mid-Swap Rate][Not Applicable]
(xiv)	Mid-Swap Maturity:	[[●]/Not Applicable]
(xv)	Day Count Fraction (Condition 4(j)):	[Actual/Actual][Actual/Actual – ISDA] [Actual/365 (Fixed)] [Actual/360] [30/360][360/360][Bond Basis] [30E/360][30/360 (ISMA)][Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual – ICMA]
(xvi)	Relevant Time:	[[●]/Not Applicable]
(xvii)	Interest Determination Dates:	[[●] in each year][Not Applicable]
(xviii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/●][Not Applicable]
(xix)	Relevant Currency:	[[●]/Not Applicable]
(xx)	Relevant Financial Centre(s) (Condition 4(j)):	[●]
<b>18.</b>	<b>Zero Coupon Note Provisions</b>	[Applicable/Not Applicable]
(i)	Amortisation Yield (Condition 5(b)):	[●] per cent. per annum
(ii)	Day Count Fraction (Condition 4(j)):	[●]
(iii)	Relevant Currency	[Not Applicable/●]

## PROVISIONS RELATING TO REDEMPTION

<b>19.</b>	<b>Call Option</b>	[Applicable/Not Applicable]
(i)	Optional Redemption Date(s):	[●]
(ii)	Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
(iii)	If redeemable in part:	
(a)	Minimum Redemption Amount:	[●] per Calculation Amount
(b)	Maximum Redemption Amount:	[●] per Calculation Amount
(iv)	Notice period:	[●]
<b>20.</b>	<b>Regulatory Capital Call</b>	[Applicable/Not Applicable]

- [ (i) Redemption Amount per Note:] [[●] per Calculation Amount]
- 21. Put Option** [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note: [●] per Calculation Amount
- (iii) Option Exercise Date(s): [●]
- (iv) Description of any other Noteholders' option: [●]
- (v) Notice period: [●]
- 22. Final Redemption Amount of each Note** [[●] per Calculation Amount/other]
- 23. Early Redemption Amount**
- (i) Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption: [●]
- (ii) Redemption for taxation reasons permitted on days other than Interest Payment Dates (Condition 5(c)): [Yes/No]
- (iii) Unmatured Coupons to become void upon early redemption (Bearer Notes only) (Condition 6(f)): [Yes/No/Not Applicable]

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 24. Form of Notes:** [Bearer Notes/Exchangeable Bearer Notes/Registered Notes]
- [temporary Global Note/Certificate exchangeable for a permanent Global Note/ Certificate which is exchangeable for Definitive Notes/Certificates on [●] days' notice/at any time/in the limited circumstances specified in the permanent Global Note/Certificate]
- [temporary Global Note/Certificate exchangeable for Definitive Notes/Certificates on [●] days' notice]
- [permanent Global Note/Certificate exchangeable for Definitive Notes/Certificates on [●] days' notice/at any time/in the limited circumstances specified in the permanent Global Note/Certificate]
- [Registered Notes  
Unrestricted Global Certificates ([●] insert currency and aggregate nominal amount) registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]] [Restricted Global Certificate ([●] insert currency and aggregate nominal amount) registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and

Clearstream, Luxembourg]]

- 25. New Global Note:** [Yes]/[No]
- 26. Business Day Jurisdiction(s)** (Condition 6(h)) or other special provisions relating to Payment Dates: [Not Applicable/●]
- 27. Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):** [Yes (give details)/No.]

Signed on behalf of the Issuer:

By: \_\_\_\_\_

*Duly authorised*

## PART B – OTHER INFORMATION

### 1. LISTING

- (i) Listing: [●] [None]
- (ii) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [●] with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [●] with effect from [●].] [None]
- (iii) Estimated total expenses of admission to trading [●] [Not Applicable]

### 2. RATINGS

- Ratings The Notes to be issued [have been/are expected to be] assigned the following ratings:
- [S&P: [●]]
- [Moody's: [●]]
- [Fitch: [●]]

### 3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.

The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.]

### 4. [Fixed Rate Notes only – YIELD

Indication of yield: See "General Information" on page [140] of the Base Prospectus.

Calculated as [●] on the Issue Date.

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

### 4. [Floating Rate Notes only – HISTORIC INTEREST RATES

Details of historic [LIBOR, LIBID, LIMEAN, EURIBOR, HIBOR or SIBOR] rates can be obtained from [relevant screen page].]

## 5. OPERATIONAL INFORMATION

- [(i) Unrestricted Notes]
- [(i)] [(a)] ISIN: [•]
- [(ii)] [(b)] Common Code: [•]
- [(ii) Restricted Notes]
- [(a) ISIN:] [•]
- [(b) CUSIP Number:] [•]
- (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V., Clearstream Banking, société anonyme and DTC and the relevant identification number(s): [Not Applicable/•]
- (iv) Delivery: Delivery [against/free of] payment
- (v) Names and addresses of initial Paying Agent(s): The Bank of New York Mellon, One Canada Square, London E14 5AL, United Kingdom/The Bank of New York Mellon (Luxembourg) S.A., Vertigo Building – Polaris, 2-4 rue Eugène Ruppert, L-2453 Luxembourg/The Bank of New York Mellon, 101 Barclay Street, New York, NY 10286, USA/The Bank of New York Mellon, Three Pacific Place, 24/F, 1 Queen’s Road East, Hong Kong]
- (vi) Names and addresses of additional Paying Agent(s) (if any): [•]

## 6. DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated:
- (A) Names of Managers: [Not Applicable/give names]
- (B) Stabilising Manager(s) [Not Applicable/give names]  
(if any):
- (iii) If non-syndicated, name of Dealer: [Not Applicable/give name]
- (iv) US Selling Restrictions: [Reg. S Compliance Category; TEFRA C/ TEFRA D/ TEFRA not applicable]  
[Rule 144A: Qualified Institutional Buyers only]

## CLEARING AND SETTLEMENT

*The following is a summary of the rules and procedures of Euroclear, Clearstream, Luxembourg, the CMU Service and DTC, currently in effect, as they relate to clearing and settlement of transactions involving the Notes. The rules and procedures of these systems are subject to change at any time.*

### The Clearing Systems

#### ***Euroclear and Clearstream, Luxembourg***

Euroclear and Clearstream, Luxembourg each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear and Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

Distributions of principal with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

#### ***CMU***

The CMU Service is a central depository service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the members of this service ("CMU Members") of capital markets instruments ("CMU Instruments") which are specified in the CMU Service Reference Manual as capable of being held within the CMU Service.

The CMU Service is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such person. Membership of the CMU Service is open to all members of the Hong Kong Capital Markets Association and "authorised institutions" under the Banking Ordinance (Cap. 155) of Hong Kong and any other domestic or overseas financial institutions approved from time to time by the HKMA.

Compared to clearing services provided by Euroclear and Clearstream, Luxembourg, the standard custody and clearing service provided by the CMU Service is limited. In particular (and unlike the European clearing systems), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, the CMU Instruments. Instead, the HKMA advises the lodging CMU Member (or a designated paying agent) of the identities of the CMU Service Members to whose accounts payments in respect of the relevant CMU Instruments are credited, whereupon the lodging CMU Member (or the designated paying agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU Members. Similarly, the HKMA will not obtain certificates of non-U.S. beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The CMU Lodging Agent will collect such certificates from the relevant CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest through an account with either Euroclear or Clearstream, Luxembourg in any Notes held in the CMU Service will hold that interest through the respective accounts which Euroclear and Clearstream, Luxembourg each have with the CMU Service.

#### ***DTC***

DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organisation" under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic computerised book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to



DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through, or maintain a custodial relationship with, a DTC direct participant, either directly or indirectly.

## **Book-Entry Ownership**

### ***Bearer Notes***

The relevant Issuer will make applications to Clearstream, Luxembourg and Euroclear for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. The relevant Issuer may also apply to have Bearer Notes accepted for clearance through the CMU Service. In respect of Bearer Notes in CGN form, a Temporary Global Note and/or a Permanent Global Note in bearer form without coupons will be deposited with a common depository for Clearstream, Luxembourg and Euroclear and/or a sub-custodian for the CMU Service. In respect of Bearer Notes in NGN form, the Global Note in bearer form without coupons will be delivered with a common safekeeper for Euroclear and Clearstream, Luxembourg. Transfers of interests in a Temporary Global Note or a Permanent Global Note will be made in accordance with the normal Euromarket debt securities operating procedures of Clearstream, Luxembourg and Euroclear or the CMU Service.

### ***Registered Notes***

The relevant Issuer will make applications to Clearstream, Luxembourg and Euroclear or the CMU Service for acceptance in their respective book-entry systems in respect of the Unrestricted Notes to be represented by each Unrestricted Global Certificate. Each Unrestricted Global Certificate will have an ISIN and a Common Code or a CMU Instrument Number, as the case may be.

The relevant Issuer and a relevant U.S. agent appointed for such purpose will make application to DTC for acceptance in its book-entry settlement system of the Restricted Notes represented by each Restricted Global Certificate. Each Restricted Global Certificate will have a CUSIP number. Each Restricted Global Certificate will be subject to restrictions on transfer contained in a legend appearing on the front of such Certificate, as set out under "Transfer Restrictions". In certain circumstances, as described below in "Transfers of Registered Notes", transfers of interests in a Restricted Global Certificate may be made as a result of which such legend is no longer applicable.

The custodian with whom the Restricted Global Certificates are deposited (the "Custodian") and DTC will electronically record the principal amount of the Restricted Notes held within the DTC system. Investors in Notes of such Series may hold their interests in an Unrestricted Global Certificate only through Clearstream, Luxembourg or Euroclear or the CMU Service. Investors may hold their interests in a Restricted Global Certificate directly through DTC if they are participants in the DTC system, or indirectly through organisations which are participants in such system.

Payments of the principal of, and interest on, each Restricted Global Certificate registered in the name of DTC's nominee will be to or to the order of its nominee as the registered owner of such Restricted Global Certificate. The relevant Issuer expects that the nominee, upon receipt of any such payment, will immediately credit DTC participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Restricted Global Certificate as shown on the records of DTC or the nominee. The relevant Issuer also expects that payments by DTC participants to owners of beneficial interests in such Restricted Global Certificate held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. None of the relevant Issuer nor any Paying Agent or any Transfer Agent (each an "Agent") will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Restricted Global Certificates or for maintaining, supervising or reviewing any records relating to such ownership interests.

All Registered Notes will initially be in the form of an Unrestricted Global Certificate and/or a Restricted Global Certificate. Individual definitive Registered Notes will only be available, in the case of Unrestricted Notes, in amounts specified in the applicable Final Terms, and, in the case of Restricted Notes, in amounts of U.S.\$200,000 (or its equivalent in another currency), or higher integral multiples of U.S.\$1,000 (or its equivalent in another currency), in certain limited circumstances described below.

### ***Individual Definitive Registered Notes***

Registration of title to Registered Notes in a name other than a depository or its nominee for Clearstream, Luxembourg and Euroclear or for the CMU Service or for DTC will not be permitted unless (i) in the case of Restricted Notes, DTC notifies the relevant Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Restricted Global Certificate, or ceases to be a "clearing

agency” registered under the Exchange Act, or is at any time no longer eligible to act as such and the relevant Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC, (ii) in the case of Unrestricted Notes, Clearstream, Luxembourg or Euroclear or the CMU Service is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does, in fact, do so, (iii) if principal in respect of any Notes is not paid when due or (iv) the relevant Issuer provides its consent. In such circumstances, the relevant Issuer will cause sufficient individual definitive Registered Notes to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Noteholder(s). A person having an interest in a Global Certificate must provide the Registrar with:

(i) a written order containing instructions and such other information as the relevant Issuer and the Registrar may require to complete, execute and deliver such individual definitive Registered Notes; and

(ii) in the case of a Restricted Global Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous resale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Individual definitive Registered Notes issued pursuant to this paragraph (ii) shall bear the legends applicable to transfers pursuant to Rule 144A.

### ***Transfers of Registered Notes***

Transfers of interests in Global Certificates within DTC, Clearstream, Luxembourg, Euroclear and the CMU Service will be effected in accordance with the usual rules and operating procedures of the relevant clearing system. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Restricted Global Certificate to such persons may be limited. Because DTC can only act on behalf of direct participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Restricted Global Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Beneficial interests in an Unrestricted Global Certificate may be held only through Clearstream, Luxembourg or Euroclear or the CMU Service. Transfers may be made at any time by a holder of an interest in an Unrestricted Global Certificate to a transferee who wishes to take delivery of such interest through the Restricted Global Certificate for the same Series of Notes provided that any such transfer made on or prior to the expiration of the Distribution Compliance Period (as defined in “Subscription and Sale”) relating to the Notes represented by such Unrestricted Global Certificate will only be made upon receipt by the Registrar or any Transfer Agent of a written certificate from Euroclear or Clearstream, Luxembourg or the CMU Service, as the case may be (based on a written certificate from the transferor of such interest), to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities law of any state of the United States or any other jurisdiction. Any such transfer made thereafter of the Notes represented by such Unrestricted Global Certificate will only be made upon request through Clearstream, Luxembourg or Euroclear or the CMU Service by the holder of an interest in the Unrestricted Global Certificate to the Issuing and Paying Agent and receipt by the Issuing and Paying Agent of details of that account at DTC to be credited with the relevant interest in the Restricted Global Certificate. Transfers at any time by a holder of any interest in the Restricted Global Certificate to a transferee who takes delivery of such interest through an Unrestricted Global Certificate will only be made upon delivery to the Registrar or any Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S and giving details of the account at Euroclear or Clearstream, Luxembourg or the CMU Service, as the case may be, and DTC to be credited and debited, respectively, with an interest in the relevant Global Certificates.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described above and under “Transfer Restrictions”, cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear or the CMU Service accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Custodian, the Registrar and the Issuing and Paying Agent.

On or after the Issue Date for any Series of Registered Notes, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and the CMU Service and transfers of Notes of such Series between participants in DTC will generally have a settlement day three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear or the CMU Service and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear and the CMU Service, on the other, transfers of interests in the relevant Global Registered

Certificates will be effected through the Issuing and Paying Agent, the Custodian and the Registrar receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in the relevant Global Registered Certificate resulting in such transfer and (ii) two business days after receipt by the Issuing and Paying Agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg or the CMU Service accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

For a further description of restrictions on transfer of Registered Notes, see "Transfer Restrictions".

DTC will take any action permitted to be taken by a holder of Registered Notes (including, without limitation, the presentation of Restricted Global Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in Restricted Global Certificates are credited and only in respect of such portion of the aggregate principal amount of the relevant Restricted Global Certificates as to which such participant or participants has or have given such direction. However, in the circumstances described above, DTC will surrender the relevant Restricted Global Certificates for exchange for individual definitive Registered Notes (which will, in the case of Restricted Notes, bear the legend applicable to transfers pursuant to Rule 144A).

Although DTC, Clearstream, Luxembourg, Euroclear and the CMU Service have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the Global Certificates among participants and accountholders of DTC, Clearstream, Luxembourg, Euroclear and the CMU Service, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Trustee or any Agent will have any responsibility for the performance by DTC, Clearstream, Luxembourg, Euroclear or the CMU Service or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

While a Restricted Global Certificate is lodged with DTC or the Custodian, Restricted Notes represented by individual definitive Registered Notes will not be eligible for clearing or settlement through DTC, Clearstream, Luxembourg, Euroclear or the CMU Service.

#### ***Pre-issue Trades Settlement for Registered Notes***

It is expected that delivery of Notes will be made against payment therefor on the relevant Issue Date, which could be more than three business days following the date of pricing. Under Rule 15c6-I of the U.S. Securities and Exchange Commission under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until the relevant Issue Date will be required, by virtue of the fact that the Notes initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices and purchasers of Notes who wish to trade Notes between the date of pricing and the relevant issue date should consult their own adviser.

## PRC CURRENCY CONTROLS

### **Remittance of Renminbi into and outside the PRC**

The Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to controls imposed under PRC law.

#### ***Current Account Items***

Under PRC foreign exchange control regulations, current account item payments include payments for imports and exports of goods and services, payments of income and current transfers into and outside the PRC.

Prior to July 2009, all current account items were required to be settled in foreign currencies. Since July 2009, the PRC has commenced a scheme pursuant to which Renminbi may be used for settlement of imports and exports of goods between approved pilot enterprises in five designated pilot cities in the PRC being Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and Macau. On 17 June 2010, the PRC government promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Program of Renminbi Settlement of Cross-Border Trades (Yin Fa (2010) No. 186) (the "Circular"), pursuant to which (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible, (ii) the list of designated pilot districts was expanded to cover 20 provinces including Beijing, Shanghai, Tianjin, Chongqing, Guangdong, Jiangsu, Zhejiang, Liaoning, Shandong and Sichuan, and (iii) the restriction on designated offshore jurisdictions was lifted. Accordingly, any enterprises in the designated pilot districts and offshore enterprises are entitled to use Renminbi to settle any current account items between them (except in the case of payments for exports of goods from the PRC, such Renminbi remittance may only be effected by approved pilot enterprises in designated pilot districts in the PRC). In particular, any foreign invested enterprises located in the designated pilot districts may remit all lawful dividends and distribution payments in Renminbi to its foreign investors outside the PRC. The pilot scheme was further extended in August 2011 to cover all provinces in the PRC and to make RMB trade and other current account settlement available in all countries worldwide.

As a new regulation, the Circular will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying the Circular and impose conditions for settlement of current account items.

#### ***Capital Account Items***

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of the relevant PRC authorities.

Settlements for capital account items are generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are generally required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or any other relevant PRC parties are also generally required to make capital account item payments including proceeds from liquidation, transfer of shares, reduction of capital and principal repayment under foreign debt to foreign investors in a foreign currency. That said, the relevant PRC authorities may approve a foreign entity to make a capital contribution or shareholder's loan to a foreign invested enterprise with Renminbi lawfully obtained by it outside the PRC and for the foreign invested enterprise to service interest and principal repayment to its foreign investor outside the PRC in Renminbi on a trial basis. The foreign invested enterprise may also be required to complete registration and verification process with the relevant PRC authorities before such RMB remittances.

As mentioned on page 36 of this Prospectus, the MOFCOM Circular provides that if a foreign investor intends to make investments by way of (i) establishing a new enterprise, (ii) increasing the registered capital of an existing enterprise, (iii) acquiring an onshore enterprise or (iv) providing a loan in the PRC, in each case, with Renminbi that is generated from cross-border trade settlement or that is lawfully obtained outside the PRC, such investments need to be approved by MOFCOM. In April 2011, the State Administration of Foreign Exchange ("SAFE") promulgated the Circular on Issues Concerning the Capital Account Items in connection with Cross-Border Renminbi (the "SAFE Circular"), which provides that borrowing by an onshore entity of Renminbi loans from an offshore entity shall in principle follow the current regulations on borrowing foreign debts.

The PBOC Notice provides that if a foreign company intends to make investments in the PRC with Renminbi that is lawfully obtained outside the PRC by way of (i) establishing a new enterprise, (ii) acquiring

an equity interest in a PRC company, (iii) increasing the registered capital of any existing enterprise in the PRC or (iv) providing a shareholder's loan, such investments need to be approved by PBOC.

As mentioned on page 37 of this Prospectus, MOFCOM promulgated the MOFCOM RMB FDI Circular on 12 October 2011 which provides that MOFCOM's prior written consent, which was previously required under the MOFCOM Circular, is no longer required for RMB FDI. In addition, MOFCOM and its local counterparts are now authorised to approve RMB FDI in accordance with existing PRC laws and regulations regarding foreign investment, with the following exceptions which require the preliminary approval by the provincial counterpart of MOFCOM and the consent of MOFCOM: (i) RMB FDI with the capital contribution in Renminbi of RMB300 million or more; (ii) RMB FDI in financing guarantee, financing lease, micro financing or auction industries; (iii) RMB FDI in foreign invested investment companies, venture capital or equity investment enterprises; or (iv) RMB FDI in cement, iron & steel, electrolytic aluminum, shipbuilding or other policy sensitive sectors. In addition, RMB FDI in real estate sector is allowed following the existing rules and regulations of foreign investment in real estate, although Renminbi foreign debt remains unavailable to foreign invested real estate enterprises. The proceeds of RMB FDI may not be used towards investment in securities, financial derivatives or entrustment loans in the PRC, except for investments in PRC domestic listed companies through private placements or share transfers by agreement. On 13 October 2011, PBOC issued the PBOC RMB FDI Measures, pursuant to which PBOC special approval for RMB FDI and shareholder loans previously required by the PROC Notice is no longer necessary. The PBOC RMB FDI Measures also provides, among others, that: (i) foreign invested enterprises are required to conduct registrations with the local branch of PBOC within ten working days after obtaining the business licenses for the purpose of Renminbi settlement; (ii) a foreign investor is allowed to open a Renminbi expense account to reimburse some expenses before the establishment of a foreign invested enterprise and the balance in such an account can be transferred to the Renminbi capital account of such foreign invested enterprise when it is established; and (iii) commercial banks can remit a foreign investor's Renminbi proceeds from distribution (dividends or otherwise) by its PRC subsidiaries out of the PRC after reviewing certain requisite documents, if a foreign investor intends to use its Renminbi proceeds from distribution (dividends or otherwise) by its PRC subsidiaries. A foreign investor may now also open a RMB re-investment account to pool Renminbi proceeds, and PRC parties selling stakes in domestic enterprises to foreign investors can open RMB accounts and receive the purchase price paid by foreign investors in Renminbi. The PBOC RMB FDI Measures further state that the foreign debt quota of a foreign invested enterprise constitutes its Renminbi debt and foreign currency debt from its offshore shareholders, offshore affiliates and offshore financial institutions, and a foreign invested enterprise may open a Renminbi account to receive its Renminbi proceeds borrowed offshore by submitting the loan contract denominated in Renminbi to the commercial bank and make repayments of principal and interest on such debt in Renminbi by submitting certain required documents to the commercial bank.

As the MOFCOM Circular, the SAFE Circular, the PBOC Notice, the MOFCOM RMB FDI Circular and the PBOC RMB FDI Measures are relatively new regulations, they will be subject to interpretation and application by the relevant PRC authorities.

Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

## TRANSFER RESTRICTIONS

### Restricted Notes

Each purchaser of Restricted Notes within the United States pursuant to Rule 144A, by accepting delivery of this document, will be deemed to have represented, agreed and acknowledged that:

(1) it is (a) a QIB, (b) acquiring such Restricted Notes for its own account or for the account of a QIB and (c) aware, and each beneficial owner of such Restricted Notes has been advised, that the sale of such Restricted Notes to it is being made in reliance on Rule 144A;

(2) it understands that such Restricted Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any State of the United States;

(3) it understands that such Restricted Notes, unless the relevant Issuer determines otherwise in compliance with applicable law, will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THIS NOTE. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A;

(4) it understands that the Restricted Notes offered in reliance on Rule 144A will be represented by a Restricted Global Certificate. Before any interest in the Restricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws; and

(5) it acknowledges that the relevant Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Restricted Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Additional transfer restrictions may be set forth in the applicable Final Terms with respect to a particular Tranche of a Registered Series.

### Unrestricted Notes

Each purchaser of Unrestricted Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Unrestricted Notes in resales prior to the expiration of the Distribution Compliance Period (as defined in "Subscription and Sale"), by accepting delivery of this document and the Unrestricted Notes, will be deemed to have represented, agreed and acknowledged that:

(1) it is, or at the time Unrestricted Notes are purchased will be, the beneficial owner of such Unrestricted Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the relevant Issuer or a person acting on behalf of such an affiliate;

(2) it understands that such Unrestricted Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the Distribution Compliance Period, it will not offer, sell, pledge or otherwise transfer such Unrestricted Notes except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States;

(3) it understands that the Unrestricted Notes, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT;

(4) it understands that the Unrestricted Notes offered in reliance on Regulation S may be represented by an Unrestricted Global Certificate. Prior to the expiration of the Distribution Compliance Period, before any interest in the Unrestricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Restricted Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws; and

(5) the relevant Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Additional transfer restrictions may be set forth in the applicable Final Terms with respect to a particular Tranche of a Registered Series.

## GENERAL INFORMATION

1. The listing of the Notes on the Official List and admission to trading on the Market will be expressed as a percentage of their principal amount (exclusive of accrued interest). It is expected that acceptance of the Programme on the Official List will be granted on or around 15 October 2014. Each Tranche of Notes under the Programme will be listed separately, subject only to the issue of a Temporary or Permanent Global Note (or one or more Certificates) in respect of each Tranche. Prior to official listing, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. If a Series of Notes will be unlisted, or listed on another exchange, the specific terms relating to such Series of Notes will be contained in a pricing supplement. Any such pricing supplement will be based on the form of Final Terms set out in this Prospectus.

Application has been made to the Hong Kong Stock Exchange for permission to list the Programme. It is expected that permission to list the Programme will be granted on or around 15 October 2014. The listing of Notes on the Hong Kong Stock Exchange will be expressed as a percentage of their principal amount. Transactions will normally be effected for settlement in the relevant specified currency and for delivery by the end of the second trading day after the date of the transaction. It is expected that dealings will, if permission is granted to deal in and for the listing of such Notes, commence on or about the date of listing of the relevant Notes.

2. SCPLC has obtained all necessary consents, approvals and authorisations in the United Kingdom in connection with the issue and performance of the Notes to be issued by it. SCB has obtained all necessary consents, approvals and authorisations in the United Kingdom in connection with the issue and performance of the Notes to be issued by it. SCBHK has obtained all necessary consents, approvals and authorisations in Hong Kong in connection with the issue and performance of the Notes to be issued by it. The establishment, update and amendment of the Programme and issues of Notes thereunder by SCPLC was authorised by resolutions of SCPLC's Board of Directors passed on 30 October 2007 and of a duly authorised committee of SCPLC's Board of Directors passed on 3 November 2009, 31 August 2010, 8 November 2010, 7 November 2011, 26 September 2012, 1 October 2013 and 2 October 2014. The establishment, update and amendment of the Programme and issues of Notes thereunder by SCB was authorised by resolutions of SCB's Court of Directors passed on 4 October 2004, 11 September 2006, 28 July 2008, 14 September 2009 and of a duly appointed Committee of the Court of Directors of SCB passed on 29 October 2004, 23 September 2005, 25 September 2006, 7 September 2007, 6 November 2007, 4 November 2008, 3 November 2009, 31 August 2010, 8 November 2010, 7 November 2011, 26 September 2012, 1 October 2013 and 2 October 2014. The establishment, update and amendment of the Programme and issues of Notes thereunder by SCBHK was authorised by resolutions of SCBHK's Board of Directors passed on 6 October 2004, 13 September 2006, 25 July 2008, 6 October 2009 and of a duly appointed committee of the Board of Directors of SCBHK passed on 29 October 2004, 1 November 2004, 9 August 2005, 22 September 2006, 24 August 2007, 7 November 2007, 4 November 2008, 5 November 2008, 23 October 2009, 5 November 2010, 10 November 2011, 28 September 2012, 3 October 2013 and 6 October 2014.

3. There has been no significant change in the financial or trading position of SCPLC and its subsidiaries since 30 June 2014. There has been no material adverse change in the prospects of SCPLC and its subsidiaries since 31 December 2013.

4. There has been no significant change in the financial or trading position of SCB and its subsidiaries since 31 December 2013. There has been no material adverse change in the prospects of SCB and its subsidiaries since 31 December 2013.

5. There has been no significant change in the financial or trading position of SCBHK and its subsidiaries since 30 June 2014. There has been no material adverse change in the prospects of SCBHK and its subsidiaries since 31 December 2013.

6. As discussed in the "Regulatory compliance, reviews, requests for information and investigations" section on page 30 of the 2014 Interim Report (which is incorporated by reference herein), in 2012 the Group reached settlements with the US authorities regarding US sanctions compliance in the period 2001 to 2007, involving a Consent Order by the New York Department of Financial Services (NYDFS), a Cease and Desist Order by the Federal Reserve Bank of New York (FRBNY), Deferred Prosecution Agreements with each of the Department of Justice and the District Attorney of New York (each a 'DPA') and a Settlement Agreement with the Office of Foreign Assets Control. In addition to the civil penalties totalling \$667 million, the terms of these settlements (together the 'Settlements') include a number of conditions and ongoing obligations with regard to improving sanctions, Anti-Money Laundering (AML) and Bank Secrecy Act (BSA) controls such as remediation programmes, reporting requirements, compliance reviews and programmes, banking transparency requirements, training measures, audit programmes, disclosure obligations and the appointment of an independent monitor (the "Monitor"). These obligations are managed under a programme of work referred to as the US Supervisory Remediation Program (SRP). The SRP comprises workstreams designed to ensure compliance with the remediation requirements contained in all of the



Settlements. The Group has established a Financial Crime Risk Mitigation Programme (FCRMP), which is a comprehensive, multi-year programme designed to review many aspects of the Group's existing approach to anti-money laundering and sanctions compliance and to enhance them as appropriate. One key component of the FCRMP is to oversee and manage the SRP. As part of the FCRMP the Group or its advisors may identify new issues, potential breaches or matters requiring further review or further process improvements that could impact the scope or duration of the FCRMP.

The Group is engaged with all relevant authorities to implement these programmes and meet the obligations under the Settlements and is responding to further requests for information and inquiries related to its historic, current and future compliance with the relevant sanctions and AML regimes of all jurisdictions in which it operates.

As a result of its ongoing reviews and continuing engagement with US authorities, the Group believes that the term of the DPAs is likely to be extended. (The DPAs provide that if the Group fulfils all the requirements imposed by the DPAs, the applicable charges against the Group will be dismissed at the end of their applicable term.)

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

The settlement provisions are summarised as follows:

- (i) a civil monetary penalty of U.S.\$ 300 million;
- (ii) enhancements to the transaction surveillance system at the Branch;
- (iii) a two-year extension to the term of the Monitor; and
- (iv) the following set of temporary remediation measures, which will remain in place until the transaction surveillance system's detection scenarios are operating to a standard approved by the Monitor:
  - (a) the Branch will not, without prior approval of the NYSDFS in consultation with the Monitor, open a U.S. dollar demand deposit account for any client that does not already have such an account with the Branch;
  - (b) requirements for inclusion of identifying information for originators and beneficiaries of some affiliate and third-party payment messages cleared through the Branch;
  - (c) a restriction on U.S. dollar clearing services for certain Hong Kong retail business clients; and
  - (d) enhanced monitoring of certain small and medium sized enterprise clients in the United Arab Emirates. The Group is seeking to exit this business as part of its broader efforts to sharpen its strategic focus, withdrawing or re-aligning non-strategic businesses, including those where increased regulatory costs and risks undermine their economic viability. The exit will take place under the timeline set out in the settlement; if the exit is not achieved within this period, further restrictions will be required, unless an extension is granted by the NYSDFS.

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

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

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

Save in relation to the matters described above, there are no, nor have there been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which SCPLC is aware) during the twelve months preceding the date of this document, which may have, or have had in the recent past, significant effects on the financial position or profitability of SCPLC and/or the Group nor is SCPLC aware that any such proceedings are pending or threatened.

7. Save in relation to the matters described in paragraph 6 above, there are no, nor have there been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which SCB is aware) during the twelve months preceding the date of this document, which may have, or have had in the recent past, significant effects on the financial position or profitability of SCB and/or the Group nor is SCB aware that any such proceedings are pending or threatened.

8. There are no, nor have there been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which SCBHK 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 SCBHK and its subsidiaries nor is SCBHK aware that any such proceedings are pending or threatened.

9. Each Bearer Note, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

10. Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are entities in charge of keeping the records). The Common Code and the International Securities Identification Number (ISIN) for each Series of Notes will be set out in the relevant Final Terms. The Issuers may also apply to have Notes accepted for clearance through the CMU Service. In addition, the relevant Issuer will make an application with respect to each Series of Registered Notes intended to be eligible for sale pursuant to Rule 144A for such Notes to be accepted for trading in book entry form by DTC. Acceptance of each Series and the relevant Committee on the Uniform Security Identification Procedure (CUSIP) number applicable to a Series will be set out in the relevant Final Terms.

11. The issue price and the amount of the relevant Notes will be determined before filing of the relevant Final Terms of each Tranche, based on then prevailing market conditions. The Issuers do not intend to provide any post-issuance information in relation to any issues of Notes.

12. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.

13. Any Notes issued:

(i) prior to 20 September 2001, and any Notes issued on or after 20 September 2001 which are intended to be consolidated and form a single series with Notes issued prior to 20 September 2001, are and will be, as the case may be, constituted by the Law Debenture Trust Deed (as defined in the Trust Deed) and issued pursuant to the Citibank Agency Agreement (as defined in the Agency Agreement); and

(ii) from (and including) 20 September 2001 to 18 November 2004, and any Notes issued on or after 19 November 2004 which are intended to be consolidated and form a single series with Notes issued from (and including) 20 September 2001 to 18 November 2004, are and will be, as the case may be, constituted by the Bank of New York Trust Deed (as defined in the Trust Deed) and issued pursuant to the Bank of New York Agency Agreement (as defined in the Agency Agreement).

14. From the date of this document and for so long as any Notes are outstanding under the Programme, the following documents will be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the registered office of the Issuers and at the office of the Issuing and Paying Agent:

(i) the Trust Deed (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons and the Talons);

(ii) the Agency Agreement;

(iii) the Articles of Association of SCPLC, the Royal Charter, Bye-Laws and Rules of SCB and the Memorandum and Articles of Association of SCBHK;

(iv) the audited annual consolidated accounts of SCPLC for the years ended 31 December 2012 and 31 December 2013;

(v) the audited annual consolidated accounts of SCB for the years ended 31 December 2012 and 31 December 2013;

(vi) the audited annual accounts of SCBHK for the years ended 31 December 2012 and 31 December 2013;

(vii) each set of Final Terms (save that the Pricing Supplement relating to a PD Exempt Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Issuing and Paying Agent as to its holding of Notes and identity); and

(viii) a copy of this document or any further prospectus or supplementary prospectus.

15. Copies of the latest annual report and accounts of SCPLC, SCB and SCBHK may be obtained, and copies of the Trust Deed will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes is outstanding.

16. KPMG Audit Plc, chartered accountants (authorised and regulated by the Financial Conduct Authority for designated investment business), have audited, and rendered unqualified audit reports on, the accounts of both SCPLC and SCB for the two years ended 31 December 2013 and KPMG have audited and rendered unqualified audit reports on the accounts of SCBHK for the two years ended 31 December 2013. The report of SCPLC's auditors contained the following statement: "This report is made solely to the Company's members as a body and is subject to important explanations and disclosures regarding our responsibilities, published on our website at [www.kpmg.com/uk/auditscopeco2013a](http://www.kpmg.com/uk/auditscopeco2013a) 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 report of SCB's auditors 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".

17. No redemption of the Dated Subordinated Notes for taxation reasons, no optional redemption of the Dated Subordinated Notes pursuant to Condition 5(d) or Condition 5(e) and no purchase and cancellation of the Dated Subordinated Notes in accordance with the Conditions of the Notes will be made by any Issuer without prior consent of, waiver from, or, as applicable, no objection on the part of, the PRA, as may for the time being be required therefor.

18. SCPLC and SCB have entered or will enter into an agreement with Euroclear and Clearstream, Luxembourg (the "ICSDs") in respect of any Notes issued in NGN form that SCPLC or SCB may request be made eligible for settlement with the ICSDs (each, an "ICSD Direct Agreement"). The ICSD Direct Agreement sets out that the ICSDs will, in respect of any such Notes, *inter alia*, maintain records of their respective portion of the issue outstanding amount and will, upon the Issuer's request, produce a statement for SCPLC's or SCB's use showing the total nominal amount of its customer holdings for such Notes as of a specified date.

19. Any indication of yield included in any Final Terms has been calculated as at the Issue Date of the relevant Notes and is not an indication of future yield. Any such indication is calculated on the basis of the Issue Price, using the following formula:

$$P = \frac{C}{r} (1 - (1 + r)^{-n}) + A(1 + r)^{-n}$$

where:

P is the Issue Price of the Notes;

C is the Interest Amount;

A is the principal amount of Notes due on redemption;

n is time to maturity in years; and

r is the yield.

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