

Prospectus dated 10 October 2012



## 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. \$50,000,000,000 Debt Issuance Programme

Under the Debt Issuance Programme described in this document (the "Programme") (which supersedes and replaces the Prospectus dated 11 November 2011 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.\$50,000,000,000 (or the equivalent in other currencies and subject to increase as provided herein).

Application has been made to the Financial Services Authority in its capacity as competent authority under 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 permission to deal in, and for the listing of, Notes issued by SCPLC, SCB or SCBHK under the Programme to professional investors only within 12 months of the date of this document on the Hong Kong Stock Exchange. The relevant Final Terms (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 "Summary 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 Money Markets Unit Service operated by the Hong Kong Monetary Authority (the "CMU Service"). Global Certificates in respect of Registered Notes offered and sold outside the United States to non-U.S. persons in reliance upon Regulation S (irrespective of their form) may be either (i) in the case of Global Certificates which are stated in the applicable Final Terms to be held under the New Safekeeping Structure (the "NSS") the Global Certificates will be delivered on or prior to the original issue date of the relevant Tranche to the Common Safekeeper for Euroclear and Clearstream, Luxembourg or (ii) in the case of Global Certificates which are not stated in the applicable Final Terms to be held under the NSS the Global Certificates will be deposited on the issue date of the relevant Tranche with the Common Depository or (iii) in either case, lodged on or before the issue date with a sub-custodian 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 "Summary 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 supplement ("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.

As at the date of this Prospectus, i) SCPLC's long term senior debt ratings are A2 by Moody's Investors Service Pty. Limited ("Moody's"), 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, AA- by S&P and AA- by Fitch; and iii) SCBHK's long term senior debt ratings are Aa3 by Moody's Investors Service Hong Kong Ltd. ("Moody's Hong Kong") and AA- by S&P. Moody's and Moody's Hong Kong are not established in the European Union and have not applied for registration under Regulation (EC) No. 1060/2009, as amended (the "CRA Regulation"). Moody's and Moody's Hong Kong are affiliated to Moody's Investors Service Ltd which is established in the European Union and is registered under the CRA Regulation. In its application for registration under the CRA Regulation, Moody's Investors Service Ltd has sought authorisation to endorse the global scale credit ratings assigned by its non-EU entities, the result of which has not been determined. 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.

Any person (an "Investor") intending to acquire or acquiring any securities from any person (an "Offeror") should be aware that, in the context of an offer to the public as defined in section 102B of the FSMA, SCPLC, SCB and/or SCBHK, as the case may be, may be responsible to the Investor for the SCPLC Prospectus, the SCB Prospectus or the SCBHK Prospectus under section 90 of FSMA, only if SCPLC, SCB and/or SCBHK, as the case may be, has authorised that Offeror to make the offer to the Investor. Each Investor should therefore enquire whether the Offeror is so authorised by SCPLC, SCB and/or SCBHK. If the Offeror is not authorised by SCPLC, SCB or SCBHK, as appropriate, the Investor should check with the Offeror whether anyone is responsible for the relevant prospectus for the purposes of section 90 of the FSMA in the context of the offer to the public and, if so, who that person is. If the Investor is in any doubt about whether it can rely on the SCPLC Prospectus, the SCB Prospectus or the SCBHK Prospectus and/or who is responsible for its contents it should take legal advice. **Where information relating to the terms of the relevant Offer required 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") is not contained in this Prospectus, it will be the responsibility of the relevant Offeror at the time to provide the Investor with such information.**

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".

J.P. Morgan Cazenove

Joint Arrangers

Standard Chartered Bank

BofA Merrill Lynch  
Goldman Sachs International  
Standard Chartered Bank (Hong Kong) Limited

Dealers

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 Services 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.

The previous three paragraphs should be read in conjunction with paragraph 13 on the first page of this document.

An Investor intending to acquire or acquiring any Notes from an Offeror will do so, and offers and sales of the Notes to an Investor by an Offeror will be made, in accordance with any terms and other arrangements in place between such Offeror and such Investor including as to price, allocations and settlement arrangements. SCPLC, SCB or SCBHK, as the case may be, will not be a party to any such arrangements with Investors (other than as Dealers) in connection with the offer or sale of the Notes and, accordingly, the relevant prospectus and any Final Terms will not contain such information and an Investor must obtain such information from the Offeror.

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 "Summary 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 “Summary 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 approved by the Financial Services Authority ("FSA") or filed with it:

1. the audited annual accounts of SCB for the year ended 31 December 2010 (including the audit report thereon);
2. the audited annual accounts of SCB for the year ended 31 December 2011 (including the audit report thereon);
3. the audited annual accounts of SCBHK for the year ended 31 December 2010 (including the audit report thereon);
4. the audited annual accounts of SCBHK for the year ended 31 December 2011 (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 2010:
  - (i) Our Performance in Our Markets;
  - (ii) The Group;
  - (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 2010 (including the audit report thereon and notes thereto); and
  - (xv) Pages 224 to 227 (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 2011:
  - (i) Our Performance in Our Markets;
  - (ii) The Group in 2011;
  - (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 2011 (including the audit report thereon and notes thereto); and
  - (xv) Pages 238 to 241 (inclusive) of Supplementary Financial Information;
7. the document entitled "Pillar 3 Disclosures 31 December 2011" released by SCPLC on 30 March 2012;
  8. the unaudited interim report of the Group for the six months ended 30 June 2012 (the "2012 Interim Report");
  9. SCBHK's unaudited Interim Financial Information Disclosure Statements for the six months ended 30 June 2012;
  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 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; and
  15. the announcement issued by SCPLC on 28 September 2012 entitled "Standard Chartered PLC appoints independent Non-Executive Directors".

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.



## **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.*

**Issuers** Standard Chartered PLC, Standard Chartered Bank and Standard Chartered Bank (Hong Kong) Limited.

**Description of Issuers** 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.

**Risk Factors** 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) internal risks and risks relating to the Group and its business operations, including changes in credit quality and recoverability of loans and risks associated with the rapid expansion of the Group's business and (ii) external risks including the prevailing economic conditions in the markets in which it operates. 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 section entitled "Risk Factors").

**Description** Debt Issuance Programme.

**Programme Limit** Up to U.S.\$50,000,000,000 (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.

**Joint Arrangers** J.P. Morgan Securities plc and SCB (each an "Arranger" and together the "Arrangers").

**Dealers**  
Deutsche Bank AG, London Branch  
Goldman Sachs International  
J.P. Morgan Securities 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.

**Trustee** BNY Mellon Corporate Trustee Services Limited.

**Issuing and Paying Agent** The Bank of New York Mellon ("BONY").

**CMU Paying Agent and  
CMU Lodging Agent**

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 "Summary 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 depository of, Clearstream, Luxembourg and/or Euroclear on its issue date or (iii) in either case, lodged on or before the issue date with a sub-custodian in Hong Kong for the CMU Service. Registered Notes of such Tranche sold in the United States to QIBs pursuant to Rule 144A (“Restricted Notes”) will initially be represented by a global restricted Registered Certificate (each a “Restricted Global Certificate”), without interest coupons, deposited with a custodian for, and registered in the name of a nominee of, DTC on their issue date. Any Restricted Global Certificate and any individual definitive Restricted Notes will bear a legend applicable to purchasers who purchase the Registered Notes as described under “Transfer Restrictions”.

**Maturities**

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.

**Issue Price**

Notes may be issued at their principal amount or at a discount or premium to their principal amount.

**Method of Issue**

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.

**Fixed Rate Notes**

Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.

**Floating Rate Notes**

Floating Rate Notes will bear interest set separately for each Series by reference to LIBOR, LIBID, LIMEAN, EURIBOR or HIBOR as adjusted for any applicable margin. Interest periods will be specified in the relevant Final Terms.

**Zero Coupon Notes**

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.

**Redemption**

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

<b>Optional Redemption</b>	<p>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).</p> <p>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.</p>
<b>Early Redemption</b>	<p>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 “Terms and Conditions of the Notes – Redemption, Purchase and Options”.</p>
<b>Withholding Tax</b>	<p>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 “Terms and Conditions of the Notes – Taxation”.</p>
<b>Status of Notes</b>	<p>The Senior Notes will constitute direct, unsubordinated and unsecured obligations of the relevant Issuer and the Dated Subordinated Notes will constitute direct, subordinated and unsecured obligations of the relevant Issuer, all as described in “Terms and Conditions of the Notes – Status”.</p>
<b>Negative Pledge</b>	None.
<b>Cross Default</b>	None.
<b>Listing</b>	<p>Application has been made for 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 to be listed on the Hong Kong Stock Exchange or, in each case, as otherwise specified in the relevant Final Terms. As specified in the relevant Final Terms, a Series of Notes may also be unlisted.</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, A+ by S&amp;P and AA- by Fitch; ii) SCB's long term senior debt ratings are A1 by Moody's, 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</p>

assigning rating agency.

**Governing Law**

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.

**Selling Restrictions**

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

The Notes will be issued in compliance with U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) (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 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 FSA 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.*

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

#### **1. 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 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.

#### **2. 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.



### **3. *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 or to access funding on commercially acceptable terms, as well as inefficient capital decisions taken by the Group, could have a material adverse effect on the Group's regulatory capital position, its financial condition, results of operations and prospects.

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

Liquidity risk is the risk that the Group either does not have sufficient or sufficiently liquid financial resources available to meet all its obligations and commitments as they fall due, or can access them only 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.

### **5. *The Group is subject to the risk of regulators' increased capital and liquidity requirements***

The Group's lead supervisor, the Financial Services Authority (the "FSA"), 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 well capitalised on a Basel II basis and would expect to remain well capitalised under Basel III (as defined below). However, the FSA, or the Prudential Regulation Authority (the "PRA"), which will assume the responsibilities of the FSA as the lead regulator of the Group in 2013, 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 restrictions in 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 liquidity or take other actions to ensure compliance.

The Group's ability to maintain its regulatory capital ratios in the longer term could be affected by a number of factors, including its RWA, post-tax profit and fair value adjustments. In addition to the fair value adjustments, the Group's Core Tier 1 Capital (referred to as Common Equity Tier 1 Capital under CRD IV) and total capital ratios will be directly impacted by any shortfall in expected post-tax profit (which could result, most notably, from greater than anticipated asset impairments, adverse volatility relating to the lending businesses and/or a substantial slowdown in the major markets in which the Group operates. Furthermore, under Basel II and Basel III, capital requirements are inherently more sensitive to market conditions than under previous regimes and capital requirements are likely to increase if economic conditions or negative trends in the financial markets worsen.

In July 2009, the Basel Committee agreed changes to Basel II to address deficiencies in respect of the treatment of securitisations and market risks. Banks using internal models to determine the capital requirements for their trading books are required to calculate a stressed value-at-risk capital charge based on historical data from a 12-month period of significant stress. Banks using internal specific risk models for the trading book must also calculate an incremental risk capital charge for credit sensitive positions which captures default and migration risk. Securitisation positions held in the trading book are subject to capital charges similar to securitisation positions held in the banking book and higher capital charges apply to re-securitisation positions. These changes were introduced on 31 December 2011 and have increased significantly the capital requirements for trading book transactions and certain securitisations as well as

potentially other transactions. For the Group, the impact of these changes resulted in an increase in market risk RWA of about 20 per cent., which is equivalent to an increase in total RWA of around 1 per cent.

In December 2010, the Basel Committee on Banking Supervision (the "BCBS") finalised its proposals for new capital and liquidity requirements intended to strengthen existing capital standards and to establish minimum liquidity standards (commonly referred to as "Basel III"). These include new definitions of Common Equity Tier 1 Capital as well as new eligibility criteria for Additional Tier 1 Capital and Tier 2 Capital, requiring them to absorb losses should the issuer become non-viable, either by virtue of a write-down of the principal amount of such securities or the conversion of the principal amount into the issuer's or the issuer's parent undertaking's, ordinary shares. Innovative Tier 1 Capital and Tier 3 Capital will be abolished. A harmonised set of deductions is proposed with most deductions being made from Common Equity Tier 1 Capital. A revised version of the Basel III capital rules was published in June 2011 and further changes or clarifications are possible.

Under Basel III, the minimum Common Equity Tier 1 Capital ratio will be 4.5 per cent. of RWA, with a further capital conservation buffer of up to 2.5 per cent. of RWA to be made up of Common Equity Tier 1 Capital, increasing the minimum Common Equity Tier 1 Capital ratio to an effective 7 per cent. of RWA. The minimum total capital ratio (including the capital conservation buffer of 2.5 per cent.) will increase from 8 per cent to 10.5 per cent. of RWA. In addition, 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 during an initial testing phase. National regulators will be able to impose an additional counter-cyclical capital buffer of 2.5 per cent. or greater of RWA. Global systemically important banks ("G-SIBs") will be required to have loss absorbing capacity in excess of these standards. According to the approach finalised by the BCBS in November 2011, G-SIBs will need to meet an additional Common Equity Tier 1 Capital requirement ranging from 1 per cent. to 2.5 per cent. of RWA, depending on a bank's perceived systemic importance. To provide a disincentive for banks facing the highest charge to increase materially their global systemic importance in the future, an additional 1 per cent. of RWA buffer would be applied in such circumstances. The higher capital requirements for G-SIBs will be phased-in between 2016 and 2018. SCB is not currently designated as a G-SIB, but the Group's non-UK entities may be designated domestic systemically important banks in the local markets in which they operate. The next announcement by the Financial Stability Board on which banks are deemed to be G-SIBs is expected to be made in November 2012.

The BCBS has proposed that the new Basel III requirements should be phased in from 1 January 2013, with final implementation of the package by 1 January 2019. Basel III will be implemented in the European Union through legislation replacing the EU Capital Requirements Directive. The new legislation is commonly referred to as "CRD IV" and consists of an EU directive and a regulation. The European Commission's proposals for CRD IV were published in July 2011 and are still being negotiated by the Council and the European Parliament. References herein to the contents of CRD IV relate to the initial European Commission proposal. It is possible that the FSA or PRA will impose more onerous requirements than those required by Basel III or CRD IV, to the extent permissible under CRD IV, or require compliance in advance of the timetable announced by the BCBS which, in the case of the former, could have a material adverse effect on the Group. CRD IV is expected to be implemented in the first half of 2013.

The European Banking Authority has been tasked by the European Commission to develop technical standards in respect of many of the CRD IV requirements, facilitating the creation of a single EU rulebook for banks.

On 12 September 2011 the UK's Independent Commission on Banking (the "ICB") published its final report. The ICB proposed that UK banks that accept retail and small business deposits from customers in the EEA must establish a UK ring-fenced subsidiary to carry on that business. The ring-fenced subsidiary would be prohibited from engaging in certain activities (such as proprietary trading, underwriting and most derivatives activities), while other activities (including lending to large corporates) could be carried out either by the ring-fenced subsidiary or by other entities in the banking group. The ICB report states that the UK ring-fenced subsidiary should hold equity capital beyond the Basel III minimum with the largest UK retail banks maintaining equity capital of at least 10 per cent. of RWA. Smaller UK retail banks will require a minimum equity capital ratio of between 7 per cent. and 10 per cent. of RWA depending on their size.

In addition, the ICB recommended that G-SIBs with a capital surcharge of 2.5 per cent. (see above), as well as the largest UK retail deposit takers, should have "primary loss absorbing capacity" of at least 17 per cent. of RWA, with smaller G-SIBs and UK deposit-takers required to have "primary loss absorbing capacity" of between 10.5 per cent. and 17 per cent. of RWA depending on their size. "Primary loss absorbing capacity" is proposed by the ICB to include Tier 1 and Tier 2 capital as well as "bail-in bonds" which are capable of

being written off, or converted to common equity in resolution. The ICB further proposed that the competent authority should have a “broad discretion” to increase the ratio of “primary loss absorbing capacity” by up to a further 3 per cent. (a “resolution buffer”) having regard to a number of factors including the complexity of a bank’s structure and activities, the availability and likely effectiveness of resolution tools, any evidence that the bank is benefiting from an implicit government guarantee and the bank’s contribution to systemic risk. This discretion would include determining the form in which the resolution buffer is held, as well as the entities in the banking group to which the requirement applies. In addition, the ICB recommended that all UK-headquartered banks and UK ring-fenced banks should maintain a Tier 1 Leverage Ratio of at least 3 per cent. with large UK ring-fenced banks meeting a ratio of up to 4.06 per cent depending on their size. It is possible that implementation of the ICB proposals will require the Group to increase its loss absorbing capacity in the future.

The Government published a White Paper on 14 June 2012 setting out how it intends to implement many of the ICB’s proposals. Much of the detail of the new regime will be set out in secondary legislation and/or PRA rules. Only accepting deposits from individuals and small and medium sized enterprises (“SMEs”) will be mandated as a ring-fenced activity at the outset although powers will be granted to mandate other activities if considered to be necessary. Whilst most wholesale market activities will be prohibited for ring-fenced banks, limited wholesale market activities relating to funding, hedging and liquidity will be permitted within the ring fence. Ring-fenced banks will also be permitted to offer “simple” derivative products to SMEs and individuals for hedging purposes. The Government sees a case for imposing limits on, and regulating the terms of, intra-group funding, as a ring-fenced bank would be vulnerable if funding was suddenly withdrawn because of financial difficulties outside the ring fence. Capital requirements which exceed international requirements (i.e. Basel III/CRD IV) or local requirements will not be applied to the overseas operations of larger banks if those overseas operations do not pose a risk to UK and/or EEA financial stability. The Government does not intend to pursue the proposal to impose a higher leverage ratio than the 3 per cent. proposed under Basel III. The Government also intends to devise bail-in tools in the context of the finalisation and implementation of the proposed EU Crisis Management Directive, which makes provision for such tools. See further the risk factor entitled “*The European Commission’s proposals for the Crisis Management Directive may restrict the Group’s business operations and lead to an increase in its costs of business*”.

Under Basel III and CRD IV, banks will be required to meet two new liquidity standards: a liquidity coverage ratio (“LCR”) and a net stable funding ratio (“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 would encounter under an acute short-term 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. After an observation period that began in 2011, the LCR will be introduced on 1 January 2015. The NSFR will move to a minimum standard by 1 January 2018.

The FSA has implemented its own new 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. Amongst other changes, these standards require UK banks, including SCB, to increase their portfolio of eligible liquid assets progressively over time. SCB meets the minimum requirements set by the FSA.

According to the proposed CRD IV requirements, capital instruments issued before 31 December 2011 that do not qualify as Common Equity Tier 1 Capital, Additional Tier 1 Capital or Tier 2 Capital will be phased out over a 10-year period beginning on 1 January 2013, although this date may be amended during the process of finalising CRD IV. The level of recognition will be capped at 90 per cent. on the entry into force of CRD IV, and will decline by 10 percentage points each subsequent year, being fully phased out by 1 January 2022 (or possibly later if CRD IV enters into force after 1 January 2013), although member states will be free to impose stricter limits on the grandfathering of capital instruments or to exclude such instruments from capital with effect from the start of implementation of CRD IV. Capital instruments issued after 31 December 2011 that do not meet the criteria for inclusion in Common Equity Tier 1 Capital, Additional Tier 1 Capital or Tier 2 Capital will not be grandfathered. Further, instruments with an incentive to redeem (e.g. with an interest step-up) will be phased out at their effective maturity date. The Group may not be able contractually to redeem instruments that cease to be eligible under CRD II and/or 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.

In January 2011 the Basel Committee announced that the terms and conditions of all non-Common Equity Tier 1 and Tier 2 instruments issued after 1 January 2013 must have a provision that requires such instruments, at the option of the relevant authority, either to be written off or converted into common equity upon the occurrence of a trigger event unless: (1) the governing jurisdiction of the bank has in place laws that require such Tier 1 and Tier 2 instruments to be written off upon such event, or otherwise require such instruments to fully absorb losses before tax payers are exposed to loss; (2) a peer group review confirms that the jurisdiction conforms with clause (1); and (3) it is disclosed by the relevant regulator and by the issuing bank, in future issuance documents, that such instruments are subject to loss. The trigger event is the earlier of: (a) a decision that a write-off, without which the firm would become non-viable, is necessary, as determined by the relevant authority; and (b) a decision to make a public sector injection of capital, or equivalent support, without which the firm would have become non-viable, as determined by the relevant authority. In November 2011, the Financial Stability Board published an international standard for resolution regimes entitled “Key Attributes of Effective Resolution Regimes for Financial Institutions”, which set out the responsibilities, instruments and powers that national resolution regimes should have to resolve a failing systemically important financial institution, including statutory bail-in powers as a bank resolution tool. It is therefore likely that legislation will be passed that will result in the Senior Notes and/or the Dated Subordinated Notes absorbing losses in the course of a resolution of the relevant Issuer. The application of such legislation may have an adverse effect on the position of holders of the Senior Notes and/or Dated Subordinated Notes. These requirements are expected to be implemented in the UK through the Crisis Management Directive (see “The European Commission’s proposals for the Crisis Management Directive may restrict the Group’s business operations and lead to an increase in its costs of doing business”).

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.

The interim Financial Policy Committee (“FPC”) of the Bank of England, following its policy meeting in March 2012, published a statement setting out the initial set of macro-prudential tools that it believes would be required to meet its objective of removing or reducing risks which could threaten the resilience of the UK financial system. These tools are the countercyclical capital buffer, sectoral capital requirements and the leverage ratio. If these tools are made available to the FPC by the UK Government, then this may provide the FPC with substantial powers to set higher prudential standards for UK banks, although it is not yet possible to ascertain definitively what the impact of exercising such powers would be on the Group.

“Common Equity Tier 1 Capital”, “Core Tier 1 Capital”, “Additional Tier 1 Capital”, “Innovative Tier 1 Capital”, “Tier 1 Capital”, “Tier 2 Capital” and “Tier 3 Capital”, depending on the context, have the meaning (i) given to such terms in the General Prudential Sourcebook for Banks, Building Societies, Insurers and Investment Firms (as set out in the handbook of rules and guidance issued by the FSA under the Financial Services and Markets Act 2000 (“FSMA”)) and other guidance issued by the FSA, (ii) any future such rules of the PRA or (iii) required under Basel III and/or CRD IV.

## **6. 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.

Although the Group has processes and controls to manage legal and regulatory risks, failure to manage such 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, its financial condition, results of operations, prospects and ultimately on the value of Notes issued under the Programme. See also "*General Information – 6.*" and the "*Regulatory changes and Compliance*" section on page 21 of the 2012 Interim Report (which is incorporated by reference herein).

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, may 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 Issuers or 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.

#### **7. 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 ineffective 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.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that either the relevant Issuer(s) or 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 Financial Services Authority.

#### **8. 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.

**9. *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 European Union ("EU") and the FSA have introduced, and may 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 Group's core markets across Asia (except Hong Kong), 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 may limit the amount of variable compensation that can be paid to a maximum of one times base salary which would have global implications for the Group. Again, such a requirement would not apply to competitors headquartered outside the EU operating in the Group's core markets. Such provisions may 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.

**10. *The Group is expanding its operations and this growth may represent a risk if not managed effectively***

The Group is experiencing significant growth as it expands geographically and in the scope of the products and services it offers, including through acquisitions. The Group's business strategy is based on organic growth but includes selective plans to continue to acquire assets or businesses that it believes are logical extensions of its existing businesses to increase cash flow and earnings. The Group continues to look at potential acquisitions in a number of markets. The Group may experience some, or all, of the difficulties described below in managing the integration of any subsequent acquisitions into its existing businesses. The failure effectively to manage its expansion, whether organic or inorganic, could have a material adverse effect on the Group's financial condition, results of operations and prospects.

The success of the Group's acquisitions will depend, in part, on the ability of its management to integrate the operations of newly acquired businesses with its existing operations and to integrate various departments, personnel, systems and procedures.

Consequently, the Group's ability to implement its business strategy may be constrained and the timing of such implementation may be impacted due to demands placed on existing resources by that process. There can be no assurance that:

- the Group will be successful in acquiring all the entities it seeks to acquire;
- the acquired entities will achieve the level of performance that the Group anticipates, or that the carrying value of goodwill on acquisition will be fully supported by the cash flows of the cash generating unit to which it has been allocated for the purposes of impairment testing (and, therefore, the value of the assets being carried may be written-down or impaired);
- the projected demand and prices of the Group's products and services will be realised;
- the acquired entities will not cause a disruption to the Group's ongoing businesses, distract management attention and other resources, or make it difficult to maintain the Group's standards, internal controls and procedures;

- the Group will not be required to incur debt or issue equity securities to pay for acquisitions, for which financing may not be available or may not be available on commercially attractive terms;
- the Group will realise any or all of the intended synergy or growth benefits expected at the time of acquisition;
- the Group's credit ratings will not be negatively affected by such acquired entities or the method of financing any acquisition or acquired business;
- the Group will be able to successfully integrate the services, products and personnel of an acquired entity into its operations, especially if the Group acquires large businesses; or
- the Group will not assume unforeseen liabilities and exposures as a result of such acquisitions.

The occurrence of any one or a combination of these events could have a material adverse effect on the Group's financial condition, results of operations and prospects.

#### **11. *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 operational risk. It may also arise from a failure to comply with environmental and social standards. Material damage to the Group's reputation with one or more of its key stakeholders 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.

#### **12. *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.

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

The banking industry has long been a target for those seeking to defraud, disrupt legitimate economic activity or facilitate other illegal activities. The risk posed by such criminal activity is growing as criminals become more sophisticated and as they take advantage of the increasing prevalence of technology.

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 a broad range of measures in place to monitor and mitigate these risks. However, such measures may not be effective 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.

#### **14. *The European Commission's proposals for the Crisis Management Directive may restrict the Group's business operations and lead to an increase in its costs of doing business.***

On 6 June 2012, the European Commission published its proposals for an EU Directive to create a framework for the recovery and resolution of EU banks and investment firms ("Institutions"), which includes powers for EU regulators to facilitate the orderly resolution of failing Institutions. The draft measure, commonly referred to as the "EU Crisis Management Directive", includes proposals to give powers to EU regulators and other bodies responsible for resolution activities ("Resolution Authorities") to recapitalise Institutions in severe financial difficulty by writing-down shares and other regulatory capital instruments issued by such firms (or converting regulatory capital debt instruments into shares) ("Regulatory Capital Write-Down Powers"). Resolution Authorities will also have powers to 'bail-in' other unsecured liabilities of an Institution in a resolution scenario ("Bail-In Powers"), i.e. to impose losses of a failed or failing Institution onto its creditors by writing down their unsecured liabilities or by converting them into shares.

The Crisis Management Directive proposes three categories of measures: preparatory and preventative measures, early intervention powers, and resolution powers. If these proposals are implemented, they will directly affect the rights of shareholders and creditors, potentially alter or restrict the Group's business operations in certain situations, and increase the cost of doing business for the Group. It is proposed that the

transposition date for the majority of the provisions of the Crisis Management Directive is 31 December 2014, although provisions relating to the Bail-In Powers are expected to be transposed into the national law of EU member states by 1 January 2018. It is possible that the proposals will be modified as they are considered by the Council and the European Parliament.

Institutions will be required to produce and keep up-to-date recovery plans to restore their viability in the event of a material deterioration in their financial position. Institutions will also be required to provide detailed information about their businesses and groups, from which Resolution Authorities will be required to produce plans for resolving the Institution and its group. Ongoing adherence with such requirements is likely to increase compliance costs for the Group. Furthermore, the need to prepare and submit recovery plans and resolution plan-related information (and requirements to keep such plans and information up-to-date on a regular basis) may represent a significant operational burden.

Institutions that are subject to the Crisis Management Directive will be required to make ex ante contributions to support 'resolution funds', such contributions being proportionate to their liabilities (excluding own funds and covered deposits). These resolution funds will be set up to ensure the effective application of resolution powers by Resolution Authorities. The amounts to be contributed by Institutions are yet to be determined but it is expected that contributions will be made on an annual basis, potentially beginning once the Crisis Management Directive has been implemented in 2015, and could represent a material cost to SCB or the Group. 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.

The proposals will extend the existing powers of regulators to intervene at an appropriately 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 or appoint special managers to restore the financial health of the Institution. Resolution Authorities may also request 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). In a resolution scenario, a number of powers will be conferred on Resolution Authorities under the Crisis Management Directive to facilitate the orderly resolution of a failing Institution (and certain of its holding companies), including powers to:

- (i) transfer, cancel or write-down shares and debt instruments of an Institution (see "*Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme – Notes issued pursuant to the Programme may be subject to the statutory write-down or bail-in powers granted to EU regulators pursuant to the European Commission's proposals for a Directive on recovery and resolution of banks and investment firms*" below) 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 under such instruments;
- (iii) transfer assets, rights and liabilities of an Institution free from any legal or contractual restriction on such transfers;
- (iv) 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
- (v) require the transfer of property located in non-EU jurisdictions.

The wide-ranging powers to intervene and alter an Institution's business, operations and capital and debt structure that would be conferred by the Crisis Management Directive could have significant consequences for the Group's profitability, its financing costs and implementation of its global strategy if such powers were ever exercised. In addition to the direct impact of the statutory write-down and conversion powers described above (see "*Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme – Notes issued pursuant to the Programme may be subject to the statutory write-down or bail-in powers granted to EU regulators pursuant to the European Commission's proposals for a Directive on recovery and resolution of banks and investment firms*" below) on Noteholders, changes to the Issuer's and Group's business activities that may be implemented through the powers described above may affect the Issuer's ability to repay any interest or principal amount on the Notes. The exercise of any of the foregoing powers may have a material adverse effect on the Group's financial condition, results of operations and prospects.

**15. The Group may face increased compliance costs as a result of recent legislation passed in the United States.**

In March 2010, the United States passed legislation that would require non-United States banks to provide information on United States account holders beginning in 2013. If this information is not provided in a form



satisfactory to the United States tax authorities, a non-United States bank will have a 30% withholding tax applied to certain amounts derived from United States sources. Under recently proposed United States Treasury regulations, no such withholding tax will be imposed on any payments made prior to January 1, 2014. At this time, it is not possible to quantify the costs of complying with the new legislation as the final rules are still to be determined, See "Taxation – United States Foreign Account Tax Compliance Withholding" below.

## **External Risk Factors**

### **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 over 70 countries and territories and is affected by the prevailing economic conditions in each market. Macroeconomic factors have an impact on personal expenditure and consumption, demand for business products and services, the debt service burden of consumers or businesses, and the general availability of liquidity and credit. All these factors may impact the Group's financial condition, results of operations and prospects.

One of the principal uncertainties is the extent to which the crisis in the euro zone, global economic slowdown and/or recession may impact the Group's primary markets in Asia, Africa and the Middle East, and the timing of that impact. 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.

Consequently, one uncertainty for the corporate sector in Wholesale Banking and the SME segment in Consumer Banking will be the extent to which exports are impacted by a slowdown in other economies, particularly in the US and Europe. Similarly, there continues to be uncertainty about domestic demand in the Group's markets, which is a function of a number of factors including consumer and business confidence.

Another principal uncertainty for the Group relates to the management of inflationary pressures, to the extent to which they arise. These inflationary pressures 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 can 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. Although the Group seeks to manage this risk by setting concentration caps (by counterparty or groups of connected counterparties, by industry sector and country in Wholesale Banking and by product and country in Consumer Banking), and by regularly monitoring credit exposures and political and economic trends, high inflation could nevertheless impact profitability 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, 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.

### **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 its 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 such markets, in order to remain competitive, the Group may not realise the margins 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. *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;
- 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), 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 *“Internal Risks and Risk relating to the Group and its business operations – The Group is subject to the risk of regulators’ increased capital and liquidity requirements”* and *“Internal Risks and Risk relating to the Group and its business operations – The European Commission’s proposals for the Crisis Management Directive may restrict the Group’s business operations and lead to an increase in its costs of doing business”* above for more detail).

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.

**5. *The business and operations of the Group may be affected by the provisions of the Banking Act 2009 which gives the UK Treasury, the Bank of England and the FSA wide-ranging powers to make certain orders in respect of deposit-taking institutions.***

The Banking Act 2009 came into force on 21 February 2009 and applies to deposit-taking institutions that are incorporated in or formed under the law of any part of the UK (such as SCB). It provides HM Treasury, the Bank of England and the FSA with powers to deal with banks which are failing or likely to fail to satisfy the threshold conditions within the meaning of section 41(1) and Schedule 6 of the 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. The Banking Act 2009 creates a special resolution regime which comprises 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 new procedures are based on the bank insolvency and bank administration procedures under the Banking Act 2009 but additionally take into account special administration objectives.

Whilst HM Treasury, the Bank of England and the FSA 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, the effect of the Banking Act 2009 (if any) on the Noteholders cannot be ascertained in advance. In addition, the final report of the ICB recommended that authorities should have a primary bail-in power allowing them to impose losses on bail-in bonds (unsecured debt with a term of at least 12 months at the time of issue) in a resolution. The report also recommended that the resolution authorities should have a secondary bail-in power to impose losses on all other unsecured liabilities (including liabilities subject to a floating charge) in a resolution. The ICB has stated that these

powers should be exercisable in respect of liabilities outstanding at the time that legislation introducing bail-in comes into effect. The potential impact of these powers, if enacted, on Noteholders (including holders of Senior Notes) cannot be ascertained.

**6. *Downgrades to the Issuer'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 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. 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, its financial condition, results of operations and prospects.

**7. *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 related 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.

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

As the Group's business is conducted in a number of jurisdictions and in a number of foreign currencies, including, but not limited to, Sterling, Korean won, Hong Kong dollars, Singapore 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 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 foreign currency receipts and payments, dividend and other income from foreign subsidiaries and branches, reported profits of foreign subsidiaries and branches and the net asset carrying value of foreign investments and risk-weighted assets attributable to foreign currency operations.

Whilst the Group monitors exchange rate movements, it is difficult to predict with accuracy changes in economic or market conditions 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.

**9. *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, its 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 0.4 per cent. of Group assets as at 30 June 2012. 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.

**10. 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 have a material adverse effect on the Group’s business, its financial condition, results of operations and prospects.

**11. 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.

**12. 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 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.

**13. 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**

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 have a material adverse effect on the Group’s business, its financial condition, results of operations and prospects.

**14. The structure of the financial regulatory authorities in the UK and the UK regulatory framework that applies to members of the Group is the subject of reform and reorganisation**

The UK Government announced proposals in June 2010 to reform the institutional framework for UK financial regulation. Specifically, the Government intends to replace the FSA with two new successor bodies, the PRA and the Financial Conduct Authority (the “FCA”).

The PRA will be responsible for the prudential regulation of financial institutions that manage significant risks on their balance sheets (including SCB and the Group), while the FCA will be responsible for the regulation of conduct of business (including SCB and the Group). Draft guidance and a memorandum of understanding have also been published setting out how the FCA and PRA will work together within the new regulatory system. The Financial Policy Committee of the Bank of England (the “FPC”) will be responsible for identifying, monitoring and taking action to remove or reduce systemic risks with a view to protecting and

enhancing the resilience of the UK financial system. In June 2012, the Chancellor announced that the Government would amend the Bill to give the FPC a secondary objective to support the economic policy of the Government.

In June 2011, HM Treasury published a white paper and a draft Bill, confirming the proposed new regulatory structure and containing new policy proposals with respect to competition and consumer protection. The draft, which is currently being considered by Parliament, suggests that the regulatory approach under the new regime will be more intrusive than currently and will challenge business models and governance culture in particular. It is proposed that further amendments will be made to the Bill before it becomes law. Royal assent for the Bill is anticipated by the end of 2012, with the new regime intended to come into effect in 2013.

Notwithstanding the preparatory work already undertaken by the FSA, substantial reorganisation of the regulatory framework has the potential to cause administrative and operational disruption for the regulatory authorities concerned. This disruption could impact on the resources which the FSA, PRA and FCA are able to devote to the supervision of regulated financial services firms (including SCB and its Group) and the nature of their approach to supervision.

It is anticipated that future changes in the nature of, or policies for, prudential and conduct of business supervision may differ from the current approach taken by the FSA and that this could lead to a period of some uncertainty for members of the Group.

No assurance can be given about the likelihood of further changes to the regulatory regime either: (i) in the UK 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 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.

## **15. European Banking Union**

The European Commission adopted proposals on 12 September 2012 for a regulation that will confer specific tasks 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 shall 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, prior to the maturity of the Notes, 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 FSA, 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.

## **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:

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

Dated Subordinated Notes may, in the circumstances set out, and subject as provided in Condition 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 and any Arrears of Interest. 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.

### ***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 the statutory write-down or bail-in powers granted to EU regulators pursuant to the European Commission's proposals for a Directive on the recovery and resolution of banks and investment firms***

Under the Regulatory Capital Write-Down Powers in the Crisis Management Directive, Resolution Authorities will be required to write-down an Institution's Tier 1 and Tier 2 Capital instruments before taking any other form of resolution action or applying any other resolution power contained in the Crisis Management Directive in order to restore the Institution to viability. Resolution Authorities may require that an Institution issue Common Equity Tier 1 Capital instruments (e.g., ordinary shares) to holders of Tier 1 and Tier 2 Capital instruments that have been written down. It is currently unclear whether the measures that are ultimately adopted in this area will apply to any Tier 1 or Tier 2 Capital instruments that are in issue on the date the Crisis Management Directive comes into force, or whether certain transitional rules will apply. The European Commission's proposal for the Crisis Management Directive does not contain any explicit provisions regarding grandfathering of outstanding regulatory capital instruments.

Resolution Authorities will also be able to exercise Bail-In Powers to write-down certain unsecured liabilities of Institutions (and, in some circumstances, shares or unsecured liabilities of certain holding companies of those Institutions) or to convert unsecured liabilities into equity, either to recapitalise the 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 proposed Crisis Management Directive (including secured liabilities, bank deposits guaranteed under an EU member state's deposit guarantee scheme and liabilities with an original maturity of less than one month), it is intended that all liabilities of Institutions will be potentially '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 proposed Crisis Management Directive, pursuant to which, for example, subordinated debt instruments are to be written down or converted ahead of senior unsecured debt. The Bail-In Powers 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 draft Crisis Management Directive does not exempt Eligible Liabilities recognised or issued before a particular date from the scope of the Bail-In Powers or otherwise provide for grandfathering of existing Eligible Liabilities.

The Commission has proposed that EU member states are given until 31 December 2014 to transpose most of the requirements of the Crisis Management Directive into national law, including provisions relating to the Regulatory Capital Write-Down Powers. Provisions relating to the Bail-In Powers would be subject to a longer transposition period (1 January 2018).

Dated Subordinated Notes issued under the Programme may fall within the pool of regulatory capital instruments that would be subject to the proposed Regulatory Capital Write-Down Powers. Senior Notes issued under the Programme that become repayable following the transposition of the provisions relating to Bail-In Powers into UK law and regulation may fall within the scope of the Bail-In Powers proposed in the draft Crisis Management Directive. 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 indication that the Notes will become subject to the Regulatory Capital Write-Down Powers set out in the proposed Crisis Management Directive 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 shall be irrevocably lost and holders of such Notes will 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 (although holders may be entitled to any accrued but unpaid interest). 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 shall 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.



## **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 PBOC 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. According to figures published by the HKMA, the total amount of Renminbi deposits held by institutions authorised to engage in Renminbi banking business in Hong Kong amounted to approximately RMB57.7 billion as of 30 June 2012. 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 foreign 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 FSA (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 Financial Stability Board 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 the LCR and NSFR liquidity metrics. Banking supervisors will be required to implement the new capital standards from 1 January 2013, the LCR from 1 January 2015 and the NSFR from 1 January 2018 (See "*Internal Risks and Risks relating to the Group and its business operations – The Group is subject to the risk of regulators' increased capital and liquidity requirements*" for further details).

The European Commission published proposals to implement Basel III as well as other regulatory developments impacting governance, supervision and remuneration, amongst others on 20 July 2011 ("CRD IV"). The changes proposed by the BCBS and/or the European Commission 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 final report of the ICB has made proposals to increase the loss absorbency of debt which may result in the imposition of losses on senior creditors including holders of Senior Notes in the resolution of an Issuer (See "*The business and operations of the Group may be affected by the provisions of the Banking Act 2009 which gives the UK Treasury, the FSA and the Bank of England wide-ranging powers to make certain orders in respect of deposit-taking institutions*" above). Notes may be subject to write-down, conversion to equity or bail-in under the European Commission's proposal for the Crisis Management Directive (see "*Notes issued under the Programme may be subject to the statutory write-down or bail-in powers granted to EU regulators*").

*pursuant to the European Commission proposals for a Directive on the recovery and resolution of banks and investment firms” 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).

In addition, following the July 2011 Financial Stability Board consultation paper proposing statutory bail-in powers as a bank resolution tool, it is possible that legislation could be passed that would result in Senior Notes and/or Dated Subordinated Notes absorbing losses in the course of a resolution of the relevant Issuer. 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 *“Internal Risks and Risks relating to the Group and its business operations – The Group is subject to the risk of regulators’ 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”. The implementation date of the Solvency II directive will be 1 January 2014 for firms. 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 FSA rules. 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 re-denominated 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 (the “Directive”), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident or to certain other persons established in that other Member State. However, for a transitional period, certain Member States are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld). A number of non-EU countries and territories have adopted similar measures.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

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 any law implementing or complying with, or introduced in order to conform to, the Directive, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. However, the Issuer is required, as provided in Condition 6(e)

of the Notes, to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to any such law.

### ***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.

### ***Foreign account tax compliance 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 provide information to taxing authorities.***

The United States may impose a withholding tax of as high as 30% on payments made with respect to the Notes, but the rules for calculating the amount of such withholding tax are still undetermined. According to proposed regulations released by the United States Treasury Department on February 8, 2012, this withholding tax generally will only apply to payments made on or after January 1, 2017, at the earliest, and only with respect to Notes issued or modified on or after January 1, 2013. 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" 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, 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 (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. 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.*

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

The Notes are constituted by an Amended and Restated Trust Deed dated 10 October 2012, which amends and restates an Amended and Restated Trust Deed dated 11 November 2011, 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 2012, which amends and restates an Amended and Restated Agency Agreement dated 11 November 2011 (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 Final Terms will only be available for inspection by a Noteholder holding one or more Notes of the Series and such Noteholder must produce evidence satisfactory to the relevant Issuer and the Trustee or, as the case may be, the relevant Paying Agent as to its holding of such Notes and identity. For the purposes of these Conditions, all references (other than in relation to the determination of interest and other amounts payable in respect of the Notes) to the issuing and paying agent shall, with respect to a Series of Notes to be held in the Hong Kong Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the “CMU Service”), be deemed to be a reference to the CMU Lodging Agent and all such references shall be construed accordingly.

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

The Final Terms for this Note (or the relevant provisions thereof) are attached to or endorsed on this Note. Part A of the Final Terms 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.

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(f).

##### **(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).

**(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) 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.

**(f) 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.

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

As soon as practicable after the Relevant Time on each Interest 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, 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.

**(h) 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 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.

**(i) 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 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 specified currency in the specified financial centre(s) or, if no currency is specified, generally in each of the financial centres so specified;

“*Capital Regulations*” means at any time the regulations, requirements, guidelines and policies relating to capital adequacy then in effect of or otherwise applied by the Relevant Regulator;

“*Capital Resources*” has the meaning given to such term in any applicable Capital Regulations;

“*CRD IV*” means the legislative measures adopted or to be adopted by the European Union to implement Basel III into European Union law with or without amendments or modifications and includes (i) a Directive of the European Parliament and of the Council on the access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms and amending Directive 2002/87/EC of the European Parliament and of the Council on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate, (ii) a Regulation of the European Parliament

and of the Council on prudential requirements for credit institutions and investment firms, and (iii) any legislation or regulatory technical standards made under or pursuant to powers conferred by (i) or (ii);

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

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

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

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

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

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

$$\text{Day Count Fraction} = \frac{\quad}{360}$$

where:

“ $Y_1$ ” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“ $Y_2$ ” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“ $M_1$ ” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“ $M_2$ ” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“ $D_1$ ” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case  $D_1$  will be 30; and

“ $D_2$ ” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and  $D_1$  is greater than 29, in which case  $D_2$  will be 30; and

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

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

$$\text{Day Count Fraction} = \frac{\quad}{360}$$

where:

“ $Y_1$ ” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“ $Y_2$ ” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“ $M_1$ ” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“ $M_2$ ” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“ $D_1$ ” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case  $D_1$  will be 30; and

“ $D_2$ ” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case  $D_2$  will be 30.

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

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

Day Count Fraction = 360

where:

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

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

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

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

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

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

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

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

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

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

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

where:

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

“*Determination Period*” means the period from and including a Determination Date in any year to but excluding the next Determination Date;

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

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

“*FSA*” means the Financial Services 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;

“*Group*” means SCPLC and its subsidiaries;

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

“*Interest Amount*” means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and 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 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;

*“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 including, amongst other things (but not limited to), as a result of amendments to Capital Regulations to give effect to Basel III and/or CRD IV, 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 to be determined on an Interest 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 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 FSA in the case of Dated Subordinated Notes, if required by the FSA)]<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(d), 5(e) or 5(f), 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 FSA in the case of Dated Subordinated Notes, if required by the FSA)]<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), if:

(i) 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) 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 the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it 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 in which event it shall be conclusive and binding on Noteholders and Couponholders,

provided that the Issuer may only redeem Notes pursuant to this Condition 5(c) if, in the Issuer's opinion, the circumstance that entitles it to redeem the Notes pursuant to this Condition 5(c) was not reasonably foreseeable to it on the date on which agreement is reached to issue the first Tranche of the Notes and (only in respect of a redemption of Notes at any time after the implementation or application in the UK of CRD IV) 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 FSA in the case of Dated Subordinated Notes, if required by the FSA)]<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**

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 FSA in the case of Dated Subordinated Notes, if required by the FSA)]<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).

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 Regulatory Capital Event has occurred and is continuing as at the date of the certificate, and the Trustee shall accept such certificate as sufficient evidence of the occurrence and continuation of a Regulatory Capital Event in which event it shall be conclusive and binding on the Trustee and the Noteholders. 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, in the Issuer's opinion, 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 (only in respect of a redemption of Notes at any time after the implementation or application in the UK of CRD IV) 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 FSA in the case of Dated Subordinated Notes if required by the FSA and, only in respect of a purchase of Dated Subordinated Notes at any time after the implementation or application in the UK of CRD IV, to the extent that such purchase is not prohibited by CRD IV)]<sup>1</sup> may at any time 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 FSA in the case of Dated Subordinated Notes, if required by the FSA)]<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 FSA 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 FSA and may be subject to such conditions as the FSA 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 are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 7. For the purposes of the preceding sentence, the phrase "fiscal or other laws, regulations and directives" shall include, without limitation, any obligation of the Issuer to deduct or withhold from a payment arising out of such Issuer's entry into an agreement pursuant to section 1471(b) of the 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 Internal Revenue Code of 1986, as amended, or laws, regulations and directives implementing such agreement. 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 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.

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 imposed on a payment to an individual and 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 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

(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.

The Issuer shall have the right to withhold and deduct a portion of any payment by reason of the failure of any person to whom such payment is being made to perfect an exemption from any withholding imposed pursuant to sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended, and any regulations thereunder, agreements entered into pursuant thereto or to give effect thereto, or official interpretations thereof, and the Issuer shall not be under any obligation to pay any additional amounts in respect of 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 FSA (or such other period of notice as the FSA 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 “Summary 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(i)) 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 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 Hong Kong Stock Exchange, 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 is at 1 Aldermanbury Square, London EC2V 7SB, and its 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 2012, the Group has a network of 1,700 offices in 70 markets and around 87,000 employees worldwide.

The Group, through SCB and its subsidiaries, operates two business divisions: Consumer Banking and Wholesale Banking.

### **Business Divisions**

#### **Consumer Banking**

Consumer Banking helps meet the evolving financial needs of Private, Small and Medium Enterprise (SME), Priority and Personal banking customers across the Group's franchise. The Group's customer focused and service approach enables the Group's staff to offer solutions from an innovative range of products and services to build stronger relationships with its customers.

#### **Wholesale Banking**

Wholesale Banking provides a wide range of solutions to help corporate and institutional clients facilitate trade and finance across some of the fastest growing markets and trade corridors in today's global economy. Its focus is on building a client-driven business, being the bank of choice for and in Asia, Africa and the Middle East and leveraging its in-depth local knowledge and extensive cross-border network.

With a solid 150-year track record and on-the-ground expertise, Wholesale Banking provides clients with trade finance, cash management, securities services, foreign exchange and risk management, capital raising and corporate and principal finance solutions.

#### **Geographic Markets**

The Group's network covers Asia Pacific, the Middle East, South Asia, Africa, the Americas, the United Kingdom and Europe.

#### **Hong Kong**

For the six months ended 30 June 2012, Hong Kong-based activities contributed U.S.\$1,688 million operating income and U.S.\$870 million profit before tax to the Group. For the year ended 31 December 2011, Hong Kong-based activities contributed U.S.\$3,049 million operating income and U.S.\$1,551 million profit before tax to the Group.

#### **Singapore**

For the six months ended 30 June 2012, Singapore business activities contributed U.S.\$1,162 million operating income and U.S.\$546 million profit before tax to the Group. For the year ended 31 December 2011, Singapore business activities contributed U.S.\$2,186 million operating income and U.S.\$1,002 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.

#### **Other Asia Pacific Regions**

The Group continues to be well positioned in a range of fast-expanding markets in the Asia Pacific region. For the six months ended 30 June 2012, business activities in the Other Asia Pacific regions (including China, Malaysia, Indonesia, Brunei, Thailand, Taiwan, Mauritius, Vietnam and the Philippines) contributed U.S.\$1,993million operating income and U.S.\$765 million profit before tax to the Group. For the year ended

31 December 2011, these businesses contributed U.S.\$3,553 million operating income and U.S.\$1,447 million profit before tax to the Group.

In particular, the Group has generated U.S.\$494 million of operating income in China in the first six months of 2012 and has expanded its network to 87 outlets as at 30 June 2012. The acquisition of Hsinchu International Bank in 2006 (subsequently renamed Standard Chartered Bank (Taiwan) Limited) made the Group the largest international bank by network within Taiwan. In Indonesia, SCB increased its stake in PT Bank Permata in 2006, reinforcing its position as the country's largest international bank.

### **Korea**

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. For the six months ended 30 June 2012, Korea contributed operating income of U.S.\$950 million and profit before tax of U.S.\$303 million to the Group. For the year ended 31 December 2011, Korea contributed operating income of U.S.\$1,718 million and profit before tax of U.S.\$172 million to the Group.

### **India**

In India, the Group operates the country's largest foreign bank in terms of branch network, with 94 branches in 37 cities as at 30 June 2012.

For the six months ended 30 June 2012, India contributed operating income of U.S.\$790 million and profit before tax of U.S.\$311 million to the Group. For the year ended 31 December 2011, India contributed operating income of U.S.\$1,805 million and profit before tax of U.S.\$804 million to the Group.

### **Middle East and other South Asia**

For the six months ended 30 June 2012, Middle East and other South Asia contributed operating income of U.S.\$1,125 million and profit before tax of U.S.\$378 million to the Group. For the year ended 31 December 2011, Middle East and other South Asia contributed operating income of U.S.\$2,219 million and profit before tax of U.S.\$834 million to the Group. In the United Arab Emirates, Standard Chartered has the largest network among international banks, with 11 branches, and over 130 ATMs in the region.

Standard Chartered Bank (Pakistan) Limited is the largest international bank in Pakistan, with 132 branches spread over 29 cities as at 30 June 2012.

### **Africa**

The Group has a presence in 15 sub-Saharan African countries, of which Nigeria and Kenya contributed around 35% of total African income in the first half of 2012. The Group's core African markets are Botswana, Ghana, Kenya, Nigeria, Zambia, Tanzania, Uganda and South Africa. For the six months ended 30 June 2012, Africa contributed operating income of U.S.\$714 million and profit before tax of U.S.\$311 million to the Group. For the year ended 31 December 2011, Africa contributed operating income of U.S.\$1,340 million and profit before tax of U.S.\$596 million to the Group.

### **Americas, United Kingdom and Europe**

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 2012, operating income was U.S.\$1,089 million and operating profit before tax was U.S.\$464 million. For the year ended 31 December 2011, the Group's operations in the Americas, the UK and Europe contributed operating income of U.S.\$1,767 million and a profit before tax of U.S.\$369 million to the Group.

The Group's head office is based in London, along with the majority of Group functions. The Group's Wholesale Banking team in London plays a key role in serving corporate and financial institutional clients conducting business in its markets. The acquisitions of Pembroke, Harrison Lovegrove and American Express Bank in recent years have added specialist capabilities to the Group and helped expand its Private Banking network and Transaction Banking capabilities.

The Group has had a presence in New York since 1902 and its US dollar clearing business is based there.

The Group's Latin American operations provide cash management, lending and trade finance services to a range of multinational corporations, banks, other financial institutions and domestic corporations. The Group has several offices in Latin America including in Argentina, Brazil, Peru and Venezuela.

### **Subsidiaries**

As at 30 June 2012, 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 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 73.9 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:

**J W Peace** *Non-Executive Chairman*<sup>1</sup>

*Chairman of Experian plc and 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*

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

**S P Bertamini** *Group Executive Director, Consumer Banking and Director of SCB*<sup>3</sup>

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

**J F T Dundas** *Non-Executive Director*<sup>1</sup>

*Chairman of Jupiter Fund Management plc*

**V F Gooding CBE** *Non-Executive Director*<sup>1</sup>

*Chairman of Premier Farnell plc and Non-Executive Director of XL Group plc*

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

*Non-Executive Director of the Seoul Semiconductor Inc*

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

*Director of AstraZeneca PLC*

**R H P Markham** *Non-Executive Director*<sup>1</sup>

*Non-Executive Director of Legal and General Group plc, AstraZeneca PLC and United Parcel Service, Inc.*

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

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

**R H Meddings** *Group Finance Director and Director of SCB*<sup>1</sup>

*Non-Executive Director of 3i Group plc*

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

*Non-Executive Director of Standard Life plc*

**A M G Rees** *Group Executive Director, Wholesale Banking and Director of SCB*<sup>1</sup>

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

*Non-Executive Director of the Tetra Laval International SA, L'Air Liquide SA and Non-Executive Director of the Public Interest Body of PricewaterhouseCoopers LLP*

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

*Chairman of Stanhope Group Holdings Limited and Director of Hoyle Barn Limited*

**V Shankar** *Group Executive Director, CEO Europe, Middle East, Africa, Americas and Director of SCB*<sup>4</sup>

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

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:  
8 Marina Boulevard  
Marina Bay Financial Centre Tower 1  
Level 29 Singapore
4. 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 2012 prepared in accordance with IFRS.

<i>Capitalisation</i>	<i>30 June 2012 (U. S. \$ million)</i>
<b>Shareholders' equity</b>	
<b>Allotted, called-up and fully paid share capital</b>	
Ordinary shares .....	1,196
Share premium .....	5,451
Merger reserve.....	12,421
Reserves and retained earnings .....	23,237
<b>Total shareholders' equity .....</b>	<b>42,305</b>
<b>Subordinated Liabilities and Other Borrowed Funds</b>	
	<i>30 June 2012 (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).....	741
£600 million 8.103 per cent. Step-Up Callable Perpetual Preferred Securities (callable and floating from 2016) .....	1,156
£700 million 7.75 per cent. Subordinated Notes due 2018.....	1,298
£300 million 6.0 per cent. Subordinated Notes due 2018 (callable and floating rate from 2013) .....	483
£200 million 7.75 per cent. Undated Step Up Subordinated Notes (callable and floating rate from 2022).....	423
€1,100 million 5.875 per cent. Subordinated Notes due 2017 .....	1,632
€675 million Floating Rate Subordinated Notes due 2018 (callable 2013) .....	858
U.S.\$1 billion 6.4 per cent. Subordinated Notes due 2017.....	1,196
U.S.\$1 billion 5.7 per cent Subordinated Notes due 2022 .....	1,024
U.S.\$750 million 5.875 per cent. Subordinated Notes due 2020.....	839
U.S.\$700 million 8.0 per cent. Subordinated Notes due 2031.....	691
U.S. \$100 million Floating Rate Subordinated Notes due 2018 (callable 2013) .....	100
U.S.\$1.5 billion 9.5 per cent. Perpetual Preferred Securities (callable 2014).....	1,594
U.S.\$22 million 9.75 per cent. Fixed to Floating Rate Notes due 2021 (callable 2016) (Note 5).....	24
BWP 75 million Subordinated Notes due 2017 (callable 2012).....	10
BWP 70 million Subordinated Notes due 2021 (callable 2016).....	9
BWP 127.26 million 8.2 per cent. Subordinated Notes due 2022 (callable 2017) .....	17
BWP 50 million Floating Rate Subordinated Notes due 2022 (callable 2017) .....	7
IDR 1,750 billion 11 per cent. Subordinated Notes due 2018 (Note 5) .....	79
IDR 700 billion 8.9 per cent. Subordinated Debt due 2019 (Note 5) .....	33
KRW 90 billion 6.05 per cent. Subordinated debt due 2018 .....	87
KRW 260 billion 6.08 per cent. Subordinated debt due 2018 (callable 2013) .....	230
KRW 300 billion 7.05 per cent. Subordinated debt due 2019 (callable 2014) .....	262
KRW 270 billion 4.67 per cent Subordinated debt 2021(callable 2016) .....	236
MYR 500 million 4.28 per cent. Subordinated Bonds due 2017 (callable 2012) .....	158
PKR 1 billion Floating Rate Notes due 2013 .....	5
PKR 2.5 billion Floating Rate Subordinated Debt due 2022 (callable 2017) .....	26
JPY 10 billion 3.35 per cent. Subordinated Notes due 2023 (callable 2018) .....	142
SGD 750 million 4.15 per cent Subordinated Notes 2021(callable and floating rate from 2016) .....	589
SGD 450 million 5.25 per cent. Subordinated Notes due 2023 (callable and floating rate from 2018).....	392
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).....	340
UGX 40 billion 13 per cent. Subordinated Notes due 2020 (callable 2015) .....	16
	14,703
<b>Subordinated loan capital – issued by SCPLC</b>	
Primary Capital Floating Rate Notes:	
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.....	235
	507
<b>Other borrowings – issued by SCPLC</b>	
U.S.\$925 million 8.125 per cent. preference shares .....	959
£96 million 7.375 per cent. irredeemable preference shares .....	184
£99 million 8.25 per cent. irredeemable preference shares .....	190
	1,333
<b>Total for Group.....</b>	<b>16,543</b>
<b>Total Capitalisation and Indebtedness .....</b>	<b>58,848</b>

- All subordinated liabilities are unsecured, unguaranteed and subordinated to the claims of other creditors including without limitation, customer deposits and deposits by banks. The Group has the right to settle these debt instruments in certain circumstances as set out in the contractual agreements.
- Liabilities denominated in foreign currencies are translated into US Dollars at market exchange rates prevailing at 30 June 2012. The exchange rates used were £1.00 = U.S.\$1.569; U.S.\$1.00 = HK\$7.7570; U.S.\$1.00 = BWP 7.6470; U.S.\$1.00 = KRW1,145.07; U.S.\$1.00 = TZS 1,569.85; U.S.\$1.00 = EURO 0.7889; U.S.\$1.00 = IDR 9,444.5161; U.S.\$1.00 = PKR 94.4502; U.S.\$1.00 = MYR 3.1808; U.S.\$1.00 = TWD 29.8859; U.S.\$1.00 = UGX 2468.8250; U.S.\$1.00 = JPY 79.8335; U.S.\$1.00 = SGD 1.2677.

3. Contingent liabilities amounted to U.S.\$44 billion as at 30 June 2012, of which U.S.\$27 billion related to guarantees and irrevocable letters of credit.
4. The total amount of all other borrowings and indebtedness as at 30 June 2012 was U.S.\$423 billion, comprising deposits by banks U.S.\$46 billion, customer accounts U.S.\$360 billion and debt securities in issue (including certificates of deposits) U.S.\$62 billion. These obligations are unsecured and are not guaranteed. However, U.S.\$3.4 billion of the deposits by banks and U.S.\$2.0 billion of the customer accounts include liabilities under repurchase agreements, which are collateralised with treasury bills/bonds.
5. Subordinated Notes issued by PT Permata Bank Tbk in which the Group has a 44.51 per cent interest with a joint venture company are recognised on a partially consolidated basis in the Group.
6. Details of subordinated debt issued between 1 January 2012 and 30 June 2012:
  - (a) On 25 January 2012, Standard Chartered PLC issued U.S.\$1 billion fixed rate notes due January 2022.
  - (b) On 15 June 2012, PT Bank Permata Tbk issued IDR 700 billion fixed interest rate notes due June 2019.
  - (c) On 27 June 2012, Standard Chartered Bank (Botswana) Limited issued BWP 50 million floating interest rate notes due June 2022 and BWP 127.26 million fixed interest rate notes due June 2022.
  - (d) On 29 June 2012, Standard Chartered (Pakistan) Limited issued PKR 2.5 billion floating interest rate notes due June 2022.
7. Details of subordinated debt issued since 1 July 2012:
  - (a) On 10 July 2012, Standard Chartered PLC issued U.S.\$1.25 billion fixed rate notes due 2022 (callable 2017).
8. Details of subordinated debt redeemed since 1 January 2012:
  - (a) On 2 January 2012, Standard Chartered Bank Korea Limited redeemed KRW 30 billion floating rate subordinated debt on maturity.
  - (b) On 3 February 2012, Standard Chartered Bank exercised its right to redeem its €750 million 3.625 per cent notes in full on the first optional call date.
  - (c) On 13 April 2012, Standard Chartered Bank (Hong Kong) Limited exercised its right to redeem its U.S.\$300 million floating rate subordinated notes 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 2012.



## STANDARD CHARTERED BANK

SCB was incorporated in England with limited liability by Royal Charter in 1853 and its reference number is ZC18. 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 is at 1 Aldermanbury Square, London EC2V 7SB and its principal place of business in the United Kingdom is at 1 Basinghall Avenue, London EC2V SDD.

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 2012, the Group has a network of 1,700 offices in 70 markets and around 87,000 employees worldwide.

The Group, through SCB and its subsidiaries, operates two business divisions: Consumer Banking and Wholesale Banking.

### **Business Divisions**

#### ***Consumer Banking***

Consumer Banking helps meet the evolving financial needs of Private, Small and Medium Enterprise (SME), Priority and Personal banking customers across the Group's franchise. The Group's customer focused and service approach enables the Group's staff to offer solutions from an innovative range of products and services to build stronger relationships with the Group's customers.

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The acquisition of Hsinchu International Bank in 2006 (subsequently renamed Standard Chartered Bank (Taiwan) Limited) made the Group the largest international bank by network within Taiwan. In Indonesia, SCB increased its stake in PT Bank Permata in 2006, reinforcing its position as the country's largest international bank.

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Standard Chartered Bank (Pakistan) Limited is the largest international bank in Pakistan, with 132 branches spread over 29 cities as at 30 June 2012.

### ***Africa***

The Group has a presence in 15 sub-Saharan African countries, of which Nigeria and Kenya contributed around 35% of total Africa income in the first half of 2012. The Group's core African markets are Botswana, Ghana, Kenya, Nigeria, Zambia, Tanzania, Uganda and South Africa. For the six months ended 30 June 2012, Africa contributed operating income of U.S.\$714 million and profit before tax of U.S.\$311 million to the Group. For the year ended 31 December 2011, Africa contributed operating income of U.S.\$1,340 million and profit before tax of U.S.\$596 million to the Group.

### ***Americas, United Kingdom and Europe***

In the Americas, 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 2012, operating income was U.S.\$1,089 million and operating profit before tax was U.S.\$464 million. For the year ended 31 December 2011, the Group's operations in the Americas, the UK and Europe contributed operating income of U.S.\$1,767 million and a profit before tax of U.S.\$369 million to the Group.

The Group's head office is based in London, along with the majority of Group functions. The Group's Wholesale Banking team in London plays a key role in serving corporate and financial institutional clients conducting business in its markets. The acquisitions of Pembroke, Harrison Lovegrove and American Express Bank in recent years have added specialist capabilities to the Group and helped expand its Private Banking network and Transaction Banking capabilities.

The Group has had a presence in New York since 1902 and its US dollar clearing business is based there.

The Group's Latin American operations provide cash management, lending and trade finance services to a range of multinational corporations, banks, other financial institutions and domestic corporations. The Group has several offices in Latin America including in Argentina, Brazil, Peru and Venezuela.

## Subsidiaries

As at 30 June 2012, 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 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 73.9 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>

**S P Bertamini** *Director, Group Executive Director of SCPLC, and Chief Executive, Consumer Banking*<sup>3</sup>

**R H Meddings** *Director, and Group Finance Director of SCPLC*<sup>1</sup>

*Non-Executive Director of 3i Group plc*

**T J Miller** *Director, Property, Research and Assurance*<sup>1</sup>

*Non-Executive Director of Michael Page International plc and Chairman of Optitune PLC*

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

**V Shankar** *Director, CEO Europe, Middle East, Africa, Americas*<sup>4</sup>

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

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:  
8 Marina Boulevard  
Marina Bay Financial Centre Tower 1  
Level 29 Singapore
4. 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 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 2012 prepared in accordance with IFRS.

<i>Capitalisation</i>	<i>30 June 2012 (U.S.\$million)</i>
<b>Shareholders' equity</b>	
<b>Allotted, called-up and fully paid share capital</b>	
Ordinary shares .....	12,054
Share premium .....	1,796
Reserves and retained earnings .....	19,786
<b>Total shareholders' equity .....</b>	<b>33,636</b>
<b>Subordinated Liabilities and Other Borrowed Funds</b>	
<b>Subordinated loan capital – issued by subsidiary undertakings:</b>	
BWP 75 million Subordinated Notes due 2017 (callable 2012) .....	10
BWP 70 million Subordinated Notes due 2021 (callable 2016) .....	9
BWP 127.26 million 8.2 per cent. Subordinated Notes due 2022 (callable 2017) .....	17
BWP 50 million Floating Rate Subordinated Notes due 2022 (callable 2017) .....	7
U.S.\$750 million 5.875 per cent. Subordinated Notes due 2020 .....	839
SGD 750 million 4.15 per cent Subordinated Notes 2021(Callable and floating rate from 2016)	589
IDR 1,750 billion Floating Rate Notes due 2018 (Note 5) .....	79
IDR 700 billion 8.9 per cent. Subordinated Debt due 2019 (Note 5) .....	33
U.S.\$22 million 9.75 per cent. Fixed to Floating Rate Notes due 2021 (callable 2016) (Note 5) .....	24
KRW 90 billion 6.05 per cent. Subordinated Debt due 2018 .....	87
KRW 260 billion 6.08 per cent. Subordinated Debt due 2018 (callable 2013) .....	230
KRW 300 billion 7.05 per cent. Subordinated Debt due 2019 (callable 2014) .....	262
KRW 270 billion 4.67 per cent Subordinated debt 2021(Callable 2016) .....	236
MYR 500 million 4.28 per cent. Subordinated Bonds due 2017 (callable 2012) .....	158
PKR 2.5 billion Floating Rate Subordinated Debt due 2022 (callable 2017) .....	26
PKR 1 billion Floating Rate Notes due 2013 .....	5
TWD 10 billion 2.9 per cent. Subordinated Notes due 2019 (callable 2014) .....	340
UGX 40 billion 13 per cent. Subordinated Notes due 2020 (callable 2015) .....	16
TZS 10 billion 11 per cent. Subordinated Notes due 2020 (callable and floating rate from 2015) .....	6
	2,973
<b>Subordinated loan capital – issued by Company:</b>	
£675 million 5.375 per cent. undated Step-Up Subordinated Notes (callable and floating rate from 2020) .....	741
£600 million 8.103 per cent. Step-Up Callable Perpetual Preferred Securities (callable and floating from 2016) .....	1,156
£700 million 7.75 per cent. Subordinated Debt due 2018 .....	923
£300 million 6.0 per cent. Subordinated Debt due 2018 (callable and floating rate from 2013) .....	483
£200 million Subordinated Debt maturing 03 April 2018 .....	375
£200 million 7.75 per cent. undated Step Up Subordinated Notes (callable and floating rate from 2022) .....	423
€1,100 million 5.875 per cent. Subordinated Notes due 2017 .....	1,632
€675 million Floating Rate Subordinated Notes due 2018 (callable 2013) .....	858
U.S.\$1 billion 6.4 per cent. Subordinated Notes due 2017 .....	1,196
U.S.\$700 million 8.0 per cent. Subordinated Notes due 2031 .....	691
U.S.\$100 million Floating Rate Notes due 2018 (callable 2013) .....	100
U.S.\$1 billion Floating Rate Subordinated Notes due 2022 .....	1,000
JPY 10 billion 3.35 per cent. Subordinated Notes due 2023 (callable 2018) .....	142
SGD 450 million 5.25 per cent. Subordinated Notes due 2023 (callable and floating rate 2018) .....	392
U.S.\$1.5 billion 9.5 per cent. Perpetual Preferred Securities (callable 2014) .....	1,594
U.S.\$1.3 billion Floating Rate Subordinated Notes due 2021 (callable 2016) .....	1,300
U.S.\$1.8 billion Floating Rate Undated Subordinated Notes (callable 2014) .....	1,800
<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 .....	235
U.S.\$925 million 8.125 per cent. non-cumulative redeemable preference shares (callable 2013) .....	969
<b>Total for SCB .....</b>	<b>16,282</b>
<b>Total for Group .....</b>	<b>19,255</b>
<b>Total Capitalisation and Indebtedness .....</b>	<b>52,891</b>

- All subordinated liabilities are unsecured, unguaranteed and subordinated to the claims of other creditors including without limitation, customer deposits and deposits by banks. The Group has the right to settle these debt instruments in certain circumstances as set out in the contractual agreements.
- Liabilities denominated in foreign currencies are translated into US Dollars at market exchange rates prevailing at 30 June 2012. The exchange rates used were £1.00 = U.S.\$1.569; U.S.\$1.00 = HK\$7.7570; U.S.\$1.00 = BWP 7.6470; U.S.\$1.00 = KRW1,145.07; U.S.\$1.00 = TZS 1,569.85; U.S.\$1.00 = EURO 0.7889; U.S.\$1.00 = IDR 9,444.5161; U.S.\$1.00 = PKR 94.4502; U.S.\$1.00 = MYR 3.1808; U.S.\$1.00 = TWD 29.8859; U.S.\$1.00 = UGX 2468.8250; U.S.\$1.00 = JPY 79.8335; U.S.\$1.00 = SGD 1.2677.
- Contingent liabilities amounted to U.S.\$44 billion as at 30 June 2012, of which U.S.\$27 billion related to guarantees and irrevocable letters of credit.
- The total amount of all other borrowings and indebtedness as at 30 June 2012 was U.S.\$423 billion, comprising deposits by banks U.S.\$46 billion, customer accounts U.S.\$360 billion and debt securities in issue (including certificates of deposits) U.S.\$62 billion. These obligations are unsecured and are not guaranteed. However, U.S.\$3.4 billion of the deposits by banks and U.S.\$2.0 billion of the customer accounts include liabilities under repurchase agreements, which are collateralised with treasury bills/bonds.

5. Subordinated Loans are issued by PT Permata Bank Tbk in which the Group has a 44.51 per cent interest with a joint venture company are recognised on a partially consolidated basis in the Group.
6. Details of subordinated debt issued between 1 January 2012 and 30 June 2012:
  - (a) On 25 January 2012, Standard Chartered Bank issued U.S.\$1 billion floating rate notes due January 2022.
  - (b) On 15 June 2012, PT Bank Permata Tbk issued IDR 700 billion fixed interest rate notes due June 2019.
  - (c) On 27 June 2012, Standard Chartered Bank (Botswana) Limited issued BWP 50 million floating interest rate notes due June 2022 and BWP 127.26 million fixed interest rate notes due June 2022.
  - (d) On 29 June 2012, Standard Chartered (Pakistan) Limited issued PKR 2.5 billion floating interest rate notes due June 2022.
7. On 10 July 2012, Standard Chartered Bank issued U.S.\$1.25 billion floating rate notes due 2022 (callable 2017).
8. Details of subordinated debt redeemed since 1 January 2012:
  - (a) On 2 January 2012, Standard Chartered Bank Korea Limited redeemed KRW 30 billion floating rate subordinated debt on maturity.
  - (b) On 3 February 2012, Standard Chartered Bank exercised its right to redeem its €750 million 3.625 per cent notes in full on the first optional call date.
  - (c) On 13 April 2012, Standard Chartered Bank (Hong Kong) Limited exercised its right to redeem its U.S.\$300 million floating rate subordinated notes 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 2012.

## STANDARD CHARTERED BANK (HONG KONG) LIMITED

### Introduction

SCBHK was incorporated in Hong Kong with limited liability on 12 December 2003 under the 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 77 branch outlets in Hong Kong with approximately 6,000 employees (as of August 2012). SCBHK operates two business divisions: Consumer Banking and Wholesale Banking. The main businesses and activities of SCBHK are described below.

### Consumer Banking

Consumer Banking offers a broad range of products and services to meet the borrowing, wealth management and transaction needs of individuals and SMEs. SCBHK's services are provided to different segments – from Private Banking, Priority Banking, Preferred Banking to small and medium sized businesses operating in Hong Kong. The products and services provided include bank accounts, credit cards, personal loans, mortgages, foreign exchange, deposits and wealth management products.

SCBHK is a major market player in credit cards and is one of the leading card issuers in Hong Kong, focusing on differentiated customer propositions.

SCBHK also maintains a market leading position in mortgages, focusing on product innovation, customer services and profitability.

### Wholesale Banking

SCBHK's Wholesale Banking provides trade finance, cash management, securities services, foreign exchange, risk management, capital raising and corporate finance solutions to local and multinational corporates and financial institutions operating in Asia, Africa and the Middle East.

Its strategy is to be the “core bank” to its clients, deepening relationships and providing them with a broader range of products and services.

Transaction Banking solutions include cash management, trade finance, securities services and a fully integrated end-to-end electronic platform “Straight2Bank” which is provided to streamline workflow processes.

Corporate Finance offers a comprehensive range of services including Corporate Advisory, Project & Export Finance, Equity Corporate Finance, Structured Trade Finance and Structured Finance.

Principal Finance creates value through its investments and these investments are primarily targeted at four asset classes: corporate private equity, real estate, infrastructure and alternative investments.

Financial Markets solutions include foreign exchange, rates, credits, commodities, equities, fixed income trading and sales, capital markets, structured products and regional markets and asset and liability management. Customers include multinational corporates, financial institutions and local corporates in Hong Kong. SCBHK leverages on Standard Chartered's network to provide banking services to customers in Hong Kong, including those with business operations in the Pearl River Delta.

## **Directors**

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

**K K S Tsang** *Chairperson, Non-Executive Director*<sup>1</sup>

*Chairperson of Standard Chartered Bank (China) Limited and Standard Chartered Bank (Taiwan) Limited*

**J S Bindra** *Non-Executive Director and Director of SCB and SCPLC*<sup>1</sup>

**B P C Hung** *Executive Director and Chief Executive Officer*<sup>1</sup>

**J L C Fong** *Non-Executive Director*<sup>1</sup>

*Chairman of PrimeCredit Limited*

**F T Ling** *Executive Director and Chief Financial Officer*<sup>1</sup>

**S B Tan** *Executive Director*<sup>1</sup>

*Managing Director, Chief Executive of Standard Chartered Securities (Hong Kong) Limited*

**J P Cadambi** *Non-Executive Director*<sup>2</sup>

**M X Z Ma** *Independent Non-Executive Director*<sup>1</sup>

*Chairman of Boyu Capital Advisory Co. Limited*

**N Lyle** *Independent Non-Executive Director*<sup>1</sup>

**A W K Chan** *Independent Non-Executive Director*<sup>1</sup>

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

### Notes:

1. The business address should be regarded for the purposes of this Prospectus as:  
32nd Floor  
4-4A Des Voeux Road Central  
Hong Kong
2. The business address should be regarded for the purposes of this Prospectus as:  
Level 29, Marina Bay Financial Centre Tower 18, Marina Boulevard, Singapore 018981

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

**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 2012 prepared in accordance with Hong Kong Financial Reporting Standards.

	<i>30 June 2012 (HK\$million)</i>
<b>Authorised share capital</b>	
Ordinary A shares of HK\$0.05 each .....	39
Ordinary B shares of HK\$0.05 each .....	62
Non-cumulative preference shares of HK\$1.00 each .....	3,800
	3,901
<b>Shareholders' equity</b>	
Allotted, called up and fully paid share capital	
Ordinary shares .....	97
Reserves .....	45,387
	45,484
<b>Subordinated loan capital</b>	
5.875 per cent. fixed rate notes due 2020 .....	6,548
4.15 per cent. fixed rate notes due 2021 .....	4,537
	11,085
<b>Total capitalisation and indebtedness .....</b>	<b>56,569</b>

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 of SCBHK, as set out in the above table, since 30 June 2012.



## SELECTED FINANCIAL INFORMATION

The following table sets out summary financial information relating to the Group for the five financial years ended 31 December 2011. 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 2011, 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 2011, 31 December 2010, 31 December 2009, 31 December 2008 and 31 December 2007 have been extracted from the unaudited "Supplementary Financial Information" section of the Group's annual report for the year ended 31 December 2011.

	2011 \$million	2010 \$million	2009 \$million	2008 \$million	2007 \$million
Operating profit before impairment losses and taxation .....	7,720	7,039	7,232	6,357	4,852
Impairment losses on loans and advances and other credit risk provisions	(908)	(883)	(2,000)	(1,321)	(761)
Other impairment .....	(111)	(76)	(102)	(469)	(57)
Profit before taxation .....	6,775	6,122	5,151	4,568	4,035
Profit attributable to shareholders .....	4,849	4,332	3,380	3,241	2,841
Loans and advances to banks <sup>1</sup> .....	65,981	52,058	50,885	46,583	35,365
Loans and advances to customers <sup>1</sup> .....	263,765	240,358	198,292	174,178	154,266
Total assets .....	599,070	516,560 <sup>4</sup>	436,653	435,068	329,871
Deposits by banks <sup>1</sup> .....	35,296	28,551	38,461	31,909	25,880
Customer accounts <sup>1</sup> .....	342,701	306,992	251,244	234,008	179,760
Shareholders' equity .....	40,714	38,212	27,340	22,140	20,851
Total capital resources <sup>2</sup> .....	58,092	54,804	44,650	39,681	37,192
<b>Information per ordinary share</b>					
Basic earnings per share <sup>4</sup> .....	200.8c	196.3c	161.8c	185.1c	169.6c
Normalised earning per share <sup>34</sup> .....	198.0c	197.0c	173.2c	168.5c	166.7c
Dividends per share <sup>4</sup> .....	76.0c	69.15c	63.61c	59.36c	57.46c
Net asset value per share .....	1,653.2c	1,573.2c	1,281.6c	1,091.9c	1,374.2c
Tangible net asset value per share .....	1,355.6c	1,273.4c <sup>4</sup>	953.4c	755.0c	921.8c
<b>Ratios</b>					
Post-tax return on ordinary shareholders' equity - normalised basis <sup>3</sup> .....	12.2%	14.1%	14.3%	15.2%	15.6%
Basic cost-income ratio .....	56.2%	56.2%	52.4%	54.5%	56.2%
Cost-income ratio – normalised basis <sup>3</sup> .....	56.5%	55.9%	51.3%	56.1%	56.0%
Capital ratios:					
Tier 1 capital <sup>56</sup> .....	13.7%	14.0%	11.5%	9.9%	8.8%
Total capital <sup>56</sup> .....	17.6%	18.4%	16.5%	15.6%	15.2%

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

<sup>2</sup> Shareholders' funds, non-controlling interests and subordinated loan capital.

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

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

<sup>5</sup> Unaudited.

The following table sets out summary financial information relating to the Group for the six months ended 30 June 2012, 30 June 2011 and 31 December 2011. 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 2012 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 30.06.12 \$million</i>	<i>6 months ended 30.06.11 \$million</i>	<i>6 months ended 31.12.11 \$million</i>
<b>Results</b>			
Operating income.....	9,511	8,764	8,873
Impairment losses on loans and advances and other credit risk provisions.....	(583)	(412)	(496)
Other impairment .....	(74)	(72)	(39)
Profit before taxation.....	3,948	3,636	3,139
Profit attributable to parent company shareholders .....	2,856	2,566	2,283
Profit attributable to ordinary shareholders* .....	2,806	2,516	2,232
<b>Balance sheet</b>			
Total assets .....	624,431	567,706	599,070
Total equity .....	42,934	41,561	41,375
Total capital base.....	48,311	47,034	47,507
<b>Information per ordinary share.....</b>			
	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
Earnings per share.....			
– normalised basis** .....	116.6	105.2	92.8
– basic.....	117.6	107.0	93.9
Dividend per share Post Rights .....	27.23	24.75	51.25
Net asset value per share .....	1,709.7	1,667.2	1,653.2
Tangible net asset value per share .....	1,413.7	1,354.6	1,355.6
<b>Ratios</b>			
	%	%	%
Return on ordinary shareholders' equity - normalised basis** .....	13.8	13.0	11.3
Cost income ratio - normalised basis** .....	52.3	54.0	59.0
Capital ratios (Basel II basis):			
Core Tier 1 capital .....	11.6	11.9	11.8
Tier 1 capital.....	13.4	13.9	13.7
Total capital .....	16.9	17.9	17.6

\* Profit attributable to ordinary shareholders is after the deduction of dividends payable to the holders of the non-cumulative redeemable preference shares.

\*\* Results on a normalised basis reflect the results of SCPLC and its subsidiaries, excluding amortisation and impairment of intangible assets, profits and losses of capital nature, and profits and losses on repurchase of share capital.

The following table sets out summary financial information relating to SCB for the financial years ended 31 December 2011 and 31 December 2010. This information has been extracted without material adjustment from SCB's audited consolidated financial statements for the year ended 31 December 2011 (including comparative figures for the year ended 31 December 2010), each prepared in accordance with IFRS.

	<i>Year ended 31 December</i>	
	<u>2011</u>	<u>2010</u>
	<i>(U.S.\$million)</i>	
Operating profit before impairment losses and taxation.....	7,714	7,147
Impairment losses on loans and advances and other credit risk provisions.....	(908)	(883)
Other impairment.....	(111)	(76)
Profit before taxation.....	6,769	6,230
Profit attributable to parent company's shareholders.....	4,271	4,116
Loans and advances to banks <sup>1</sup> .....	65,980	52,057
Loans and advances to customers <sup>1</sup> .....	263,765	240,358
Total assets.....	598,635	516,281
Deposits by banks.....	35,296	28,551
Customer accounts.....	342,701	306,992
Total parent company shareholders' equity.....	<u>32,305</u>	<u>30,306</u>
Total capital resources.....	<u>54,912</u>	<u>50,778</u>

1. Excludes amounts held at fair value through profit or loss.

## THE GROUP

Set out on pages 84 to 94 of this document is an extract of the Financial Review extracted without material adjustment from the unaudited 2012 interim results of the Group for the six months ended 30 June 2012, announced on 1 August 2012.

### STANDARD CHARTERED PLC-FINANCIAL REVIEW

#### Group summary

The Group has delivered another good performance for the six months ended 30 June 2012 (H1 2012). Operating income increased by \$747 million, or 9 per cent., to \$9,511 million and operating profit rose 9 per cent. to \$3,948 million. The Group continues to leverage its geographic diversity, with income growth spread across a broad range of products and geographies. On a constant currency basis, operating income increased by 11 per cent and operating profit increased by 12 per cent, the difference reflecting the continued strength of the US dollar against currencies across our footprint, in particular the Indian rupee.

The normalised cost to income ratio improved to 52.3 per cent compared to 54.0 per cent in the six months to 30 June 2011 (H1 2011). In the current period we have delivered cost growth below the level of income growth as we continue to manage expenses tightly, creating capacity to invest in both businesses. Normalised earnings per share grew 11 per cent to 116.6 cents and we continued to improve returns to shareholders, with normalised return on shareholders' equity increasing to 13.8 per cent. Further details of basic and diluted earnings per share are provided in note 11 on page 71 of the Group's H1 2012 published accounts.

In accordance with current accounting requirements, the cost of the UK bank levy is charged in the second half of the year. The jaws (rate of income growth less rate of expense growth) would have been positive even after including the impact of the bank levy for the first six months. Note 5 on page 68 of the Group's H1 2012 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.

The quality of the Group's asset book remains good – 63 per cent of Wholesale Banking (“**WB**”) customer loans have a tenor of less than one year and 73 per cent of the Consumer Banking (“**CB**”) book is fully secured although the Group has continued to selectively grow unsecured lending during the period. Loan impairment increased in CB reflecting the change in mix. Impairment in WB also rose, driven by a very small number of exposures. Overall we remain watchful given the challenge in the external environment and continue to have a proactive and disciplined approach to risk.

The Group's balance sheet remains very strong and resilient - well diversified, conservative and with limited exposure to problem asset classes – and we continue to focus on the basics of banking. We have no direct sovereign exposure to Greece, Ireland, Italy, Portugal or Spain and our direct sovereign exposure to the remainder of the eurozone is immaterial. Further details of our exposure to the eurozone are set out on pages 40 to 42 of the Group's H1 2012 published accounts.

The Group remains highly liquid and both businesses have continued to grow deposits, especially in Americas, UK & Europe on the back of our strong credit rating, and also in Hong Kong, and our advances-to-deposits ratio remained strong at 77.6 per cent, slightly up from 76.4 per cent at the year end. The Group maintains a conservative funding structure with only limited levels of refinancing required over the next few years and we continue to be a significant net lender to the interbank market.

The Group remains strongly capitalised and generated good levels of organic equity during the period. The Core Tier 1 capital ratio at 30 June 2012 was 11.6 per cent, slightly down from 11.8 per cent at the last year end due to lower scrip dividend take up.

We continue to be well placed for the significant opportunities we see across our footprint of Asia, Africa and the Middle East and we remain the only major international banking group to have its credit rating revised upwards by all three rating agencies since the beginning of the financial crisis.

#### Operating income and profit

	<i>6 months ended 30.06.12</i>	<i>6 months ended 30.06.11</i>	<i>6 months ended 31.12.11</i>	<i>H1 2012 vs H1 2011 Better / (worse)</i>	<i>H1 2012 vs H2 2011 Better / (worse)</i>
	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>%</i>	<i>%</i>
Net interest income.....	5,483	4,941	5,212	11	5

Fees and commissions income, net.....	1,974	2,179	1,867	(9)	6
Net trading income.....	1,565	1,366	1,279	15	22
Other operating income .....	489	278	515	76	(5)
	<u>4,028</u>	<u>3,823</u>	<u>3,661</u>	<u>5</u>	<u>10</u>
Operating income.....	9,511	8,764	8,873	9	7
Operating expenses.....	<u>(4,963)</u>	<u>(4,677)</u>	<u>(5,240)</u>	<u>(6)</u>	<u>5</u>
Operating profit before impairment losses and taxation .....	4,548	4,087	3,633	11	25
Impairment losses on loans and advances and other credit risk provisions	(583)	(412)	(496)	(42)	(18)
Other impairment .....	(74)	(72)	(39)	(3)	(90)
Profit from associates .....	57	33	41	73	39
Profit before taxation.....	<u>3,948</u>	<u>3,636</u>	<u>3,139</u>	<u>9</u>	<u>26</u>

## Group performance

Operating income grew to \$9,511 million, up \$747 million over H1 2011. On a constant currency basis, income rose 11 per cent. The Group's income streams continued to be well diversified, by product and geography. All geographic segments delivered income growth, except India which was negatively impacted by onshore business sentiment and depreciation of the Indian rupee.

CB continues to make good progress on its strategic transformation programme and income was 5 per cent higher at \$3,515 million. Strong growth in Deposits and Cards and Personal Loans income offset lower Mortgages and Wealth Management income, which were impacted by continued margin pressure and market uncertainty respectively. WB income was 10 per cent higher than H1 2011 at \$5,996 million. Client income grew 8 per cent, on the back of a strong performance in Transaction Banking, with Trade income up 25 per cent. Own account income grew 21 per cent as Asset and Liability Management (ALM) and Principal Finance benefitted from improved market conditions.

Net interest income grew by \$542 million, or 11 per cent, to \$5,483 million. The Group net interest margin was flat at 2.3 per cent as widening liability margins were offset by compression in asset margins. In CB, higher unsecured volumes compensated for the fall in secured asset margins, which continue to be affected by regulatory and competitive pressures, while Current Account and Savings Accounts (CASA) margins improved. WB interest income benefitted from higher volumes across both asset and liability products and improved margins on Trade and Cash Management, which helped offset the margin compression seen in Lending.

Non-interest income was up by \$205 million, or 5 per cent, to \$4,028 million and comprises net fees and commissions, trading and other operating income.

Net fees and commissions income fell by \$205 million, or 9 per cent, to \$1,974 million. Fees in CB were impacted by subdued Wealth Management income while WB fees were lower primarily due to fewer large value transactions within Corporate Finance.

Net trading income increased by 15 per cent to \$1,565 million with strong growth in Rates and ALM offsetting lower Commodities income and a muted Foreign Exchange performance.

Other operating income primarily comprises gains arising on sales from the investment securities portfolio, aircraft and shipping lease income, fixed asset realisations and dividend income. It grew by \$211 million, or 76 per cent, to \$489 million, on the back of higher gains from realisations out of the available-for-sale investment securities portfolio, up \$90 million, increased income from operating lease assets, up \$42 million, and a gain of \$74 million from a property sale in Korea.

Operating expenses increased \$286 million, or 6 per cent, to \$4,963 million. H1 2011 benefitted from \$86 million of recoveries on structured notes in the Other Asia Pacific region whilst in the six months ended 31 December 2011 (H2 2011) expenses included \$206 million relating to the Early Retirement Programme (ERP) in Korea and \$165 million in respect of the UK bank levy. Excluding these items, operating expenses increased by 4 per cent against H1 2011 and 2 per cent against H2 2011. During H1 2012 we continued to invest in both businesses whilst maintaining a tight grip on discretionary spend. The growth in expenses reflected: higher staff costs, which rose by 4 per cent, or \$129 million, as we continued to invest in staff; additional infrastructure spend on technology and new branches (including renovations and relocations); and increased levels of marketing.

Pre-provision profit improved \$461 million, or 11 per cent, to \$4,548 million.

Loan impairment increased by \$171 million, or 42 per cent, at \$583 million. CB loan impairment increased by \$89 million in line with expectations reflecting the selective growth in unsecured lending across a number of

markets, plus pockets of localised pressure. WB impairment increased by \$82 million driven by provisions taken on a very small number of large exposures in India and the UAE. Although asset quality across both businesses remains good, we have increased the number of WB clients subject to precautionary monitoring reflecting our proactive approach to risk in an uncertain environment.

Operating profit was up \$312 million, or 9 per cent, to \$3,948 million. While WB increased operating profit by 16 per cent, CB operating profit fell 11 per cent (or 7 per cent excluding the impact of the property gain in H1 2012 and the recoveries on structured notes in H1 2011).

The Group's effective tax rate (ETR) at 26.5 per cent is lower compared to H1 2011 largely as a result of the change in profit mix.

## Consumer Banking

The following tables provide an analysis of operating profit by geography for Consumer Banking:

### 6 months ended 30.06.12

	<b>Asia Pacific</b>							<b>Americas UK &amp; Europe</b>	<b>Consumer Banking Total</b>
	<b>Hong Kong</b>	<b>Singapore</b>	<b>Korea</b>	<b>Other Asia Pacific</b>	<b>India</b>	<b>Middle East &amp; Other S Asia</b>	<b>Africa</b>		
	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>
Operating income.....	674	479	588	846	223	371	235	99	3,515
Operating expenses.....	(374)	(268)	(392)	(636)	(164)	(247)	(148)	(78)	(2,307)
Loan impairment.....	(46)	(23)	(96)	(93)	(11)	(21)	(9)	(1)	(300)
Other impairment.....	—	—	—	(1)	—	—	—	(8)	(9)
Operating profit/(loss) .....	<u>254</u>	<u>188</u>	<u>100</u>	<u>116</u>	<u>48</u>	<u>103</u>	<u>78</u>	<u>(12)</u>	<u>899</u>

### 6 months ended 30.06.11

	<b>Asia Pacific</b>							<b>Americas UK &amp; Europe</b>	<b>Consumer Banking Total</b>
	<b>Hong Kong</b>	<b>Singapore</b>	<b>Korea</b>	<b>Other Asia Pacific</b>	<b>India</b>	<b>Middle East &amp; Other S Asia</b>	<b>Africa</b>		
	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>
Operating income.....	642	445	583	797	238	359	202	71	3,337
Operating expenses.....	(341)	(241)	(422)	(478)	(174)	(237)	(131)	(85)	(2,109)
Loan impairment.....	(31)	(14)	(73)	(13)	(20)	(50)	(9)	(1)	(211)
Other impairment.....	—	—	—	—	—	—	(4)	—	(4)
Operating profit/(loss) .....	<u>270</u>	<u>190</u>	<u>88</u>	<u>306</u>	<u>44</u>	<u>72</u>	<u>58</u>	<u>(15)</u>	<u>1,013</u>

### 6 months ended 31.12.11

	<b>Asia Pacific</b>							<b>Americas UK &amp; Europe</b>	<b>Consumer Banking Total</b>
	<b>Hong Kong</b>	<b>Singapore</b>	<b>Korea</b>	<b>Other Asia Pacific</b>	<b>India</b>	<b>Middle East &amp; Other S Asia</b>	<b>Africa</b>		
	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>
Operating income.....	684	479	570	816	244	364	220	77	3,454
Operating expenses.....	(381)	(262)	(601)	(626)	(178)	(250)	(137)	(81)	(2,496)
Loan impairment.....	(40)	(15)	(93)	(104)	(12)	(39)	(8)	(2)	(313)
Other impairment.....	—	—	(5)	—	—	(1)	(2)	—	(8)
Operating profit/(loss) .....	<u>283</u>	<u>202</u>	<u>(129)</u>	<u>86</u>	<u>54</u>	<u>74</u>	<u>73</u>	<u>(6)</u>	<u>637</u>

An analysis of Consumer Banking income by product is set out below:

	6 months ended 30.06.12	6 months ended 30.06.11	6 months ended 31.12.11
	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>

## Operating income by product

Cards, Personal Loans and Unsecured

Lending.....	1,297	1,149	1,273
Wealth Management.....	639	657	615
Deposits.....	786	691	718
Mortgages and Auto Finance.....	656	751	727
Other.....	137	89	121
Total operating income .....	<u>3,515</u>	<u>3,337</u>	<u>3,454</u>

CB continues to make good progress on its strategic transformation programme, which emphasises customer focus, enhancing customer experience and building infrastructure capability. Operating income was higher by \$178 million, or 5 per cent, to \$3,515 million. On a constant currency basis, income was 8 per cent higher. Income in CB remains diverse, with all geographic segments growing income on a headline basis other than India, which was impacted by foreign exchange. Although income in Korea and Taiwan was muted, a number of other markets performed strongly, particularly Singapore, China, Africa, Indonesia and Malaysia.

Net interest income increased \$150 million, or 7 per cent, to \$2,392 million, largely driven by slightly higher asset margins and increased liability income on the back of higher volumes and widening margins. Mortgage volumes, however, were down, in part due to increasing regulatory pressures in a number of markets, and margins compressed further, down 19 basis points (bps) compared to H1 2011. On the liability side, improved margins on CASA more than compensated for slightly lower Time Deposits (TD) margins. Although the overall interest rate environment remains low, the business continued to focus on deposit gathering with good growth seen in Hong Kong and Singapore across CASA and TD products. The proportion of customer deposits held as CASA remained broadly stable at 55 per cent.

Non-interest income at \$1,123 million was 3 per cent higher compared to H1 2011 and included \$39 million in respect of a property sale in Korea. Excluding this, non-interest income fell 1 per cent as continuing market uncertainty impacted equity-related Wealth Management products across a number of markets, although this was partly offset by growth in bancassurance and fixed income products.

Expenses were up \$198 million, or 9 per cent, at \$2,307 million. On a constant currency basis, expenses were up 12 per cent. H1 2011 benefitted by \$86 million of recoveries on structured notes whilst H2 2011 was impacted by \$189 million ERP costs in Korea; excluding these, expenses grew 5 per cent against H1 2011 and were flat against H2 2011, reflecting continued disciplined cost management while continuing to invest. The growth against H1 2011 was driven primarily by the flow through of investment expenditure made in H2 2011 in systems infrastructure, frontline technology and branches, together with enhanced levels of marketing.

Loan impairment was higher by \$89 million, or 42 per cent, at \$300 million although slightly down against H2 2011. The increased charge is in line with expectations reflecting portfolio growth and mix change as we continued to grow our unsecured portfolio. The loan impairment charge also benefitted by \$43 million (\$51 million H1 2011; \$33 million H2 2011) from the sale of loan portfolios during the period.

Operating profit fell by \$114 million, or 11 per cent, to \$899 million. On a constant currency basis, the decrease in operating profits was 9 per cent.

### Product performance

Income from Cards, Personal Loans and Unsecured Lending (CCPL) grew by \$148 million, or 13 per cent, to \$1,297 million driven by increased volumes as we continued to selectively grow our unsecured portfolio in the mainly bureau-backed markets of Hong Kong and Korea. CCPL margins were slightly higher than in H1 2011 but were compressed compared to H2 2011. Volume growth was supported through increased levels of marketing, including an expanded rewards proposition and increased bundling with existing products.

Wealth Management income fell 3 per cent to \$639 million, as continuing market uncertainty affected equity related income. This was partially offset by strong growth in products with lower correlation to equity markets such as bancassurance, fixed income and foreign exchange as we continue to drive towards a more diversified product mix. Deposits income was up 14 per cent to \$786 million as volumes and margins improved in most key markets. CASA margins improved and more than offset a slight compression in TD margins.

Mortgages and Auto Finance income fell \$95 million, or 13 per cent, to \$656 million, as Mortgage volumes were impacted by increased regulatory actions in a number of key markets. Increasing levels of competition and rising cost of liquidity further compressed Mortgage margins, particularly in Hong Kong and Korea. The drop in Mortgage income was partially offset by higher Auto Finance and other secured lending income.

Other CB income, which includes the \$39 million property gain, primarily comprises SME related trade and transactional revenues, with Hong Kong, China and Indonesia performing well.

## **Geographic performance**

### ***Hong Kong***

Income was up \$32 million, or 5 per cent, to \$674 million despite challenging market conditions. This growth was attributable to good volume growth across both asset and liability products with liability margins up year on year. Asset margins narrowed however, particularly in Mortgages, where income declined due to increased cost of liquidity. In the latter part of the period we refocused new business on higher margin Prime rate based products. Wealth Management income was broadly flat, as growth in bancassurance and premium currency investment products was largely offset by lower sales of structured notes. Unit trust income remained broadly stable. We continued to grow our unsecured portfolio, gaining market share in CCPL which more than offset margin compression in Personal Loans. SME income grew strongly on the back of increased trade flows. Deposits income was also up strongly as CASA margins further improved, and volume growth continued despite increasing levels of competition supported by various deposit drive campaigns such as longer term RMB deposit offerings. Expenses were \$33 million, or 10 per cent, higher at \$374 million reflecting flow-through impact from increased frontline staff, investment in frontline technology, branch relocation and increased marketing spend. Working profit was down \$1 million to \$300 million. Loan impairment was higher by \$15 million on the back of volume growth within the unsecured book since 2010 and a marginal increase in bankruptcy filings. Operating profit was down \$16 million, or 6 per cent, to \$254 million.

### ***Singapore***

Income was up \$34 million, or 8 per cent, to \$479 million. Income from CCPL rose strongly as we increased market share and grew balances. Unsecured asset margins improved although this was partly offset by compressed margins on Mortgages. Income also benefitted from higher Auto Finance and Personal Loans income from a full six month contribution by the GE Money acquisition which completed in April 2011. Wealth Management income was lower as uncertain market conditions impacted sales of equity-linked products. Deposits income was flat as volume growth was offset by lower TD margins, which were impacted by an increasingly competitive environment. Operating expenses increased \$27 million, or 11 per cent, to \$268 million, driven by flow through costs from investment in technology and higher staff and marketing costs. Working profit was up \$7 million, or 3 per cent, to \$211 million. Loan impairment was higher at \$23 million largely due to increased volumes and change in product mix. Operating profit was lower by \$2 million, or 1 per cent, at \$188 million.

### ***Korea***

Income was up \$5 million, or 1 per cent, to \$588 million. On a constant currency basis, income growth was 4 per cent. Income in H1 2012 included \$39 million relating to a property sale. Excluding this, income fell by 6 per cent on a headline basis. Regulatory headwinds together with a depressed real estate market and margin compression significantly impacted Mortgages income. Although mortgage balances reduced during the period, we have signed an agreement with the Korea Housing Finance Corporation to originate fixed rate mortgages which are then transferred to them. The fall in Mortgages income was partly offset by higher CCPL income, reflecting increased volumes and improved margins. Continued turbulence in global financial markets resulted in lower Wealth Management income. Deposits income also fell as volumes declined in part due to efforts to restructure the balance sheet, although CASA margins improved. Operating expenses were down \$30 million, or 7 per cent, to \$392 million. On a constant currency basis, expenses were 4 per cent lower reflecting cost savings associated with the 2011 Early Retirement Programme partly offset by marketing and technology investments and normal inflation related increases to staff costs. Working profit was up 22 per cent to \$196 million. Loan impairment was \$23 million, or 32 per cent, higher at \$96 million largely due to growth in the unsecured portfolio and a market-wide increase in the number of filings under the Personal Debt Rehabilitation Scheme (PDRS). Operating profit was higher by \$12 million, or 14 per cent, at \$100 million.

### ***Other Asia Pacific***

Income was up \$49 million, or 6 per cent, to \$846 million. Income in China was up 15 per cent to \$135 million, reflecting strong growth in income from SMEs, as volumes rose, and Deposits income benefitted from good growth in volume and margins. This was partly offset by lower sales of structured products which drove lower Wealth Management income. Taiwan saw income fall 3 per cent to \$205 million. Wealth Management income was impacted by lower unit trust sales and Mortgages income by tightening mortgage regulation. This was partially offset by higher income from CCPL as volumes increased and from Deposits,



which grew on the back of improved margins. Income in Malaysia was up 7 per cent at \$190 million and benefitted from growth in assets primarily in SME and Personal Loans. Indonesia grew strongly, up 13 per cent, on the back of higher Mortgage, CCPL and Wealth Management income. Operating expenses in Other APR were higher by \$158 million, or 33 per cent, at \$636 million. Expenses in H1 2011 benefitted by \$86 million of recoveries on structured notes; excluding this, expenses were \$72 million higher, due to investments in staff and infrastructure. Expenses in China were up by 30 per cent to \$183 million as we continued to invest in new branch outlets, opening six in H1 2012, and repositioning staff to the frontline. Working profit for the region was down \$109 million, or 34 per cent, to \$210 million. Loan impairment was up \$80 million to \$93 million reflecting a lower level of loan portfolio sales in Taiwan and Malaysia in H1 2012 and increased levels of provisioning in line with portfolio growth and mix change. Other APR consequently delivered an operating profit of \$116 million, down \$190 million. The operating loss in China increased to \$60 million (H1 2011 operating loss of \$28 million) as we continued to invest in the franchise.

### **India**

Income was down \$15 million, or 6 per cent, at \$223 million. On a constant currency basis, income was higher by 8 per cent despite the continuing economic challenges. The growth in income, on a constant currency basis, was driven by higher Deposits income from improved margins, particularly in CASA, due to rising interest rates. CCPL income also increased due to higher volumes although Personal Loans margins were compressed. SME income grew on the back of an increase in volumes and improved margins. Operating expenses were \$10 million, or 6 per cent, lower at \$164 million. On a constant currency basis, expenses were higher by 9 per cent, on the back of increased levels of digital marketing and higher staff costs as we repositioned staff to the frontline. Working profit was down \$5 million, or 8 per cent, to \$59 million. Loan impairment was down \$9 million, or 45 per cent, to \$11 million reflecting collection efficiencies and improved portfolio quality on the back of enhanced underwriting criteria. Operating profit was higher by \$4 million, or 9 per cent, at \$48 million. On a constant currency basis, operating profit was 22 per cent higher.

### **MESA**

Income was \$12 million, or 3 per cent, higher at \$371 million. Income in the UAE was up 4 per cent to \$174 million due to improved margins in CCPL, higher volumes in Mortgages and increased income from SME on the back of trade flows, partly offset by the impact of lower liability margins. Income in Pakistan was up 5 per cent with higher Deposits and Wealth Management revenue. Bahrain income grew on the back of higher Cards volumes while Bangladesh income was marginally lower. Operating expenses in MESA were higher by \$10 million, or 4 per cent, at \$247 million. Expenses in the UAE were up by \$7 million, or 7 per cent, as the business continued to invest in frontline sales capabilities. Working profit was up by 2 per cent to \$124 million. Loan impairment was lower at \$21 million, \$29 million down from the first half of 2011. The decrease was primarily in the UAE as the economic environment improved and we continued with our proactive approach to risk management and maintaining a payroll led strategy. MESA operating profit increased by \$31 million, or 43 per cent, to \$103 million.

### **Africa**

Income was up \$33 million, or 16 per cent, at \$235 million. On a constant currency basis, income grew 24 per cent with strong growth in income from SME reflecting a focused expansion of the business. Deposits grew strongly on the back of improving liability margins, offsetting continued asset margin compression, although this remains a high margin region. Kenya, which continues to be our largest CB revenue generator in the region, grew income by 33 per cent, and Nigeria increased income by 31 per cent, both on the back of improving liability margins following interest rate increases. Income in Botswana, another key contributor, fell 5 per cent as low interest rates impacted liability margins. Operating expenses were \$17 million or 13 per cent higher at \$148 million. On a constant currency basis, expenses were higher by 20 per cent as we continued to strengthen and expand the distribution network. Working profit was \$16 million higher at \$87 million. Loan impairment was flat at \$9 million. Operating profit was up \$20 million, or 34 per cent, at \$78 million. On a constant currency basis operating profit was up 46 per cent.

### **Americas, UK & Europe**

Income grew \$28 million, or 39 per cent, to \$99 million. The business in this region is primarily Private Banking in nature, and focuses on delivering our product suite to international customers from across our network. Income growth was driven by volume growth and margin improvement in Mortgages and higher margins on Deposits. This was partly offset by lower Wealth Management income, which was impacted by the continuing market uncertainty across the eurozone. Operating expenses fell \$7 million, or 8 per cent, to \$78 million reflecting continued discipline on costs, creating capacity for further investment in client facing

staff. Other impairment was \$8 million and the operating profit was \$12 million compared to a loss of \$15 million in H1 2011.

## Wholesale Banking

The following tables provide an analysis of operating profit by geography for Wholesale Banking:

### 6 months ended 30.06.12

	<b>Asia Pacific</b>					<b>Middle East &amp; Other S Asia</b>	<b>Africa</b>	<b>Americas UK &amp; Europe</b>	<b>Wholesale Banking Total</b>
	<b>Hong Kong</b>	<b>Singapore</b>	<b>Korea</b>	<b>Other Asia Pacific</b>	<b>India</b>				
	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>
Operating income.....	1,014	683	362	1,147	567	754	479	990	5,996
Operating expenses.....	(392)	(320)	(138)	(507)	(219)	(312)	(244)	(524)	(2,656)
Loan impairment.....	2	(3)	(21)	(19)	(94)	(141)	(2)	(5)	(283)
Other impairment.....	(8)	(2)	—	(29)	9	(26)	—	(9)	(65)
Operating profit.....	<u>616</u>	<u>358</u>	<u>203</u>	<u>592</u>	<u>263</u>	<u>275</u>	<u>233</u>	<u>452</u>	<u>2,992</u>

### 6 months ended 30.06.11

	<b>Asia Pacific</b>					<b>Middle East &amp; Other S Asia</b>	<b>Africa</b>	<b>Americas UK &amp; Europe</b>	<b>Wholesale Banking Total</b>
	<b>Hong Kong</b>	<b>Singapore</b>	<b>Korea</b>	<b>Other Asia Pacific</b>	<b>India</b>				
	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>
Operating income.....	889	649	257	951	655	759	476	791	5,427
Operating expenses.....	(343)	(341)	(142)	(474)	(216)	(295)	(236)	(521)	(2,568)
Loan impairment.....	(26)	(17)	(8)	(1)	(52)	(94)	2	(5)	(201)
Other impairment.....	—	(16)	(2)	31	(53)	(13)	(9)	(6)	(68)
Operating profit.....	<u>520</u>	<u>275</u>	<u>105</u>	<u>507</u>	<u>334</u>	<u>357</u>	<u>233</u>	<u>259</u>	<u>2,590</u>

### 6 months ended 31.12.11

	<b>Asia Pacific</b>					<b>Middle East &amp; Other S Asia</b>	<b>Africa</b>	<b>Americas UK &amp; Europe</b>	<b>Wholesale Banking Total</b>
	<b>Hong Kong</b>	<b>Singapore</b>	<b>Korea</b>	<b>Other Asia Pacific</b>	<b>India</b>				
	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>
Operating income.....	834	613	308	989	668	737	442	828	5,419
Operating expenses.....	(350)	(261)	(170)	(498)	(261)	(303)	(199)	(537)	(2,579)
Loan impairment.....	(6)	(2)	(24)	(16)	(28)	(103)	(10)	6	(183)
Other impairment.....	—	(15)	(6)	—	(7)	—	(1)	(2)	(31)
Operating profit.....	<u>478</u>	<u>335</u>	<u>108</u>	<u>475</u>	<u>372</u>	<u>331</u>	<u>232</u>	<u>295</u>	<u>2,626</u>

	<i>6 months ended 30.06.12</i>	<i>6 months ended 30.06.11</i>	<i>6 months ended 31.12.11</i>
	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>

## Operating income by product

Lending and Portfolio Management.....	447	435	406
Transaction Banking			
Trade.....	958	767	828
Cash Management and Custody.....	884	785	867
Global Markets			
Financial Markets.....	1,993	1,951	1,737
Asset and Liability Management ('ALM').....	491	431	490
Corporate Finance.....	991	912	961
Principal Finance.....	232	146	130
Total Global Markets.....	<u>3,707</u>	<u>3,440</u>	<u>3,318</u>

Total operating income .....	5,996	5,427	5,419
	<u>          </u>	<u>          </u>	<u>          </u>
	<i>6 months ended 30.06.12</i>	<i>6 months ended 30.06.11</i>	<i>6 months ended 31.12.11</i>
	<u>          </u>	<u>          </u>	<u>          </u>
	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>
<b>Financial Markets operating income by desk</b>			
Foreign Exchange.....	743	769	665
Rates .....	539	450	443
Commodities and Equities .....	277	319	284
Capital Markets .....	290	271	277
Credit and Other .....	144	142	68
	<u>          </u>	<u>          </u>	<u>          </u>
Total Financial Markets operating income .....	1,993	1,951	1,737
	<u>          </u>	<u>          </u>	<u>          </u>

WB retained its strategic focus in challenging economic and market conditions and delivered another strong performance, growing operating income by \$569 million, or 10 per cent, to \$5,996 million. Hong Kong became the first market to exceed \$1 billion of income in a half-year period. Client income, which constitutes 80 per cent of WB income, grew by 8 per cent, with broad-based growth across product lines, client segments and geographies as we continued to strengthen and deepen client relationships. Own account income increased 21 per cent.

Net interest income was up \$392 million, or 15 per cent, to \$3,091 million with increased asset and deposit balances and improved Trade and Cash Management margins offsetting continued margin pressure in Lending. Non-interest income rose by \$177 million, or 6 per cent, to \$2,905 million.

Commercial banking, which includes Cash Management and Custody, Trade, Lending and flow foreign exchange (FX) business, remains the core of our WB business and contributed over half of client income. Within this, Transaction Banking delivered another strong performance, with income up 19 per cent driven by both Trade and Cash Management and Custody, reflecting volume growth and improved margins.

Financial Markets (FM) income grew 2 per cent, reflecting strong growth in Rates and Credit, which was largely offset by lower Commodities and FX income. ALM income grew strongly, up 14 per cent, and benefitted from portfolio growth and improved reinvestment opportunities. Corporate Finance income increased by 9 per cent despite market headwinds and Principal Finance income grew 59 per cent reflecting valuation gains.

Operating expenses were up \$88 million, or 3 per cent, to \$2,656 million driving positive jaws of 7 per cent as we maintained strong expense discipline, creating additional capacity for further focused investments in systems infrastructure and the flow through expense of prior year initiatives.

Pre-provision profit was up \$481 million, or 17 per cent, to \$3,340 million.

Loan impairment was higher by \$82 million at \$283 million driven by a very small number of exposures in India and the UAE. The portfolio continues to be well diversified and predominantly short tenor.

Other impairment at \$65 million was down 4 per cent and predominantly comprises provisions in respect of certain Private Equity and strategic investments.

Operating profit increased \$402 million, or 16 per cent, to \$2,992 million.

## Product performance

Lending and Portfolio Management income increased by \$12 million, or 3 per cent, to \$447 million. While average balances increased, margins were impacted by the increasing cost of liquidity in most markets although improvement in some markets was seen in the latter part of H1 2012.

Transaction Banking income was up \$290 million, or 19 per cent, at \$1,842 million and remained a key driver of the growth in client income. Income from Trade grew 25 per cent on the back of 13 per cent growth in average assets and contingents and improved margins, which increased 17 bps as we repriced across a number of markets. Cash Management and Custody income grew strongly, up 13 per cent, with good momentum in liability balances and improved margins, up 7 bps.

Global Markets income was up \$267 million, or 8 per cent, at \$3,707 million. Within Global Markets, the FM business, which primarily comprises sales and trading of FX and interest rate products, continued to be the largest contributor and has seen increasing diversification in its income streams.

FM income increased by 2 per cent to \$1,993 million. Client income, which forms around three quarters of FM income, grew 2 per cent and own account income rose 3 per cent. Flow business continued to grow and constitutes around 70 per cent of client income. Fixed Income, Currency & Commodities (FICC), which includes FX, Rates, Commodities and Credit, was up 1 per cent.

FX and Rates continued to be the core driver of FM income, growing 5 per cent, reflecting strong growth in Rates, up 20 per cent on the back of increased client hedging as interest rates rose in a number of markets. This was partly offset by lower income from FX, down 3 per cent. Although FX volumes rose, corporate client risk appetite was impacted by global macro events and as a result we saw an increase in the proportion of financial institution clients in our business mix, with a consequent negative impact on average margins.

Commodities and Equities income fell 13 per cent and was impacted by low levels of volatility, and the non-recurrence of big ticket client transactions from the prior period. Capital Markets income increased as we grew capability and increased market share with a number of deal 'firsts' including the first issuance by a Middle Eastern entity in the dim sum bond market. Credit and Other income increased marginally against H1 2011 but was significantly higher than H2 2011 due to robust levels of activity in new issues on the back of strong investor appetite.

ALM income was \$60 million, or 14 per cent, higher at \$491 million. This increase was driven by growth in the portfolio and improved yields from reinvesting funds as lower yielding assets matured, with much of the growth arising in the Americas, UK & Europe region.

Corporate Finance income grew \$79 million, or 9 per cent, to \$991 million, led by Structured Finance. We continued to build increasingly diverse income streams within this business, with strong volume growth in small to mid-sized transactions across multiple geographies together with a higher proportion of recurring and sustainable income streams. The deal pipeline at the end of the period remains very strong.

Principal Finance income was up \$86 million, or 59 per cent, to \$232 million. Although market conditions improved, driving an increase in valuation, equity markets remain subdued with limited opportunities for realisations.

## **Geographic performance**

### ***Hong Kong***

Income was up \$125 million, or 14 per cent, to \$1,014 million reflecting broad based growth across diversified income streams. Client income was up 16 per cent, remaining resilient as we continued to leverage on the opportunities arising from RMB internationalisation and China related trade flows. This contributed to strong growth in Trade income, coupled with improved margins and higher average balances. FX income also rose on the back of increased market demand for RMB hedging. Cash Management and Custody income also grew strongly, up 21 per cent, with good growth in volumes. Corporate Finance income increased reflecting strong flow of offshore borrowing from mainland China corporates and also from the expansion of our transport leasing business into Hong Kong in the second half of 2011. Hong Kong continued to leverage the Group's network and enhance its position as a hub into and out of China, with inbound revenues up 39 per cent. Operating expenses were higher by \$49 million, or 14 per cent, at \$392 million as good discipline was maintained on costs with the increase primarily due to depreciation from transport leasing assets. Working profit was up \$76 million, or 14 per cent, to \$622 million. Loan impairment was lower by \$28 million as the prior year included provisions on certain Principal Finance investments. Operating profit was up \$96 million, or 18 per cent, to \$616 million.

### ***Singapore***

Income grew \$34 million, or 5 per cent, to \$683 million and client income was up 7 per cent. Transaction Banking income grew strongly on the back of higher Cash Management volumes and improved Trade margins following repricing initiatives in the latter part of 2011. Income from FM fell with a good performance in Rates offset by lower Commodities income. Principal Finance income increased, driven by higher valuations, while ALM income fell, impacted by lower reinvestment yields from a shift into higher grade, lower yield securities. Operating expenses fell \$21 million, or 6 per cent, to \$320 million with continued discipline on expenses and lower variable compensation, which was partly offset by investments in front office capability. Working profit was up \$55 million, or 18 per cent, to \$363 million. Impairment was significantly lower and credit quality remains good. Operating profit was higher by \$83 million, or 30 per cent, at \$358 million.

## **Korea**

Income rose \$105 million, or 41 per cent, to \$362 million and included \$35 million relating to a property sale. Excluding the impact of this, income grew by 27 per cent. Client income increased by 6 per cent on a headline basis and 10 per cent on a constant currency basis with Transaction Banking benefitting from higher Custody revenues and improved Cash Management margins. Rates and Credit income grew as volumes increased, particularly in sales of structured investment products to financial institutions, although this was partly offset by lower Corporate Finance income. Own account income increased strongly benefitting from market volatility. Income originated from subsidiaries of Korean corporates booked across our network maintained good momentum, with double digit growth against the prior year. Operating expenses were lower by \$4 million, or 3 per cent, at \$138 million. On a constant currency basis, expenses were up 1 per cent as the flow through of prior year investments was largely offset by continuing tight focus on discretionary expenses. Working profit was higher by \$109 million, or 95 per cent, at \$224 million. Loan impairment was higher than H1 2011 by \$13 million at \$21 million, driven by incremental provisions related to a small number of specific ship building exposures. Operating profit increased by \$98 million, or 93 per cent, to \$203 million.

## **Other Asia Pacific**

Income was up \$196 million, or 21 per cent, at \$1,147 million. Most major markets in this region saw income growth driven by Transaction Banking. China delivered income growth of 25 per cent to \$359 million with improved margins in Trade, on the back of active repricing, and in Cash Management following interest rate rises. Client income growth was moderated by lower FM income, with FX income impacted by lower RMB volatility, and slower export trade flows. Own account income rose strongly following realignment of the portfolio to higher yields. Income originated from China clients and booked across our network continued to grow strongly, particularly across the South East Asia region with Hong Kong remaining the main cross-border partner. Income in Taiwan was up 10 per cent to \$77 million driven by strong growth in Trade and FX income. Malaysia income was up 41 per cent to \$180 million with strong growth in Rates and higher Corporate Finance income. Indonesia continued to show good growth, with income up 25 per cent on the back of higher Corporate Finance and Financial Markets income. Operating expenses in Other APR were up \$33 million, or 7 per cent, to \$507 million due to staff and premises costs and flow through from prior year investments. China operating expenses were up 8 per cent to \$183 million largely due to increased staff costs. Working profit across the region was up by 34 per cent and ended at \$640 million. Loan impairment was up \$18 million to \$19 million. Other impairment increased to a charge of \$29 million from a net recovery of \$31 million in H1 2011. H1 2011 benefitted from impairment recoveries on disposal of previously impaired Private Equity investments while the H1 2012 charge was driven by provisions against an unrelated Private Equity investment. Operating profit was \$85 million, or 17 per cent, higher at \$592 million, of which \$146 million was attributable to China.

## **India**

Income declined \$88 million, or 13 per cent, to \$567 million as the operating environment remained challenging, albeit income was flat on a constant currency basis. While Trade and Cash Management income grew on the back of sustained momentum in volumes and improved margins, this was offset by lower Corporate Finance income which was affected by the continuing softness in business sentiment. FM income also fell reflecting lower FX and Rates income as the fall in the Indian rupee impacted customer appetite for hedging. Income originated from Indian clients and booked across our network however grew at a strong double digit rate as we continued to leverage the Group's network. Operating expenses increased \$3 million, or 1 per cent, to \$219 million. On a constant currency basis, expenses increased by 18 per cent, primarily due to flow through of prior year investments. Working profit was down \$91 million, or 21 per cent, at \$348 million. Loan impairment was higher by \$42 million primarily due to credit concerns around a corporate exposure. This was partly offset by a release of the additional portfolio impairment provisions created in 2011 in respect of market uncertainty. Other impairment saw a net recovery of \$9 million reflecting a partial release of prior period provisions. Operating profit was down \$71 million, or 21 per cent, to \$263 million. On a constant currency basis, operating profit fell 5 per cent.

## **MESA**

Income was down \$5 million to \$754 million with increases in client income offset by a fall in own account income. Client income saw growth in Transaction Banking volumes and increased Corporate Finance revenues but was impacted by lower margins. Own account income fell on the back of less volatile markets. Islamic banking continued to be a key focus area and the UAE remains the Group's highest contributor with revenues up 15 per cent compared to H1 2011. UAE income, however, was down 5 per cent overall although client income remained resilient, increasing by 2 per cent driven by Transaction Banking and Corporate Finance. Own account income fell reflecting lower market volatility and the run-off of high-yielding ALM assets. Bangladesh grew income by 5 per cent driven by good growth in Cash Management, while

income in Bahrain was lower reflecting lower Lending volumes and reduced Corporate Finance activity. Pakistan income was down 16 per cent on the back of lower Cash Management and FX revenues. Operating expenses increased by \$17 million, or 6 per cent, to \$312 million, primarily reflecting increased technology spend. Working profit was down \$22 million, or 5 per cent, to \$442 million. Loan impairment increased by \$47 million, or 50 per cent, to \$141 million driven primarily by a very small number of provisions in the UAE. Operating profit was down \$82 million, or 23 per cent, to \$275 million.

### **Africa**

Income was up \$3 million to \$479 million. The business remains diversified across products, client groups and countries. Income growth was driven by Transaction Banking, underpinned by a strong performance in Cash Management and Custody as margins improved. This was offset by lower Corporate Finance income, which was impacted by market uncertainty. Nigeria remains the largest WB market in the region although income was down 6 per cent with Lending margins impacted by a high cost of liquidity. Income in Kenya was up 57 per cent across most product lines, with Rates and Transaction Banking benefitting from favourable interest rates. Increased Corporate Finance revenues enabled South Africa to increase income by 36 per cent. This was partly offset by lower Capital Markets income in Ghana, which benefitted from landmark deals in H1 2011 that did not replicate in H1 2012, and lower FM sales in Botswana. Zambia, Tanzania, and Uganda, however, made good contributions to income growth. Operating expenses were up \$8 million, or 3 per cent, to \$244 million. On a constant currency basis expenses were 9 per cent higher reflecting increased staff costs. Operating profit was flat at \$233 million. On a constant currency basis, operating profit was up 7 per cent.

### **Americas, UK & Europe**

This region continues to support our clients' cross border business, taking regional clients to our footprint or bringing footprint clients to the region. Americas, UK & Europe also contains the Group's US dollar clearing business, which is the seventh largest by volume globally. Income was up by \$199 million, or 25 per cent, with a 27 per cent growth in client income across a diversified range of products – Trade, as volumes and margins improved; FM sales, benefitting from growth in Commodities and Rates; and Corporate Finance. Own account income increased on the back of higher Commodities trading driven by strong client flows. Operating expenses were marginally higher by \$3 million with continued cost efficiencies offsetting higher regulatory costs. Working profit grew \$196 million, or 73 per cent, to \$466 million. Loan impairment was flat and operating profit increased by 75 per cent to \$452 million.

## **STANDARD CHARTERED PLC – GROUP RESULTS FOR FIRST HALF OF 2012**

Set out on pages 96 to 100 of this document is the unaudited condensed consolidated interim income statement, statement of comprehensive income, balance sheet, statement of changes in equity and cash flow statement without material adjustment from the 2012 Interim Report for the six months ended 30 June 2012, announced on 1 August 2012.

**CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT**  
For the six months ended 30 June 2012

	<i>6 months ended 30.06.12</i>	<i>6 months ended 30.06.11</i>	<i>6 months ended 31.12.11</i>
	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>
Interest income .....	9,092	7,886	8,698
Interest expense .....	(3,609)	(2,945)	(3,486)
Net interest income .....	5,483	4,941	5,212
Fees and commission income .....	2,229	2,401	2,065
Fees and commission expense .....	(255)	(222)	(198)
Net trading income .....	1,565	1,366	1,279
Other operating income .....	489	278	515
Non-interest income .....	4,028	3,823	3,661
Operating income .....	9,511	8,764	8,873
Staff costs .....	(3,353)	(3,224)	(3,406)
Premises costs .....	(423)	(422)	(440)
General administrative expenses .....	(863)	(731)	(1,073)
Depreciation and amortisation .....	(324)	(300)	(321)
Operating expenses .....	(4,963)	(4,677)	(5,240)
Operating profit before impairment losses and taxation .....	4,548	4,087	3,633
Impairment losses on loans and advances and other credit risk provisions .....	(583)	(412)	(496)
Other impairment .....	(74)	(72)	(39)
Profit from associates .....	57	33	41
Profit before taxation .....	3,948	3,636	3,139
Taxation .....	(1,048)	(1,032)	(810)
Profit for the period .....	2,900	2,604	2,329
Profit attributable to:			
Non-controlling interests .....	44	38	46
Parent company shareholders .....	2,856	2,566	2,283
Profit for the period .....	2,900	2,604	2,329
	<i>Cents</i>	<i>cents</i>	<i>Cents</i>
Earnings per share:			
Basic earnings per ordinary share .....	117.6	107.0	93.9
Diluted earnings per ordinary share .....	116.5	105.6	92.8
Dividends per ordinary share:			
Interim dividend declared .....	27.23	—	—
Interim dividend paid .....	—	24.75	—
Final dividend paid .....	—	—	51.25
	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>
Total dividend:			
Total interim dividend payable <sup>1</sup> .....	650	—	—
Total interim dividend (paid 7 October 2011) .....	—	586	—
Total final dividend (paid 15 May 2012) .....	—	—	1,216

<sup>1</sup> Dividend declared/payable represents the interim dividend as declared by the Board of Directors on 1 August 2012 and is expected to be paid on 11 October 2012. This dividend does not represent a liability to the Group at 30 June 2012 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 2012

	<i>6 months ended 30.06.12</i>	<i>6 months ended 30.06.11</i>	<i>6 months ended 31.12.11</i>
	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>
<b>Profit for the period</b> .....	<b>2,900</b>	2,604	2,329
<b>Other comprehensive income:</b>			
Exchange differences on translation of foreign operations:			
Net (losses)/gains taken to equity .....	(217)	643	(1,646)
Net (losses)/gains on net investment hedges	(4)	(69)	74
Actuarial (losses)/gains on retirement benefit obligations .....	(76)	41	(230)
Share of other comprehensive income from associates .....	(1)	—	1
Available-for-sale investments:			
Net valuation gains/(losses) taken to equity .....	318	77	(289)
Reclassified to income statement .....	(150)	(60)	(207)
Cash flow hedges:			
Net gains/(losses) taken to equity .....	44	96	(92)
Reclassified to income .....	—	(53)	(41)
Taxation relating to components of other comprehensive income .....	(46)	(47)	145
Other comprehensive income for the period, net of taxation.....	(132)	628	(2,285)
<b>Total comprehensive income for the period</b> .....	<b>2,768</b>	3,232	44
<b>Total comprehensive income attributable to:</b>			
Non-controlling interests .....	1	24	32
Parent company shareholders .....	2,767	3,208	12
	<b>2,768</b>	3,232	44

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET**  
As at 30 June 2012

	30.06.12	30.06.11	31.12.11
	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>
<b>Assets</b>			
Cash and balances at central banks .....	51,111	43,689	47,364
Financial assets held at fair value through profit or loss .....	27,769	27,401	24,828
Derivative financial instruments .....	61,775	50,834	67,933
Loans and advances to banks .....	74,167	57,317	65,981
Loans and advances to customers .....	273,366	262,126	263,765
Investment securities .....	88,341	81,344	85,283
Other assets .....	30,434	28,791	27,286
Current tax assets .....	268	227	232
Prepayments and accrued income .....	2,714	2,154	2,521
Interests in associates .....	939	857	903
Goodwill and intangible assets .....	7,067	7,397	7,061
Property, plant and equipment .....	5,601	4,714	5,078
Deferred tax assets .....	879	855	835
<b>Total assets .....</b>	<b>624,431</b>	<b>567,706</b>	<b>599,070</b>
<b>Liabilities</b>			
Deposits by banks .....	44,838	36,334	35,296
Customer accounts .....	351,381	333,485	342,701
Financial liabilities held at fair value through profit or loss .....	19,067	20,326	19,599
Derivative financial instruments .....	59,389	49,637	65,926
Debt securities in issue .....	57,814	38,640	47,140
Other liabilities .....	26,154	25,983	23,834
Current tax liabilities .....	1,196	1,162	1,005
Accruals and deferred income .....	4,215	3,936	4,458
Subordinated liabilities and other borrowed funds .....	16,543	16,004	16,717
Deferred tax liabilities .....	144	150	131
Provisions for liabilities and charges .....	165	176	369
Retirement benefit obligations .....	591	312	519
<b>Total liabilities .....</b>	<b>581,497</b>	<b>526,145</b>	<b>557,695</b>
<b>Equity</b>			
Share capital .....	1,196	1,190	1,192
Reserves .....	41,109	39,743	39,522
Total parent company shareholders' equity .....	42,305	40,933	40,714
Non-controlling interests .....	629	628	661
<b>Total equity .....</b>	<b>42,934</b>	<b>41,561</b>	<b>41,375</b>
<b>Total equity and liabilities .....</b>	<b>624,431</b>	<b>567,706</b>	<b>599,070</b>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**  
For the six months ended 30 June 2012

	<i>Share capital</i>	<i>Share premium account</i>	<i>Capital and capital redemption reserve<sup>1</sup></i>	<i>Merger reserve</i>	<i>Available-for-sale reserve</i>	<i>Cash flow hedge reserve</i>	<i>Translation reserve</i>	<i>Retained earnings</i>	<i>Parent company shareholders equity</i>	<i>Non-controlling interests</i>	<i>Total</i>
	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>
At 1 January 2011 .....	1,174	5,386	18	12,421	308	57	(412)	19,260	38,212	653	38,865
Profit for the period.....	—	—	—	—	—	—	—	2,566	2,566	38	2,604
Other comprehensive income .....	—	—	—	—	4	29	581	28 <sup>2</sup>	642	(14)	628
Distributions.....	—	—	—	—	—	—	—	—	—	(45)	(45)
Shares issued, net of expenses.....	4	21	—	—	—	—	—	—	25	—	25
Net own shares adjustment .....	—	—	—	—	—	—	—	(106)	(106)	—	(106)
Share option expense, net of taxation .....	—	—	—	—	—	—	—	138	138	—	138
Capitalised on scrip dividend .....	12	(12)	—	—	—	—	—	—	—	—	—
Dividends, net of scrip.....	—	—	—	—	—	—	—	(544)	(544)	—	(544)
Other decreases.....	—	—	—	—	—	—	—	—	—	(4)	(4)
<b>At 30 June 2011 .....</b>	<b>1,190</b>	<b>5,395</b>	<b>18</b>	<b>12,421</b>	<b>312</b>	<b>86</b>	<b>169</b>	<b>21,342</b>	<b>40,933</b>	<b>628</b>	<b>41,561</b>
Profit for the period.....	—	—	—	—	—	—	—	2,283	2,283	46	2,329
Other comprehensive income .....	—	—	—	—	(421)	(99)	(1,563)	(188) <sup>2</sup>	(2,271)	(14)	(2,285)
Distributions.....	—	—	—	—	—	—	—	—	—	(24)	(24)
Shares issued, net of expenses.....	2	37	—	—	—	—	—	—	39	—	39
Net own shares adjustment .....	—	—	—	—	—	—	—	42	42	—	42
Share option expense, net of taxation .....	—	—	—	—	—	—	—	296	296	—	296
Dividends, net of scrip.....	—	—	—	—	—	—	—	(608)	(608)	—	(608)
Other increases.....	—	—	—	—	—	—	—	—	—	25	25
<b>At 31 December 2011 .....</b>	<b>1,192</b>	<b>5,432</b>	<b>18</b>	<b>12,421</b>	<b>(109)</b>	<b>(13)</b>	<b>(1,394)</b>	<b>23,167</b>	<b>40,714</b>	<b>661</b>	<b>41,375</b>
Profit for the period.....	—	—	—	—	—	—	—	2,856	2,856	44	2,900
Other comprehensive income .....	—	—	—	—	145	39	(212)	(61) <sup>2</sup>	(89)	(43)	(132)
Distributions.....	—	—	—	—	—	—	—	—	—	(33)	(33)
Shares issued, net of expenses.....	1	22	—	—	—	—	—	—	23	—	23
Net own shares adjustment .....	—	—	—	—	—	—	—	(284)	(284)	—	(284)
Share option expense, net of taxation .....	—	—	—	—	—	—	—	181	181	—	181
Capitalised on scrip dividend .....	3	(3)	—	—	—	—	—	—	—	—	—
Dividends, net of scrip.....	—	—	—	—	—	—	—	(1,096)	(1,096)	—	(1,096)
<b>At 30 June 2011 .....</b>	<b>1,196</b>	<b>5,451</b>	<b>18</b>	<b>12,421</b>	<b>36</b>	<b>26</b>	<b>(1,606)</b>	<b>24,763</b>	<b>42,305</b>	<b>629</b>	<b>42,934</b>

<sup>1</sup> Includes capital reserve of \$5 million and capital redemption reserve of \$13 million.

<sup>2</sup> For the period ended 30 June 2012, comprises actuarial gains, net of taxation and non-controlling interests of \$60 million (30 June 2011: gain of \$28 million and 31 December 2011: loss of \$189 million) and share of comprehensive income from associates of \$(1) million (30 June 2011: nil million and 31 December 2011: \$1 million).

**CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT**  
**For the six months ended 30 June 2012**

	<i>6 months ended 30.06.12</i>	<i>6 months ended 30.06.11</i>	<i>6 months ended 31.12.11</i>
	<i>\$million</i>	<i>\$million</i>	<i>\$million</i>
<b>Cash flows from operating activities</b>			
Profit before taxation.....	3,948	3,636	3,139
Adjustments for:			
Non-cash items included within income statement .....	1,117	982	1,841
Change in operating assets .....	(10,521)	(31,620)	(36,391)
Change in operating liabilities .....	19,787	33,336	45,142
Contributions to defined benefit schemes .....	(46)	(17)	(60)
UK and overseas taxes paid, net of refund .....	(971)	(823)	(795)
Net cash from operating activities .....	13,314	5,494	12,876
<b>Net cash flows from investing activities</b>			
Purchase of property, plant and equipment .....	(72)	(249)	(37)
Disposal of property, plant and equipment.....	179	76	63
Acquisition of investment in subsidiaries and associates, net of cash acquired .....	(4)	(889)	(17)
Purchase of investment securities .....	(70,779)	(63,346)	(67,914)
Disposal and maturity of investment securities .....	67,872	59,490	60,341
Dividends received from investment in associates.....	13	5	5
Net cash used in investing activities .....	(2,791)	(4,913)	(7,559)
<b>Net cash flows from financing activities</b>			
Issue of ordinary and preference share capital, net of expenses .....	23	25	39
Purchase of own shares .....	(316)	(146)	-
Exercise of share options through ESOP.....	32	40	17
Interest paid on subordinated liabilities .....	(503)	(538)	(304)
Gross proceeds from issue of subordinated liabilities .....	1,085	96	833
Repayment of subordinated liabilities .....	(1,303)	(513)	(27)
Interest paid on senior debts .....	(540)	(302)	(592)
Gross proceeds from issue of senior debts .....	11,924	7,171	8,423
Repayment of senior debts .....	(6,122)	(3,244)	(4,848)
Dividends paid to non-controlling interests and preference shareholders.....	(84)	(95)	(75)
Dividends paid to ordinary shareholders, net of scrip .....	(1,045)	(494)	(557)
Net cash from financing activities.....	3,151	2,000	2,909
Net increase in cash and cash equivalents.....	13,674	2,581	8,226
Cash and cash equivalents at beginning of the period.....	70,450	59,734	63,394
Effect of exchange rate movements on cash and cash equivalents .....	(319)	1,079	(1,170)
Cash and cash equivalents at end of the period .....	83,805	63,394	70,450

The financial information included herein does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for 2010 have been delivered to the Registrar of Companies. The auditors have reported on these accounts; their report was unqualified and did not contain a statement under section 498(2) of the Companies Act 2006 (accounting records or returns inadequate or accounts not agreeing with records and returns) or section 498(3) of the Companies Act 2006 (failure to obtain necessary information and explanation).

## TAXATION

**United States Internal Revenue Service Circular 230 Notice:** To ensure compliance with Internal Revenue Service Circular 230, prospective investors are hereby notified that: (a) any discussion of U.S. federal tax issues contained or referred to in this disclosure statement or any document referred to herein is not intended or written to be used, and cannot be used by prospective investors for the purpose of avoiding penalties that may be imposed on them under the United States Internal Revenue Code; (b) such discussion is written for use in connection with the promotion or marketing of the transactions or matters addressed herein; and (c) prospective investors should seek advice based on their particular circumstances from an independent tax advisor.

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. They 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 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 which do not conform to any of the definitions of Tier 1, 2 or 3 capital adopted by the Financial Services Authority 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, unless HM Revenue & Customs regard the characteristics of the Notes as being primarily attributable to an intention to avoid United Kingdom tax.

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).

Noteholders should note that any persons in the United Kingdom paying interest to, or receiving interest on behalf of, another person who is an individual, may be required to provide certain information to HM Revenue & Customs (including the name and address of the beneficial owner of the interest and the amount of interest paid or received). HM Revenue & Customs also has the power to obtain information from any person in the United Kingdom who either pays amounts payable on the redemption of Notes which are deeply discounted securities for the purposes of the Income Tax (Trading and Other Income) Act 2005 to or receives such amounts for the benefit of an individual. Such information may include the name and address of the beneficial owner and the amount payable on redemption. Any information obtained by HM Revenue & Customs under the powers referred to in this paragraph may, in certain circumstances, be exchanged by HM Revenue & Customs with tax authorities in certain other jurisdictions. However, in relation to amounts payable on the redemption of deeply discounted securities, HM Revenue & Customs' published practice indicates that HM Revenue & Customs will not exercise its power to obtain information where such amounts are paid or received on or before 5 April 2013.

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.

### **EC Directive on the Taxation of Savings Income**

Directive 2003/48/EC provides for the tax authorities of the Member States to provide each other with details of payments of interest and other similar income paid by a person within its jurisdiction to or for the benefit of an individual resident, or to certain other persons established in another Member State but permits certain Member States instead to impose a withholding tax on the payments concerned for a "transitional period" (although it also provides that no such withholding tax should be levied where the beneficial owner of the payment authorises an exchange of information and/or where the beneficial owner presents a certificate from the tax authority of the Member State in which the beneficial owner is resident) unless during such period they elect otherwise. The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above. The Directive does not preclude Member States from levying other types of withholding tax.

### **United States Foreign Account Tax Compliance Withholding**

A 30 per cent. withholding tax will be imposed on certain payments to certain non-U.S. financial institutions that fail to comply with information reporting requirements or certification requirements in respect of their direct and indirect United States shareholders and/or United States accountholders. Based on proposed regulations, as well as an agreement recently entered into between the United States government and the United Kingdom government, the Issuers generally will not be required to information report or certify the holders of Notes. 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 United States shareholders and/or United States 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 under the Notes. Under proposed regulations, such withholding would generally not apply to payments made before 1 January 2017. Moreover, under proposed regulations, such withholding would only apply to Notes issued or modified on or after 1 January 2013. However, the rules for the implementation of this legislation have not yet been finalized, so it is impossible to determine at this time what impact, if any, this legislation will have on holders of the Notes.

## 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 Ordinance, the issue of Notes by SCBHK is expected to constitute a deposit to which the above exemption from payment will apply.

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 [●] October 2012 (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;
- (c) at any time if the denomination per Note being offered amounts to at least €100,000 (or equivalent); or
- (d) 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 (d) 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 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*), all as defined in, and in accordance with, articles L.411-1, L.411-2 and D.411-1 to D.411-3 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, provided that such qualified investors will act in their own capacity and not as depositaries or nominees for other holders; 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 the relevant implementing instructions of the Bank of Italy (*Istruzioni di vigilanza per le Banche della Banca d’Italia*), CONSOB Regulation No. 16190 of 29 October 2007, all as amended;
- (ii) in compliance with any securities, tax, exchange control and 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 and implementing guidelines, 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; or

(4) as specified in Section 276(7) of the SFA.

**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.

Other than in the United Kingdom in relation to Notes to be issued by SCPLC or SCB and listed on the Official List and admitted to trading on the Market, 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.\$50,000,000,000**

**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 2012 [and the supplemental Prospectus[es] dated [●] [and [●]] which [together] 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 2012 (the “Base Prospectus”) [and the supplemental 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:
 

[[●] % Fixed Rate]

[[●] % Floating Rate]  
[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]
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(i)): [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) Specified 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(i)): [●]

(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Page/●]
(vii)	Interest Period Date(s):	[Not Applicable/●]
(viii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[●]
(ix)	Page (Condition 4(c)(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]
	– Representative Amount:	[●]
	– Effective Date:	[●]
	– Specified Duration:	[●]
(x)	Margin(s):	[+/-][●] per cent. per annum
(xi)	Minimum Rate of Interest:	[●] per cent. per annum
(xii)	Maximum Rate of Interest:	[●] per cent. per annum
(xiii)	Day Count Fraction (Condition 4(i)):	[●]
(xiv)	Rate Multiplier:	[●]
<b>17.</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(i)):	[●]
(iii)	Relevant Currency	[Not Applicable/●]

## PROVISIONS RELATING TO REDEMPTION

<b>18.</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: [●]
- 19. Regulatory Capital Call** [Applicable/Not Applicable]
- 20. 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: [●]
- 21. Final Redemption Amount of each Note** [[●] per Calculation Amount/other]
- 22. 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

- 23. 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]]

- 24. New Global Note:** [Yes]/[No]
- 25. Business Day Jurisdiction(s)**  
(Condition 6(h)) or other special provisions relating to Payment Dates: [Not Applicable/●]
- 26. 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/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 [●].] [Not Applicable.]
- (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 129 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 or HIBOR] rates can be obtained from [relevant screen page].]

### 5. OPERATIONAL INFORMATION

- (i) ISIN Code: [●]
- (ii) Common Code: [●]

- (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme 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) (if any): [Not Applicable/give names]
- (iii) If non-syndicated, name of Dealer: [Not Applicable/give name]
- (iv) US Selling Restrictions: [Reg. S Compliance Category; TEFRA C/ TEFRA D/ TEFRA not applicable]

## 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 depositary 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 15c6-1 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 33 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 33 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 2012. 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. However, unlisted Notes by SCPLC, SCB or SCBHK may be issued pursuant to the Programme.

Application has been made to the Hong Kong Stock Exchange for permission to deal in and to list the Notes issued by SCPLC, SCB or SCBHK under the Programme. It is expected that permission to deal in and to list the Notes issued under the Programme will be granted on or around 15 October 2012. 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 and 26 September 2012. 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 and 26 September 2012. 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 and 28 September 2012.

3. There has been no significant change in the financial or trading position of SCPLC and its subsidiaries since 30 June 2012. There has been no material adverse change in the prospects of SCPLC and its subsidiaries since 31 December 2011.

4. There has been no significant change in the financial or trading position of SCB and its subsidiaries since 30 June 2012. There has been no material adverse change in the prospects of SCB and its subsidiaries since 31 December 2011.

5. There has been no significant change in the financial or trading position of SCBHK and its subsidiaries since 30 June 2012. There has been no material adverse change in the prospects of SCBHK and its subsidiaries since 31 December 2011.

6. As discussed in the "Regulatory changes and Compliance" section on page 21 of the 2012 Interim Report (which is incorporated by reference herein) the Group is conducting a review of its historical US sanctions compliance and is discussing that review with US enforcement agencies and regulators. On 21 September 2012 SCPLC released an announcement confirming that it had finalised the terms of a settlement with the New York State Department of Financial Services (the "DFS") following an investigation into the Group's historical compliance with US sanctions relating to Iran. Under that settlement the Group is required to: (a) pay a civil penalty to the DFS of U.S.\$ 340 million; (b) install a monitor for at least two years, who will report directly to the DFS and who will evaluate the money laundering risk controls in the Group's New York branch and implementation of appropriate corrective measures; and (c) permanently install personnel at the Group's New York branch to oversee and audit any money-laundering due diligence and monitoring undertaken by the Group in respect of the New York branch. In addition, DFS examiners will remain on site at the New York branch as deemed appropriate. The Group continues to engage constructively with the other relevant US authorities on their review of the Group's historical US sanctions compliance. The Group cannot predict when this review and these discussions will be completed nor what the outcome will be, and therefore potential liabilities cannot be reasonably quantified at this point.

Regulators and governmental agencies in certain markets are conducting investigations into submissions made to set various market interest rates and other benchmarks. At relevant times, certain of SCPLC's subsidiaries were (and are) members of panels in some of those markets, submitting data to bodies that set such rates and benchmarks. The Group is therefore conducting reviews of its practices and processes in those markets. It is not possible to predict the scope and ultimate outcome of these or future reviews, including the timing or potential impact of their conclusions.

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 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 Programme Agreement;

(iii) the Agency Agreement;



(iv) the Articles of Association of SCPLC, the Royal Charter, Bye-Laws and Rules of SCB and the Memorandum and Articles of Association of SCBHK;

(v) the audited annual consolidated accounts of SCPLC for the years ended 31 December 2010 and 31 December 2011;

(vi) the audited annual consolidated accounts of SCB for the years ended 31 December 2010 and 31 December 2011;

(vii) the audited annual accounts of SCBHK for the years ended 31 December 2010 and 31 December 2011;

(viii) each set of Final Terms (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market within the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive 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);

(ix) a copy of this document or any further prospectus or supplementary prospectus; and

(x) a copy of the Subscription Agreement for Notes issued on a syndicated basis that are listed on the Official List and admitted to trading on the Market or the Hong Kong Stock Exchange.

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 Services 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 2011 and KPMG have audited and rendered unqualified audit reports on the accounts of SCBHK for the two years ended 31 December 2011. The reports of SCPLC's and SCB's auditors contained the following statements: "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 FSA, 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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