

## IMPORTANT NOTICE

**IMPORTANT: You must read the following before continuing.** The following applies to the attached offering circular (the “**Offering Circular**”) and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In reading, accessing or making any other use of the Offering Circular you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive or access any information from Standard Chartered PLC (the “**Issuer**”), Standard Chartered Bank (the “**Structuring Adviser**”) and each of the other Joint Lead Managers listed on page 3 of the Offering Circular (the “**Joint Lead Managers**”) (the Joint Lead Managers and the Structuring Adviser each a “**Manager**” and, together with any Co-Managers also listed on page 3 of the Offering Circular (the “**Co-Managers**”), the “**Managers**”) and you agree that each of the Issuer and the Joint Lead Managers (together with their subsidiaries and their respective affiliates) will rely upon the truth and accuracy of the following representations, acknowledgements and agreements. **IF YOU DO NOT AGREE TO THE TERMS DESCRIBED IN THIS NOTICE, YOU MAY NOT OPEN THE ATTACHED OFFERING CIRCULAR.** The Offering Circular has been prepared solely in connection with the proposed offering to certain institutional investors of the securities described herein. This document is subject to completion and amendment.

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

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

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

The Offering Circular is not and must not be made available to any connected person (as defined in the Rules Governing the Listing of Securities on The Hong Kong Stock Exchange Limited) of the Issuer. The Offering Circular is not and must not be made available to retail clients, as defined in the rules set out in the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015 (as amended or replaced from time to time). See the section headed “*Restrictions on marketing and sales to retail investors and to connected persons of the Issuer; disclosure of investor information*” on pages 6 to 7 of the Offering Circular for further information.

**Confirmation of your representation:** In order to be eligible to view the Offering Circular or make an investment decision with respect to the Securities, you must be (i) a “qualified institutional buyer” (as defined in Rule 144A under the Securities Act), or (ii) a person that is not a U.S. person (as defined in Regulation S) and that is outside the United States and not acting for the account or benefit of a U.S. person. By accepting the e-mail and accessing the Offering Circular, you shall be deemed to have represented to us that you are either a qualified institutional buyer or are outside the United States and are not a U.S. person and are not acting for the account or benefit of a U.S. person and that you consent to delivery of the Offering Circular by electronic transmission. You have been sent the Offering Circular on the basis that a) you are a person by whom the Offering Circular may be lawfully accessed in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Circular to any other person, and b) you consent to delivery of the Offering Circular in electronic form.

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

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

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

**NOTIFICATION UNDER SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE, AS MODIFIED OR AMENDED FROM TIME TO TIME (THE “SFA”) AND THE SECURITIES AND FUTURES (CAPITAL MARKETS PRODUCTS) REGULATIONS 2018 OF SINGAPORE (THE “CMP REGULATIONS 2018”)** – In connection with Section 309(B) of the SFA and the CMP Regulations 2018 the Issuer has determined, and hereby notifies all persons (including all relevant persons as defined in Section 309A(1) of the SFA), that the Securities and the Ordinary Shares to be delivered following Conversion are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

**UK PRIIPs Regulation / Prohibition of Sales to UK Retail Investors** – The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client, as

Regulation (EU) No 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA ("UK MiFIR"). Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law of the UK by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation. In addition to the foregoing, pursuant to the UK Financial Conduct Authority (the "FCA") Conduct of Business Sourcebook (the "COBS") the Securities are not intended to be offered, sold or otherwise made available and should not be offered, sold or otherwise made available to retail clients (as defined in COBS 3.4) in the UK.

**EU PRIIPs Regulation / Prohibition of Sales to EEA Retail Investors** – The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "EU MiFID II"); or (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "EU PRIIPs Regulation") for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

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

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

The Offering Circular does not constitute a prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of the domestic law of the UK by virtue of the EUWA (the "UK Prospectus Regulation"). The Offering Circular has been prepared solely with regard to the Securities, which are: (i) not to be admitted to listing or trading on a UK regulated market for the purposes of Article 2(1)(13A) of UK MiFIR; and (ii) not to be offered to the public in the UK (other than pursuant to one or more of the exemptions set out in Article 1(4) of the UK Prospectus Regulation). The Offering Circular has not been approved or reviewed by any regulator which is a competent authority under the UK Prospectus Regulation.



## Standard Chartered PLC

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

### *U.S.\$1,500,000,000 Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities*

**ISSUE PRICE: 100 per cent.**

THE ISSUER MAY AT ANY TIME AND FOR ANY REASON ELECT TO CANCEL ANY INTEREST PAYMENT (IN WHOLE OR IN PART) IN ITS SOLE AND ABSOLUTE DISCRETION. INVESTING IN THE SECURITIES (AS DEFINED BELOW), WHICH ARE PERPETUAL AND SUBORDINATED, INVOLVES RISKS. INVESTORS SHOULD NOT PURCHASE THE SECURITIES IN THE PRIMARY OR SECONDARY MARKETS UNLESS THEY UNDERSTAND THE RISKS INVOLVED. THE SECURITIES ARE NOT SUITABLE FOR RETAIL INVESTORS. INVESTORS SHOULD HAVE SUFFICIENT KNOWLEDGE AND EXPERTISE TO EVALUATE THE EFFECT OR THE LIKELIHOOD OF THE OCCURRENCE OF A CONVERSION TRIGGER EVENT (AS DEFINED BELOW) FOR THE SECURITIES WHICH RESULTS IN LOSS ABSORPTION BY INVESTORS. SEE RISK FACTORS BEGINNING ON PAGE 22.

The U.S.\$1,500,000,000 Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities (the “**Securities**”) are expected to be issued by Standard Chartered PLC (the “**Issuer**”) on 19 August 2021 (the “**Issue Date**”).

Application has been made for the Securities to be admitted to trading on the International Securities Market (the “**ISM**”) of the London Stock Exchange plc (the “**London Stock Exchange**”). The Securities are a new issue of securities and there is currently no established trading market for the Securities. None of the Issuer, the Trustee, the Agents or the Managers (each as defined herein) can make any assurances that a liquid trading market will develop for the Securities, that the Securities will be able to be sold at a particular time or that the prices the Securities sell for will be favourable. The ISM is not a United Kingdom (“**UK**”) regulated market for the purposes of Article 2(1)(13A) of Regulation (EU) No 600/2014 as it forms part of the domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”) (“**UK MiFIR**”).

**The ISM is a market designated for professional investors. Securities admitted to trading on the ISM are not admitted to the Official List of the Financial Conduct Authority (the “Official List”) (the “FCA”). The London Stock Exchange has not approved or verified the contents of this document.**

Application will also be made to The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) for the listing of, and permission to deal in, the Ordinary Shares (as defined herein) to be issued upon any Conversion (as defined herein) of the Securities.

The Securities bear interest in respect of the period from (and including) the Issue Date to (but excluding) 19 February 2029 (the “**First Reset Date**”) at a fixed rate of 4.30 per cent. per annum. The Interest Rate (as defined herein) will be reset on each Reset Date (as defined herein). From (and including) each Reset Date to (but excluding) the next following Reset Date, the Interest Rate will be a fixed rate equal to the Treasury Yield plus the Margin. Subject as provided herein, interest on the Securities will be payable semi-annually in arrear on 19 February and 19 August in each year (each an “**Interest Payment Date**”) commencing on 19 February 2022.

**The Issuer may at any time elect to cancel any interest payment (in whole or in part) in its sole and absolute discretion. In addition, the Issuer must cancel payments of interest in respect of any Interest Payment Date to the extent that: (i) the Issuer does not have sufficient Distributable Items (as defined herein); (ii) such payment could not be made in compliance with the Solvency Condition (as defined herein); or (iii) the Issuer is otherwise directed to cancel such payments of interest by the Prudential Regulation Authority under section 55M of the Financial Services and Markets Act 2000 (the “FSMA”). Any interest which is so cancelled or which does not become due will not accumulate or be payable at any time thereafter, no amount will become due from the Issuer in respect thereof and any such cancellation or non-payment shall not constitute a default or event of default on the part of the Issuer for any purpose.**

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

Subject as provided herein and to the Issuer giving notice to the Bank of England, in its capacity as Prudential Regulation Authority (the “PRA”) and the PRA granting permission (or, as applicable, not making any objection) to the Issuer, the Issuer may redeem all but not some only of the Securities: (i) on any day falling in the period commencing on (and including) 19 August 2028 and ending on (and including) the First Reset Date or on any Reset Date thereafter; (ii) at any time if, as a result of a change in or amendment to the laws or regulations of the UK or any political subdivision or any authority thereof or therein having power to tax or certain other changes affecting taxation, as described in the Conditions (as defined herein), the Issuer has or will become obliged to pay additional amounts in respect of the Securities, if the Issuer will or would not be entitled to claim a deduction in respect of any payments in respect of the Securities in computing its taxation liabilities or the amount of such deduction will or would be materially reduced, or if certain other adverse tax consequences occur in respect of the Securities; or (iii) at any time upon the occurrence of a Capital Disqualification Event (as defined herein), in each case at their principal amount plus accrued interest (if any) and in the manner described herein.

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

**The Securities are not intended to be offered, sold or otherwise made available and should not be offered, sold or otherwise made available to retail clients (as defined in the rules set out in the Markets in Financial Instruments Directive 2014/65/EU, as amended or superseded from time to time (“EU MiFID II”)) or to UK Retail Investors (as defined herein). Prospective investors are referred to the section headed “Restrictions on marketing and sales to retail investors and to connected persons of the Issuer; disclosure of investor information” on pages 6 to 7 of this document for further information.**

**The Securities are not intended to be initially placed and may not be initially placed to “connected persons” of the Issuer as defined in the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “HKSE Rules”) (“Connected Persons”). Each initial Securityholder (and the beneficial owners of the Securities, if applicable) will be deemed to have represented to the Issuer and the Managers that it is not a Connected Person of the Issuer, and will not: (i) after completion of the purchase of the Securities; or (ii) (assuming Conversion were to occur on the date of the completion of the purchase of the Securities) after any Conversion of the Securities on such date be a Connected Person of the Issuer. Each prospective investor will be deemed to have agreed with the Issuer and each of the Managers that they may, to the extent required by the HKSE Rules and/or the Hong Kong Stock Exchange and/or the Hong Kong Securities and Futures Commission (the “SFC”), disclose information about such potential investor (including but not limited to its name, company registration number and the number of Securities allotted to it) to certain parties. Prospective investors are referred to the section headed “Restrictions on marketing and sales to retail investors and to connected persons of the Issuer; disclosure of investor information” on pages 6 to 7 of this document for further information.**

This document does not constitute a prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of the domestic law of the UK by virtue of the EUWA (the “UK Prospectus Regulation”). This document has been prepared solely with regard to the Securities, which are: (i) not to be admitted to listing or trading on a UK regulated market for the purposes of UK MiFIR; and (ii) not to be offered to the public in the UK (other than pursuant to one or more of the exemptions set out in Article 1(4) of the UK Prospectus Regulation). This document has not been approved or reviewed by any regulator which is a competent authority under the UK Prospectus Regulation.

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

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

It is expected that delivery of Securities will be made against payment therefor on the Issue Date (T+7), which will be more than two business days following the date of pricing. Under Rule 15c6-I of the U.S. Securities and Exchange Commission under the Exchange Act, trades in the United States secondary market generally are required to settle within two business days (T+2), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Securities in the United States on the date of pricing or the next four succeeding business days will be required, by virtue of the fact that the Securities initially will settle beyond T+2, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement.

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

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

*Structuring Adviser*

**Standard Chartered Bank**

*Joint Lead Managers*

**Barclays**

**Goldman Sachs & Co. LLC**

**Morgan Stanley**

**SOCIETE GENERALE**

**Standard Chartered Bank**

*Co-Managers*

**China Minsheng Banking Corp., Ltd., Hong Kong Branch**

**First Abu Dhabi Bank**

**ICBC Standard Bank**

**Industrial Bank Co., Ltd. Hong Kong Branch**

**Natixis**

**OCBC Bank**

**QNB Capital**

**Santander**

**SNB Capital Company**

**US Bancorp**

## 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.**

The Issuer accepts responsibility for the information contained in this document and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this document is, to the best of the Issuer's knowledge, in accordance with the facts and contains no omission likely to affect its import.

This document has been prepared on the basis that any offer of Securities in the UK will be made pursuant to an exemption under the UK Prospectus Regulation from the requirement to publish a prospectus for offers of Securities. Accordingly any person making or intending to make an offer in the UK of Securities may only do so in circumstances in which no obligation arises for the Issuer or any Manager to publish a prospectus pursuant to Article 1 of the UK Prospectus Regulation in relation to such offer. Neither the Issuer nor any Manager has authorised, nor do they authorise, the making of any offer of Securities in circumstances in which an obligation arises for the Issuer or any Manager to publish or supplement a prospectus for such offer.

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

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

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

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

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

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

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

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

**UK PRIIPs Regulation / Prohibition of Sales to UK Retail Investors** – The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law of the UK by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law of the UK by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation (a “**UK Retail Investor**”).

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**UK MiFIR product governance / Professional investors and ECPs only target market** – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Securities has led to the conclusion that: (i) the target market for the Securities is only eligible counterparties, as defined in the FCA Conduct of Business Sourcebook (the “**COBS**”), and professional clients, as defined in UK MiFIR; and (ii) all channels for distribution of the Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Securities (a “**distributor**”) should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.



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

**NOTIFICATION UNDER SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE, AS MODIFIED OR AMENDED FROM TIME TO TIME (THE "SFA") AND THE SECURITIES AND FUTURES (CAPITAL MARKETS PRODUCTS) REGULATIONS 2018 OF SINGAPORE (THE "CMP REGULATIONS 2018")** – In connection with Section 309(B) of the SFA and the CMP Regulations 2018 the Issuer has determined, and hereby notifies all persons (including all relevant persons as defined in Section 309A(1) of the SFA), that the Securities and the Ordinary Shares to be delivered following Conversion are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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

1. The Securities are complex financial instruments. They are not a suitable or appropriate investment for all investors, especially retail investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Securities. Potential investors in the Securities should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Securities (or any beneficial interests therein).
2.
  - a) In the UK, the COBS requires, in summary, that the Securities should not be offered or sold to retail clients (as defined in COBS 3.4 and each a "**retail client**") in the UK.
  - b) Certain of the Managers are required to comply with the COBS.
  - c) By purchasing, or making or accepting an offer to purchase, any Securities (or a beneficial interest in such Securities) from the Issuer and/or the Managers (acting as Managers), each prospective investor represents, warrants, agrees with and undertakes to the Issuer and each of the Managers that:
    - i) it is not a retail client in the UK; and
    - ii) it will not sell or offer the Securities (or any beneficial interest therein) to retail clients in the UK or communicate (including the distribution of this document) or approve an invitation or inducement to participate in, acquire or underwrite the Securities (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the UK.
  - d) In selling or offering the Securities or making or approving communications relating to the Securities each prospective investor may not rely on the limited exemptions set out in the COBS.
3. The obligations in paragraph 2 above are in addition to the need to comply at all times with all other applicable laws, regulations and regulatory guidance (whether inside or outside the EEA or the UK) relating to the promotion, offering, distribution and/or sale of the Securities (or any beneficial interests therein), whether or not specifically mentioned in this document, including (without limitation) any requirements under EU MiFID II or the UK FCA Handbook as to determining the appropriateness and/or suitability of an investment in the Securities (or any beneficial interests therein) for investors in any relevant jurisdiction.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Securities (or any beneficial interests therein) from the Issuer and/or the



Managers (acting as Managers), the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

Furthermore, by purchasing, or making or accepting an offer to purchase, any Securities from the Issuer and/or the Joint Lead Managers in connection with the offering, each initial Securityholder represents, warrants, agrees with and undertakes to the Issuer and each of the Joint Lead Managers that it (and any person acting on its behalf as nominee or any person on whose behalf it is acting as nominee or agent and each of such person's respective ultimate beneficial owners): (i) is, and will after the completion of the purchase of the Securities or (assuming Conversion were to occur on the date of the completion of the purchase of the Securities) after any Conversion of the Securities on such date, be, independent from and not a connected person of the Issuer including (without limitation) any director, person who was a director of the Issuer at any time within the previous 12 months, chief executive or substantial shareholder (being any person who is entitled to exercise or control the exercise of 10 per cent. or more of the voting power at any general meeting of the Issuer) of the Issuer or of any of its subsidiaries or any associates of any of them; (ii) is not, and will not after the completion of the purchase of the Securities be, a person whose acquisition of the Securities has been financed directly or indirectly by a connected person of the Issuer; and (iii) is not, and will not after the completion of the purchase of the Securities become, accustomed to take instructions from a connected person in relation to the acquisition, disposal, voting or other disposition of securities of the Issuer registered in your name or otherwise held by you. For the purposes of this paragraph, “**associates**”, “**connected persons**”, “**directors**” and “**substantial shareholders**” shall have the meanings ascribed to them in Rules 1.01 and 14A.06 of the HKSE Rules.

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

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

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

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

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

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

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

**In connection with the issue of the Securities Standard Chartered Bank acting as the stabilising manager (in such capacity, the “Stabilising Manager”) (or persons acting on behalf of the Stabilising Manager) may over-allot Securities or effect transactions with a view to supporting the market price of the Securities at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the Securities was made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Securities and 60 days after the date of the allotment of the Securities. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or person(s) acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules.**

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## DOCUMENTS INCORPORATED BY REFERENCE

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

1. the document entitled “*Standard Chartered PLC statement on the Bank of England 2019 stress test results*” released by the Issuer on 17 December 2019;
2. the annual report and audited accounts of the Issuer, its subsidiaries and subsidiary undertakings (the “**Group**”) for the year ended 31 December 2019 (including the audit report thereon) (the “**2019 Annual Report**”);
3. the annual report and audited accounts of the Group for the year ended 31 December 2020 (including the audit report thereon) (the “**2020 Annual Report**”); and
4. the consolidated unaudited interim report of the Group for the first six months ended 30 June 2021 announced by the Issuer on 3 August 2021 (including the auditor’s review report thereon) (the “**2021 Half Year Report**”).

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

The financial statements included in the documents detailed in paragraphs 2 and 3 above were prepared in accordance with applicable law and International Financial Reporting Standards (“**IFRS**”) as adopted by the EU (“**EU IFRS**”). The 2021 Half Year Report was prepared in accordance with applicable law and IFRS as adopted by the UK (“**UK IFRS**”). The annual report and audited accounts for the Group for the year ending 31 December 2021 will be prepared in accordance with UK IFRS.

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

## ALTERNATIVE PERFORMANCE MEASURES

Certain alternative performance measures (“**APMs**”) are included or referred to in this document. APMs are financial measures of historical or future financial performance, financial position, or cash flows used by the Issuer within its financial publications to supplement disclosures prepared in accordance with EU IFRS or UK IFRS (as applicable). The Issuer considers that these measures provide useful information to enhance the understanding of financial performance. An explanation of each APM’s components and calculation method as they are used by the Issuer in each of its financial publications generally can be found on page 32 of the 2021 Half Year Report.

## AVAILABLE INFORMATION

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

## ENFORCEABILITY OF JUDGMENTS

The Issuer is a company incorporated as a public limited company in England and Wales with registered number 966425. Most of the directors of the Issuer are not residents of the United States, and all or a

substantial portion of the assets of the Issuer are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer or such persons or to enforce against any of them in the United States courts judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any State or territory within the United States.

## FORWARD-LOOKING STATEMENTS

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

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

## OVERVIEW OF THE SECURITIES

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

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

<b>Issuer</b>	Standard Chartered PLC.
<b>Description of the Issuer</b>	The Issuer is a public limited company and the ultimate holding company of the Group, an international banking and financial services group particularly focused on the markets of Asia, Africa and the Middle East. The Issuer was incorporated in England and Wales as a limited company in 1969.
<b>Description of the Securities</b>	U.S.\$1,500,000,000 Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities.
<b>Issue Date</b>	19 August 2021.
<b>Perpetual Securities</b>	The Securities are perpetual securities and have no fixed maturity or fixed redemption date.
<b>Issue Price</b>	100 per cent.
<b>Initial Fixed Interest Rate</b>	The Securities bear interest in respect of the period from (and including) 19 August 2021 (the “ <b>Issue Date</b> ”) to (but excluding) 19 February 2029 at a fixed rate of 4.30 per cent. per annum, being (i) the semi-annual equivalent yield to maturity of the relevant U.S. Treasury securities, determined on 10 August 2021 and in a manner consistent with that set out in the definition of “ <b>Treasury Yield</b> ” below, plus (ii) the Margin.
<b>Reset Dates</b>	19 February 2029 (the “ <b>First Reset Date</b> ”) and each date falling five, or an integral multiple of five, years after the First Reset Date.
<b>Reset Rate of Interest</b>	The Interest Rate will be reset on each Reset Date. From (and including) each Reset Date to (but excluding) the next following Reset Date, the Interest Rate will be a fixed rate equal to the Treasury Yield plus the Margin.
<b>Margin</b>	3.135 per cent. per annum, being the initial credit spread on the Securities.
<b>Interest Payment Dates</b>	Subject as provided herein, interest on the Securities will be payable semi-annually in arrear on 19 February and 19 August in each year, commencing on 19 February 2022.
<b>Cancellation of Interest Payments</b>	<p>If the Issuer does not make an Interest Payment or part thereof on the relevant Interest Payment Date, such non-payment shall evidence:</p> <ul style="list-style-type: none"> <li>(i) the non-payment and cancellation of such Interest Payment (or relevant part thereof) by reason of it not being due in accordance with the provisions described under “<i>Solvency Condition</i>” below;</li> <li>(ii) the cancellation of such Interest Payment (or relevant part thereof) in accordance with the provisions described under “<i>Restrictions on Interest Payments</i>” below;</li> <li>(iii) the cancellation of such Interest Payment (or relevant</li> </ul>



part thereof) in accordance with Condition 7(c); or, as appropriate;

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

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

### **Interest Payments Discretionary**

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

### **Restrictions on Interest Payments**

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

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

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

"**Parity Securities**" means, unless the holders of some or all of the following securities are Senior Creditors by virtue of paragraph (b) of the definition of "Senior Creditors", (i) any preference shares in the capital of the Issuer from time to time and any other securities of the Issuer ranking, or expressed to rank, *pari passu* with the Securities and/or such preference shares in a winding-up or administration of the Issuer as described in Condition 4(b) and/or (ii) any securities issued by any other member of the Group where the terms of the securities benefit from a guarantee or support agreement entered into by the Issuer which ranks or is expressed to rank

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

## Solvency Condition

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

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

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

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

**"Existing Dollar Preference Shares"** means the Issuer's outstanding series of 6.409 per cent. non-cumulative redeemable preference shares of U.S.\$5 each (aggregate paid up amount of U.S.\$750,000,000) and 7.014 per cent. non-cumulative redeemable preference shares of U.S.\$5 each (aggregate paid up amount of U.S.\$750,000,000).

**"Existing Preference Shares"** means the Existing Dollar Preference Shares and the Existing Sterling Preference Shares.

**"Existing Sterling Preference Shares"** means the Issuer's outstanding series of 8.25 per cent. non-cumulative irredeemable preference shares of £1 each (aggregate paid up amount of £99,250,000) and 7.375 per cent. non-cumulative irredeemable preference shares of £1 each (aggregate paid up amount of £96,035,000).

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

**"Senior Creditors"** means:

- (a) creditors of the Issuer:
  - (i) who are unsubordinated creditors;
  - (ii) whose claims are, or are expressed to be, subordinated (whether only in the event of the winding-up or administration of the Issuer or otherwise) to the claims of unsubordinated creditors of the Issuer but not further or otherwise; or
  - (iii) whose claims are, or are expressed to be,

junior to the claims of other creditors of the Issuer, whether subordinated or unsubordinated, other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the Securityholders in a winding-up or administration of the Issuer occurring prior to a Conversion Trigger Event; and

- (b) (if the Issuer determines that the Securities would not be included in the Additional Tier 1 Capital of the Group at the time of determination unless the holders of some or all of the following securities were Senior Creditors at that time) the holders of all of the Existing Preference Shares (if any remain outstanding) and the holders of all securities of the Issuer ranking or expressed to rank *pari passu* with any of the Existing Preference Shares in a winding-up or administration of the Issuer occurring prior to a Conversion Trigger Event.

## Status

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

If:

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

then,

- (1) if such events specified in (a) or (b) above occur before the date on which a Conversion Trigger Event occurs, there shall be payable by the Issuer in respect of each Security (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to a Securityholder of such Security if, on the day preceding the commencement of such winding-up or administration and thereafter, such Securityholder were the holder of one of a class of preference shares in the capital of the Issuer ("**Notional Preference Shares**"):
  - (A) having an equal right to a return of assets in such winding-up or administration to, and so ranking *pari passu* with:
    - (i) (unless the holders of the following securities are Senior Creditors by virtue of paragraph (b) of the definition of "Senior Creditors") the holders of the Existing Preference Shares (if any remain outstanding) and the holders of any securities of the Issuer ranking or expressed to rank *pari passu* with any of the Existing Preference Shares in such winding-up or administration; and
    - (ii) the holders of any securities of the Issuer ranking or expressed to rank *pari passu* with the Securities in such winding-up or administration;

- (B) ranking in priority to:
  - (i) the holders of the Ordinary Shares; and
  - (ii) (unless the holders of such shares are Senior Creditors) the holders of any other class of shares in issue or deemed to be in issue for the time being in the capital of the Issuer; and
- (C) ranking junior to:
  - (i) the holders of any shares which may be issued or deemed to be issued by the Issuer which, by their terms, rank in priority to the Notional Preference Shares in such winding-up or administration; and
  - (ii) the claims of Senior Creditors (as defined above),

and on the assumption that the amount that such holder was entitled to receive in respect of each Notional Preference Share, on a return of assets in such winding-up or such administration, were an amount equal to the principal amount of the relevant Security together with, to the extent not otherwise included within the foregoing, any other amounts attributable to the Security, including any accrued but unpaid interest thereon (to the extent not cancelled) and any damages awarded for breach of any obligations; and

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

### **Optional Redemption**

Subject to certain conditions, the Issuer may, at its option, redeem the Securities, in whole but not in part, (i) on any day falling in the period commencing on (and including) 19 August 2028 and ending on (and including) the First Reset Date or (ii) on any Reset Date thereafter at 100 per cent. of their principal amount, together with any accrued but unpaid interest (which excludes any interest cancelled or deemed cancelled as described above) to (but excluding) the date fixed for redemption.

### **Early Redemption due to a Capital Disqualification Event**

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

**Early Redemption due to a Tax Event**

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

**Purchase**

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

**Conditions to Redemption or Purchase**

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

- (i) the Issuer giving notice to the Relevant Regulator and the Relevant Regulator granting permission (or, as applicable, not making any objection) to the Issuer to redeem or purchase the relevant Securities (in each case to the extent, and in the manner, required by the relevant Capital Regulations) and to such redemption or purchase not being prohibited by the Capital Regulations;
- (ii) in respect of any redemption proposed to be made prior to the fifth anniversary of the Issue Date, if and to the extent then required under the Capital Regulations (A) in the case of redemption following the occurrence of a Tax Event, the Issuer having demonstrated to the satisfaction of the Relevant Regulator that the relevant change or event is material and was not reasonably foreseeable by the Issuer as at the Issue Date or (B) in the case of redemption following the occurrence of a Capital Disqualification Event, the Issuer having demonstrated to the satisfaction of the Relevant Regulator that the relevant change was not reasonably foreseeable by the Issuer as at the Issue Date;
- (iii) in the case of any purchase prior to the fifth anniversary of the Issue Date, if and to the extent then required under the Capital Regulations, either (A) the Issuer having, before or at the same time as such purchase, replaced the Securities with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer, and the Relevant Regulator having permitted such action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances or (B) the relevant Securities being purchased for market-making purposes in accordance with the Capital Regulations;
- (iv) in the case of any redemption of the Securities, the Issuer being solvent (as described herein) both immediately prior to and immediately following such redemption;
- (v) in the case of any redemption of the Securities, no Conversion Trigger Notice having been given; and
- (vi) compliance by the Issuer with any alternative or additional pre-conditions to redemption or purchase, as applicable, set out in the relevant Capital Regulations for the time being.

**Enforcement**

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

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

**Conversion**

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

**Conversion Trigger Event**

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

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

**Conversion Price**

The Conversion Price per Ordinary Share in respect of the Securities is U.S.\$6.382 subject to certain anti-dilution adjustments as described herein. As at 10 August 2021, the Conversion Price was equivalent to a price of £4.612, translated into U.S. Dollars at an exchange rate of £1 = U.S.\$1.3838.

**Conversion Shares Offer**

Not later than the tenth London business day following the Conversion Date, the Issuer may, in its sole and absolute discretion, make an election that the Conversion Shares Depositary (or an agent on its behalf) will make an offer, in the Issuer's sole and absolute discretion, of all or some of the Ordinary Shares to be delivered on Conversion to, in the Issuer's sole and absolute discretion, all or some of the Issuer's Shareholders at such time, such offer to be at a cash price per Ordinary Share being no less than the Conversion Price (translated, if necessary, from U.S. Dollars into the currency (or currencies) in which such Ordinary Shares are being offered to all or some of the Issuer's Shareholders as aforesaid at the then prevailing rate as determined by the Issuer in its sole discretion). The Issuer may, on behalf of the Conversion Shares Depositary, appoint a Conversion Shares Offer Agent to act as placement or other agent to facilitate the Conversion Shares Offer.

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

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

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

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

**Ordinary Shares**

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

**No Set-off**

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

**Withholding Tax**

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

**Structuring Adviser**

Standard Chartered Bank.



<b>Joint Lead Managers</b>	Barclays Capital Inc., Goldman Sachs & Co. LLC, Morgan Stanley & Co. LLC, SG Americas Securities, LLC and Standard Chartered Bank (the “ <b>Joint Lead Managers</b> ”).	
<b>Co-Managers</b>	China Minsheng Banking Corp., Ltd., Hong Kong Branch (a joint stock limited company incorporated in the People's Republic of China), First Abu Dhabi Bank, ICBC Standard Bank Plc, Industrial Bank Co., Ltd. Hong Kong Branch (a branch of Industrial Bank Co., Ltd., a joint stock company incorporated in P.R.C with limited liability), Natixis Securities Americas LLC, Oversea-Chinese Banking Corporation Limited, QNB Capital LLC, Santander Investment Securities Inc., SNB Capital Company and U.S. Bancorp Investments, Inc. (the “ <b>Co-Managers</b> ”).	
<b>Trustee</b>	BNY Mellon Corporate Trustee Services Limited.	
<b>Principal Paying and Conversion Agent</b>	The Bank of New York Mellon, London Branch.	
<b>Interest Calculation Agent</b>	The Bank of New York Mellon, London Branch.	
<b>Conversion Calculation Agent</b>	Conv-Ex Advisors Limited.	
<b>Registrar and Transfer Agent</b>	The Bank of New York Mellon SA/NV, Luxembourg Branch.	
<b>Conversion Shares Depositary</b>	To be determined by the Issuer prior to the time of any Conversion.	
<b>Form</b>	The Securities will be represented by registered certificates (each a “ <b>Certificate</b> ”), without coupons, and initially will be represented by one or more Restricted Global Certificates and Unrestricted Global Certificates, each of which will be deposited on or about the Issue Date with a custodian for The Depository Trust Company (“ <b>DTC</b> ”, which expression includes any successor entity thereof).	
<b>Denomination</b>	U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.	
<b>Listing</b>	Application has been made for the Securities to be admitted to trading on the ISM.	
<b>Clearing</b>	The Securities have been accepted for clearing by DTC.	
<b>ISIN</b>	Restricted Global Certificates: US853254CD08	Unrestricted Global Certificates: USG84228EV68
<b>CUSIP</b>	Restricted Global Certificates: 853254CD0	Unrestricted Global Certificates: G84228EV6
<b>FISN</b>	STD CHARTERED P/NT CONV PERP SUB 14	STD CHARTERED P/NT CONV PERP SUB
<b>CFI Code</b>	DCFUQR	DCFUQR
<b>Ratings</b>	The Securities are expected to be rated Ba1 by Moody's Singapore, BB- by S&P and BBB- by Fitch.	
<b>Governing law</b>	English law.	
<b>Risk Factors</b>	See “ <i>Risk Factors</i> ” below.	
<b>Selling Restrictions</b>	See “ <i>Subscription and Sale</i> ” below.	
<b>Transfer Restrictions</b>	See “ <i>Transfer Restrictions</i> ” below.	
<b>LEI code of the Issuer</b>	U4LOSYZ7YG4W3S5F2G91.	

## RISK FACTORS

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Securities. All of these factors are contingencies which may or may not occur.*

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

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

**PROSPECTIVE INVESTORS SHOULD HAVE REGARD TO AND SHOULD HAVE SUFFICIENT KNOWLEDGE AND EXPERTISE TO EVALUATE THE EFFECT OF OR THE LIKELIHOOD OF THE OCCURRENCE OF THE FACTORS DESCRIBED IN THE SECTIONS BELOW, WHICH INCLUDE THE RISK THAT THE SECURITIES MAY BE CONVERTED INTO ORDINARY SHARES AND/OR MAY BE SUBJECT TO STATUTORY WRITE-DOWN OR BAIL-IN, WHICH MAY RESULT IN LOSS ABSORPTION BY INVESTORS.** *Prospective investors should also read the detailed information set out elsewhere in this document (including any documents deemed to be incorporated by reference herein) and reach their own views prior to making any investment decision.*

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

#### **1.1. *The Group is exposed to macroeconomic risks***

The Group operates across more than 59 markets and is affected by the prevailing economic conditions in each of these markets. Macroeconomic factors have an impact on personal expenditure and consumption, demand for business products and services, the debt service burden of consumers and businesses, the general availability of credit for retail and corporate borrowers and the availability of capital and liquidity for the Group. All these factors have impacted and may continue to impact the Group's financial condition and results of operations.

Asia, led by China (which, for the purposes of this Offering Circular, shall exclude Hong Kong), remains the main driver of global economic activity levels. In particular, Greater China, North Asia and South East Asian economies remain key strategic regions for the Group. The emergence of the novel strain of the coronavirus identified in China in late 2019 ("**COVID-19**") has impacted the Group's overall macroeconomic and operating environment; see the risk factor entitled "*Risks relating to the Group and its business operations - The COVID-19 pandemic, and the emergence of new diseases, could continue to affect the business, results of operations and financial condition of the Issuer and of the Group materially and adversely*" for further disclosure on the impact of the COVID-19 pandemic on the Group. While China's economy continued its strong recovery from the COVID-19 pandemic in the first quarter of 2021 as the country unveiled a record annual growth rate of 18.3 per cent. year-on-year in the first three months, the level of any recovery remains subject to significant uncertainty.

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

#### **1.2. *The COVID-19 pandemic, and the emergence of new diseases, could continue to affect the business, results of operations and financial condition of the Issuer and of the Group materially and adversely***

The COVID-19 pandemic has resulted in authorities implementing numerous social measures to try to contain the virus, such as travel bans and restrictions, curfews, quarantines and shutdowns, and has led to severe economic downturn in many countries.

The health and social impact of the COVID-19 pandemic, the economic fallout and associated increased cyber threats have impacted companies globally, resulting in significant pressure on the financial health and security of suppliers, vendors and other third parties that the Group relies upon.

The spread of COVID-19 has led the Group to modify its business practices, including the imposition of restrictions on employee travel, changes to working locations and the cancellation of physical participation in meetings. The Group may take further actions required by authorities or that it determines are in the best interests of its employees, customers, partners, or suppliers. There is no certainty that such measures will be sufficient to mitigate the risks posed by the COVID-19 pandemic, and the implementation of such measures (or their insufficiency) could harm the

Group's ability to perform critical functions. The unavailability of staff could adversely impact the quality and continuity of service to customers and the reputation of the Group.

Whether, and to what extent, economic conditions will revert to the pre-COVID-19 pandemic position is largely dependent on the successful development and delivery of vaccination programmes globally which, as of the date of this document, has been uneven and cannot be predicted.

In the short term, the further economic impact of the COVID-19 pandemic will depend on a number of factors, including (i) virus mutations and the emergence of new strains (impacting its severity, duration and spread), (ii) access to and delivery of vaccination programmes at a global level, and (iii) continuing or additional social restrictions.

In the medium- to long-term, if the spread of COVID-19 is prolonged further or new vaccine-resistant strains emerge, this may give rise to similar effects. In such circumstances, macroeconomic conditions will continue to be adversely affected leading to further economic downturn in countries where the Group operates and for the global economy more broadly (which could be widespread, severe and long lasting). The ability of the Group's customers to comply with their contractual obligations, including to the Group, may also be materially adversely affected.

The factors described above could, together or individually, have a material and adverse impact on the business, results of operations and financial condition of the Issuer and of the Group.

*1.3. The Group is exposed to risks relating to the effectiveness and form of economic stimulus packages*

The Group faces risks associated with the effectiveness and form of economic stimulus packages implemented by central banks and policy makers across the markets in which it operates.

In particular, central banks have adopted accommodative policies, including lowering interest rates and significantly expanding their balance sheets to record levels, in response to the economic effects of the COVID-19 pandemic. To the extent normal economic activity is unable to resume due to macroeconomic risks, the continuing effects of the COVID-19 pandemic or otherwise, central banks and policy makers may also take additional measures to stimulate their economies.

It is uncertain how effective such policies will be, including in alleviating the economic effects of the COVID-19 pandemic in the countries where the Group operates and on the global economy more broadly. In addition, the Group is exposed to the risk that these policies may have unintended, adverse consequences. For example, long-term low or negative interest rates may drive searches for improved yield which could result in a rapid escalation in asset values not aligned to fundamentals. In addition, accommodative policies may result in persistent inflation risks.

Any of 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.

*1.4. The Group is exposed to geopolitical risks*

The Group faces risks associated with geopolitical uncertainty. Geopolitical tensions or conflicts in areas where the Group operates could impact: (i) trade flows; (ii) economic activity and related levels of financial transactions; (iii) the ability of the Group's customers to serve their contractual obligations; and (iv) the Group's ability to manage capital, liquidity or operations across borders.

In particular:

- The Group derives significant revenues from supporting cross-border trade and material offshore support operations. The adoption of additional protectionist policies driven by nationalist agendas could disrupt established supply chains and invoke retaliatory actions. Countries may introduce or increase tariffs on goods and services from other jurisdictions. In addition, authorities in several jurisdictions in the Group's footprint continue to adopt stringent standards on outsourcing or offshoring activities and there is an increased focus on priority sector lending requirements. The adoption of any such policies and standards could have a material adverse impact on the Group's revenues from affected operations.
- Relations between China and a number of countries remain fragile. While areas of collaboration exist, such as climate change, there are nevertheless a number of issues that are resulting in a turbulent and unpredictable environment. These include issues involving: (i) public health and safety (for example, in respect of the COVID-19 pandemic), (ii) trade, (iii)

national security, (iv) sovereignty (such as Hong Kong's electoral system), and (v) territorial disputes (such as tensions in the South China Sea and on the India-China border). The Group remains vigilant in monitoring the dynamics between China and other countries. In particular, the Group actively considers its portfolio to avoid relationships with specific companies and/or persons subject to sanctions or who are vulnerable to reputational risks. Instances where the Group has decided to terminate sensitive client relationships remain rare.

- Hong Kong remains the largest profit contributor to the Group. Asset prices in Hong Kong have remained strong, the HK\$-U.S.\$ peg has remained stable and Hong Kong has benefitted from a capital influx driven mainly by record-level initial public offerings and/or secondary listings by Chinese companies. However, the combined effect of various factors, including the uncertainty over U.S.-China relations and the COVID-19 pandemic, has led to a notable slowdown in Hong Kong's economy, which shrank by 6.1% in 2020 (the sharpest annual decline on record). In addition, the U.S. has revoked Hong Kong's 'Special Status' under the U.S. Hong Kong Policy Act 1992 and specific sanctions have been imposed by the U.S. on Hong Kong officials.
- Hong Kong's standing as an international financial centre could be at risk if there is a resulting loss in confidence in the convertibility of HK\$ and the freedom of capital movement. Although the Group monitors this risk on an ongoing basis and does not expect such a scenario to be imminent, the convertibility of HK\$ and the freedom of capital movement in and out of Hong Kong remains uncertain.
- The Group has a material presence across the Middle East. The last 12 months have seen continued political and military volatility across the Middle East with Iran, Saudi Arabia, Israel, the UAE, the U.S., China and Russia as the key actors. Continued or worsening volatility could destabilise the region's economy or disrupt the Group's operations in the Middle East.
- In relation to the UK's exit from the EU on 31 January 2020 ("**Brexit**"), the UK and the EU Commission announced on 24 December 2020 that they had reached agreement on a draft EU-UK Trade and Cooperation Agreement ("**TCA**") which has since been ratified by the UK and EU. The TCA covers a number of topics, including trade in goods and in services, digital trade, intellectual property, public procurement, aviation and road transport, energy, fisheries, social security coordination, law enforcement and judicial cooperation in criminal matters, thematic cooperation, and participation in EU programmes. However, the TCA does not cover financial services (other than through a general undertaking to ensure the implementation and application of internationally agreed standards in the financial services sector for regulation and supervision), leaving decisions of "equivalence" and "adequacy" to be determined by each side unilaterally in due course. However, there can be no assurance that the EU and the UK will reach further agreement on equivalence decisions (particularly where UK regulatory standards diverge from those of the EU). As such, the impact of Brexit on the economic outlook of the Eurozone and the UK and associated global implications, and in particular, the extent of EU market access granted to UK financial services companies following the negotiation by the EU and the UK of a memorandum of understanding which will establish the Joint EU-UK Financial Regulatory Forum, remain uncertain. While technical discussions on the text of the memorandum of understanding have been concluded, formal steps need to be undertaken on both sides before it can be signed (though UK HM Treasury has suggested that it expects that this can be done expeditiously). The Group set up a new EU domiciled subsidiary which became fully operational in March 2019 and optimised its EU structure to mitigate any potential impact to its clients, staff or the Group resulting from Brexit (including the loss of EU passporting rights). However, there is no guarantee that such structural changes will be successful in avoiding negative impacts on clients, and may impose additional costs or complexity on the Group's business. For further information, see "*Supervision and Regulation - Brexit*" on page 103 of this Offering Circular.
- The recent past has seen a surge in large-scale social disturbances globally. These disturbances may increase in frequency and magnitude as the level of discontent rises commensurate with a decrease in the availability of and access to various resources, such as: vaccines, healthcare support, food, water, clean air, shelter, and other natural resources. In particular, as income inequality within and between economies rises, the potential for social unrest increases. Importantly, the amplifying effect of social unrest on existing COVID-19 pandemic related healthcare concerns cannot be dismissed.
- There are increasing concerns regarding the global geopolitical implications of the rise of nationalism. Domestic policies such as income redistribution and public spending increases in combination with foreign policies that centre on protectionism, a rise in trade barriers and tariffs, and restrictions on immigration pose a risk to long-term global economic progress.

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

1.5. *The Group is exposed to risks relating to the integrity and continued existence of reference rates*

For several years, global regulators and central banks have been driving international efforts to reform key benchmark interest rates and indices; in particular interbank offered rates ("IBORs") such as the London Interbank Offered Rate ("LIBOR"). This has resulted in significant changes to the methodology and operation of certain benchmarks and indices, the adoption of alternative risk-free rates ("RFRs") and the proposed discontinuation of certain reference rates (including LIBOR).

On 5 March 2021, the FCA published an announcement (the 'LIBOR announcement') on the future cessation and loss of representativeness of all LIBOR currencies and tenors. Permanent cessation is expected to occur immediately after 31 December 2021 for all euro and Swiss Franc LIBOR tenors and certain Sterling, Japanese yen and U.S.\$ LIBOR settings and immediately after 30 June 2023 for certain other U.S.\$ LIBOR settings. In relation to the remaining LIBOR settings (1-month, 3-month and 6-month Sterling and Japanese yen LIBOR settings), the FCA is consulting on its proposal to continue the publication of the 1-month, 3-month and 6-month Sterling and Japanese yen LIBOR settings under a changed methodology for a further period after the end of 2021. As the transition away from U.S.\$ LIBOR progresses, the FCA will continue to consider the case to require continued publication on a synthetic basis of the 1-month, 3-month and 6-month U.S.\$ LIBOR settings for a further period after the end of June 2023, taking into account views and evidence from the U.S. authorities and other stakeholders. However, if such LIBOR settings continue to be published on a synthetic basis, the LIBOR announcement states that they will no longer be representative of the underlying market that such settings are intended to measure and that representativeness will not be restored immediately after 31 December 2021, in the case of the relevant Sterling and Japanese yen LIBOR settings and immediately after 30 June 2023, in the case of the relevant U.S.\$ LIBOR settings. Any continued publication of the Japanese yen LIBOR settings will cease permanently at the end of 2022. This announcement follows the FCA's calls for the industry to start preparing for LIBOR cessation by transitioning from IBORs to RFRs, such as the Sterling Overnight Index Average ("SONIA"), by the end of 2021. U.S. agencies (including the New York Federal Reserve (as defined below)) have also clarified that, should U.S.\$ LIBOR continue to be published after 2021, it should be limited for use in legacy U.S.\$ LIBOR contracts and that firms should stop entering into new U.S.\$ LIBOR contracts as soon as practicable and, in any event, by 31 December 2021. Recently, the U.S. Commodity Futures Trading Commission's Market Risk Advisory Committee's Interest Rate Benchmark Reform Subcommittee voted to recommend a market best practice for switching interdealer trading conventions from LIBOR to the Secured Overnight Financing Rate (SOFR) for U.S.\$ linear interest rate swaps on 26 July 2021. An FCA survey of market participants identified strong support for a change in the interdealer trading convention, and the FCA and the Bank of England also encourage all participants in the interdealer U.S. dollar interest rate swaps market to take the steps necessary to prepare for and implement these changes to market conventions on 26 July 2021 and shift liquidity away from U.S.\$ LIBOR to SOFR.

The Group is maintaining its commitment in meeting the product cessation targets published by UK and U.S. working groups.

Transition from LIBOR to RFRs presents several risks: (i) there are fundamental differences between LIBOR and RFRs - value transfer may arise in transitioning contracts from one to the other; (ii) the market may transition at different paces in different regions and across different products, presenting various sources of basis risk and posing major challenges on hedging strategies; (iii) clients may allege that they have not been treated fairly throughout the transition or may not be aware of the options available to them and the implications of decisions taken, leading them to claim unfair financial detriment; (iv) changes in processes, systems and vendor arrangements associated with the transition may not be within appropriate tolerance levels; (v) legal risk in relation to the fall-back risks associated with the transition; (vi) regulatory actions adverse to the Group may result if regulatory requirements and/or expectations are not met; (vii) accounting and financial reporting risk in that the changes in underlying rates, and their impact on matters such as cashflows and valuations, may not be incorporated correctly; and (viii) there are likely to be certain legacy contracts that prove not possible to convert or be amended to include fallbacks ahead of LIBOR cessation, though the U.S., EU and UK have passed legislation to provide legal clarity for certain contracts.

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

1.6. *New technologies and digitisation (including disruption risk and responsible use of Artificial Intelligence (“AI”))*

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

The banking landscape for retail banking, for example, is witnessing significant shifts in customer value propositions as markets deepen. Companies using financial technology (commonly referred to as “Fintechs”) are delivering digital-only banking offerings with a differentiated user experience, value propositions and product pricing. There is growing usage of machine learning (“ML”) to deliver highly personalised services, e.g. virtual chatbots to provide digital financial advice and predictive analytics to cross-sell products.

In Corporate Banking, the Group observes an increasing focus on process digitisation to streamline processes and provide scalable and personalised solutions for corporate clients. There are a growing number of use cases for blockchain technologies, e.g. streamlined cross-border payments and automated key documentation. AI and ML have also been increasingly used in predictive risk modelling, e.g. loan default forecast. Failure to expediently adapt and harness such technologies would place the Group at a competitive disadvantage.

There is an increasing usage of partnerships and alliances by banks to respond to a rapidly changing banking landscape and disruption from existing players and new entrants. This is making partnerships and alliances an integral part of banks’ emerging business models and value propositions to clients, including those models used within the Group.

As these new technologies grow in sophistication and become further embedded across the banking and financial services industry, banks, including the Group, may become more susceptible to technology-related risks. For example, the growing usage of big data and cloud computing solutions has heightened cyber security risks in banks. Banks may also face increased risks of business model disruption as new products and technologies continue to emerge.

Regulators are also increasingly emphasising the importance of resilient technology infrastructure in terms of eliminating cyber risk and improving reliability. The challenge is in both renewing, and increasing investment into, the Group’s technology estate to meet the demand for its required performance levels, which continue to rise significantly. There is no guarantee that the Group will be successful in renewing and/or maintaining its technology infrastructure and monitoring risks associated with technology infrastructure on an ongoing basis, and the Group is exposed to the risk of failures in its technology infrastructure (including related risk monitoring and governance processes) and/or regulatory actions in relation to the adequacy of its technology infrastructure, as well as costs associated with renewing and maintaining its technology infrastructure.

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

1.7. *The Group is exposed to competition in the markets in which it operates*

The Group is subject to significant competition from local banks and other international banks carrying on business in the markets in which it operates, including competitors that may have greater financial and other resources. In addition, the Group may experience increased competition from new entrants in the relevant product or geographic markets and existing competitors may combine to increase their existing market presence or market share.

Many of the international and local banks operating in the Group’s markets compete for substantially the same customers as the Group and competition may increase in some or all of the Group’s principal markets. In order to remain competitive, the Group may not realise the margins in certain markets which it would otherwise have expected or desired. In addition, certain competitors may have access to lower cost funding and be able to offer loans on more favourable terms than the Group. Furthermore, in certain of the Group’s markets, it competes against financial institutions that are supported or controlled by governments or governmental bodies and the Group might be required to satisfy certain lending thresholds and other identified targets. Regulations may also favour local banks by restricting the ability of international banks, such as the Group, to enter the market and/or expand their existing operations. Such restrictions could adversely affect the Group’s ability to compete in these markets.

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

entitled “*Risks relating to the Group and its business operations - New technologies and digitisation (including disruption risk and responsible use of artificial intelligence (“AI”))*”.

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

**1.8. Increased data privacy and security risks from strategic and wider use of data**

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

In addition, these risks represent an emerging and topical theme both from a regulatory and compliance perspective. Both (i) Regulation (EU) 2016/679 (the EU General Data Protection Regulation) (the “**GDPR**”), and (ii) the GDPR as it forms part of the domestic law of the UK by virtue of the EUWA and the Data Protection, Privacy and Electronic Communication (Amendments etc.) (EU Exit) Regulations 2019, raise the profile of data protection compliance. Similarly, increasing the use of AI and ML technology within the Group requires additional data protection considerations and assumptions, including in respect of the algorithms used in the underlying analysis as well as the resulting data produced. Regulatory controls on the resulting data produced from such tools also need to be considered.

The Group’s move towards cloud computing solutions and increasing use of big data for analysis purposes leads to increased susceptibility to data security and customer privacy risks, which in turn may, individually or in combination, have a material adverse effect on the Group’s financial condition, results of operations and prospects.

**2. Credit and traded risk**

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

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of the Group’s businesses.

Although the Group believes that its continued focus on high-quality origination within a more granular risk appetite has enabled sustained improvements in the credit quality of its corporate portfolios, the Group remains alert to broader uncertainties and the “new normal” which will follow the COVID-19 pandemic.

Principal uncertainties include the continuing impact of the COVID-19 pandemic and its effect on the operating environment and the overall macroeconomic outlook across the Group’s footprint. See the risk factor entitled “*Risks relating to the Group and its business operations - The COVID-19 pandemic, and the emergence of new diseases, could continue to affect the business, results of operations and financial condition of the Issuer and of the Group materially and adversely*”. Uncertainties also include macroeconomic conditions, in particular, the global economic slowdown, the economic recovery rate and emerging market risks. The COVID-19 pandemic and its associated economic slowdown have exacerbated already deteriorating market conditions causing liquidity and potentially solvency issues for a number of the world’s poorest countries. The combination of economic downturns, increased unemployment, capital flight, commodity price collapses, political instability resulting from the social consequences of COVID-19, and increased debt obligations for extending financial support may make it difficult for some countries to refinance their debts. The G20 Debt Service Suspension Initiative (the “**DSSI**”) for the world’s poorest nations was extended on 7 April 2021 to 31 December 2021 and impacts market access and medium-term lending to some sovereigns. The recent Common Framework for Debt Treatments beyond the DSSI reiterated the need for private sector creditors to participate.

Long term low or negative interest rates, in addition to the response to the economic impact as a result of COVID-19, means that developed market central banks have seen record balance sheet expansion. There is a risk this may result in asset bubbles and/or inflation in the longer term. Refinance risk may also become an increasing concern.

Any change in global or country-specific economic conditions or asset values, adverse changes in the credit quality of the Group’s borrowers and counterparties, and adverse changes arising from a deterioration in economic conditions or asset values (including a prolonged or severe deterioration) could reduce the recoverability and value of the Group’s assets and require an increase in the



Group level provisions for bad and doubtful debts or write-downs experienced by the Group as was the case in 2020, as some of the underlying risk would manifest upon the removal of support measures. The Group may also experience these effects if a systemic failure in one or more financial systems were to occur (see the risk factor entitled “*Credit and traded risk - The Group is exposed to systemic risk resulting from failures by banks, other financial institutions and corporates*”).

Direct or indirect regulatory interventions may also adversely impact the operating environment. These interventions could be based on fundamental policies such as house-hold debt levels, money supply control etc. but could also at times be influenced by politically motivated measures. Industry wide forbearances, capping of debts to overleveraged customers, capping unsecured debt limits and controlling property prices are some examples of measures that can impact a customer's ability and intention to serve debt obligations. Further information on COVID-19 relief measures can be found on pages 6 to 9 of the 2020 Annual Report.

Credit impairment rose significantly in 2020 compared to 2019, primarily due to the deterioration in macroeconomic forecasts reflecting the impact of COVID-19 and three separate Corporate and Institutional Banking client exposures that were highlighted in Q1 2020. Although credit impairment costs were noticeably lower in the second half of 2020, future developments in the abovementioned macroeconomic conditions, including developments relating to the COVID-19 pandemic, may adversely affect the Group's credit impairment costs in 2021 or in future periods. The occurrence of any of the above, or a failure by the Group to manage these risks effectively, could have a material adverse effect on the Group's financial condition, results of operations and, if severe or prolonged, its prospects.

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

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

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

The primary categories of market risk for the Group are:

- credit spread risk: arising from changes in the price of debt instruments and credit-linked derivatives, driven by factors other than the level of risk-free interest rates;
- interest rate risk: arising from changes in yield curves and implied volatilities on interest rate options;
- foreign exchange risk: arising from changes in currency exchange rates and implied volatilities on foreign exchange options;
- commodity price risk: arising from changes in commodity prices and implied volatilities on commodity options, covering energy, precious metals, base metals and agriculture; and
- equity risk: arising from changes in the prices of equities, equity indices, equity baskets and implied volatilities on related options.

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

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

Volatility and dislocation affecting certain financial markets and asset classes, whether unexpected, prolonged or elevated, are factors that have had and may continue to have a material adverse effect on the Group's assets, financial condition and results of operations. In particular, these factors have had, and may continue to have, a negative impact on the mark-to-market valuations of assets in the Group's Fair Value through Other Comprehensive Income ("**FVOCI**") and trading portfolios. As at the close of business on 30 June 2021, Treasury Markets held approximately U.S.\$121 billion of mostly High Quality Liquid Assets for regulatory purposes under EU IFRS 9/FVOCI accounting rules. Under Regulation (EU) 575/2013, as amended (including, without limitation, by Regulation (EU) 2019/876 (the "**CRR II**")) and as it forms part of the domestic law of the UK by virtue of the EUWA (the "**CRR**"), any profit or loss under FVOCI impacts the Group's Common Equity Tier 1 Capital ("**CET1 Capital**" or "**CET1**") position directly. In addition, if such volatility or dislocation were to be severe or prolonged, this may also adversely affect the Group's prospects.

Market volatility may also negatively impact certain customers exposed to derivative contracts. While the Group seeks to manage customer exposure and risk, the potential losses incurred by certain customers as a result of derivative contracts could lead to an increase in customer disputes and corporate defaults and result in further write-downs or impairments. Failure to manage such risks therefore would have a material adverse effect on the Group's financial condition, results of operations and, if such failure is significant or prolonged, its prospects.

**2.5** *The Group is subject to the risk of exchange rate fluctuations and risks associated with exposure to cross-border or foreign currency obligations, in each case arising from the geographical diversity of its businesses*

As the Group's business is conducted in a number of jurisdictions and in a number of currencies (including, for example, U.S. dollars, Sterling, Korean won, Hong Kong dollars, Singapore dollars, Taiwan dollars, Chinese yuan, Indian rupees and a number of African currencies), the Group's business is subject to the risk of exchange rate fluctuations. The results of operations of Group companies are initially reported in the local currencies in which they are domiciled, and these results are then translated into U.S. dollars at the applicable foreign currency exchange rates for inclusion in the Group's consolidated financial statements. The exchange rates between local currencies and the U.S. dollar have been, and may continue to be, volatile. The Group is therefore exposed to movements in exchange rates in relation to non-U.S. dollar currency receipts and payments, dividend and other income from its subsidiaries and branches, reported profits of subsidiaries and branches and the net asset carrying value of non-U.S. dollar investments and Risk Weighted Assets ("**RWA**") attributable to non-U.S. dollar currency operations.

Although the Group monitors adverse exchange rate movements (and, in some cases, may seek to hedge against such movements), it is difficult to predict changes in economic or market conditions with accuracy and to anticipate the effects that such changes could have on the Group and the translation effect against the U.S. dollar of such fluctuations in the exchange rates of the currencies of those countries in which the Group operates.

In addition, the Group's exposure to cross-border or foreign currency obligations gives rise to transfer and convertibility risks, which arise from the possibility that a government is unable or unwilling to make foreign currency available for remittance out of the country, thereby preventing, amongst other things, its use in settlement of cross-border arrangements. Unless suitable mitigation is in place to transfer the exposure to an alternative country of risk (e.g. parental support, offshore cash collateral, comprehensive credit insurance), transfer and convertibility risks could result in counterparties being unable to discharge their obligations to the Group when due. They could also adversely affect the ability of one member of the Group to make remittances to other members of the Group.

Any such changes in the economic and market conditions, or a failure by the Group to manage such risks effectively, could have a material adverse effect on the Group's financial condition, results of operations and, if severe or prolonged, its prospects.

**2.6** *The Group is exposed to counterparty credit risk*

Counterparty credit risk is the risk that a counterparty in a foreign exchange, interest rate, commodity, equity or credit derivative or repurchase contract defaults either on, or prior to, the maturity date of the relevant contract, and that the Group at the time has a claim on the

counterparty. This risk arises predominantly in the trading book, but also arises in the non-trading book when hedging with external counterparties is undertaken.

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

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

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

## *2.7 The Group is exposed to issuer risk*

The Group is exposed to the risk of an issuer of marketable securities defaulting, including risks in respect of its underwriting commitments from time to time. Market participants raise capital and funding for their needs through the issuance of bonds, notes, debentures, loans and other forms of negotiable instruments or securities from investors through public or private issuances. Risk arises from the change in value to the investors in such instruments or their derivatives.

The risk has two key components:

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

together, "**Issuer Risk**".

The Group has appropriate mechanisms in place to monitor and manage Issuer Risk; sensitivities to the market risk factors and concentration limits across multiple dimensions are monitored on a daily basis. Any failure in these mechanisms, or losses occurring as a result of the occurrence of an event of default in relation to an issuer or issuers (in each case, whether arising from a JTD or otherwise) could have a material adverse effect on the Group's financial condition, results of operations and prospects.

## **3. Capital and liquidity risk**

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

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

For more information on the prudential and capital requirements imposed on the Issuer and the Group, see "*Supervision and Regulation - Prudential regulation*" on page 104 of this Offering Circular.

### *3.2 The Group is exposed to risks associated with any downgrade to the Group's credit ratings*

The Group's ability to access the capital markets, and the cost of borrowing in these markets, is significantly influenced by the Group's credit ratings. A reference to the Group's credit ratings includes (i) all ratings provided by the agencies including, but not limited to, long term and short term ratings, counterparty ratings and instrument ratings and (ii) any outlooks assigned to those ratings from time to time.

There is no guarantee that the Group will not be subject to downgrades to its credit ratings and/or negative changes in the outlook on such ratings. Factors leading to any such downgrade or change in outlook may not be within the control of the Group (for example, the deterioration of macroeconomic assessments, including as a result of the COVID-19 pandemic, the exercise of subjective judgement by the rating agencies, a change in the methodology or a change in approach used by the rating agencies to rate the Group or its securities).

Since November 2015, certain of the Group's ratings have been downgraded by Fitch, Moody's and S&P for various reasons. The impact of these changes has not, to date been considered significant by the Group; however, the impact of any future changes to the Group's ratings may be material. The ratings agencies each rely on their own methodologies to assess the Group's ratings. Common drivers include operating environment, profitability, capital, liquidity, asset risk, government/affiliate support and debt buffers. Changes in these methodologies or drivers and/or any changes in the rating agencies' subjective assessments of the Group could adversely impact the Group's ratings. Notwithstanding the rating agency methodologies, rating agencies have also specifically identified a number of factors based on their most recent assessment of the Group that could result in a negative change to the Group's ratings in the near future, some of which may be referred to in the ratings agencies' public statements on the Group's ratings from time to time.

Factors identified by credit ratings agencies in their reports include, but are not limited to, the Group's financial performance or balance sheet metrics of the Group on which elements of the ratings are based, reduction in the Group's debt buffers, external events affecting the Group or the broader banking sector, deterioration in the macro-economic assessments of the Group's markets and/or the potential for deterioration in the Group's operating environment. If any of these factors materialise or other events occur (for example, a change in the methodology or approach used by any applicable agency that rates the Group or its securities) or any other factors not yet identified emerge, they could lead to negative change in the Group's ratings.

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

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

Liquidity and funding risks are a potential cause of loss where the Group may not have sufficiently stable or diverse sources of funding or financial resources to meet the Group's obligations as they fall due.

Although the Group currently has a liquid and well-funded balance sheet, liquidity and funding risk is inherent in banking operations and can be heightened by a number of factors, including: (i) an over-reliance on, or inability to, access a particular source of funding (including, for example, reliance on inter-bank funding); (ii) the extent of mobility of intra-Group funding; (iii) changes in credit ratings or market-wide phenomena such as financial market instability; (iv) natural disasters, including global health crises such as the COVID-19 pandemic; and (v) the risk to the global financial system posed by climate change.

As the Group operates in markets which have been and may continue to be affected by illiquidity and extreme price volatility, either directly or indirectly through exposures to securities, loans, derivatives and other commitments, its policy is to manage its liquidity prudently in all geographic locations so as to ensure each country operates within predefined liquidity limits and remains in compliance with Group liquidity policies and practices, as well as local regulatory requirements.

However, any reoccurrence or prolonged continuation of such conditions could have an adverse effect on the Group's financial condition and results of operations and, if severe, its prospects. In addition, any significant increase in the cost of acquiring deposits, inability to further increase deposits or significant outflow of deposits from the Group, particularly if it occurs over a short period of time, could have a material adverse impact on the Group's financial condition and liquidity position.

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

Currently, the Group meets the minimum capital, leverage, loss-absorbing capacity and liquidity standards under Directive 2013/36/EU, as amended on or prior to 31 December 2020 (including, without limitation, by Directive (EU) (2019/873) and Directive (EU) (2019/878)) as it forms part of the domestic law of the UK by virtue of the EUWA, the Capital Requirements (Amendment) (EU

Exit) Regulations 2018, the CRR and associated implementing measures (as they form part of the domestic law of the UK by virtue of the EUWA) (together, “**CRD V**”). In the longer term, the PRA has stated that it intends to follow the Basel III prudential framework, as adopted by the Basel Committee on Banking Supervision (“**BCBS**”) in 2017 (“**Basel III**”), which involves deviations from the standards set by CRD V. Final rules issued by the PRA replacing the CRR are intended to take effect on 1 January 2022.

Furthermore, the Group is exposed to the risk that the PRA or BoE could:

- increase the minimum regulatory requirements or additional capital, loss-absorbing capacity, liquidity or leverage buffers set for the Group or any of its UK regulated firms;
- introduce changes to the basis on which capital, loss-absorbing capacity, liquidity, leverage and RWA are computed; and/or
- change the manner in which it applies existing requirements to or impose new regulatory requirements on the Group or any of its UK regulated firms.

As a result, the Group may be required to raise capital, loss-absorbing capacity and/or liquidity to meet any of the foregoing requirements (or to meet any changes, or changes to the application of, such requirements) or take other actions to ensure compliance, which could have a material adverse impact on the Group’s financial condition, results of operations and prospects.

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

The Group remains a Global Systemically Important Bank (“**G-SIB**”) with a 1.0 per cent. G-SIB CET1 Capital buffer which was fully implemented on 1 January 2019. If the Group were categorised as a G-SIB with a greater than 1 per cent. requirement, the Group’s minimum CET1 Capital requirement would increase. Certain of the Group’s non-UK entities have been, and others may be, designated domestic systemically-important banks (referred to in the EU and in the UK as other systemically-important institutions, or “**O-SIIs**”) in the markets in which they operate in accordance with the approach developed by the BCBS and the Financial Stability Board (the “**FSB**”), which may in the future result in higher capital requirements for them.

The PRA also has additional tools to require firms to hold additional capital, including, for example, a “PRA buffer” (which replaced the PRA Capital Planning Buffer in 2015). The PRA buffer is intended to ensure the Group remains well capitalised during periods of stress. It is understood that to set the PRA buffer, the PRA considers results from various stress tests as well as other relevant information. The PRA buffer is additional to the existing capital conservation buffer, and is applied if and to the extent that the PRA considers existing capital buffers do not adequately address the Group risk profile. The PRA buffer is not disclosed.

UK banks (including Standard Chartered Bank) are subject to a minimum leverage ratio of 3.25 per cent., and in certain cases a supplementary leverage ratio buffer is applicable. The Group is also required to ensure that the amount of stable sources of funding to which it has access (i.e. liquidity) meets a ratio prescribed by the CRR.

Institutions for which bail-in is the appropriate resolution strategy, such as the Group, are also required to hold certain amounts of loss-absorbing capital (i.e. minimum requirements for own funds and eligible liabilities (“**MREL**”)).

In addition, the PRA has introduced new prudential requirements for holding companies that substantively control their group. The Issuer sought approval as a parent holding company from the PRA on 28 June 2021 and, if approved, it will be subject to direct supervision to ensure compliance with consolidated prudential requirements and the PRA will have additional powers to enforce compliance with these prudential requirements.

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

The Group may also be impacted by the implementation of further regulations which are currently under consultation or yet to be finalised or transposed (where applicable) into domestic law. Such changes in regulation, if implemented and/or when finalised may, directly or indirectly, give rise to increased regulatory capital, leverage, loss-absorbing capacity and liquidity requirements for the Group and could materially adversely affect the Group's business, financial condition, results of operations and prospects.

For more information on the capital, leverage, loss-absorbing capacity and liquidity requirements imposed on the Issuer and the Group, see "*Supervision and Regulation - Prudential regulation*" on page 104 of this Offering Circular.

#### **4. Risks associated with regulatory resolution measures**

##### **4.1** *The business and operations of the Group may be affected by resolution measures developed by its regulators, including those introduced in accordance with the Directive (EU) 2014/59, as amended on or prior to 31 December 2020 (including, without limitation, by Directive 2019/879), as it forms part of the domestic law of the UK by virtue of the EUWA ("BRRD"), and the Banking Act 2009*

The wide-ranging powers introduced and to be introduced by the Group's regulators to enable them to intervene and alter the business and operations as well as the capital and debt structure of an unsound or failing bank could have significant consequences for the Group's profitability, its competitive strength, its financing costs and the implementation of its global strategy. The exercise or prospective exercise of resolution powers may have a material adverse effect on the Group's financial condition, results of operations and prospects. For example, whilst the PRA have not historically challenged Standard Chartered Bank ("**SCB**")'s compliance with the contractual recognition of bail-in requirement, it remains open to the PRA to comment on this, which could require SCB to renegotiate relevant contracts in the future, incurring additional costs to the Group in doing so.

In addition, the preparation and maintenance of recovery plans and resolution plan-related information, and the need to undertake work to improve the resolvability of the Group, represents a significant burden for the Group. The cost of the UK bank levy, which was established in the UK to cover the costs of bank resolutions and ensure the effective application of resolution powers, could also represent a material cost to SCB or the Group.

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

For further information on the regulatory resolution regime to which the Issuer and the Group are subject, see "*Supervision and Regulation - Recovery and resolution stabilisation and resolution framework*" on page 105 of this Offering Circular.

The specific interaction of the resolution recovery mechanics with the Securities is outlined in the risk factor entitled "*Risk Factors – Risks relating to the structure of the Securities - The Securities may be subject to statutory write-down or bail-in*" below.

#### **5. Operational and technology, reputational and sustainability, compliance (including legal) and conduct risks**

##### **5.1** *The Group is exposed to operational and technology risks*

Operational risk is the potential for loss resulting from inadequate or failed internal processes, technology events, human error, or from the impact of external events (including legal risks). Operational and technology losses may result from:

- deficient execution capability (the failure to execute client facing transactions appropriately, and failure to design and/or meet product management standards and product-related regulatory requirements);
- challenges in the Group's operational resilience (failure to maintain and test business continuity plans, failure to maintain systems, failure to meet appropriate data standards, failure to appropriately manage vendor services, failure to meet related regulatory requirements, failure

to manage change projects, failure to meet standards for people management including relevant regulations);

- non-compliance with laws and regulations on corporate governance and exchange listing rules;
- inadequate maintenance of financial books and records, financial reporting, or failure to comply with tax laws and regulations;
- failure to create a safe, secure, and healthy environment for staff and clients; and/or
- inability to enforce the Group's contractual risks.

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

Policy statements on operational resilience issued by the PRA and FCA in March 2021 have highlighted the importance of maintaining client services on an end to end basis and the expectation for, among other things, firms to identify important business services as well as vulnerabilities to set impact tolerances for disruption to important business services and to test their ability to remain within these impact tolerances during severe but plausible disruption scenarios. The operational resilience requirements outlined in these policy statements will be effective from 31 March 2022. Resilience risks are heightened for the Group in the following areas:

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

For more information on the PRA and FCA's operational resilience policies, see "*Supervision and Regulation - Cyber security and operational resilience*" on page 108 of this Offering Circular.

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

## 5.2 *The Group's business is subject to reputational and sustainability risk*

Reputational and sustainability risk is the potential for damage to the franchise (such as loss of trust, earnings or market capitalisation), because of stakeholders taking a negative view of the Group through actual or perceived actions or inactions, including a failure to uphold responsible business conduct for lapses in the Group's commitment to do no significant environmental and social harm through the Group's client, third-party relationships, or the Group's own operations.

Risk drivers with negative impact on the Group are frequently linked with Environmental, Social, and Governance ("**ESG**") risks including, increasing regulatory and Non-Governmental Organisation focus on climate risk and decisions taken around thresholds for financing sectors which contribute to climate change (e.g. coal, oil and gas, and plastics), the social impact of the businesses the Group finances in alignment with responsible corporate lending, and ongoing



regulatory investigations related to financial crime management, trading activities and other governance related risks.

Additionally, a potential failure in the Group's other principal risks may also result in negative shifts in perceptions of the Group held by shareholders, other stakeholders of the Group or other third parties if not managed effectively.

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

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

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

**5.4** *The Group is exposed to penalties or loss through a failure to comply with laws or regulations*

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

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

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

- the Group has been, and continues to be, subject to regulatory actions, reviews, requests for information and investigations relating to compliance with applicable laws and regulations, as summarised below;
- the Group may incur costs and expenses in connection with legal proceedings and regulatory actions resulting from non-compliance by the Group (or its employees, representatives, agents or third party service providers) with applicable laws and regulations, or a suspicion or

perception of such non-compliance (including costs associated with the conduct of such proceedings and any associated liability for damages) and such non-compliance may also give rise to reputational damage; and

- a failure by the Group to comply with applicable laws or regulations may result in the Group deciding to implement restrictions on its businesses or the markets in which it operates (or offering to relevant regulators to implement such restrictions or accepting proposed restrictions or being required by relevant regulators to do so). These restrictions may be accompanied by a requirement on the Group to make periodical attestations to the relevant regulators as to its compliance with the relevant restrictions (and, if the Group does not comply with such restrictions, or is unable to give any required attestations, this may give rise to the adverse consequences described above).

As noted above, the Group has been and is subject to a number of regulatory and legal proceedings brought by various authorities and other parties. In recent years, the resolution of certain of these matters has resulted in substantial monetary penalties, additional compliance and remediation requirements and additional business restrictions for the Group, including the monetary penalties paid in April 2019 in connection with resolution of investigations by various U.S. authorities and the FCA of U.S.\$947 million and £102 million, respectively. Ongoing legal proceedings against the Group include:

- In January 2020, a shareholder derivative complaint was filed by the City of Philadelphia in the New York State Court against 45 current and former directors and senior officers of the Group. It is alleged that the individuals breached their duties to the Group and caused a waste of corporate assets by permitting the conduct that gave rise to the costs and losses to the Group related to legacy conduct and control issues. In March 2021, an amended complaint was served in which SCB and seven individuals were removed from the case. The Issuer and Standard Chartered Holdings Limited remain named as “nominal defendants” in the complaint. The case is at an early procedural stage. On 27 May 2021, the Issuer filed a motion to dismiss the complaint.
- In October 2020, a claim was filed in the English High Court by 249 shareholders against the Issuer in relation to alleged untrue and/or misleading statements and/or omissions in information published by the Issuer in its rights issue prospectuses of 2008, 2010 and 2015 and/or public statements regarding the Group’s historic sanctions, money laundering and financial crime compliance issues. The claim is brought under sections 90 and 90A of the FSMA. Section 90 permits shareholders to pursue a claim if they acquire shares, and suffer loss, as a result of misleading statements in, or omissions of material information from, a prospectus or listing particulars. Section 90A permits shareholders to pursue a claim if they acquire, hold or dispose of shares in reliance upon an untrue or misleading statement in, or dishonest omission of required information from published information, or if there has been a dishonest delay in publishing relevant information. The case is at an early procedural stage.
- Since 2014, the Group has been named as a defendant in a series of lawsuits that have been filed in the United States District Courts for the Southern and Eastern Districts of New York against a number of banks (including SCB) on behalf of plaintiffs who are, or are relatives of, victims of various terrorist attacks in Iraq and Afghanistan. The plaintiffs in each of these lawsuits have alleged that the defendant banks aided and abetted the unlawful conduct of U.S. sanctioned parties in breach of the U.S. Anti-Terrorism Act. One lawsuit was withdrawn by the relevant plaintiffs in October 2017. The courts have also ruled in favour of the banks’ motions to dismiss in five of the other lawsuits. The plaintiffs’ appeal against the dismissal of one such case was heard in February 2021, with a ruling expected later in 2021. Appeals are also expected by the plaintiffs in three of the other dismissed lawsuits. Four other lawsuits are still at an early procedural stage, and have been stayed pending the outcomes of the appeals in the dismissed cases. The most recent lawsuit was filed on 5 August 2021 against various Group entities and other defendants and concerns terrorist attacks that took place in Afghanistan between 2011 and 2016. The lawsuit does not specify an amount of damages and is yet to be served on the Group. It is not currently possible for the Group to predict the outcome of these lawsuits.

The Group’s compliance with historical, current and future sanctions, as well as financial crime control, anti-money laundering and the U.S. Bank Secrecy Act 1970 (the “**Bank Secrecy Act**”) requirements and customer due diligence practices are, and will remain, a focus of relevant authorities.

Any breach of law, regulation, settlement agreement or order, or non-compliance with or weakness in, the Group's policies, standards, systems, controls and assurance for its anti-money laundering, Bank Secrecy Act, sanctions, compliance, corruption and tax crime prevention efforts may give rise to the adverse consequences described above, any of which could have a material adverse impact on the Group, including its reputation, business, results of operations, financial condition and prospects.

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

The Group's businesses are subject to a complex framework of banking and financial services laws and regulations which give rise to associated legal and regulatory risks, including the effects of changes in laws, regulations, policies, regulatory interpretations and voluntary codes of practice. Legislative and regulatory changes, and changes to governmental or regulatory policy, that could adversely impact the Group's business include:

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

In recent years there has 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 V, as defined above), increased levies and taxes, requirements to centrally clear certain transactions, heightened disclosure standards, further development of corporate governance and employee compensation regimes and restrictions on certain types of transaction structures.

While there is growing international regulatory co-operation on supervision and regulation of international and EU and UK 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 implemented they may not be co-ordinated, potentially resulting in the Group having to comply with different and possibly conflicting requirements.

Brexit has led and could continue to lead to significant changes to the UK's legislative and regulatory framework. Further regulatory amendments designed to ensure banks can continue to support the economy through the COVID-19 pandemic have been introduced in the jurisdictions in which the Group operates.

The Group could also be subject to increased cyber security regulation, including a more robust cyber security stress test in 2022 designed to test banks' ability to withstand co-ordinated global cyber-attacks announced by the BoE's Financial Policy Committee on 26 March 2021.

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.

For more information on the regulatory landscape in which the Issuer and the Group operates, see “*Supervision and Regulation*” on page 103 of this Offering Circular.

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

The business of the Group is subject to increased regulation and regulatory changes at both a local and global level which may increase the costs of, and/or reduce the revenue from, its business. The Group is subject to financial services laws, regulations, administrative actions and policies in each location in which the Group operates.

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

Both (i) the European Market Infrastructure Regulation, formally known as Regulation (EU) No 648/2012 of the European Parliament and the Council on Over-The-Counter Derivatives, Central Counterparties and Trade Repositories, as amended on or prior to 31 December 2020 (“**EMIR**”) and (ii) EMIR as it forms part of the domestic law of the UK by virtue of the EUWA (“**UKMIR**”) impose requirements to report all derivative transactions to authorised or recognised trade repositories and the obligation to clear on authorised or recognised central clearing counterparties certain OTC derivative transactions (“**Transactions**”) executed with financial counterparties and non-financial counterparties who exceed certain clearing thresholds. EMIR and UKMIR also introduce a stringent risk mitigation regime for all uncleared Transactions including a requirement to exchange collateral or margin.

The regulatory changes and resulting requirements of the Dodd-Frank Act, EMIR, UKMIR and similar international reform efforts may continue to increase the costs of, and/or reduce the revenue from, engaging in Transactions and related activities for the Group. Provisions of the Dodd-Frank Act have also caused or required certain market participants (including SCB) to transfer some of their derivatives activities to separate entities. For example, in the CFTC swap dealer space, SCB currently prohibits any subsidiary from transacting in-scope derivatives with U.S. persons (specifically to prevent any subsidiary from having to register as a swap dealer). In cases where these counterparties are not able (or unwilling) to face SCB, this activity and associated client revenue may be lost at a Group level. Accordingly, the ability to enter into and perform transactions or engage in future transactions may be affected in both predictable and unpredictable ways, including increasing the costs of or reducing the incentives for engaging in such activities. New regulations may also put restraints on the way the Group can conduct its business with regard to derivatives, if those derivatives are not cleared through a central clearing house (or otherwise give rise to new compliance requirements depending on the type of regulation).

For more information on EMIR and UKMIR, see “*Supervision and Regulation - Market infrastructure regulation*” on page 107 of this Offering Circular.

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

The Group’s financial statements for the year ended 31 December 2020 were prepared in accordance with EU IFRS. The Group’s financial statements for the year ending 31 December 2021 will be prepared in accordance with applicable law and UK IFRS. From time to time, the International Accounting Standards Board and/or the UK may change UK IFRS, which could affect the Group’s capital ratios or how it reports its financial position and performance. In some cases, the Issuer could be required to apply a new or revised standard retroactively, or voluntarily elect to change its accounting policies, resulting in restating prior period financial statements.

Further information on the Group’s accounting policies and accounting standards in issue but not yet effective may be found on pages 304 to 306 of the 2020 Annual Report. However, any other changes to UK IFRS, to the extent applicable, that may be proposed in the future, could materially adversely affect the Group’s reported results of operations and financial position.

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

The Group is exposed to the potential for financial loss and further non-financial detriments arising from climate change and society's response to it. This risk consists principally of:

- physical risk, being the risks arising from increasing frequency and severity of acute weather-related events and longer-term chronic shifts in climate patterns; and
- transition risk, being the risks arising from the process of adjustment to a low-carbon economy, in order to limit global temperature rise,

together referred to as **"Climate Risk"**.

The BoE has initiated and developed a series of regulatory measures, supervisory statements and discussion papers on Climate Risk. For further information, see *"Supervision and Regulation - Climate-related regulatory environment"* on page 108 of this Offering Circular. In addition, the Group anticipates that the climate-related regulatory environment in which it operates will be subject to further regulatory developments.

Such regulatory developments, together with existing guidance and expectations, may have significant impacts, for example, on energy infrastructure developed in the Group's markets, and thus present 'transition' risks for the Group's clients, and may affect demand for financial products and services. Conversely, if governments fail to enact policies which limit global warming, many of the Group's markets and operations will be particularly susceptible to the 'physical' risks of climate change such as droughts, floods, sea level change and average temperature change.

Climate Risk may impact the loss profile of the Group's loan portfolio and may reduce demand for financial products and services. The occurrence or continuance of any of the abovementioned risks could have a material adverse effect on the Group's financial condition, results of operations and, if severe or prolonged, its prospects.

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

**"Conduct Risk"** is defined as the "risk of detriment to the Group's clients, investors, shareholders, counterparties, employees, market integrity and competition arising from (i) business activities performed by the Group, or (ii) individual behaviour and actions including instances of wilful or negligent misconduct".

Failure to manage Conduct Risk which results in a failure to (i) deliver positive outcomes to the Group's clients, investors, shareholders, counterparties, employees, markets and competition, (ii) protect the integrity of the markets in which the Group operates, and/or (iii) provide employees with a fair and safe working environment that is free from discrimination, exploitation, bullying, harassment and/or inappropriate language, may lead to regulatory sanctions, financial loss and reputational damage.

The effective management of Conduct Risk takes into consideration the Group's culture, its strategy, business model, and the implementation of the three lines of defence model across the Group. Effective from January 2021 onwards, the Group incorporated Conduct Risk management into its overall Enterprise Risk Management Framework to reflect the overarching and cross-cutting nature of Conduct Risk that manifests through other principal risks to the Group.

Although the Group seeks to manage Conduct Risk in a timely and effective manner, the occurrence or continuation of one or more of the abovementioned risks, or any failure to manage one or more of such risks effectively, may have a material adverse effect on clients and the Group's financial position and operations.

## 6. **Information and cyber security risk, financial crime risk and model risk**

### 6.1 *The Group is exposed to information and cyber security ("ICS") risk*

Cybercrime is rising and becoming more globally coordinated. The Group's business depends on its ability to protect client data and process large volumes of transactions efficiently and with integrity. The Group is increasingly reliant on ICS to be effectively managed for digital technologies, technology infrastructure, systems, communication services and networks. The dependency on secure processing, storage and transmission of sensitive information in its systems and networks increases the Group's risk to cybercrime including risks related to fraud, vandalism and damage to critical infrastructure.

During the ongoing COVID-19 pandemic, many governments in countries where the Group operates have imposed a full or partial lockdown, meaning that a large percentage of employees are required to work remotely for prolonged periods. This remote working arrangement provides new challenges in the management of ICS risk as the Group has moved to large-scale adoption of technology to enable work from home arrangements whilst malicious actors are maturing their capability by adapting to varying trends and new technologies to personalise attacks on organisations, for example, through ransomware. Greater difficulty associated with monitoring staff working remotely potentially exacerbates this risk.

As a result of the COVID-19 pandemic, the Group is more exposed to cyber security threats, including the potential for cyber security attacks, data leaks and fraud, which may result in a further reputational risk for the Group. The sensitive nature of data held by the Group and other market participants exposes the Group to a high level of public scrutiny and potential public criticism in relation to data security. If such risks materialise, there may be a material adverse effect on the Group's prospects, reputation and customer base. For more information on how reputational risks may impact the Group, see the risk factor entitled "*Operational and technology, reputational and sustainability, compliance (including legal) and conduct risks - The Group's business is subject to reputational and sustainability risk*".

Although the Group has consolidated its ICS efforts to seek to identify and withstand cyber threats, eliminate duplication and improve clarity of roles, if the Group fails to effectively manage its ICS risks, the impact could be significant and may result in reputational damage, leading to potential pay-outs of customer compensation, regulatory penalties and fines. Factors such as failing to apply critical security patches from its technology providers, to manage obsolete technology or to update the Group's processes in response to new threats could give rise to these consequences, which, if they occur, could have a material adverse effect on the Group's operations, financial condition and prospects.

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

The Group, through its size and strategic intent, continues to be exposed to bribery and corruption, money laundering, fraud and sanctions risks. These risks are inherent in the Group's operations and may arise from, among other things, the Group offering different banking products via multiple channels across regions to diverse customer types; the Group's defences being overcome by criminals; and/or regulators assessing deficiencies in the Group's design and/or governance over controls operating across the Group's client or counterparty due diligence and surveillance. The Group seeks continuously to enhance its approach in preventing bribery and corruption, money laundering, combating terrorist financing, complying with sanctions and mitigating internal and external fraud risk through its internal controls. The Group continues to monitor new and emerging financial crime risks and has established a working group to specifically focus on the impact of COVID-19. The working group focuses on recognising new trends with regards to risk indicators and sharing insights with clients and peer institutions. These risk indicators could be specific such as keywords in payment details and account activity consistent with COVID-19 frauds and scams, or generic indicators of unusual account activity not linked with COVID-19. While the Group and its financial crime compliance controls continue to adapt to incorporate new risk indicators, there is no guarantee that such adaptations will be effective in addressing all financial crime risks (including those related to COVID-19).

The occurrence or continuation of one or more of the abovementioned risks, or any failure to manage one or more of such risks effectively, may have a material adverse effect on the Group's financial condition, results of operations and prospects.

## 6.3 *The Group is exposed to model risk*

Model risk is defined as the potential loss that may occur as a consequence of decisions or the risk of mis-estimation that could be principally based on the output of models due to errors in the development, implementation or use of such models.

Regulatory focus on model risk has intensified with: (i) the growing importance of models for business decisions, and (ii) recognition of financial losses due to inadequate models or wrong use. Additionally, new areas such as machine-learning and artificial intelligence also have the potential to generate model risk.

The Group's model risk results in part from both the number and complexity of the models used, and the extent of their use within the Group. The Group uses approximately 900 in-use models across 15 model families under the scope of the Group Model Risk Policy. Credit Risk Internal Ratings Based ("**IRB**"), Market Risk Internal Model Approach (and Counterparty Credit Risk Internal

Model Method) models are used to calculate regulatory capital. IFRS9 models are used for the calculation of expected credit loss to meet the Group's financial reporting obligations under IFRS9. Financial crime compliance scorecard-based models are used to flag high-risk customers to aid the prioritisation of investigation work. Operational risk models are mainly used in capital adequacy assessments to project operational losses under stress conditions. Algorithmic trading and climate risk have recently been added to the policy scope as emerging model use cases, with the latter to be used for the 2021 PRA biennial exploratory scenario in relation to climate change stress testing.

Models are used across the Group for various important processes (such as capital calculation, stress testing and business decisions). Examples of existing and emerging model uses include, but are not limited to:

- financial, public and regulatory reporting and disclosures;
- stress testing, financial and economic forecasting and internal capital adequacy assessments;
- product pricing, hedging, valuations, portfolio allocations, automated trading strategies and execution, economic and market research;
- counterparty and credit risk management and client credit decisions;
- fraud detection, trade and communication surveillance and anti-money laundering controls; and
- algorithmic trading and climate risk.

Artificial intelligence and machine learning techniques are increasingly adopted as a processing component of models in finance, such as algorithmic trading and credit scoring. Whilst the Group has recently enhanced its Group Model Risk Standards to cover key risks that may be amplified when these techniques are a type of processing unit in a model and define requirements for development and validation activities, there is no guarantee that such amendments will adequately address the risks identified.

The extreme market conditions caused by the onset of the COVID-19 pandemic resulted in large movements in macro-economic variables which are inputs of IFRS9 models, some of which were outside of the boundary conditions of expected model performance. As a result, a number of models required the application of post-model adjustments. Further information on post model adjustments for IFRS9 models can be found on page 225 of the 2020 Annual Report.

The COVID-19 pandemic also gave rise to several government support programmes which were not factored into existing models, for example the Singapore government's conditional guarantee to support the financing requirements of local enterprises and the Indian government's relief programmes for mortgages. As a result, several modifications to the input data of Singapore Wholesale Credit IRB and India Retail Credit Mortgage IRB models were also made.

The occurrence or continuation of model risk, or any failure to manage such risk effectively, may have a material adverse effect on the Group's financial condition, results of operations and prospects.

## 7. Risks relating to the structure of the Securities

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

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

Interest on the Securities will be due and payable only at the sole discretion of the Issuer and the Issuer shall have absolute discretion at all times and for any reason to cancel any interest payment in whole or in part that would otherwise be payable on any Interest Payment Date. The Issuer's ability to pay interest is also subject to additional restrictions:

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

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

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

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

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

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



substantially less than the principal amount of the Securities or amount of the investor's investment in the Securities.

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

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

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

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

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

See also "*Risks relating to the structure of the Securities - CRD V places restrictions on distributions that will restrict the Issuer from making interest payments on the Securities in certain circumstances, in which case the Issuer will cancel such interest payments. In addition, the PRA has the power under section 55M of the FSMA to restrict or prohibit payments of interest by the Issuer to Securityholders*" below.

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

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

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

- 7.5 *CRD V places restrictions on distributions that will restrict the Issuer from making interest payments on the Securities in certain circumstances, in which case the Issuer will cancel such interest*

payments. In addition, the PRA has the power under section 55M of the FSMA to restrict or prohibit payments of interest by the Issuer to Securityholders

Directive 2013/36/EU (“**CRD IV**”) introduced capital buffer requirements that are in addition to the Pillar 1 requirements and Pillar 2A requirement and are required to be met with CET1 Capital. In particular, five new capital buffers were introduced: (i) the capital conservation buffer, (ii) the institution-specific countercyclical buffer, (iii) the global systemically important institutions buffer (i.e. the G-SIB CET1 Capital buffer noted above), (iv) the other systemically important institutions buffer and (v) the systemic risk buffer. Some or all of these buffers may be applicable to the Group as determined by the PRA.

The Group is also subject to a ‘combined buffer requirement’ consisting of the capital conservation buffer and the institution-specific countercyclical capital buffer. As noted above, the PRA can also set a “PRA buffer”, which forms part of the Pillar 2B capital buffers and supplements the combined buffer requirement. The PRA buffer must be met fully with CET1 in addition to the CET1 used to meet the Pillar 1 and Pillar 2A capital and combined buffer requirements.

For more information on the capital buffers applicable to the Group, see *Supervision and Regulation – Prudential regulation* on page 104 of this Offering Circular.

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

Under Article 141 (Restrictions on distributions) of CRD IV, institutions that fail to meet the combined buffer requirement are subject to restricted “discretionary payments” (which are defined broadly by CRD IV as payments relating to common equity tier 1 such as the Ordinary Shares, variable remuneration and payments on additional tier 1 instruments such as the Securities). The Issuer would be considered to fail to meet the combined buffer requirement for the purposes of Article 141 of CRD IV (as amended by CRD V) in the event that it does not have own funds in an amount and of the quality needed to meet at the same time: (i) the requirement defined in Article 128(6) of CRD IV (i.e. the combined buffer requirement); (ii) its 4.5 per cent. Pillar 1 CET1 requirement and its Pillar 2A CET1 requirement; (iii) its 6 per cent. Pillar 1 Tier 1 requirement and its Pillar 2A Tier 1 requirement; and (iv) its 8 per cent. Pillar 1 total capital requirement and its Pillar 2A total capital requirement. Pursuant to policy statements published in December 2020 (PS26/20 and PS29/20), in addition to increasing the Pillar 2A composition requirement from 56 per cent. CET1 capital to 56.25 per cent. CET1 capital, the PRA removed the restriction on firms from making distributions that would cause their CET1 levels to fall into the combined buffer from the end of the Brexit transition period, but expects that firms provide the PRA with advance notice of any distribution that would bring a firm’s capital levels into the combined buffer, a requirement consistent with BCBS standards.

Once a firm fails to meet its combined buffer for the purposes of Article 141, firms are subject to mandatory restrictions on the amount of certain distributions or payments they can make. This maximum amount of discretionary payments (the “**maximum distributable amount**”) is calculated by multiplying the profits of the institution by a scaling factor, net of tax. Where CET1 capital not used to meet the own funds requirement is in the bottom quartile of the combined buffer, the scaling factor is 0, and all discretionary payments are prohibited. In the second quartile the scaling factor is 0.2, in the third it is 0.4 and in the top quartile it is 0.6. In order to strike an appropriate balance between buffer usability and capital conservation, the PRA in PS26/20 and PS29/20 amended the definition of the maximum distributable amount, to include certain profits already recognised as CET1 from the past four calendar quarters net of distributions. In the event of breach of the combined buffer requirement, the Issuer will be required to calculate its maximum distributable amount, and as a consequence it may be necessary for the Issuer to reduce discretionary payments, including potentially exercising its discretion to cancel (in whole or in part) interest payments in respect of the Securities.

Firms that do not hold an amount of CET1 equal to or greater than their applicable leverage ratio buffers above their minimum leverage ratio requirements will not face automatic restrictions on their distributions; however, where a firm does not hold an amount of CET1 capital that is equal to or greater than its countercyclical leverage ratio buffer (“**CCLB**”) (currently calibrated at 35 per cent. of the countercyclical capital buffer rate) or its additional leverage ratio buffer (“**ALRB**”) (currently calibrated at 35 per cent. of the G-SIB CET1 Capital buffer rate) as applicable, it must notify the PRA immediately and prepare a capital plan and submit it to the PRA. This may, but would not automatically, provide for or result in restrictions on discretionary payments being made by the Group. A failure to satisfy any PRA buffer could also result in the Group being required to prepare a

capital restoration plan. This may, but would not automatically, provide for or result in restrictions on discretionary payments being made by the Group.

On 15 December 2020, the PRA published a Dear CEO letter explaining that the Financial Policy Committee (“FPC”) and Prudential Regulation Committee also intend to conduct a review of the UK leverage ratio framework. The FPC and PRA published a consultation paper in June 2021, inviting feedback on their proposals, among others, to extend the scope of the UK leverage ratio framework to other types of firms (including, for example, investment firms), to apply a UK leverage ratio framework on a consolidated basis for UK consolidation groups or on a sub-consolidated basis at the PRA’s discretion, to amend the leverage exposure measure to reflect updated international standards and to make consequential amendments to the leverage ratio model requirements and other reporting and disclosure requirements. The proposed UK framework is stronger, compared to international standards, in that (i) the requirement and supervisory expectation are to be met with at least 75% CET1 instead of 100% Tier 1 capital, with any AT1 instruments to have a minimum 7% trigger in order to count towards the minimum leverage ratio requirement; and (ii) additional leverage buffers apply, mirroring the risk-weighted asset CCyB and O-SII buffer. The consultation closes on 24 August 2021 and any resulting changes are expected to take effect on 1 January 2022. Such regulatory changes, and any others set out in the finalised policy, may have an adverse impact on the Group or the Issuer’s, regulatory requirements.

The Issuer’s capital requirements, including Pillar 2A requirements, are, by their nature, calculated by reference to a number of factors any one of which or combination of which may not be easily observable or capable of calculation by investors. Investors may also not be able to predict accurately the proximity of the risk of discretionary payments on the Securities being prohibited from time to time.

The Group is also subject to a minimum requirement for own funds and eligible liabilities (“MREL”), which includes a component reflecting the FSB’s standards on total loss absorbency capacity (“TLAC”). MREL is intended to ensure that there is sufficient equity and specific types of liabilities to facilitate an orderly resolution that minimises any impact on financial stability and ensuring the continuity of critical functions and avoids exposing taxpayers to loss. The PRA expects firms not to double count CET1 towards both MREL and the amount reflecting the risk-weighted capital and leverage buffers. For more information on the MREL and TLAC requirements that the Group is subject to, see “*Supervision and Regulation – MREL and TLAC*”. The Supervisory Statement (SS16/16) clarifies the PRA’s expectations regarding the amount of CET1 that a firm should not count simultaneously towards buffer requirements and MREL (i.e. an amount equal to the size of a firm’s usable buffer derived from the MREL requirement and the buffer requirements), and sets out the consequences of not maintaining sufficient CET1 to meet both the usable buffer requirement and MREL, including enhanced supervisory action or a requirement to take steps to strengthen the capital position which could include restricting or prohibiting distributions where appropriate and proportionate. In December 2020, the BoE published a discussion paper regarding a review of its June 2018 Statement of Policy on its approach to setting MREL and on 22 July 2021 published a consultation paper as part of this review. The BoE intends to make any policy changes by the end of 2021, taking into account feedback received on the consultation paper. While the review focuses on mid-tier banks, it is possible that any changes to the BoE’s policy regarding MREL following the review could impact the Group’s or the Issuer’s capital requirements.

The requirements described above may be breached where sufficient levels of own funds and eligible liabilities are not held to meet capital buffer requirements, leverage buffer requirements and MREL (including the additional buffer requirements). Failure to meet the combined buffer requirement may result in a maximum amount of discretionary payments which can be made (including payments on additional tier 1 instruments such as the Securities). A breach of any of the requirements above could result in the need to prepare a capital restoration plan, which may provide for or result in restrictions on distributions on additional tier 1 instruments such as the Securities.

In addition, the PRA has the power under section 55M and 192C of the FSMA (implementing Article 104 of CRD IV) to impose requirements on the Issuer to maintain specified levels of capital on a consolidated basis. These requirements could make it impossible for the Issuer to make interest payments on the Securities or to redeem the Securities without placing the Issuer in breach of its regulatory obligations concerning the consolidated capital position of the Issuer. The risk of any such intervention by the PRA is most likely to materialise if at any time the Issuer is failing, or is expected to fail, to meet its capital requirements or buffer requirements.

The interaction of restrictions on distributions with, and the impact of, the capital requirements and buffers and leverage framework applicable, as well as the current implementation of MREL/TLAC

requirements, remain uncertain in many respects. Such uncertainty is expected to continue while the relevant authorities in the EU and the UK consult on and finalise their proposals and provide guidance on the application of the rules following the end of the Brexit transition period. Changes to these rules could also result in more own funds and eligible liabilities being required to be held by a financial institution in order to prevent maximum distributable amount restrictions from applying. As a result of such uncertainty, investors may not be able to anticipate whether the Issuer's ability to make interest payments in respect of additional tier 1 instruments such as the Securities may be reduced.

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

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

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

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

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

See also "*Risks relating to the structure of the Securities - The Securities have a Reset Rate based on the Treasury Yield. If the Treasury Yield is unavailable or discontinued, this may adversely affect the value of and return on the Securities*".

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

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

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

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

As at 30 June 2021, the Group's CET1 ratio giving effect to CRD V on a fully loaded basis was 14.1 per cent.

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

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

The occurrence of the Conversion Trigger Event and, therefore, Conversion, is inherently unpredictable and depends on a number of factors, some of which may be outside of the Issuer's control. Although the Issuer currently publicly reports the Group's fully loaded CET1 Ratio periodically, the PRA, or the then relevant regulatory body with primary responsibility for the prudential supervision of the Issuer and the Group (the "**Relevant Regulator**"), as part of its supervisory activity, may instruct the Issuer to calculate such ratio as at any date, including if the Issuer is subject to recovery and resolution actions by the body responsible for resolution activities under the Banking Act 2009 (the "**Resolution Authority**"), or the Issuer might otherwise determine to calculate such ratio in its own discretion. As such, Conversion could occur at any time. Moreover, it is likely that the Resolution Authority would allow the Conversion Trigger Event to occur rather than to resort to the use of public funds.

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

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

Because of the inherent uncertainty regarding whether the Conversion Trigger Event will occur and there being no obligation on the Issuer's part to prevent its occurrence, it will be difficult to predict when, if at all, Conversion could occur. Accordingly, the trading behaviour of the Securities may not necessarily follow the trading behaviour of other types of subordinated securities, including the Issuer's other subordinated debt securities. Fluctuations in the Group's CET1 Ratio may be caused by changes in the amount of CET1 Capital and RWA as well as changes to their respective definitions under the capital adequacy standards and guidelines set by the Relevant Regulator. Any indication that the Group's CET1 Ratio is moving towards the level which would cause the occurrence of the Conversion Trigger Event may have an adverse effect on the market price and

liquidity of the Securities. Therefore, investors may not be able to sell their Securities easily or at prices that will provide them with a yield comparable to other types of subordinated securities, including the Issuer's subordinated debt securities. In addition, the risk of Conversion could drive down the price of the Ordinary Shares and have a material adverse effect on the market value of any Ordinary Shares received upon Conversion.

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

As a result of CRD V, the Issuer is required to calculate the Group's capital resources for regulatory purposes on the basis of CET1 Capital and its RWA, which represent assets adjusted for their associated risks. Each of these definitions will be calculated in accordance with the capital adequacy standards and guidelines applicable to the Issuer on the relevant date.

As at 30 June 2021, the Group's CET1 Ratio was 14.1 per cent. giving effect to CRD V on a fully loaded basis. The Group's fully loaded CET1 Ratio is a non-UK IFRS measure, and the Issuer's interpretation of CRD V and the basis of the Issuer's calculation of this financial measure may be different from those of other financial institutions. For further information, see the 2021 Half Year Report.

The continuing impact of CRD V on capital ratios may be materially different as the CRD V requirements may change, whether as a result of changes to the domesticated versions of EU legislation and international standards, or changes to the way in which the PRA interprets and applies these requirements to UK banks (including as regards individual model approvals granted under CRD II and III). Additionally, the UK's capital requirements regime may be determined by reference to other applicable capital regulations in future. If PRA rules, guidance or expectations in relation to capital or leverage are amended in the future in a manner other than as set out in the statements released by the PRA to date, it could be materially more difficult for the Group to maintain compliance with prudential requirements and this could affect the Group's CET1 Ratio.

In addition, in December 2017, the BCBS set out measures to finalise the Basel III framework. In summary, those measures aim to: (i) strengthen risk sensitivity and comparability in credit risk by way of minimum "input" floors for certain metrics; (ii) introduce a standardised approach to assessing credit valuation adjustment risk; (iii) introduce a standardised approach to assessing operational risk; (iv) provide safeguards against unsustainable levels of leverage through adding a leverage ratio buffer for global systemically important banks (such as the Issuer); and (v) ensure that banks calculate their "output" floors as being 72.5 per cent of total RWA. The implementation date for most of the proposed reforms was 1 January 2022 but this has now been extended to 1 January 2023 in response to the COVID-19 pandemic; the output floor requirements are intended to be phased in over a five year period following 1 January 2023, ending on 1 January 2028.

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

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

Pursuant to the Banking Act 2009, the Securities could be subject to the exercise of regulatory capital write-down powers in certain circumstances, including before a determination that the Issuer and/or the Group has reached the point of non-viability. The Securities (insofar as they have not already been written down or converted under such regulatory capital write-down powers) also fall within the scope of the bail-in powers set out in the Banking Act 2009. The determination that the regulatory capital write-down powers or the bail-in powers will be exercised in respect of all or part of the principal amount of the Securities may be unpredictable and may be outside of the Issuer's control. Accordingly, trading behaviour in respect of the Securities is not necessarily expected to follow trading behaviour associated with other types of securities. Any final determination, or actual or perceived increase in the likelihood, that such powers will be exercised in respect of the Securities could have an adverse effect on the market price of the Securities.

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

In the event the BoE (as the UK Resolution Authority) exercises its bail-in powers, it must ensure that creditors do not incur greater losses than they would have incurred had the institution been wound up under normal insolvency proceedings immediately before the exercise of the resolution power, however there can be no guarantee that the application of this requirement will mean that a Securityholder will not lose all of its investment in the Securities in the event that the BoE (as the UK Resolution Authority) uses its bail-in powers in this way.

**7.12** *The Securities have a Reset Rate based on the Treasury Yield. If the Treasury Yield is unavailable or discontinued, this may adversely affect the value of and return on the Securities*

From, and including, the First Reset Date, and on every Reset Date thereafter, the Securities will bear an interest rate calculated as the Reset Rate of Interest. The Reset Rate of Interest for a Reset Period is the sum of the Treasury Yield plus Margin for that Reset Period. The Treasury Yield is the rate per annum corresponding to the semi-annual equivalent yield to maturity, that represents the average for five consecutive New York Business Days immediately prior to the applicable Reset Determination Date appearing on the statistical release designated as “**H.15**,” or any successor publication, published by the Board of Governors of the United States Federal Reserve System that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity for five-year maturities under the caption “Treasury Constant Maturities”.

To the extent the rate that appears on the H.15 for purposes of determining the Treasury Yield (the “**Existing Rate**”) does not appear on the H.15 at the relevant time on any Reset Determination Date, the Treasury Yield for the relevant Reset Period will be determined using the alternative methods described in clauses (ii) and (iii) of the definition of “Treasury Yield” in Condition 19. Any of these alternative methods may result in interest payments that are lower than or that do not otherwise correlate over time with the payments that would have been made on the Securities if the rate described in clause (i) of the definition of “Treasury Yield” was available in its current form. The final such alternative method sets the Treasury Yield for a Reset Period at the same rate as the immediately preceding Reset Period, effectively eliminating the reset of the Interest Rate for that Reset Period. Any of the foregoing may have an adverse effect on the value of the Securities.

Any such consequences could have a material adverse effect on the value of and, on and from the First Reset Date, the return on the Securities. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant rate could affect the ability of the Issuer to meet its obligations under the Securities or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Securities.

**7.13** *The Issuer’s obligations under the Securities are subordinated and the rights of the Securityholders will effectively be further subordinated upon Conversion into Ordinary Shares; the Securities may be further subordinated to the Existing Preference Shares upon the forthcoming change in capital treatment of the Existing Preference Shares as a result of the expiry of a transition period, and the Securities may be subordinated to the Legacy Additional Tier 1 Securities*

“**Legacy Additional Tier 1 Securities**” means the Issuer’s outstanding series of 7.75 per cent. Resetting Perpetual Subordinated Contingent Convertible Securities (ISIN: US853254BH21 and USG84228CX43), 5.375 per cent. Resetting Perpetual Subordinated Contingent Convertible Securities (ISIN: XS2013525253), and 7.50 per cent. Resetting Perpetual Subordinated Contingent Convertible Securities (ISIN: US853254BA77 and USG84228CQ91).

“**Recent Additional Tier 1 Securities**” means the 6.000 per cent. Resetting Perpetual Subordinated Contingent Convertible Securities (ISIN: US853254BT68 and USG84228EH74) and 4.75 per cent. Resetting Perpetual Subordinated Contingent Securities (ISIN: US853254BX70 and USG84228EP90).

The Issuer's obligations under the Securities will be unsecured and subordinated and will rank junior in priority of payment to the current and future claims of all of its senior and certain of its subordinated creditors.

If a winding-up or administration occurs prior to the date on which the Conversion Trigger Event occurs, there shall be payable by the Issuer in respect of each Security (in lieu of any other payment by the Issuer) such amount, if any, as would have been payable to a Securityholder of such Security if, on the day preceding the commencement of such winding-up or administration and thereafter, such Securityholder were the holder of one of a class of preference shares in the capital of the Issuer ("**Notional Preference Shares**"): (A) having an equal right to a return of assets in such winding-up or administration to, and so ranking *pari passu* with: (i) (unless the holders of the following securities are Senior Creditors by virtue of paragraph (b) of the definition of "Senior Creditors") the holders of the Existing Preference Shares (if any remain outstanding) and the holders of any securities of the Issuer ranking or expressed to rank *pari passu* with any of the Existing Preference Shares in such winding-up or administration (including, in certain circumstances set out below, the Legacy Additional Tier 1 Securities); and (ii) the holders of any securities of the Issuer ranking or expressed to rank *pari passu* with the Securities in such winding-up or administration; (B) ranking in priority to: (i) the holders of the Ordinary Shares; and (ii) (unless the holders of such shares are Senior Creditors) the holders of any other class of shares in issue or deemed to be in issue for the time being in the capital of the Issuer; and (C) ranking junior to: (i) the holders of any shares which may be issued or deemed to be issued by the Issuer which, by their terms, rank in priority to the Notional Preference Shares in such winding-up or administration; and (ii) the claims of Senior Creditors.

If a winding-up or administration occurs at any time on or following the date on which a Conversion Trigger Event occurs but the Ordinary Shares to be issued and delivered to the Conversion Shares Depositary on the Conversion Date have not been so delivered, there shall be payable by the Issuer in respect of each Security (in lieu of any other payment by the Issuer) such amount, if any, as would have been payable to a Securityholder in a winding-up or administration if the Conversion Date had occurred immediately before the occurrence of a winding-up or administration, regardless of whether Condition 4(a) in relation to solvency had been satisfied on such date and ignoring for these purposes the Issuer's right to elect for the Conversion Shares Depositary to carry out a Conversion Shares Offer.

There is a risk that the Securities will be further subordinated to the Existing Preference Shares upon the forthcoming change in capital treatment of the Existing Preference Shares as a result of the expiry of the transition period (described below). The Existing Preference Shares are currently treated as grandfathered Additional Tier 1 Capital of the Group and therefore currently rank *pari passu* with, *inter alia*, the Legacy Additional Tier 1 Securities, the Recent Additional Tier 1 Securities and the Securities. The Existing Preference Shares currently benefit from this classification as a result of the CRR grandfathering provisions, which will come to an end on 31 December 2021. The Existing Preference Shares, in the absence of any further action by the Group or change in applicable law or regulatory approach by the PRA (in each case in relation to the capital treatment of the Existing Preference Shares), are expected to cease qualifying as Additional Tier 1 Capital and may instead qualify as Tier 2 Capital of the Group from 1 January 2022 onwards. Should the Existing Preference Shares qualify as Tier 2 capital and absent any action by the Issuer or any change in applicable law or regulatory approach by the PRA, it is expected that the Securities, the Recent Additional Tier 1 Securities and the Legacy Tier 1 Securities will consequently from 1 January 2022 cease to qualify as Additional Tier 1 Capital of the Group. However, pursuant to paragraph (b) of the definition of "Senior Creditors" in Condition 4(a) of each of the terms and conditions of the Recent Additional Tier 1 Securities and the Securities, the Issuer may make a determination (which it is able to do in its sole discretion) (a "**Determination**") to subordinate such securities to the Existing Preference Shares, thereby preserving such securities' capital treatment as Additional Tier 1 Capital of the Group. If the Issuer makes such a Determination, then the Recent Additional Tier 1 Securities and the Securities shall cease to rank *pari passu* with, and will instead rank below, the Existing Preference Shares.

In addition, there is a risk that the Securities (and the Recent Additional Tier 1 Securities) may, once a Determination has been made in respect of them, be subordinated to the Legacy Additional Tier 1 Securities. This risk arises because the Legacy Additional Tier 1 Securities do not contain an equivalent mechanism to achieve subordination to the Existing Preference Shares as described above. Absent any action being successfully taken by the Group in respect of the subordination provisions of the Legacy Additional Tier 1 Securities, the Recent Additional Tier 1 Securities and the Securities will be subordinated to the Legacy Additional Tier 1 Securities following a Determination. In the event that no action is successfully taken in respect of the subordination provisions of the



Legacy Additional Tier 1 Securities, the Group also expects that such securities will cease to qualify as Additional Tier 1 Capital of the Group.

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

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

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

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

The Conditions do not provide for any events of default. Securityholders may not at any time demand repayment or redemption of their Securities. There is no right of acceleration in the case of non-payment of principal or interest on the Securities or of the Issuer's failure to perform any of its obligations under or in respect of the Securities.

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

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

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

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

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

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

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

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

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

Upon the occurrence of the Conversion Trigger Event, the Securities will be automatically converted into Ordinary Shares on the Conversion Date. Because the Conversion Trigger Event will occur when the Group's CET1 Ratio will have deteriorated, the Conversion Trigger Event will likely be accompanied by a prior deterioration in the market price of the Ordinary Shares, which may be expected to continue after the occurrence of the Conversion Trigger Event. Therefore, if the Conversion Trigger Event were to occur, investors would receive Ordinary Shares at a time when the market price of the Ordinary Shares is diminished. In addition, there may be a delay in a Securityholder receiving its Ordinary Shares following the Conversion Trigger Event, during which time the market price of the Ordinary Shares may further decline. See Condition 7. As a result, the realisable value of the Ordinary Shares may be below the Conversion Price. The Conversion Price was fixed on 10 August 2021 at U.S.\$6.382 per Ordinary Share, and is subject to limited anti-dilution adjustments, as described under Condition 7(e). At the time the Ordinary Shares are issued, the Conversion Price may not reflect the market price of the Ordinary Shares, which could be significantly lower than the Conversion Price.

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

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

#### *7.17 Securityholders have limited anti-dilution protection*

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

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

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

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

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

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

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

Subject, inter alia, to Condition 4(a) in relation to the solvency of the Issuer, to the Issuer giving notice to the Relevant Regulator and the Relevant Regulator granting permission (or not making any objection) (if, and only to the extent, required), to the redemption not being prohibited by the Capital

Regulations, to the non-occurrence of the Conversion Trigger Event and to the compliance by the Issuer with any alternative or additional pre-conditions to redemption set out in the Capital Regulations from time to time, the Issuer may opt to redeem all, but not some only, of the Securities at their principal amount together with accrued but unpaid interest, excluding any interest which has been cancelled or deemed to be cancelled (i) at the Issuer's option (A) on any day falling in the period commencing on (and including) 19 August 2028 and ending on (and including) the First Reset Date or (B) on any Reset Date thereafter, (ii) if a Tax Event has occurred or (iii) if a Capital Disqualification Event has occurred.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In order to obtain delivery of the Ordinary Shares or Conversion Shares Offer Consideration, as applicable, following Conversion, a Securityholder must deliver a Conversion Shares Settlement Notice (and the relevant Securities, if applicable) to the Conversion Shares Depositary. The Conversion Shares Settlement Notice must contain certain information, including the holder's CREST account details. Accordingly, Securityholders (or their nominee, custodian or other representative) will have to have an account with CREST in order to receive the Ordinary Shares or the Ordinary Share component, if any, of any Conversion Shares Offer Consideration, as applicable. If a Securityholder fails to properly complete and deliver a Conversion Shares Settlement Notice on or before the Notice Cut-off Date, the Conversion Shares Depositary shall continue to hold the relevant Ordinary Shares or the Conversion Shares Offer Consideration, as the case may be, until a Conversion Shares Settlement Notice (and the relevant Securities, if applicable) is or are so validly delivered. However, the relevant Securities shall be cancelled on the applicable Settlement Date (or, if earlier, the Final Cancellation Date) and any Securityholder delivering a Conversion Shares Settlement Notice after the Notice Cut-off Date will have to provide evidence of its entitlement to the relevant Ordinary Shares or Conversion Shares Offer Consideration, as applicable, satisfactory to the Conversion Shares Depositary in its sole and absolute discretion in order to receive delivery of such Ordinary Shares or Conversion Shares Offer Consideration. The Issuer shall have no liability to any Securityholder for any loss resulting from such Securityholder not receiving any Ordinary Shares or the relevant Conversion Shares Offer Consideration, as applicable, or from any delay in the receipt thereof, in each case as a result of such Securityholder failing to submit a valid Conversion Shares Settlement Notice on a timely basis or at all. If any such Ordinary Shares or the relevant Conversion Shares Offer Consideration (as applicable) have not been claimed for 12 years after the Final Cancellation Date as aforesaid, the Issuer may, at any time after such time and in its sole and absolute discretion, instruct the Conversion Shares Depositary (or an agent on its behalf) to sell for cash all or some of any such Ordinary Shares or any Ordinary Share component of any Conversion Shares Offer Consideration (as applicable) and any such cash proceeds from such sale(s) and any such cash component of any Conversion Shares Offer Consideration will, in each case, be forfeited and will be transferred to the Issuer unless the Issuer decides, in its sole and absolute discretion, otherwise and the Issuer will not be a trustee of any such cash and the Issuer shall have no liability to any Holder of the Securities for any loss resulting from such Holder not receiving any Ordinary Shares, the relevant Conversion Shares Offer Consideration or the cash proceeds from any such sale(s) as aforesaid (as applicable).

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

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

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

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

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

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

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

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

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

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

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

- any credit ratings assigned to the Issuer and the Securities;

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

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

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

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

In particular, Brexit could continue to result in significant changes to laws applicable in the UK. The Securities have been structured in accordance with the capital regulations applicable to the Issuer and the Group as at the date of this Offering Circular. The UK has implemented EU capital regulations in UK domestic law to ensure that the UK's capital requirements regime continues to operate smoothly in the UK after Brexit. However, the UK's capital requirements regime may be determined by reference to other applicable capital regulations in future.

There can be no assurance that the terms of the UK's future relationship with the EU will include arrangements similar to the passporting regime or mutual access rights to market infrastructure and recognition of insolvency, bank recovery and resolution regimes as it did previously. Such uncertainty could adversely impact the Issuer, and could be materially detrimental to holders of the Securities. None of the Managers or the Issuer are able to give any assurances in relation to the terms of the UK's continuing relationship with the EU and whether that relationship may impact an investment in the Securities. Additionally, EU regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued or endorsed by a credit rating agency established in the EU and registered with the European Securities and Markets Authority under Regulation (EC) No. 1060/2009 as amended. Each of Moody's Singapore, Fitch and S&P have their credit ratings endorsed by a credit rating agency in its group established in the EU. UK regulated investors are restricted from using a rating for regulatory purposes if such rating is not either issued or endorsed by a credit rating agency established in the UK and registered with the FCA under Regulation (EC) No. 1060/2009 as it forms part of the domestic law of the UK by virtue of the EUWA. Each of Moody's Singapore, Fitch and S&P is either established in the UK or have their credit ratings endorsed by a credit rating agency in its group established in the UK. The regimes concerning credit ratings for regulatory purposes in the EU and the UK could change in the future and holders of the Securities should ensure that when using credit ratings for regulatory purposes, they use the ratings issued or endorsed by a credit rating agency established in the jurisdiction and registered with the regulator necessary for their purpose. For more information on Brexit, including on the potential impact of Brexit on the Issuer and Group, see the risk factor entitled "*Risks relating to the Group and its business operations – The Group is exposed to geopolitical risks*" and "*Supervision and regulation – Brexit*".

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

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

Any such legislative and regulatory uncertainty could affect an investor’s ability to accurately value the Securities and, therefore, affect the trading price of the Securities given the extent and impact on the Securities that one or more regulatory or legislative changes, including those described above, could have on the Securities. It is not yet possible to predict the detail of such legislation or regulatory rulemaking or the ultimate consequences to the Group or the Securityholders which could be material.

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

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

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

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

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

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



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

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

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

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

*7.35 Credit ratings may not reflect all risks*

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

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

Upon the occurrence of the Conversion Trigger Event, Securityholders receiving Ordinary Shares from the Conversion Shares Depositary may have to make a take-over bid addressed to the shareholders of the Issuer pursuant to the rules of The City Code on Takeovers and Mergers and the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs if their aggregate holdings in the Issuer exceed 30 per cent. of the voting rights in the Issuer as a result of Conversion of the Securities into Ordinary Shares.

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

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

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

Non-compliance with such disclosure and/or approval requirements may lead to the incurrance by Securityholders of substantial fines and/or suspension of voting rights associated with the Ordinary

Shares. Each potential investor should consult its legal advisers as to the terms of the Securities and the level of holding it would have if it receives Ordinary Shares following the Conversion Trigger Event and what its related obligations may be.

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

Neither the Issuer, nor any member of the Group, will pay any taxes or capital, stamp, issue and registration or transfer taxes or duties arising upon Conversion or that may arise or be paid as a consequence of the issue and delivery of Ordinary Shares to the Conversion Shares Depositary. A Securityholder must pay any taxes and capital, stamp, issue and registration and transfer taxes or duties arising upon Conversion (other than on the transfer and delivery of any Ordinary Shares to a purchaser in any Conversion Shares Offer which in each case shall be payable by the relevant purchaser of the Ordinary Shares) and such Securityholder must pay all, if any, such taxes or duties arising by reference to any disposal or deemed disposal of such Securityholder's Security or interest therein.

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

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

Basel III was implemented in the EU via CRD IV, agreement on which was reached on 16 April 2013 and the final texts were published in the Official Journal of the EU on 26 June 2013. Member States were required to apply the new requirements (with certain exceptions and subject to transitional arrangements) from 1 January 2014. In December 2020, CRD V became applicable, amending CRD IV and CRR in part to reflect amendments made by the BCBS to the Basel III standards. Recently, the PRA has published a policy statement relating to its proposals to implement the remaining Basel III standards in the UK and in certain cases amending rules set out by in CRD V which are intended to take effect on 1 January 2022. The policy is intended to take effect on 1 January 2022. The changes in requirements introduced through CRD V or the implementation of Basel III in the UK may have an impact on incentives to hold the Securities for investors that are subject to requirements that follow the revised framework and, as a result, they may affect the liquidity and/or value of the Securities.

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

Furthermore, the Securities may be subject to regulatory capital write-down powers and/or bail-in powers (see "*Risks relating to the structure of the Securities – The Securities may be subject to statutory write-down or bail-in*" above, and the risk factor entitled "*Risks relating to the Group and its business operations - The business and operations of the Group may be affected by resolution measures developed by its regulators, including those introduced in accordance with the BRRD and the Banking Act 2009*" above).

The application of write-down or conversion to equity or bail-in to the Securities, or the perception that such events could occur, may have an adverse effect on the position of holders of Securities and, as a result, may affect the liquidity and/or value of the Securities. See "*Capital and liquidity risk - The Group is exposed to the risk of regulators imposing new prudential standards, including increased capital, leverage, loss-absorbing capacity and liquidity requirements*" above.

In all other respects, the Issuer cannot predict the precise effects of potential changes that might result from the requirements on investors' own financial performance or the impact on the market value of the Securities. Prospective investors in the Securities should consult their own advisers as to the potential consequences to and effect on them of the changes described above.

The EU also developed a new solvency framework for insurance companies, referred to as "Solvency II". Member States were required to implement Directive 2009/138/EC (the "**Solvency II Directive**") by 31 March 2015 and firms had to comply with the new regime from 1 January 2016. Prospective investors in the Securities who are subject to the Solvency II Directive, as it forms part of the law

applicable to such investors, should consult their own advisers as to the potential consequences to and effect on them of the solvency regime and investment rules set out therein.

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

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

**7.41** *Exchange rate risks and exchange controls*

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

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

**7.42** *Change of law*

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

## TERMS AND CONDITIONS OF THE SECURITIES

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

The issue of the U.S.\$1,500,000,000 Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities (the “**Securities**”, which expression shall, unless otherwise indicated, include any Further Securities) was (save in respect of any Further Securities) authorised pursuant to resolutions of the board of directors of Standard Chartered PLC (the “**Issuer**”) passed on 6 and 7 November 2019 and a duly authorised resolution of a committee of the board of directors of the Issuer passed on 5 August 2021. The Securities are constituted by, are subject to, and have the benefit of, a trust deed (the “**Trust Deed**”) to be dated 19 August 2021 entered into between the Issuer and BNY Mellon Corporate Trustee Services Limited (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Securityholders (as defined below). These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Certificates referred to below. An Agency Agreement (the “**Agency Agreement**”) to be dated 19 August 2021 will be entered into in relation to the Securities between the Issuer, the Trustee, The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar and as transfer agent, The Bank of New York Mellon, London Branch as principal paying and conversion agent and interest calculation agent and the other paying and conversion agents named in it. A Conversion Calculation Agency Agreement (the “**Conversion Calculation Agency Agreement**”) to be dated 19 August 2021 will be entered into in relation to the Securities between the Issuer and Conv-Ex Advisors Limited as conversion calculation agent. The principal paying and conversion agent, the other paying and conversion agents, the registrar, the transfer agents, the interest calculation agent(s) and the conversion calculation agent for the time being (if any) are referred to below respectively as the “**Principal Paying and Conversion Agent**”, the “**Paying and Conversion Agents**” (which expression shall include the Principal Paying and Conversion Agent), the “**Registrar**”, the “**Transfer Agents**” (which expression shall include the Registrar), the “**Interest Calculation Agent**” and the “**Conversion Calculation Agent**”. Copies of the Trust Deed, the Agency Agreement and the Conversion Calculation Agency Agreement are available for inspection by appointment during usual business hours at the principal office of the Trustee (presently at One Canada Square, London E14 5AL) and at the specified offices of the Paying and Conversion Agents and the Transfer Agents. At the Trustee’s, Paying and Conversion Agents’ or the Transfer Agents’ discretion, such inspection may be provided electronically.

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

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

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

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

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

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

### **2 Transfers of Securities**

#### **(a) Transfer of Securities**

One or more Securities may, subject to Condition 2(d), be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Securities to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer

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

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

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

**(b) Delivery of New Certificates**

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

**(c) Transfers Free of Charge**

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

**(d) Closed Periods**

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

**3 Status of the Securities**

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

**4 Subordination**

**(a) Conditions to Payment**

Other than where Condition 4(b), 4(c) or (in relation to the cash component of any Conversion Shares Offer Consideration) 7(b)(iii) applies, all payments in respect of or arising from (including any damages for breach of any obligations under) the Securities are, in addition to the provisions of Condition 6 relating to the cancellation of interest, conditional upon the Issuer being solvent at the time of payment by the Issuer and

no principal, interest or other amount shall be due and payable in respect of or arising from the Securities except to the extent that the Issuer could make such payment and still be solvent immediately thereafter.

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

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

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

As used herein:

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

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

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

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

**“Existing Sterling Preference Shares”** means the Issuer’s outstanding series of 8.25 per cent. non-cumulative irredeemable preference shares of £1 each (aggregate paid up amount of £99,250,000) and 7.375 per cent. non-cumulative irredeemable preference shares of £1 each (aggregate paid up amount of £96,035,000);

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

**“Senior Creditors”** means:

- (a) creditors of the Issuer:
  - (i) who are unsubordinated creditors;
  - (ii) whose claims are, or are expressed to be, subordinated (whether only in the event of the winding-up or administration of the Issuer or otherwise) to the claims of unsubordinated creditors of the Issuer but not further or otherwise; or
  - (iii) whose claims are, or are expressed to be, junior to the claims of other creditors of the Issuer, whether subordinated or unsubordinated, other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the Securityholders in a winding-up or administration of the Issuer occurring prior to a Conversion Trigger Event; and
- (b) (if the Issuer determines that the Securities would not be included in the Additional Tier 1 Capital of the Group at the time of determination unless the holders of some or all of the following securities were Senior Creditors at that time) the holders of all of the Existing Preference Shares (if any remain outstanding) and the holders of all securities of the Issuer ranking or expressed to rank *pari passu* with any of the Existing Preference Shares in a winding-up or administration of the Issuer occurring prior to a Conversion Trigger Event.

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

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

- (i) an order is made, or an effective resolution is passed, for the winding-up of the Issuer (except, in any such case, a solvent winding-up solely for the purposes of a merger, reorganisation, reconstruction or amalgamation of the Issuer or the substitution in place of the Issuer of a

successor in business of the Issuer, the terms of which merger, reorganisation, reconstruction, amalgamation or substitution (x) have previously been approved in writing by the Trustee or by an Extraordinary Resolution and (y) do not provide that the Securities shall thereby become redeemable or repayable in accordance with these Conditions); or

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

there shall be payable by the Issuer in respect of each Security (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to the Securityholder of such Security if, on the day preceding the commencement of such winding-up or administration and thereafter, such Securityholder were the holder of one of a class of preference shares in the capital of the Issuer ("**Notional Preference Shares**"):

- (A) having an equal right to a return of assets in such winding-up or administration to, and so ranking *pari passu* with:
  - (i) (unless the holders of the following securities are Senior Creditors by virtue of paragraph (b) of the definition of "Senior Creditors") the holders of the Existing Preference Shares (if any remain outstanding) and the holders of any securities of the Issuer ranking or expressed to rank *pari passu* with any of the Existing Preference Shares in such winding-up or administration; and
  - (ii) the holders of any securities of the Issuer ranking or expressed to rank *pari passu* with the Securities in such winding-up or administration;
- (B) ranking in priority to:
  - (i) the holders of the Ordinary Shares; and
  - (ii) (unless the holders of such shares are Senior Creditors by virtue of paragraph (b) of the definition of "Senior Creditors") the holders of any other class of shares in issue or deemed to be in issue for the time being in the capital of the Issuer; and
- (C) ranking junior to:
  - (i) the holders of any shares which may be issued or deemed to be issued by the Issuer which, by their terms, rank in priority to the Notional Preference Shares in such winding-up or administration; and
  - (ii) the claims of Senior Creditors (as defined above),

and on the assumption that the amount that such holder was entitled to receive in respect of each Notional Preference Share, on a return of assets in such winding-up or administration, were an amount equal to the principal amount of the relevant Security together with, to the extent not otherwise included within the foregoing, any other amounts attributable to the Security, including any accrued but unpaid interest thereon (to the extent not cancelled in accordance with these Conditions) and any damages awarded for breach of any obligations, whether or not the conditions referred to in Condition 4(a) are satisfied on the date upon which the same would otherwise be due and payable.

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

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

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

but the relevant Ordinary Shares to be issued and delivered to the Conversion Shares Depositary on Conversion in accordance with Condition 7 have not been so delivered, there shall be payable by the Issuer in respect of each Security (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to the Securityholder of such Security if, on the day preceding the commencement of the

winding-up or administration and thereafter, such Securityholder were the holder of such number of Ordinary Shares as that Securityholder would have been entitled to receive on Conversion in accordance with Condition 7 (ignoring for these purposes the Issuer's right to make an election for a Conversion Shares Offer to be effected in accordance with Condition 7(b)(iii)), whether or not the conditions referred to in Condition 4(a) are satisfied on the date upon which the same would otherwise be due and payable.

**(d) Set-off**

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

**(e) Trustee**

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

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

**5 Interest**

**(a) Interest Rate**

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

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

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

**(b) Interest Accrual**

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

**(c) Initial Fixed Interest Rate**

For the Initial Fixed Rate Interest Period, the Interest Rate will be 4.30 per cent. per annum (the "**Initial Fixed Interest Rate**").

Subject to Conditions 4(a), 6 and 7, each Interest Payment for each Interest Period commencing in the Initial Fixed Rate Interest Period will (if paid in full) amount to U.S.\$21.50 per Calculation Amount.



**(d) Reset Rate of Interest**

The Interest Rate will be reset (the “**Reset Rate of Interest**”) in accordance with this Condition 5 on each Reset Date. The Reset Rate of Interest in respect of each Reset Period will be determined by the Interest Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Treasury Yield plus the Margin (rounded if necessary to five decimal places, with 0.000005 rounded up).

**(e) Determination of Reset Rate of Interest**

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

**(f) Publication of Reset Rate of Interest**

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

**(g) Interest Calculation Agent**

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

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

**(h) Determinations of Interest Calculation Agent Binding**

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

**6 Interest Cancellation**

**(a) Interest Payments Discretionary**

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

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

**(b) Restrictions on Interest Payments**

The Issuer shall cancel any Interest Payment (or, as appropriate, part thereof) on the Securities in accordance with this Condition 6 in respect of any Interest Payment Date to the extent that the Issuer has

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

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

**(c) Notice of Interest Cancellation**

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

**7 Conversion**

**(a) Conversion upon Conversion Trigger Event**

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

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

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

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

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

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

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

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

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

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

**(b) Conversion Settlement**

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

A Conversion Shares Offer Notice shall specify the period of time for which the Conversion Shares Offer will be open (the "**Conversion Shares Offer Period**"). The Conversion Shares Offer Period

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

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

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

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

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

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

**(c) *Accrued Interest on Conversion***

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

**(d) Conversion Price**

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

The “**Conversion Price**” per Ordinary Share in respect of the Securities is U.S.\$6.382, subject to adjustment in the circumstances described in Condition 7(e).

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

**(e) Adjustment of Conversion Price**

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

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

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

where:

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

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

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

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

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

where:

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

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

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

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

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

where:

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

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

Such adjustment shall become effective on the Effective Date.

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

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

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

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

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

where:

A is the number of Ordinary Shares in issue on the Effective Date;

B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares issued by way of rights, or for the Relevant Securities issued by way of rights, or for the options or warrants or other rights issued by way of rights and for the total number of Ordinary Shares deliverable on the exercise thereof, would purchase at such Current Market Price per Ordinary Share on the Effective Date; and

C is the number of Ordinary Shares to be issued or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights or upon conversion or exchange or exercise of rights of subscription or purchase in respect thereof at the initial conversion, exchange, subscription or purchase price or rate,

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

Such adjustment shall become effective on the Effective Date.

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

Notwithstanding the foregoing provisions:

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

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

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

**(f) *Determination of Consideration Receivable***

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

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

**(g) *Decision of an Independent Adviser***

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



**(h) Share Option Schemes**

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

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

On any adjustment, if necessary, the resultant Conversion Price shall be rounded down to the nearest whole multiple of U.S.\$0.0001. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and/or any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made.

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

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

**(j) Qualifying Relevant Event**

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

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

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

The Relevant Event Notice shall specify:

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

- (v) As used herein:

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

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

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

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

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

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

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

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

where:

NCP is the New Conversion Price.

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

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

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

**"Non-Qualifying Relevant Event"** means a Relevant Event that is not a Qualifying Relevant Event.

**"Qualifying Relevant Event"** means a Relevant Event where the New Conversion Condition is satisfied.

**"Regulated Market"** means an EEA Regulated Market or another regulated, regularly operating, recognised stock exchange or securities market in the UK or another OECD member state.

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

For the purposes of the definition of "Relevant Event", **"control"** means:

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

and **"controlled"** shall be construed accordingly.

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

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

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

**(l) Fractions**

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

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

- (i) Subject as provided in Condition 7(m)(ii) below, in order to obtain delivery of the relevant Ordinary Shares or the Conversion Shares Offer Consideration, as applicable, following a Conversion of the Securities, the relevant Securityholder must deliver a duly completed Conversion Shares

Settlement Notice, together with the relevant Certificates representing the Securities to the Conversion Shares Depositary or the specified office of its agent(s) designated for the purpose in the Conversion Trigger Notice by the Notice Cut-off Date.

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

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

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

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

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

**(n) Taxes and Duties**

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

**(o) Delivery**

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

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

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

**(p) Ordinary Shares**

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

**(q) Purchase or Redemption of Ordinary Shares**

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

**(r) Covenants**

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

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

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

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

**(s) *Conversion Calculation Agent***

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

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

**(t) *Determinations of Conversion Calculation Agent Binding***

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

**8 *Redemption and Purchase***

**(a) *No Fixed Redemption Date***

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

**(b) *Conditions to Redemption and Purchase***

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

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

- (iii) in the case of any purchase prior to the fifth anniversary of the Issue Date, if and to the extent then required under the Capital Regulations, either (A) the Issuer having, before or at the same time as such purchase, replaced the Securities with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer, and the Relevant Regulator having permitted such action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances or (B) the relevant Securities being purchased for market-making purposes in accordance with the Capital Regulations;
- (iv) in the case of any redemption of the Securities, the Issuer being solvent (as described in Condition 4(a)) both immediately prior to and immediately following such redemption;
- (v) in the case of any redemption of the Securities, Condition 8(f); and
- (vi) compliance by the Issuer with any alternative or additional pre-conditions to redemption or purchase, as applicable, set out in the relevant Capital Regulations for the time being.

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

**(c) *Redemption at the option of the Issuer***

Subject to Conditions 4(a), 8(b) and 8(f), the Issuer may, by giving not less than 30 nor more than 60 days' notice to the Securityholders in accordance with Condition 17, the Trustee, the Registrar and the Principal Paying and Conversion Agent, which notice shall, save as provided in Conditions 4(a), 8(b) and 8(f), be irrevocable, elect to redeem all, but not some only, of the Securities then outstanding:

- (i) on any day falling in the period commencing on (and including) 19 August 2028 and ending on (and including) the First Reset Date; or
- (ii) on any Reset Date thereafter,

in each case, at their principal amount, together with any Accrued Interest. Upon the expiry of such notice, in the case of Condition 8(c)(i), or upon the relevant Reset Date, in the case of Condition 8(c)(ii), the Issuer shall, subject to Conditions 4(a), 8(b) and 8(f), redeem the Securities as aforesaid.

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

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

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

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

**(f) *Conversion Trigger Event***

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

**(g) Purchases**

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

**(h) Cancellation**

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

**(i) Trustee Not Obligated to Monitor**

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

**9 Payments**

**(a) Method of Payment**

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

**(b) Payments subject to laws**

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

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



**(c) Appointment of Agents**

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

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

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

**(d) Non-Business Days**

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

**10 Taxation**

All payments of principal and interest to Securityholders by or on behalf of the Issuer in respect of the Securities shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the UK or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, in respect of the payment of any interest on (but not, for the avoidance of doubt, in respect of principal on) the Securities, the Issuer shall pay such additional amounts ("**Additional Amounts**") as shall result in receipt by the Securityholders (after the withholding or deduction) of such an amount as would have been received by them in respect of interest on their Securities in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable with respect to any Security:

- (a) to, or to a third party on behalf of, any Securityholder who is liable to such taxes, duties, assessments or governmental charges by reason of his having some connection with the UK other than the mere holding of such Security; or
- (b) to, or to a third party on behalf of, a Securityholder if such withholding or deduction may be avoided by the Securityholder complying with any statutory requirement or by making a declaration of non-residence or other similar claim for exemption to any authority of or in the UK, unless such Securityholder proves that he is not entitled so to comply or to make such declaration or claim; or
- (c) to, or to a third party on behalf of, a Securityholder that is a partnership, or a Securityholder that is not the sole beneficial owner of the Security, or which holds the Security in a fiduciary capacity, to the extent that any of the members of the partnership, the beneficial owner or the settlor or beneficiary with respect to the fiduciary would not have been entitled to the payment of an additional amount had each of the members of the partnership, the beneficial owner, settlor or beneficiary (as the case may be) received directly its beneficial or distributive share of the payment; or
- (d) presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Securityholder thereof would have been entitled to such additional amounts on presenting or surrendering the same for payment at the expiry of such period of 30 days.

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

## **11 Prescription**

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

## **12 Non-payment when due**

### **(a) Proceedings for Winding-up**

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

### **(b) Enforcement**

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

### **(c) Entitlement of Trustee**

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

### **(d) Right of Securityholders**

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

### **(e) Extent of Securityholder's remedy**

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

## **13 Meetings of Securityholders, Modification, Waiver and Substitution**

### **(a) Meetings of Securityholders**

The Trust Deed contains provisions for convening meetings of Securityholders (including by way of conference call or other virtual means) 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 subject to Condition 13(g). Such a meeting may be requisitioned by Securityholders holding not less than 10 per cent. in aggregate principal amount of the Securities for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more persons holding or representing a clear majority in aggregate principal amount of the Securities for the time being outstanding, or at any adjourned meeting one or more persons being or representing Securityholders whatever the aggregate principal amount of the Securities held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to amend any date of optional redemption of the Securities or any date for payment of interest on the Securities, (ii) to reduce or cancel the principal amount of the Securities, (iii) to reduce the rate or rates of interest in respect of the Securities or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating the amounts of any interest in respect of the Securities, (iv) to vary any method of, or basis for, calculating the amounts payable on redemption of the Securities, (v) to vary the currency or currencies of payment or denomination of the Securities, (vi) to modify the provisions concerning the quorum required at any meeting of Securityholders or the majority required to pass the Extraordinary Resolution or (vii) to modify the provisions of Condition 7 (other than pursuant to or as a result of any amendment to these Conditions and the Trust Deed made pursuant to and in accordance with Condition 7(j) and/or Condition 7(r)(ii)), in which case the necessary quorum shall be one or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate principal amount of the Securities for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Securityholders (whether or not they were present at the meeting at which such resolution was passed).

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

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

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

Subject to Condition 13(g), the Trustee may agree, without the consent of the Securityholders, to (i) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Securityholders. Any such modification, authorisation or waiver shall be binding on the Securityholders and, if the Trustee so requires, shall be notified to the Securityholders as soon as practicable.

### **(c) Newco Scheme**

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

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

### **(d) Substitution**

The Trust Deed contains provisions (in the case of (i) below) requiring the Trustee and (in the case of (ii) below) permitting the Trustee (subject to Condition 13(g)) to agree, without the consent of the Securityholders, to (i) any substitution as provided in and for the purposes of Condition 13(c) or (ii) the substitution of the Issuer's successor in business in place of the Issuer, or of any previously substituted

company, as principal debtor under the Trust Deed and the Securities subject to (in the case of (ii) only) the Trustee being of the opinion that such substitution will not be materially prejudicial to the interests of the Securityholders and subject to (in the case of (i) and (ii)) certain other conditions set out in the Trust Deed being complied with. In the case of such a substitution, the Trustee may agree, without the consent of the Securityholders, to a change of the law governing the Securities and/or the Trust Deed, provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Securityholders.

**(e) *Entitlement of the Trustee***

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

**(f) *Notification to the Securityholders***

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

**(g) *Relevant Regulator notice or consent***

The provisions in these Conditions and the Trust Deed shall only be capable of modification or waiver and the Issuer may only be substituted in accordance with Conditions 13(c) and 13(d) if the Issuer has notified the Relevant Regulator of such modification, waiver or substitution and/or obtained the prior consent of the Relevant Regulator, as the case may be (if such notice and/or consent is then required by the Capital Regulations).

**14 *Indemnification of the Trustee***

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

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

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

## **15 Replacement of Securities**

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

## **16 Further Issues**

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

## **17 Notices**

Notices to Securityholders shall be valid if mailed to them by first class mail or (if posted to an overseas address) by airmail to the Securityholders (or the first of any joint named Securityholders) at their respective addresses in the Register and will be deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after being so mailed or airtailed.

The Issuer shall also ensure that notices are given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Securities are for the time being listed.

## **18 Contracts (Rights of Third Parties) Act 1999**

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

## **19 Definitions**

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

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

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

**"Authorised Signatory"** means a director or the company secretary of the Issuer;

**"BRRD"** means Directive 2014/59/EU establishing an EU-wide framework for the recovery and resolution of credit institutions and investment firms, as may be amended or replaced from time to time (including, without limitation, by Directive (EU) 2019/879), as it forms part of the domestic law of the UK by virtue of the EUWA or otherwise);

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

**"Calculation Amount"** means U.S.\$1,000;

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

Date, all or any part of the outstanding aggregate principal amount of the Securities ceases (or would cease) to be included in, or count towards, the Tier 1 Capital of the Group;

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

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

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

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

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

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

**“Companies Act”** means the Companies Act 2006;

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

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

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

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

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

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

**“Conversion Shares Offer Consideration”** means in respect of each Security and as determined by the Conversion Calculation Agent: (i) if all of the Ordinary Shares to be issued and delivered on Conversion are sold in the Conversion Shares Offer, the *pro rata* share of the cash proceeds from the sale of such Ordinary

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

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

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

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

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

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

**“CRD IV”** means Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, as may be amended or replaced from time to time (including, without limitation, by Directive (EU) 2019/879), as it forms part of the domestic law of the UK by virtue of the EUWA or otherwise);

**“CRD IV Regulation”** means Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms of the European Parliament and of the Council of 26 June 2013, as may be amended or replaced from time to time (including, without limitation, by Regulation (EU) 2019/876), as it forms part of the domestic law of the UK by virtue of the EUWA or otherwise);

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

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

and provided further that, if on each of the said five dealing days (or, for the purposes of Condition 7(e)(iv), the said 10 dealing days) the Volume Weighted Average Price shall have been based on a price cum-dividend (or cum- any other entitlement) in respect of a dividend (or other entitlement) which has been

declared or announced but the Ordinary Shares to be issued and delivered do not rank for that dividend (or other entitlement), the Volume Weighted Average Price on each of such dates shall, for the purposes of this definition, be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend or entitlement per Ordinary Share as at the date of first public announcement relating to such dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit, and provided further that, if the Volume Weighted Average Price of an Ordinary Share is not available on one or more of the said five dealing days (or, for the purposes of Condition 7(e)(iv), the said 10 dealing days) (disregarding for this purpose the proviso to the definition of Volume Weighted Average Price), then the average of such Volume Weighted Average Prices which are available in that five (or, for the purposes of Condition 7(e)(iv), 10-) dealing-day period shall be used (subject to a minimum of two such prices) and if only one, or no, such Volume Weighted Average Price is available in the relevant period, the Current Market Price shall be determined in good faith by an Independent Adviser;

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

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

**“Euroclear”** means Euroclear Bank SA/NV;

**“EUWA”** means the European Union (Withdrawal) Act 2018 as may be amended or replaced from time to time (including, without limitation, by the European Union (Withdrawal Agreement) Act 2020);

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

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

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

**“Fair Market Value”** means:

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

Such amounts shall, in the case of (i) and (ii) above, be translated (if expressed in a currency other than the Relevant Currency) into the Relevant Currency (if declared, announced, made, paid or payable in a



currency other than the Relevant Currency, and if the relevant dividend is payable at the option of the Issuer or a Shareholder in any currency additional to the Relevant Currency, the relevant dividend shall be treated as payable in the Relevant Currency) at the rate of exchange (if any) used to determine the amount payable to Shareholders who were paid or are to be paid or are entitled to be paid the Cash Dividend in the Relevant Currency; and, in any other case, shall be translated into the Relevant Currency (if expressed in a currency other than the Relevant Currency) at the Prevailing Rate on that date. In addition, in the case of (i) and (ii) above, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit;

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

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

**“First Reset Date”** means 19 February 2029;

**“fully loaded”** means, in relation to a measure that is presented or described as being on a “fully loaded basis”, that such measure is calculated without applying any transitional provisions set out in the Capital Regulations, including, as at the date hereof, Part Ten of the CRD IV Regulation and any related technical standards (where applicable);

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

**“Group”** means the Issuer and its Subsidiaries;

**“H.15”** means the statistical release designated as such, or any successor publication, published by the Board of Governors of the United States Federal Reserve System, and **“most recent H.15”** means, in respect of any Reset Period, the H.15 published closest in time but prior to the close of business on the Reset Determination Date in respect of that Reset Period;

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

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

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

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

**“Interest Payment Date”** means 19 February and 19 August in each year, commencing on 19 February 2022;

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

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

**“Issue Date”** means 19 August 2021;

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

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

**“Margin”** means 3.135 per cent. per annum;

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

**“New York Business Day”** means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments generally in New York City;

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

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

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

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

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

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

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

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

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

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

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

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

**“Relevant Stock Exchange”** means (i) with respect to Ordinary Shares, the London Stock Exchange or, if at the relevant time the Ordinary Shares are not at that time listed and admitted to trading on the London Stock Exchange, the principal stock exchange or securities market (if any) on which the Ordinary Shares are then listed, admitted to trading or quoted or accepted for dealing, and (ii) with respect to Relevant Securities (other than Ordinary Shares), options, warrants or other rights, the principal stock exchange or securities market (if any) on which such Relevant Securities, options, warrants or other rights are then listed, admitted to trading or quoted or accepted for dealing;

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

**“Reset Determination Date”** means, in respect of a Reset Period, the day falling two New York Business Days prior to the first day of such Reset Period;

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

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

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

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

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

**“Settlement Date”** means:

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

**“Shareholders”** means the holders of Ordinary Shares;

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

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

A **“Tax Event”** is deemed to have occurred if:

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

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

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

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

**“Treasury Yield”** means, in relation to any Reset Period:

- (i) the rate per annum corresponding to the semi-annual equivalent yield to maturity, that represents the average for the five consecutive New York Business Days immediately prior to the applicable Reset Determination Date, appearing in the most recent H.15, and that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity, for five-year maturities from the applicable Reset Date, under the caption “Treasury Constant Maturities”; or
- (ii) if there is no such published actively traded U.S. Treasury security with a maturity of five years from the next Reset Date, the rate determined by interpolation between the most recent weekly average yield to maturity for two series of U.S. Treasury securities trading in the public securities market, (A) one maturing as close as possible to, but earlier than, the first Reset Date following the next succeeding Reset Determination Date, and (B) the other maturing as close as possible to, but later than, the first Reset Date following the next succeeding Reset Determination Date, in each case as published in the most recent H.15; or
- (iii) if the Treasury Yield cannot be determined pursuant to the methods described in paragraph (i) or (ii) above, the rate equal to the Treasury Yield for the last preceding Reset Period (or, in the case of the first Reset Period, the rate equal to 1.165 per cent. per annum),

in each case, as determined by the Calculation Agent on the applicable Reset Determination Date;

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

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

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

**“£”** and **“pounds sterling”** means the lawful currency for the time being of the UK.

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

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

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

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

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

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

## **20 Governing Law and Jurisdiction**

### **(a) Governing Law**

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

### **(b) Jurisdiction**

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

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

### 1. Initial Issue

The Unrestricted Global Certificates and the Restricted Global Certificates will be deposited with a custodian for DTC.

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

### 2. Relationship of Accountholders with DTC

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

### 3. Exchange

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

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

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

### 4. Exchange Date

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

### Amendment to Conditions

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

#### 1. **Payments**

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

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

#### 2. **Prescription**

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

### **3. Meetings**

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

### **4. Cancellation**

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

### **5. Issuer's Option**

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

### **6. Trustee's Powers**

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

### **7. Notices**

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

### **8. Suspension**

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

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

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

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

### **9. Voting and Written Consent.**

For so long as the Securities are in the form of one or more Global Certificates held on behalf of DTC or another clearing system, then, in respect of any resolution or action proposed by the Issuer or the Trustee and, for the purpose of determining whether such resolution or action has been validly passed or approved, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly (including in electronic form) to the Issuer and/or the Trustee, as the case may be: (a) by accountholders in the clearing system with entitlements to such Global Certificate; (b) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held; or (c) otherwise validly

given in accordance with then existing procedures of the relevant clearing system. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, the relevant clearing system and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system.



## **USE OF PROCEEDS**

The net proceeds from the issue of the Securities will be used for the general business purposes of the Group, including, without limitation, to repurchase or refinance existing debt, including pursuant to the Tender Offer (as defined below), and to strengthen further the regulatory capital base of the Group.

## TENDER OFFER

On 10 August 2021, the Issuer announced an invitation to holders of its 7.50 per cent. Resetting Perpetual Subordinated Contingent Convertible Securities (ISIN: US853254BA77 and USG84228CQ91) (the “**Tender Securities**”) to tender such Tender Securities for purchase by the Issuer for cash upon the terms of, and subject to the conditions contained in, the tender offer memorandum published by the Issuer on 10 August 2021 (the “**Tender Offer**”). The offering of the Securities is not conditional on any minimum amount of Tender Securities being repurchased pursuant to the Tender Offer.

## THE ISSUER

The Issuer is a public limited company and the ultimate holding company of the Group and was incorporated and registered in England and Wales on 18 November 1969 as a private limited company. Its ordinary shares and preference shares are listed on the Official List and traded on the London Stock Exchange. The Issuer's ordinary shares are also listed on the Hong Kong Stock Exchange. The Issuer operates under the Companies Act 2006 and its registered number is 966425. The Issuer's registered office and principal place of business in the UK is at 1 Basinghall Avenue, London EC2V 5DD. The Issuer's telephone number is +44 (0)20 7885 8888.

### The Group

The Group is an international banking and financial services group particularly focused on the markets of Asia, Africa and the Middle East. As at 31 December 2020, the Group had a total workforce of over 83,000 employees across 59 diverse markets.

Further information relating to the Issuer and the Group may be found on pages 20 to 21, 29 to 45, 296 to 301 and 379 to 380 of the 2020 Annual Report and pages 1 to 40, 108 to 112 and 157 of the 2021 Half Year Report.

### Subsidiaries

As at 31 December 2020, the principal subsidiary undertakings of the Issuer engaged in the business of banking and provision of other financial services, were as follows: SCB, England and Wales; Standard Chartered Bank (China) Limited, China; Standard Chartered Bank (Hong Kong) Limited, Hong Kong; Standard Chartered Bank Korea Limited, Korea; Standard Chartered Bank Malaysia Berhad, Malaysia; Standard Chartered Bank Nigeria Limited, Nigeria; Standard Chartered Bank (Singapore) Limited, Singapore; Standard Chartered Bank (Taiwan) Limited, Taiwan; Standard Chartered Bank (Pakistan) Limited, Pakistan; Standard Chartered Bank (Thai) Public Company Limited, Thailand; Standard Chartered Bank Kenya Limited, Kenya.

As at 31 December 2020, all the above were directly or indirectly wholly owned subsidiaries of the Issuer, except Standard Chartered Bank (Thai) Public Company Limited, which was 99.87 per cent. indirectly owned by the Issuer, Standard Chartered Bank (Pakistan) Limited, which was 98.99 per cent. indirectly owned by the Issuer, and Standard Chartered Bank Kenya Limited, which was 74.32 per cent. indirectly owned by the Issuer.

### Directors

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

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

*Board member of the Institute of International Finance (IIF) and a member of the IIF's Group of Trustees of the Principles for Stable Capital Flows and Fair Debt Restructuring. Board member of the Bretton Woods Committee. Board member of the Social Progress Imperative.*

#### **W T Winters** *Group Chief Executive*<sup>1</sup>

*Non-executive director of Novartis International AG.*

#### **A N Halford** *Group Chief Financial Officer*<sup>1</sup>

*Senior independent director of Marks and Spencer Group plc.*

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

*Chairman of Rothesay Life plc, a specialist pensions insurer and a member of the Finance Committee of the University of Cambridge. Director of Fifty Seven 7 Services Limited. He is also a senior adviser to the Aga Khan Development Network serving on the boards of various entities within its network.*

#### **D P Conner** *Independent Non-Executive Director*<sup>1</sup>

*Trustee of Washington University in St Louis and Chair of their Medical Affairs Committee.*

#### **C M Hodgson** *Independent Non-Executive Director and Senior Independent Director*<sup>1</sup>

*Chair of Severn Trent plc. Chair of The Careers & Enterprise Company Limited, Senior Pro Chancellor and Chair of the Council of Loughborough University. External board advisor to Spencer Stuart Management Consultants NV.*

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

*Non-executive director of WPP Plc and Chair of Travis Perkins plc.*

**G Huey Evans, CBE** *Independent Non-Executive Director*<sup>1</sup>

*Non-executive director of ConocoPhillips and IHS Markit, non-executive Member of the UK HM Treasury Board, Chair of the London Metal Exchange, Member of the Benjamin Franklin House Board, Panel of Senior Advisors of Chatham House.*

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

*Senior independent director of Tesco plc, senior independent director of Anglo American plc, Deputy Chairman of the Supervisory Board at Akzo Nobel NV and a member of the European Audit Committee Leadership Network.*

**P Rivett** *Independent Non-Executive Director*<sup>1</sup>

*Independent non-executive director of Nationwide Building Society.*

**C Tong** *Independent Non-Executive Director*<sup>1</sup>

*Member of various Hong Kong SAR government bodies, including as chair of the University Grants Committee and a member of the Hong Kong Human Resource Planning Commission. Carlson is also an observer on behalf of the Hong Kong Government for Cathay Pacific Airways Limited.*

**D Tang** *Independent Non-Executive Director*<sup>1</sup>

*Non-executive director of Kingsoft Corporation Limited (listed on the Hong Kong Stock Exchange), non-executive director of JOYY Inc. and Chief Value Officer at Kaiyun Motors.*

**M Ramos** *Independent Non-Executive Director*<sup>1</sup>

*Chair of AngloGold Ashanti Limited, non-executive director Compagnie Financière Richemont SA., member of the Group of Thirty, sits on the International Advisory Board of the Blavatnik School of Government at Oxford University, sits on the advisory board of the Bretton Woods Committee, and sits on the Board of Protectors of Ikamva Labantu Charitable Trust.*

The above appointments have received the necessary regulatory approval.

Notes:

1. The business address should be regarded for the purposes of this Prospectus as:

1 Basinghall Avenue  
London EC2V 5DD

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

## SUPERVISION AND REGULATION

As a financial institution, the Issuer, together with the Group, is subject to extensive financial services laws, regulations, administrative actions and policies in the UK, Hong Kong and each other location in which the Group operates. These factors impose constraints on business operations, impact financial returns and include (but are not limited to) capital, leverage and liquidity requirements, authorisation, registration and reporting requirements, restrictions on certain activities and conduct of business regulations.

Regulatory developments impact the Group globally. Its operations across the world are regulated and supervised by a large number of different regulatory authorities, central banks and other bodies in those jurisdictions where the Group has offices, branches or subsidiaries and, in some cases, clients. These authorities impose a variety of requirements and controls designed to provide financial stability, transparency in financial markets and a contribution to economic growth. Requirements to which the Group's operations must adhere include those relating to capital and liquidity, disclosure standards and restrictions on certain types of products or transaction structures, recovery and resolution, governance standards, conduct of business and financial crime.

The summary of the Issuer's and the Group's supervision and regulation provided in this section focuses particularly on UK and Hong Kong regulation, as the Issuer considers these to be the principal regulatory landscapes relevant to an investment in the Securities. However, potential investors should note that regulations elsewhere may also have a significant impact on the Group due to the location of its operations and, in some cases, clients.

### **Supervision and regulation in the UK**

Regulation and supervision of the Group's activities in the UK is handled by the PRA (a division of the BoE) and the FCA. The PRA is the UK statutory body responsible for the prudential supervision of banks, building societies, credit unions, insurers and a small number of significant investments firms. The FCA regulates the conduct of financial firms and, for certain firms, prudential standards in the UK. It has a strategic objective to ensure that the relevant markets function well. In addition, the Financial Policy Committee ("FPC") of the BoE has influence on the prudential requirements that may be imposed on the banking system through its powers of direction and recommendation. The Issuer is an authorised credit institution and subject to prudential supervision by the PRA and conduct regulation and supervision by the FCA. The Group is also subject to prudential supervision by the PRA on a group consolidated basis.

The PRA's group consolidated supervision of the Group is conducted through a variety of regulatory tools, including (but not limited to) the collection of information by way of prudential returns or cross-firm reviews, reports obtained from skilled persons, regular supervisory visits and regular meetings with management and Directors to discuss issues such as strategy, governance, financial and operational resilience, risk management, and recovery and resolution. Both the PRA and the FCA apply standards that either align, anticipate or go beyond requirements established by global or EU standards, whether in relation to capital, leverage and liquidity, resolvability or matters of conduct. The FCA's supervision of the Group's UK firms is carried out through, among other tools, proactive engagement, regular thematic work and project work based on the FCA's sector assessments, which analyse the different areas of the market and potential future risks. The FCA and the PRA also apply the 'Senior Managers and Certification Regime' which imposes a regulatory approval, individual accountability and fitness and propriety framework in respect of senior individuals within relevant firms. FCA supervision of UK banks has focused on conduct risk and client outcomes, including market operations, anti-money laundering, LIBOR transition, and fair pricing. PRA supervision has focused on capital and liquidity management, credit risk management, board effectiveness, operational resilience and resolvability. Both the PRA and the FCA have assessed the impact of the COVID-19 pandemic and Brexit on UK financial markets and customers.

### ***Brexit***

The UK and EU Commission announced on 24 December 2020 that they had reached agreement on the draft TCA (which has since been ratified by the UK and EU), providing a new economic and social partnership between the EU and UK. However, the TCA does not cover financial services, leaving decisions of "equivalence" and "adequacy" to be determined by each side unilaterally in due course. As a result, the Issuer is no longer able to rely on the EU passporting framework for the provision of financial services to EU clients.

The TCA was accompanied by a Joint Declaration on Financial Services Regulatory Cooperation (the “**Joint Declaration**”), pursuant to which the EU and UK have agreed to establish structured regulatory cooperation on financial services, with the aim of establishing a durable and stable relationship, based on a shared commitment to preserve financial stability, market integrity, and the protection of investors and consumers. In March 2021, the EU and UK concluded technical negotiations on a memorandum of understanding which will establish the Joint EU-UK Financial Regulatory Forum (the “**Forum**”) to serve as a platform to facilitate structured regulatory cooperation in financial services pursuant to the Joint Declaration. Formal steps need to be undertaken before the memorandum of understanding can be signed but UK HM Treasury has suggested that it expects that this can be done expeditiously. It is expected that consideration will be given to equivalence determinations, *inter alia*, in future Forum meetings.

Mutual equivalence decisions between the UK and EU relating to market access would likely allow UK-based entities within the Group to offer a restricted number of financial products and services to customers and clients based in the EEA, including permanent access to EU trading venues as well as allowing EEA based clients to access some UK originated products and services, including permanent access to UK trading venues. However, the EU equivalence regime is very different from the previous regime of passporting rights, and the EU equivalence regime differs significantly in its scope, operation and impact. Under the current framework, equivalence decisions can be revoked at any time. To date, the EU has only granted temporary equivalence to the UK in relation to clearing and settlement. UK HM Treasury has also made certain unilateral equivalence decisions, including in respect of clearing and settlement and under the CRR and EMIR (each as defined below).

As a result of the onshoring of EU legislation in the UK and the exercise of ‘temporary transitional powers’ (which give UK financial regulators the power to make transitional provisions to financial services legislation for a temporary period), UK firms in the Group are currently subject to substantially the same rules and regulations as before Brexit. However, the UK intends to recast onshored EU legislation into PRA and FCA rules and to complete UK implementation of the remaining Basel III reforms. The regulatory regimes for EU and UK financial services may therefore change further and temporary permissions and equivalence decisions may expire and not be replaced, which would result in further adjustments to the UK regulatory landscape. The House of Commons Treasury Committee published a report on 6 July 2021 as part of the Future Regulatory Framework Review for financial services. The review was primarily launched to determine what adaptations to UK financial services regulation would be necessary following Brexit. The report has, among others things, provided recommendations on the changes required, including adapting the role of the regulators in the UK and the process for drafting and scrutinising future policy.

### **Prudential regulation**

The Issuer and the Group are subject to certain standards of the Basel III prudential framework implemented through the PRA rules, CRR and CRD IV, CRR II and CRD V, in each case to the extent that they form part of the domestic law of the UK by virtue of the EUWA.

As a financial institution, and amongst other things, these standards require the Issuer to maintain certain levels of regulatory capital including CET1 Capital, additional Tier 1 capital and Tier 2 capital.

The Group remains a G-SIB with a 1.0 per cent. G-SIB CET1 Capital buffer which was fully implemented on 1 January 2019. G-SIBs, such as the Group, are subject to a number of additional prudential requirements, including the requirement to hold additional loss-absorbing capacity and additional capital buffers above the level required by Basel III. The level of the G-SIB buffer is set by the FSB according to a bank’s systemic importance and can range from 1 per cent. to 3.5 per cent. of RWAs. The G-SIB buffer must be met with CET1 capital. The Group is also subject to a ‘combined buffer requirement’ consisting of (i) a capital conservation buffer, and (ii) a countercyclical capital buffer (“**CCyB**”). The CCyB is based on rates determined by the regulatory authorities in each jurisdiction in which the Group maintains exposures. In March 2020, the FPC cut the UK CCyB rate to 0 per cent. with immediate effect in order to support the supply of credit expected as a result of the COVID-19 pandemic. The UK CCyB rate is expected to remain at 0 per cent. until at least December 2021.

The PRA also requires UK firms to hold additional capital to cover risks which the PRA determines are not fully captured by the Pillar 1 capital requirement. The PRA sets this additional capital requirement (Pillar 2A) at least annually, derived from each firm’s individual capital guidance. It is understood that to set this additional capital requirement, the PRA considers results from various stress tests as well as other relevant information. Under current PRA rules, the Pillar 2A must be met with at least 56.25 per cent. CET1 capital, no more than 43.75 per cent. additional Tier 1 capital and no more than 25 per cent. Tier 2 capital. In

addition, the capital that firms use to meet their minimum requirements (Pillar 1 and Pillar 2A) cannot be counted towards meeting the combined buffer requirement.

UK banks, including Standard Chartered Bank, are also subject to a minimum leverage ratio of 3.25 per cent., and in certain cases a supplementary leverage ratio buffer is applicable. In the future, the Group is also likely to be required to ensure that the amount of stable sources of funding to which it has access meets a ratio prescribed by the net stable funding requirements under Basel III, which are expected to be implemented in the UK in January 2022. The FPC and PRA published a consultation paper in June 2021, inviting feedback on their proposals, among others, to extend the scope of the UK leverage ratio framework to other types of firms (including, for example, investment firms), to apply a UK leverage ratio framework on a consolidated basis for UK consolidation groups or on a sub-consolidated basis at the PRA's discretion, to amend the leverage exposure measure to reflect updated international standards and to make consequential amendments to the leverage ratio model requirements and other reporting and disclosure requirements. The proposed UK framework is stronger, compared to international standards, in that (i) the requirement and supervisory expectation are to be met with at least 75 per cent. CET1 instead of 100 per cent. Tier 1 capital, with any AT1 instruments to have a minimum 7 per cent. trigger in order to count towards the minimum leverage ratio requirement; and (ii) additional leverage buffers apply, mirroring the risk-weighted asset CCyB and O-SII buffer. The consultation closes on 24 August 2021 and any resulting changes are expected to take effect on 1 January 2022.

The PRA may also impose a 'PRA buffer' to cover risks over a forward-looking planning horizon, including with regard to firm-specific stresses or management and governance weaknesses. If the PRA buffer is imposed on a specific firm, it must be met separately to the combined buffer requirement, and must be met fully with CET1 capital.

The Group's current CET1 requirement is 9.9 per cent., comprising various capital buffers and additional capital requirements.

For more information on how changes in prudential standards have or may have an impact on the Issuer and/or the Group, see the risk factor entitled "*Capital and liquidity risks - The Group is exposed to the risk of regulators imposing new prudential standards, including increased capital, leverage, loss-absorbing capacity and liquidity requirements*" on page 31 of this document and the risk factor section entitled "*Risks relating to the structure of the Securities*".

### ***Stress testing***

The Group and certain of its members are subject to supervisory stress testing exercises in a number of jurisdictions. The tests are designed to assess the resilience of banks to adverse economic or financial developments and ensure that they have robust, forward-looking capital planning processes that account for the risks associated with their business profile. Assessment by regulators is on both a quantitative and qualitative basis, the latter focusing on such elements as data provision, stress testing capability including model risk management and internal management processes and controls.

### ***Recovery and resolution stabilisation and resolution framework***

The Group is subject to the recovery and resolution stabilisation frameworks developed by its regulators, including (i) those introduced in accordance with BRRD, as amended on or prior to 31 December 2020 (including, without limitation, by Directive 2019/879), in each case to the extent they form part of the domestic law of the UK by virtue of the EUWA ("**UK BRRD**"), and (ii) the Banking Act 2009.

The BoE, as the UK resolution authority, has the power to resolve a UK financial institution that is failing or likely to fail by exercising several stabilisation options, including transferring such institution's business or securities to a commercial purchaser or a 'bridge bank' owned by the BoE or transferring the institution into temporary public ownership. When exercising any of its stabilisation powers, the BoE must generally provide that shareholders bear first losses, followed by creditors in accordance with the priority of their claims in insolvency. In order to enable the exercise of its stabilisation powers, the BoE may impose a temporary stay on the rights of creditors to terminate, accelerate or close out contracts, or override events of default or termination rights that might otherwise be invoked as a result of a resolution action and modify contractual arrangements in certain circumstances (including a variation of the terms of any securities). HM Treasury may also amend the law for the purpose of enabling it to use its powers under this regime effectively, potentially with retrospective effect.

The BoE is also able to exercise its bail-in powers to write-down certain unsecured liabilities of institutions that meet the conditions for resolution (which include a determination that a point of non-viability has been reached or is likely to be reached) or to convert such unsecured liabilities into equity, either to recapitalise the relevant institution (subject to appropriate restructuring of that institution's business) or to provide capital for any bridge institution that the BoE establishes in connection with resolution of the institution. Subject to certain exemptions set out in the BRRD (including secured liabilities, bank deposits guaranteed under a Member State's deposit guarantee scheme, liabilities arising by virtue of the holding of client money, liabilities to other non-group banks or investments firms that have an original maturity of fewer than seven days and certain other exceptions), it is intended that all liabilities of institutions should potentially be 'bail-in-able' ("**Eligible Liabilities**"). The BoE will apply the bail-in powers to the shares and other Eligible Liabilities of a failing institution and/or its holding company in accordance with a hierarchy prescribed by the UK BRRD, pursuant to which, for example, subordinated debt instruments are to be written-down or converted ahead of senior unsecured debt. The bail-in powers that have been given to the BoE (as the UK resolution authority) include the ability to write-down or convert certain unsecured debt instruments into shares of the institution or other instruments of ownership, to reduce the outstanding amount due under such debt instruments (including reducing such amounts to zero), to cancel such debt instruments or to vary the terms of such debt instruments (e.g. the variation of maturity of a debt instrument). Any financial public support available to support institutions is only to be used as a last resort, after the resolution tools (including the bail-in powers) have been exploited to the maximum extent practicable.

The BoE's preferred approach for the resolution of the Group is a bail-in strategy with a single point of entry at the Issuer. Under such a strategy, the Issuer's subsidiaries would remain operational while the Issuer's capital instruments and eligible liabilities would be written down or converted to equity in order to recapitalise the Group and allow for the continued provision of services and operations throughout the resolution. The order in which the bail-in tool is applied reflects the hierarchy of capital instruments under CRD V and otherwise respects the hierarchy of claims in an ordinary insolvency. Accordingly, the more subordinated the claim, the more likely losses will be suffered by owners of the claim.

In addition, the BoE has the power (and is obliged when specified conditions are determined by it to have been met) to permanently write-down, or convert into CET1 capital, Tier 1 capital instruments (such as the Securities) and Tier 2 capital instruments issued by institutions (including the Group) in certain specific cases, including before determining that the relevant institution and/or the group has reached a point of non-viability. Upon such determination, the BoE may take any form of resolution action or apply any resolution power set out in the UK BRRD. This power also extends to include external eligible liabilities if used in combination with a resolution power, and internal eligible liabilities (in which case, it may be used independently of, or in combination with, a resolution power).

The PRA has made rules that require authorised firms to draw up recovery plans and resolution packs, as required by the UK BRRD. Recovery plans are designed to outline credible actions that authorised firms could implement in the event of severe stress in order to restore their business to a stable and sustainable condition. Removal of potential impediments to an orderly resolution of a banking group or one or more of its subsidiaries is considered as part of the BoE's and PRA's supervisory strategy for each firm, and the PRA can require firms to make significant changes in order to enhance resolvability. The Group currently provides the PRA with a recovery plan annually and with resolution planning information annually.

In July 2019, the BoE and PRA published final policies on the Resolvability Assessment Framework, designed to increase transparency and accountability and clarify the responsibilities on firms with respect to resolution. Firms are required to develop capabilities by 1 January 2022 covering three resolvability outcomes: (i) adequate financial resources; (ii) being able to continue to do business through resolution and restructuring; and (iii) being able to communicate and co-ordinate within the firm and with authorities. The first self-assessment report on these capabilities is expected to be submitted to the PRA by October 2021 with public disclosures by both firms and the BoE in June 2022 (and every two years thereafter).

The UK BRRD also requires regulators to be empowered to intervene at an appropriately early stage to facilitate the recovery of viable institutions, including powers to direct an institution to remove identified impediments to resolvability, remove and replace board members, implement measures identified in the institution's recovery plan or require changes to the legal or operational structure of the institution.

The PRA requires UK banks (such as Standard Chartered Bank) to ensure that contracts which are governed by the law of a territory or country other than the UK contain a term whereby the creditor or party to the agreement creating the liability recognises that the liability may be subject to the BoE's write-down and conversion powers, and agrees to be bound by any reduction of the principal or outstanding amount



due, conversion or cancellation that is effected by the exercise of those powers. Failure to include such a contractual term will not prevent the BoE from exercising such powers in respect of the relevant liability.

### ***TLAC and MREL***

The Group is subject to an MREL requirement, which includes a component reflecting the FSB's standards on TLAC. MREL is intended to ensure that there is sufficient equity and specific types of liabilities to facilitate an orderly resolution that minimises any impact on financial stability and ensuring the continuity of critical functions and avoids exposing taxpayers to loss.

The MREL requirements will, except in the case of mid-tier banks, be fully implemented by 1 January 2022, at which time G-SIBs with resolution entities incorporated in the UK will be required to meet an MREL equivalent to the higher of: (i) two times the sum of their Pillar 1 and Pillar 2A requirements; or (ii) the higher of two times their leverage ratio or 6.75 per cent. of leverage exposures. Internal MREL for operating subsidiaries is subject to a scalar in the 75-90 per cent. range of the external requirement that would apply to the subsidiary if it were a resolution entity.

### ***Resolution Funding and FSCS***

The BRRD established a requirement for EU member states to set up a pre-funded resolution financing arrangement with funding equal to 1 per cent. of covered deposits by 31 December 2024 to cover the costs of bank resolutions and ensure the effective application of resolution powers. Where this funding is insufficient to cover the losses, costs or other expenses involved in resolution of an institution or institutions, EU member states were also required to ensure that subsequent contributions were raised. The UK satisfied its obligations under the BRRD through its existing levy on banks' balance sheet liabilities. In addition, the UK has a statutory compensation fund called the Financial Services Compensation Scheme ("FSCS"), which is funded by way of annual levies on most authorised financial services firms.

### ***Market infrastructure regulation***

In recent years, regulators as well as global standard setting bodies such as the International Organisation of Securities Commissions ("IOSCO") have focused on improving transparency and reducing risk in markets, particularly risks related to OTC transactions. This focus has resulted in a variety of new regulations across the G20 countries and beyond that require or encourage on-venue trading, clearing, posting of margin and disclosure of pre-trade and post-trade information. Both EMIR and UKMIR impose requirements to report all derivative transactions to authorised or recognised trade repositories. They also impose an obligation to clear through authorised or recognised central clearing counterparties certain OTC derivative transactions executed with financial counterparties and non-financial counterparties who exceed certain clearing thresholds.

EMIR and UKMIR have potential operational and financial impacts on the Group, including by imposing a stringent risk mitigation regime for uncleared OTC derivative transactions comprising a requirement to exchange collateral or margin. Over the coming months, alterations to the existing derivative margin rules in the UK are expected to be finalised.

MiFID II regulates the provision of investment services and activities in relation to a range of customer-related areas, including customer classification, conflicts of interest, client order handling, investment research and financial analysis, suitability and appropriateness, transparency obligations and transaction reporting. The changes made by MiFID II include expanded supervisory powers, including the ability to ban specific products, services or practices. MiFID II has affected many of the markets in which the Group operates, the instruments in which it trades and the way it transacts with market counterparties and other customers. The MiFID II requirements were onshored into UK law before the end of the Brexit transition period by the Markets in Financial Instruments (Amendment) (EU Exit) Regulation 2018, and then amended to reflect the UK's exit from the EU.

### ***Culture***

The Issuer's UK regulators have enhanced their focus on the promotion of cultural values as a key area for banks, although they generally view the responsibility for reforming culture as primarily sitting with the industry. For example, in March 2020, the FCA published a discussion paper aimed at highlighting the importance of purposeful cultures. The discussion paper included essays from industry leaders,

professional bodies and culture experts exploring the role of purpose in driving a healthy, sustainable culture.

### ***Climate-related regulatory environment***

The Issuer's UK regulators have recently focused on sustainable finance. The PRA, together with the FCA, has established a Climate Financial Risk Forum ("**CFRF**") to build intellectual capacity and share best practice. The CFRF brings together senior representatives from across the financial sector, including banks, insurers and asset managers. It established a number of working groups to develop a guide on best practice and recommendations for industry, which was published in June 2020 ("**CFRF Guide**"). The "Disclosures" chapter of the CFRF Guide sets out guidance on different approaches for banks, asset managers and insurers, as well as gaps and barriers. It recommends firms aim to complete high level, mainly qualitative, disclosures by mid-2021 and quantitative disclosures by the end of 2022. The CFRF is expected to develop further recommendations on climate-related data, methodologies and metrics through to mid-2022.

In its 2019 supervisory statement on climate financial risk, the PRA made clear it expects firms to integrate climate related financial risk into their existing risk management frameworks, including requirements to identify, measure, monitor, manage and report on their exposures to such risks. Firms are expected to use both short-term and long-term horizons to assess climate financial risks and to use scenario analysis where proportionate to inform their response to exposures. Firms will also need to include all material exposures relating to climate financial risk in their internal capital adequacy assessment process. As a complement to the new expectations, the CFRF published chapters on risk management and scenario analysis setting out practical guidance on the topics for financial institutions.

The Group has set out a climate risk workplan, with oversight from the Group Risk Committee, to meet the expectations of PRA's 2019 supervisory statement. This includes developing tools and methodologies for climate risk assessments and integrating these into risk management practices. The Group's central Enterprise Risk Management Framework recognises climate risk as a material cross-cutting risk type, manifesting through other principal risks and the Issuer's Board has approved a Risk Appetite Statement for climate risk.

The BoE is utilising its stress testing framework to assess the impact of climate-related risks on the UK financial system. The BoE announced plans to test the UK financial system's resilience to the financial risks from climate change as part of the 2021 Biennial Exploratory Scenario (the 'Climate Biennial Exploratory Scenario or "**CBES**"). In December 2019, the BoE published a discussion paper setting out the proposal for the 2021 BES on climate-related risk. The objective of the CBES is to test the resilience of the largest banks, insurers and the financial system to different possible climate pathways and provide a comprehensive assessment of the UK financial system's exposure to climate-related risks. In June 2020, the Network for Greening the Financial System published a set of climate scenarios that will serve as the basis for the scenarios in the 2021 BES. In June 2021, the BoE published details explaining the objectives and features of the CBES and expects to publish the results of the CBES in 2022.

On 21 December 2020, the FCA also published a policy statement on proposals intended to enhance climate-related disclosures by listed issuers and clarify existing disclosure obligations. The changes, applying to accounting periods beginning 1 January 2021, will broadly require companies to include a statement in their annual financial reports setting out whether their disclosures are consistent with the recommendations of the FSB's Taskforce on Climate-related Financial Disclosures or explain if they have not done so.

Compliance with climate-related policies and guidelines is expected to result in incremental costs, particularly where there is fragmentation in policies and guidelines among different regulators focused on local requirements, as well as an increased risk of penalties or sanctions for non-compliance with such policies and guidelines.

### ***Cyber security and operational resilience***

Regulators in the UK, the EU and the U.S. continue to focus on cyber security risk management, organisational operational resilience and overall soundness across all financial services firms, with customer and market expectations of continuous access to financial services at an all-time high.

In July 2018, the BoE, PRA and FCA published a joint discussion paper on their intended approach to improve the operational resilience of firms and financial market infrastructures (“**FMIs**”). The discussion paper introduces a number of important concepts which are relevant to all firms and FMIs including “impact tolerances”. Firms and FMIs should set impact tolerances which quantify the amount of disruption that could be tolerated in the event of an incident. The discussion paper encourages firms to ensure key business services are sufficiently resilient to a wide range of threats.

In March 2021, the BoE, PRA and FCA published a series of papers and supervisory statements in line with the concepts introduced in the July 2018 discussion paper and their 2019 consultation papers. The published measures include expectations for firms and FMIs to identify their important business services that, if disrupted could cause harm to consumers or market integrity, threaten the viability of firms or cause instability in the financial system. Impact tolerances are to be set for each important business service and firms and FMIs should take action to remain within their impact tolerances through a range of severe but plausible disruption scenarios. Firms and FMIs will also be expected to identify and document the people, processes, technology, facilities and information that support their important business services. Such mapping will enable firms to identify vulnerabilities and test their ability to remain within impact tolerances. The policy statements set out by the PRA and FCA will apply from 31 March 2022 with a fixed three-year implementation timeline for firms to remain within their impact tolerances. After March 2025, the UK regulators expect that maintaining operational resilience will be a dynamic activity, with firms and FMIs having sound, effective and comprehensive strategies, processes and systems to enable them to address risks for important business services in the event of severe disruptions.

The PRA also published an additional supervisory statement in March 2021 setting out their expectations for firms in respect of outsourcing and third party risk management. The statement aims to complement the requirements and expectations on operational resilience, facilitate the adoption of the cloud and other new technologies, and implement the European Banking Authority’s ‘*Guidelines on outsourcing arrangements*’ (which includes guidelines on data security, access, audit and information rights, sub-outsourcing and business continuity). The supervisory statement will be effective as of 31 March 2022.

The FPC has also undertaken work in this area, with a particular focus on cyber risk. On 26 March 2021, the FPC announced a robust cyber security stress test designed to test banks’ abilities to withstand co-ordinated global cyber-attacks.

At an institutional level, the BCBS has established the Operational Resilience Working Group, which published a report on cyber resilience in December 2018 identifying areas where further policy work is likely to be undertaken. In light of the COVID-19 pandemic, the Bank for International Settlements published a brief on 16 April 2020 entitled “*Covid-19 and operational resilience: addressing financial institutions’ operational challenges in a pandemic*”, which states that financial institutions’ cyber resilience processes should remain vigilant in order to identify and protect vulnerable systems. These processes should also be able to detect and respond to cyber-attacks, as well as assist with recovery from them. In March 2021, the BCBS issued ‘Principles for operational resilience’, along with a revised version of its ‘Principles for the sound management of operational risk’, following a consultation on both documents in August 2020. These principles cover among other categories, governance, business continuity planning and testing, operational risk management, resilient information and communication technology, as well as the risk management environment and the role of disclosure and of supervisors in relation to operational risk management. The UK regulators consider that they are aligned with the BCBS on core principles and expect firms and their supervisors to be able to work effectively across borders.

For more information on how risks relating to cyber security and operational resilience have or may have an impact on the Issuer and/or the Group, see the risk factor section entitled “*Operational and technology, reputational and sustainability, compliance (including legal) and conduct risks*” on page 33 of this Offering Circular and the risk factor entitled “*The Group is exposed to information and cyber security (“ICS”) risk*” on page 39 of this Offering Circular.

### **Payment services**

From 14 September 2019, in the UK, new rules also apply under the revised Payment Services Directive that affect the way banks and other payment services providers check that the person requesting access to an account or trying to make a payment is permitted to do so. This is referred to as strong customer authentication (“**SCA**”). On 20 May 2021, the FCA announced that it would extend its deadline for implementing SCA for e-commerce transactions to 14 March 2022.

## **Supervision and regulation in Hong Kong**

### ***Banking Ordinance (Cap. 155)***

The banking industry in Hong Kong is regulated by and subject to the provisions of the Banking Ordinance and to the powers and functions ascribed by the Banking Ordinance to the Hong Kong Monetary Authority (“HKMA”), whose principal function is to promote the general stability and effective working of the banking system in Hong Kong. The HKMA seeks to establish a regulatory framework in line with international standards, in particular those issued by the BCBS and the FSB.

The HKMA imposes capital requirements on licensed banks (referred to as “authorised institutions”) including certain members of the Group through the Banking (Capital) Rules, liquidity requirements through the Banking (Liquidity) Rules and large exposure limits through the Banking (Exposure Limits) Rules, taking into account the latest standards set by the BCBS.

The HKMA adopts a risk-based supervisory approach for authorised institutions based on a policy of ‘continuous supervision’ through on-site examinations, off-site reviews, prudential meetings, cooperation with external auditors and sharing information with other supervisors. The HKMA requires all authorised institutions to have adequate systems of internal control and requires the institutions’ external auditors, upon request, to report on those systems and other matters, such as the accuracy of information provided to the HKMA.

The HKMA aims to ensure that the standards for regulatory disclosure in Hong Kong remain in line with those of other leading financial centres. The Banking (Disclosure) Rules take into account the latest disclosure standards released by the BCBS, which prescribe quarterly, semi-annual and annual disclosure of specified items.

The HKMA has the power to collect prudential data from authorised institutions on a routine or ad hoc basis, as well as to require any holding company or subsidiary or sister company of an authorised institution to submit such information as may be required for the exercise of the HKMA’s functions under the Banking Ordinance.

The HKMA may revoke authorisation in the event of an institution’s non-compliance with the provisions of the Banking Ordinance. The HKMA also has the power to serve a notice of objection on persons if they are no longer deemed to be ‘fit and proper’ to be controllers of an authorised institution.

### ***Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615)***

The HKMA is also the relevant authority under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (“AMLO”) for supervising authorised institutions’ compliance with the legal and supervisory requirements set out in the AMLO and the Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (for Authorised Institutions). The HKMA requires all authorised institutions in Hong Kong to establish effective systems and controls to prevent and detect money laundering and terrorist financing, and Hong Kong incorporated authorised institutions to ensure these requirements extend to their overseas branches and subsidiaries.

### ***Securities and Futures Ordinance (Cap. 571)***

The SFO regulates (amongst other things) the marketing of, dealing in and provision of advice and asset management services in relation to securities and futures in Hong Kong. Persons engaging in activities regulated by the SFO are required to be licensed by or registered with the SFC. The HKMA is the frontline regulator for authorised institutions engaging in SFC regulated activities.

The SFO vests the SFC with powers to set and enforce market regulations, including investigating breaches of rules and market misconduct and taking appropriate enforcement action. The SFC is responsible for licensing and supervising intermediaries conducting SFC regulated activities, such as investment advisers, fund managers and brokers. Additionally, the SFC sets standards for the authorisation and regulation of investment products, and reviews and authorises offering documents of retail investment products to be marketed to the public.

### ***Insurance Ordinance (Cap. 41)***

Pursuant to the statutory regulatory regime for insurance intermediaries under the Insurance Ordinance, the Insurance Authority has delegated its inspection and investigation powers to the HKMA in relation to insurance related businesses of authorised institutions in Hong Kong, which aims to improve efficiency and minimise regulatory overlap.

### ***Financial Institutions (Resolution) Ordinance (Cap. 628)***

The Financial Institutions (Resolution) Ordinance (“**FIRO**”) established the legal basis for a cross-sector resolution regime in Hong Kong, under which the HKMA is the resolution authority for banking sector entities (including all authorised institutions). The HKMA is also designated as the lead resolution authority for cross-sectoral groups in Hong Kong that include banking sector entities within the scope of the FIRO.

### **Sanctions and financial crime**

The Group operates in many countries around the world, and is subject to financial crime regulations across the markets and jurisdictions in which it operates.

The Group takes a comprehensive, risk-based approach to compliance with applicable financial crime-related laws and regulations, including anti-money laundering, sanctions, anti-bribery and corruption, and fraud laws and regulations. The Group's Conduct, Financial Crime and Compliance team is responsible for the establishment and maintenance of effective systems and controls to meet the legal and regulatory obligations in respect of financial crime. In particular, the Group has adopted four policies to support its management of financial crime risk, including (i) the Group Anti-Bribery and Corruption Policy, (ii) the Group Anti-Money Laundering and Counter Terrorist Financing Policy, (iii) the Group Sanctions Policy, and (iv) the Group Fraud Risk Management Policy.

The Group's Sanctions Policy and Anti-Money Laundering and Counter Terrorist Financing Policy are based on a comprehensive assessment of financial crime risk and are informed by UK, EU and U.S. sanctions and UK anti-money laundering laws and regulations.

Sanctions and anti-money laundering laws and regulations often have extraterritorial effect. For example, in May 2018, the Sanctions and Anti-Money Laundering Act became law in the UK. The Act allows for the adoption of an autonomous UK sanctions regime, as well as a more flexible licensing regime post-Brexit. On 6 July 2020, the UK Government announced the first sanctions that have been implemented independently by the UK outside the auspices of the UN and EU. The autonomous UK sanctions regime came into force at 11 p.m. on 31 December 2020 and sanctions enacted under it apply within the UK and in relation to the conduct of all UK persons wherever they are in the world; they also apply to overseas branches of UK companies. The UK also announced a new sanctions regime in April 2021 specifically targeting corruption - the Global Anti-Corruption Sanctions Regulations 2021, through which the UK has targeted 22 people so far that it has reasonable grounds to suspect have been involved in serious international corruption. U.S. state and federal regulations addressing sanctions may also impact entities, persons or activities located or undertaken outside the U.S.. During 2020, the U.S. continued to expand the scope of sanctions against China, Iran, Venezuela, and Syria. Some of these U.S. sanctions have extraterritorial effect and may affect non-U.S. operators, such as relevant entities within the Group, undertaking certain activities captured by these sanctions. U.S. government authorities have aggressively enforced relevant sanctions and other financial crime laws against financial institutions in recent years; including non-U.S. entities. Allegations of non-compliance with sanctions or anti-money laundering laws and regulations may result in significant investigation, defence, settlement and other costs. Violations of sanctions or anti-money laundering laws and regulations may result in significant fines and penalties, as well as other significant restrictions on operations, including, among other things, restrictions on the ability to clear U.S. Dollar denominated transactions.

The Group's Anti-Bribery and Corruption Policy requires compliance with all applicable anti-bribery and corruption laws in all markets and jurisdictions in which the Group operates. These laws include (but are not limited to), the UK Bribery Act and the U.S. Foreign Corrupt Practices Act.

The UK Bribery Act 2010 introduced a new form of corporate criminal liability focused broadly on a company's failure to prevent bribery on its behalf. The Criminal Finances Act 2017 introduced new corporate criminal offences of failing to prevent the facilitation of UK and overseas tax evasion. Both pieces of legislation have broad application and in certain circumstances may have extraterritorial impact on entities, persons or activities located outside the UK, including the Group's non-UK members. The UK Bribery Act requires the Group to have adequate procedures to prevent bribery and the Criminal Finances

Act requires the Group to have reasonable prevention procedures in place to prevent the criminal facilitation of tax evasion by persons acting for, or on behalf of, the Group.

The U.S. Foreign Corrupt Practices Act, which prohibits, among other things, corrupt payments to foreign government officials, also has extraterritorial effect and so may impact the Group's non-U.S. operations.

For more information on how risks relating to financial crime and sanctions laws and regulations have or may have an impact on the Issuer and/or the Group, see the risk factor section entitled "*The Group is exposed to penalties or loss through a failure to comply with laws or regulations*" on page 35 of this Offering Circular.

## **Data protection**

Most countries in which the Group operates have comprehensive laws requiring fairness, openness and transparency about the collection and use of personal information, and protection against loss and unauthorised or improper access or use. The data protection framework in the UK is primarily governed by (i) the GDPR to the extent it forms part of the domestic law of the UK by virtue of the EUWA, the Data Protection, Privacy and Electronic Communication (Amendments etc.) (EU Exit) Regulations 2019 ("**UK GDPR**"), and (ii) the Data Protection Act 2018, as they may be amended or replaced by the laws of England and Wales from time to time.

The GDPR created a broadly harmonised privacy regime across EU member states, introducing mandatory breach notifications, enhanced individual rights, a need to openly demonstrate compliance, and significant penalties for breaches. The extraterritorial effect of the GDPR means entities established outside the EU may fall within the Regulation's ambit when offering goods or services to (or monitoring the behaviour of) European based customers or clients. Following the UK's withdrawal from the EU, the UK continues to apply the GDPR framework through the UK GDPR.

The GDPR has become a model for similar data privacy laws in a number of other countries around the world. Similar data privacy laws have been passed, proposed or taken effect in Brazil, the Dubai International Financial Centre, Japan, India, China, Thailand, South Africa, certain states in the U.S. (including California), Australia and Vietnam.

Data protection in Hong Kong is regulated primarily under the Personal Data (Privacy) Ordinance (Cap. 486) of Hong Kong (the "**PDPO**"). The PDPO is regulated by the office of the Privacy Commissioner for Personal Data. It regulates personal data controlled by a data user by reference to specified data protection principles which data users must observe.

## DESCRIPTION OF THE ORDINARY SHARES

### 1. Share Capital

The Issuer's share capital consists of its ordinary shares of U.S.\$0.50 each in the capital of the Issuer (the **"Ordinary Shares"**) and four classes of preference shares (the **"Existing Preference Shares"**), namely (i) 6.409 per cent. non-cumulative redeemable preference shares of U.S.\$5.00 each, (ii) 7.014 per cent. non-cumulative redeemable preference shares of U.S.\$5.00 each ((i) and (ii) being the **"Existing Dollar Preference Shares"**), (iii) 8.25 per cent. non-cumulative irredeemable preference shares of £1.00 each, and (iv) 7.375 per cent. non-cumulative irredeemable preference shares of £1.00 each ((iii) and (iv) being the **"Existing Sterling Preference Shares"**).

As at close of business on 30 June 2021, the number of outstanding shares in the capital of the Issuer was as follows:

Class of Share	Number
Ordinary Shares	3,119,033,863
6.409 per cent. non-cumulative redeemable preference shares	7,500
7.014 per cent. non-cumulative redeemable preference shares	7,500
8.25 per cent. non-cumulative irredeemable preference shares	99,250,000
7.375 per cent. non-cumulative irredeemable preference shares	96,035,000

### 2. Memorandum and Articles of Association

The Issuer's articles of association (the **"Articles of Association"**) were adopted by special resolution of the Issuer on 6 May 2020. A summary of the material provisions of the Articles of Association in respect of the Ordinary Shares is set out below. As resolved at the annual general meeting of the Issuer held on 7 May 2010 and in accordance with changes in English company law with effect from 1 October 2009, the Issuer deleted all provisions of its Memorandum of Association which, by virtue of Section 28 of the Companies Act, are to be treated as part of the Articles of Association, including those provisions dealing with the Issuer's objects.

### 3. Objects of the Issuer

The objects of the Issuer are unrestricted.

### 4. General

There are no limitations imposed by English law or the Articles of Association restricting the rights of non-residents of the UK or non-citizens of the UK to hold or vote shares of the Issuer.

### 5. Shares

Ordinary Shares rank *pari passu* with each other in all respects. Fully paid Ordinary Shares confer identical rights in respect of capital, dividends (save where and to the extent that any such share is issued on terms providing that it shall rank for dividend as from a particular date), voting and otherwise.

The Existing Preference Shares and any further preference shares which may be issued in the future confer the rights determined by the Board prior to their allotment.

### 6. Voting Rights

For the purposes of determining which persons are entitled to attend or vote at a meeting of the Issuer and how many votes such persons may cast, the Issuer may, pursuant to the Uncertificated Securities Regulations 2001 (as amended) (the **"Regulations"**), specify in the notice of the meeting a time, not more than 48 hours before the time fixed for the meeting, by which a person must be entered on a register of members of the Issuer kept pursuant to the Companies Act. Every holder of Ordinary Shares who is entitled to be and is present in person (including any corporation by its duly authorised representative) at a general meeting of the Issuer and is entitled to vote will have one vote on a show of hands and, on a poll, if present in person or by proxy, will have one vote for every U.S.\$2 nominal value of Ordinary Shares held by them.

Unless the Board decides otherwise, no member is entitled to attend or vote at a general meeting in respect of any Ordinary Share held by them unless all calls or other sums presently payable in respect of that Ordinary Share have been paid. Restrictions on the right of a member to attend or vote at a general

meeting may be imposed on any member who has a holding of at least 0.25 per cent. in number or nominal value of the Issuer's issued Ordinary Share capital if the member fails to comply within the relevant period with a statutory notice issued by the Issuer under the Companies Act requiring disclosure of interests in the Ordinary Shares or, in purported compliance with such a notice, makes a statement which is false or inadequate in any material particular.

Holders of Existing Preference Shares do not have any right to attend or vote at general meetings except where any relevant dividend due is not paid in full, where a resolution is proposed varying or abrogating the rights, preferences, privileges, limitations or restrictions of the relevant shares, or in other circumstances as the Board determined prior to the allotment of the Existing Preference Share.

## **7. General Meetings**

The Issuer must give at least 21 clear days' notice in writing of an annual general meeting. All other general meetings may be called by at least 14 clear days' notice in writing, provided that a special resolution authorising this shorter notice period has been passed by the shareholders of the Issuer. Such authority was renewed at the Issuer's most recent annual general meeting held on 12 May 2021. The Board may direct that persons wishing to attend any general meeting should submit to such searches or other security arrangements or restrictions as the Board shall consider appropriate in the circumstances. In any such case, the Board will direct that the meeting be held at a specified place and make arrangements for simultaneous attendance and participation by shareholders and proxies at other locations. The chairman of a general meeting shall preside and take such action or give such directions for such action to be taken as he thinks fit to promote the orderly conduct of the business of the meeting as laid down in the notice of the meeting. The chairman of a general meeting has express authority to adjourn the meeting if, in his opinion, it has become necessary to do so in order to secure the proper conduct of the meeting. Annual general meetings of the Issuer are to be held at such time and in such place as the Board may determine. The Board also has the option to allow shareholders to attend and participate in the business of a general meeting by means of electronic facility.

## **8. Dividends and other Distributions and Return of Capital**

The Issuer may, by ordinary resolution, declare dividends to be paid to holders of Ordinary Shares, but no dividend shall exceed the amount recommended by the Board. The Board may pay interim dividends and any dividend payable at a fixed rate at intervals settled by the Board as appear to the Board to be justified by the financial position of the company.

The Board may, with the prior authority of an ordinary resolution, offer to any holder of Ordinary Shares the right to elect to receive assets, in particular paid up shares or debentures of any other company, instead of cash in respect of any dividend specified by the ordinary resolution. At the annual general meeting of the Issuer held on 12 May 2021, shareholders gave authority to the directors to offer a scrip dividend in respect of any dividend declared and paid for any financial period of the Issuer ending on or before 31 December 2022.

On any distribution by way of capitalisation, the amount to be distributed will be appropriated amongst the shareholders as if it were distributed by way of dividend and in the same proportions, on the footing that it is applied either in or towards paying up the amounts unpaid at the relevant time on any shares in the company held by those shareholders respectively or in paying up in full shares, debentures or other obligations of the company to be allotted and distributed credited as fully paid up among those members.

The Existing Preference Shares carry the right in priority to the payment of any dividend to the holders of Ordinary Shares and any other class of shares (other than other preference shares that rank *pari passu* or in priority as regards income) to a non-cumulative preferential dividend payable in such currency at such rates and on such terms as the Board may determine prior to the allotment of such shares.

A dividend will not be payable on the Existing Preference Shares if payment of the dividend would cause the Issuer not to meet the applicable capital adequacy requirements of the Relevant Regulator or if the profits of the Issuer available for distribution are not sufficient to enable it to pay in full dividends of any relevant preference shares.

All dividends shall be apportioned and paid proportionately to the percentage of the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid. Subject to the rights attaching to any shares, any dividend or other monies payable in respect of a share may be paid in such currency as the Board may determine.

Any dividend unclaimed after a period of 12 years from the date of declaration of such dividend may be forfeited and revert to the Issuer. Subject to the rights attaching to any shares, no dividends or other monies payable on or in respect of a share shall bear interest against the Issuer.



On a return of capital, whether in a winding-up or otherwise, the Ordinary Shares will rank equally in all respects and the preference shares in the Issuer will be entitled to the rights attaching to them on issue.

Prospective investors should have regard to the Issuer's announcement of 31 March 2020 regarding the decision to withdraw its recommendation to pay a final dividend for 2019, and to not accrue, recommend or pay an interim dividend in 2020. The Issuer announced on 25 February 2021 that the Board had recommended the payment of a final dividend for 2020.

## **9. Variation of Rights and Alteration of Capital**

The rights attached to any class of shares in the Issuer may (subject to their terms of issue) be varied or abrogated in such manner (if any) as may be provided by the rights contained in the Articles of Association or, in the absence of such provision, with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of that class (excluding any shares held in treasury) or with the sanction of a special resolution passed at a separate meeting of the holders of shares of that class. At any such separate meeting, the provisions of the Articles of Association relating to general meetings will apply, but the necessary quorum at any such meeting will be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of that class (except at an adjourned meeting, at which the quorum shall be any holder of shares of the class, present in person or by proxy) and any such person may demand a poll.

As a matter of English law, the Issuer may:

- by ordinary resolution, increase its share capital, consolidate and divide all or any of its shares into shares of larger amount, and sub-divide all or any of its shares into shares of smaller amount; and
- by special resolution, reduce its share capital, any capital redemption reserve, share premium account or other statutory reserves in any way.

## **10. Transfer of Shares**

All transfers of shares which are in certificated form may be effected by an instrument of transfer in writing in any usual form or in any other form approved by the Board. Such instrument must be executed by or on behalf of the transferor and, if the shares thereby transferred are not fully paid up, by or on behalf of the transferee. The transferor will be deemed to remain the holder of the shares transferred until the name of the transferee is entered in a register of members of the Issuer in respect thereof. All transfers of shares which are in uncertificated form may be effected by means of a computer based system and procedures which enable title to units of a security to be evidenced and transferred without a written instrument (a "**relevant system**").

The Board may refuse to register any transfer of certificated shares where the transfer:

- relates to any share which is not a fully paid share;
- relates to more than one class of shares;
- is in favour of more than four persons; and/or
- is not duly stamped or certificated (if required).

The Board may also refuse to register a transfer of uncertificated shares in such other circumstances as may be permitted or required by the Regulations and the relevant system or if the transfer is to joint holders and the number of joint holders exceeds four.

Subject to applicable law, any class of shares may be held, registered, converted to, transferred or otherwise dealt with, in uncertificated form or certificated form and converted from uncertificated form to certificated form.

## **11. Disclosure of Holdings Exceeding Certain Percentages**

The Disclosure Guidance and Transparency Rules of the FCA require the Issuer's shareholders to notify the Issuer if the voting rights held by such shareholders (including by way of certain financial instruments) reach, exceed or fall below 3 per cent. and each 1 per cent. threshold thereafter up to 100 per cent. Under the Disclosure Guidance and Transparency Rules, certain voting rights in the Issuer may be disregarded.

If a shareholder or any person appearing to be interested in shares in the Issuer has been sent a notice under section 793 of the Companies Act (which confers upon public companies the power to require information from any person whom the Issuer knows or has reasonable cause to believe to be interested in the shares) and has failed in relation to any shares (the "**default shares**"), to supply the information requested within the period set out in the notice, then unless the Board otherwise determines, the

shareholder is not entitled to be present at or to vote on the default shares at any general meeting of the Issuer or to exercise any other right conferred by being a shareholder of the Issuer. Unless the Board otherwise determines, if the default shares represent at least 0.25 per cent. in nominal value of the issued shares of that class, any dividend shall be withheld by the Issuer without interest, no election may be made for any scrip dividend alternative, and no transfer of any shares held by the shareholder will be registered except in limited circumstances.

The Issuer, its directors, chief executives and shareholders have been granted a partial exemption from the disclosure requirements under Part XV of the SFO (as defined herein). As a result of this exemption, directors, chief executives and shareholders no longer have an obligation under the SFO to notify the Issuer of shareholding interests, and the Issuer is no longer required to maintain a register of directors' and chief executives' interests under section 352 of the SFO nor a register of interests of substantial shareholders under section 336 of the SFO. The Issuer is, however, required to file with the Hong Kong Stock Exchange any disclosure of interests made in the UK as set out above.

## **12. Mandatory Takeover-Bids, Squeeze-Out and Sell-Out Rules**

Other than as provided by the Companies Act, the Takeover Code of the UK and the Hong Kong Code on Takeovers and Mergers, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules in relation to the Ordinary Shares.

## **13. Untraced Members**

The Issuer is empowered to sell, at the best price reasonably obtainable, any share registered in the name of a member remaining untraced for 12 years who fails to communicate with the Issuer within three months following the Issuer giving notice of its intention to sell the shares (it being a condition that, before sending such notice to the holder's last known address, the Issuer shall use reasonable efforts to trace the relevant holder or person entitled to the transmission); provided that during the 12-year period at least three dividends have become payable, no such dividend has been claimed, and, if the shares are registered on the branch register in Hong Kong, notice has been given to the Hong Kong Stock Exchange of the Issuer's intention to make such sale.

The Issuer will be obliged to account to the member for the proceeds of the disposal but no interest will be payable to the member in respect of such proceeds or account for any money earned on them.

## **14. Forfeiture and Lien**

If a member fails to pay in full any call or instalment of a call on or before the due date for payment, then, following notice by the Board requiring payment of the unpaid amount with any accrued interest and any expenses incurred, such share may be forfeited by a resolution of the Board to that effect (including all dividends declared and other moneys payable in respect of the forfeited share and not actually paid before forfeiture). A member whose shares have been forfeited will cease to be a member in respect of the shares, but will, notwithstanding the forfeiture, remain liable to pay to the Issuer all monies which at the date of forfeiture were presently payable together with interest without any allowance for the value of the shares at the time of forfeiture or for any consideration received on their disposal.

A forfeited share becomes the property of the Issuer, and it may be sold, re-allotted, otherwise disposed of or cancelled as the Board may determine.

The Issuer has a first and paramount lien on every share which is not fully paid, to the extent and in the circumstances permitted by the Companies Act.

The Board may sell all and any of the shares subject to any lien as it may determine, where monies have been called or are payable and a demand has been made in respect thereof and has not been complied with. Any share on which the Issuer has a lien may be sold on the terms set out in the Articles of Association. The proceeds of sale shall first be applied towards payment of the amount in respect of the lien insofar as it is still payable and then on surrender of the share certificate for cancellation (in the case of shares in certificated form), to the person entitled to the shares at the time of sale.

## **15. Winding-Up**

Subject to applicable insolvency laws and the Articles of Association, on a winding-up of the Issuer, holders of the Existing Preference Shares have the right to receive out of assets available for distribution to members, in priority to any payment to holders of Ordinary Shares and any other class of shares (other than other preference shares that rank *pari passu* or in priority as regards repayment of capital), a sum equal to any unpaid dividend on the relevant shares and the amount paid up on the relevant shares together with such premium (if any) as may be determined by the Board prior to the allotment thereof.

On a winding-up of the Issuer, the Ordinary Shares rank equally in all respects and distributions of the Issuer's assets to holders of Ordinary Shares will be made in accordance with applicable insolvency laws.

## **16. Admission to Trading of the Ordinary Shares**

The Ordinary Shares have dual primary listing in the UK and in Hong Kong. The Issuer completed the termination of its Indian Depository Receipt ("IDR") programme on 22 June 2020 by way of sale of the Ordinary Shares that the IDRs represented on the London Stock Exchange and the net sale proceeds being distributed to the relevant IDR holders. The IDRs were formally delisted from BSE Limited (formerly the Bombay Stock Exchange) and National Stock Exchange of India Limited with effect from 22 July 2020.

In the UK, the Ordinary Shares currently in issue are listed on the Official List and are admitted to trading on the main market of the London Stock Exchange's regulated market for listed securities.

The London Stock Exchange is a key element of the financial infrastructure in the UK. It dates back to 1801 and the London Stock Exchange's regulated market is regulated by the FCA.

On 10 August 2021, the daily trading volume (in terms of value) of all order book trading on the London Stock Exchange was approximately £22,415,652.04. Price and trading information is available on the London Stock Exchange's website which is continually updated with a 15 minute time delay. The trading prices of the Ordinary Shares and daily trading volumes are published on the London Stock Exchange's website and in the London Stock Exchange's Daily Official List, as well as on the Issuer's website. The ISIN of the Ordinary Shares is GB0004082847.

Further information about the London Stock Exchange can be obtained from the website of the London Stock Exchange at [www.londonstockexchange.com](http://www.londonstockexchange.com)

In Hong Kong, the Ordinary Shares currently in issue are listed on the Main Board of the Hong Kong Stock Exchange. The Hong Kong Stock Exchange operates and maintains the only recognised stock exchange in Hong Kong.

The roots of the Hong Kong stock market stretch back to 1891, when the first formal stock exchange was formed. The Hong Kong Stock Exchange, being the current operator of the Hong Kong stock market, was created from the merger of the Hong Kong Stock Exchange, Far East Exchange, Kam Ngan Stock Exchange and Kowloon Stock Exchange in 1986. The principal regulator of Hong Kong's securities and futures markets, including the Main Board of the Hong Kong Stock Exchange, is the Securities and Futures Commission.

On 10 August 2021, the Hong Kong Stock Exchange had a daily trading volume (in terms of value) of HK\$18,294,790. Stock price information on the Ordinary Shares is available on the website of Hong Kong Exchanges and Clearing Limited which is continually updated with a delay of at least 15 minutes.

Further information about the Hong Kong Stock Exchange can be obtained from the website of Hong Kong Exchanges and Clearing Limited at <http://www.hkex.com.hk/>

The past and future performance of the Ordinary Shares and their volatility may be obtained from: <http://investors.sc.com/en/stockquote.cfm>

## TAXATION

The comments below are of a general nature based on the Issuer's understanding of current tax law and practice in the UK and Hong Kong respectively, as at the latest practicable date before the date of this document and may be subject to change, possibly with retroactive effect. They are not exhaustive. Except as described under *"Withholding tax under Foreign Account Tax Compliance Act ("FATCA Withholding")"*, they do not address United States tax consequences to non-U.S. holders because non-U.S. holders generally will not be subject to United States tax consequences in respect of the Securities or Ordinary Shares. However, a non-U.S. holder who is (i) engaged in a United States trade or business to which its income with respect to the Securities or Ordinary Shares is "effectively connected", (ii) present in the United States for 183 or more days during the taxable year, or (iii) otherwise subject to United States taxation generally, should consult its own tax advisor regarding United States tax consequences. All non-U.S. holders and investors should read *"Withholding tax under Foreign Account Tax Compliance Act ("FATCA Withholding")"*. The comments below do not necessarily apply where the income is deemed for tax purposes to be the income of any other person. They relate only to the position of persons who are the absolute beneficial owners of their Securities and may not apply to certain classes of persons such as dealers, to whom special rules may apply. They relate to the deduction from payments of interest on the Securities for or on the account of tax in the UK and to certain aspects of Hong Kong tax. Prospective Securityholders who may be unsure of their tax position or who may be subject to tax in any other jurisdiction should consult their own professional advisers. In particular, Securityholders should be aware that the tax legislation of any jurisdiction where a Securityholder is resident or otherwise subject to taxation (as well as the jurisdictions discussed below) may have an impact on the tax consequences of an investment in the Securities including in respect of any income received from the Securities.

### UK

#### *Withholding of tax on interest*

While the Securities are admitted to trading on a "multilateral trading facility operated by a regulated recognised stock exchange" within the meaning of section 987 of the Income Tax Act 2007 ("ITA"), payments of interest on the Securities may be made without withholding or deduction for or on account of UK income tax. The ISM is a multilateral trading facility operated by a regulated recognised stock exchange for these purposes.

Interest on the Securities may also be paid without deduction or withholding for or on account of UK income tax where the Issuer reasonably believes at the time the payment is made that it is an "excepted payment" under section 930 of ITA. A payment is an excepted payment where (a) the person beneficially entitled to the income in respect of which payment is made is (i) a UK resident company; or (ii) a non-UK resident company that carries on a trade in the UK through a permanent establishment and the payment is one that is required to be brought into account for calculating the profits chargeable to corporation tax of the non-UK resident company; or (b) the person to whom payment is made is one of the further classes of bodies or persons, and meets any relevant conditions, set out in sections 935 to 937 of ITA, provided that HM Revenue & Customs has not given a direction that the interest should be paid under deduction of tax in circumstances where it has reasonable grounds to believe that the payment will not be an excepted payment of interest at the time the payment is made.

In other cases, subject to the availability of any other exception, yearly interest on the Securities will generally be paid under deduction of UK income tax at the basic rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Securityholder, the Securityholder can apply to HM Revenue & Customs to issue a notice to the Issuer to pay interest to the Securityholder without any withholding or deduction for or on account of tax (or for interest to be paid with tax withheld or deducted at the rate provided for in the relevant double tax treaty).

#### *Stamp Duty and Stamp Duty Reserve Tax*

The Finance Act 2019 introduced a new regime for hybrid capital instruments (the "HCI Rules"). The HCI Rules contain an exemption from all stamp duties so that no liability to UK stamp duty or SDRT should arise on the issue or transfer of the Securities provided that the Securities each constitute a "hybrid capital instrument" for the purposes of the HCI Rules and there are no arrangements the main purpose, or one of the main purposes, of which is to secure a tax advantage.

The Securities should constitute "hybrid capital instruments" for the purposes of the HCI Rules provided that:

- the Issuer is entitled to defer or cancel a payment of interest under the Securities;
- the Securities “have no other significant equity features”; and
- the Issuer has made an election in respect of the Securities.

The Securities would “have no other significant equity features” provided that:

- the Securities carry neither significant voting rights in the Issuer nor a right to exercise a dominant influence over the Issuer;
- any provision in the Securities for altering the amount of the principal is limited to write-down or conversion events in certain qualifying cases and that is not a right exercisable by the Securityholders; one of the qualifying cases is where a provision is included solely because of a need to comply with a regulatory or other legal requirement; and
- any provision for the Securityholders to receive anything other than interest or principal is limited to conversion events in qualifying cases.

The Issuer will make a valid hybrid capital election in respect of the Securities within the required timeframe, in accordance with the provisions of section 475C of the Corporation Tax Act 2009 and the Securities are not being issued in consequence of, or otherwise in connection with, any arrangements, the main purpose, or one of the main purposes of which, is to secure a tax advantage. Consequently, the Issuer expects that the HCI Rules will apply to the Securities such that they would benefit from the exemption from all stamp duties.

No UK stamp duty or SDRT will be payable by a Securityholder on a cash redemption of the Securities in accordance with the Conditions.

No liability to UK stamp duty or SDRT will generally arise for a Securityholder on the redemption of the Securities, and the issue of any Ordinary Shares, under a Conversion of the Securities into Ordinary Shares, in accordance with the Conditions.

UK stamp duty and SDRT may be payable in relation to a Conversion Shares Offer.

The above description of the UK stamp duty and SDRT position does not deal with the issue, transfer or agreement to transfer of any Relevant Shares of an Approved Entity.

The references to “interest” and “principal” above mean “interest” and “principal” as understood in UK tax law. The statements above do not take account of any different definitions of “interest” or “principal” which may prevail under any other law or which may be created by the Conditions or any related documentation.

## United States

### *Withholding tax under Foreign Account Tax Compliance Act (“**FATCA Withholding**”)*

A 30 per cent. withholding tax will be imposed on certain payments made to certain non-U.S. financial institutions that fail to comply with the requirements of FATCA, including the registration, information reporting and certification requirements in respect of their direct and indirect U.S. security holders and/or U.S. accountholders. Based on regulations released by the U.S. Treasury Department, as well as an agreement entered into between the United States government and the UK government and guidance issued by HM Revenue and Customs regarding the implementation of that agreement, the Issuer generally will not be required to identify or report information with respect to the holders of the Securities, although other non-U.S. financial institutions (such as banks or custodians) through which a holder holds the Securities may be required to do so. In addition, in the case of holders who (i) are non-U.S. financial institutions that have not agreed to comply with the requirements of FATCA such as information reporting in respect of their direct and indirect U.S. security holders and/or U.S. accountholders or (ii) hold Securities directly or indirectly through such non-compliant non-U.S. financial institutions or have otherwise failed to establish an exemption from this withholding, the Issuer may be required to withhold on a portion of payments treated as “foreign passthru payments”, a term that has not been defined in FATCA provisions, on the Securities. Accordingly, such Securityholder could be subject to withholding if, for example, its bank or broker is subject to withholding because it fails to comply with these requirements even though the holder itself might not otherwise have been subject to withholding. However, such withholding would generally not apply to payments made before the date that is two years after the date on which final regulations defining the term “foreign passthru payments” and implementing such withholding are enacted, subject to certain exceptions. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Therefore, since the rules for implementing such withholding on the Securities have not yet been written, including rules about how such withholding would be applied pursuant to an intergovernmental agreement,

it is unclear at this time what the impact of any such withholding would be on holders of the Securities. You should consult your own tax advisors regarding the relevant U.S. law and other official guidance on FATCA withholding.

The Issuer will not pay any additional amounts in respect of FATCA withholding, so if this withholding applies, you will receive significantly less than the amount that you would have otherwise received with respect to your Securities. Depending on your circumstances, you may be entitled to a refund or credit in respect of some or all of this withholding. However, even if you are entitled to have such withholding refunded, the required procedures could be cumbersome and significantly delay the holder's receipt of any amounts withheld.

If withholding is required in respect of this FATCA withholding tax, the Issuer will not be required to pay any additional amounts with respect to any amounts withheld. A beneficial owner of Securities and Ordinary Shares that is not a non-U.S. financial institution generally will be entitled to a refund of any amounts withheld in respect of this withholding tax, but this may entail significant administrative burden. Holders are urged to consult their tax advisors and any banks or brokers through which they will hold the Securities and Ordinary Shares as to the consequences of these rules to them.

#### *U.S. federal income tax*

This section describes the material U.S. federal income tax consequences of owning and disposing of the Securities and the Ordinary Shares which may be received upon the conversion of the Securities. This section only applies to U.S. holders (as defined below) that hold their Securities or Ordinary Shares as capital assets for tax purposes and that are not members of a special class of holders subject to special rules, such as:

- a dealer in securities or currencies,
- a trader in securities that elects to use a mark to market method of accounting for its securities holdings,
- a bank or other financial institution,
- a life insurance company,
- a tax-exempt organization,
- a person that actually or constructively owns 10% or more of the combined voting power of our voting stock or of the total value of our stock,
- a person that owns Securities that are a hedge or that are hedged against interest rate risks,
- a person that purchases or sells Securities or Ordinary Shares as part of a wash sale for tax purposes,
- a person that owns Securities or Ordinary Shares as part of a straddle or conversion transaction for tax purposes, or
- a U.S. holder (as defined below) whose functional currency for tax purposes is not the U.S. Dollar.

This section does not address the U.S. federal estate, gift, Medicare contribution, or alternative minimum tax consequences, if any, to holders of the Securities or Ordinary Shares, or any state, local or non-U.S. tax consequences to holders. The Issuer has not sought, nor will it seek, any ruling from the U.S. Internal Revenue Service with respect to matters discussed below. There can be no assurance that the U.S. Internal Revenue Service will not take a different position concerning the tax consequences of the purchase, ownership, Conversion or disposition of the Securities or Ordinary Shares or that any such position would not be sustained.

This summary is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), existing and proposed Treasury regulations promulgated thereunder, published rulings and judicial decisions, all as in effect as of the date of this document. The foregoing authorities are subject to change or differing interpretations at any time with possible retroactive effect, which could result in U.S. federal income tax consequences different from those discussed below.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds Securities or Ordinary Shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes holding Securities or Ordinary Shares should consult its

tax adviser with regard to the U.S. federal income tax treatment of an investment in the Securities or Ordinary Shares.

A holder is a “U.S. holder” if it is a beneficial owner of Securities or Ordinary Shares and is:

- a citizen or resident of the United States,
- a domestic corporation,
- an estate whose income is subject to U.S. federal income tax regardless of its source, or
- a trust, if a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust.

**POTENTIAL INVESTORS ARE URGED TO CONSULT THEIR TAX ADVISERS AS TO THE TAX CONSEQUENCES OF OWNERSHIP OF SECURITIES AND ORDINARY SHARES DESCRIBED BELOW AND AS TO THE APPLICATION OF STATE, LOCAL, OR OTHER TAX LAWS TO THEIR INVESTMENT IN THE SECURITIES AND ORDINARY SHARES.**

*Characterization of the Securities for U.S. federal income tax purposes.* There are no authorities addressing the tax consequences of an instrument with terms similar to the Securities. As a result, it is unclear whether the Securities should be treated as equity or debt of the Issuer for U.S. federal income tax purposes. We believe and the discussion below assumes, however, that the Securities will be treated as equity of the Issuer for U.S. federal income tax purposes. This characterization will be binding on a holder, unless the holder expressly discloses that it is adopting a contrary position on its U.S. federal income tax return.

*Distributions on the Securities and Ordinary Shares.* In general, the interest payments with respect to the Securities and distributions with respect to Ordinary Shares will be treated as dividends to the extent of the Issuer's current or accumulated earnings and profits as determined for U.S. federal income tax purposes. Because the Issuer does not currently maintain calculations of its earnings and profits under U.S. federal income tax principles, it is expected that all interest payments on the Securities and distributions on the Ordinary Shares will generally be reported to U.S. holders as dividends.

Subject to the discussion under “*PFIC Considerations*” below, interest payments the Issuer makes with respect to the Securities and distributions with respect to the Ordinary Shares that are treated as dividends for U.S. federal income tax purposes generally will be qualified dividend income taxable to holders at the preferential rates applicable to long-term capital gains provided that certain requirements are met and the Issuer qualifies for the benefits of the income tax treaty between the United States and the UK (the “**U.S.-U.K. income tax treaty**”), which the Issuer believes to be the case. To be eligible for this reduced rate, the holders must hold the Securities and/or Ordinary Shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date, which in the case of the Securities is generally the relevant Record Date in respect of the applicable Interest Payment Date, and meet other holding period requirements. Amounts the Issuer pays with respect to the Securities and with respect to the Ordinary Shares will not be eligible for the dividends-received deduction generally allowed to U.S. corporations.

The amount of an interest payment on the Securities and distributions on the Ordinary Shares will include amounts, if any, withheld in respect of U.K. taxes. For more information on U.K. withholding taxes, please see the discussion above under “*Taxation—UK*”. Amounts the Issuer pays with respect to the Securities and Ordinary Shares will be considered foreign-source income to U.S. holders. Subject to applicable limitations, some of which vary depending upon a holder's circumstances, U.K. income taxes withheld from interest payments on the Securities and distributions on Ordinary Shares to a U.S. holder not eligible for a reduction in or exemption from U.K. withholding tax (under the U.S.-U.K. income tax treaty or otherwise) will be creditable against the U.S. holder's U.S. federal income tax liability. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the preferential tax rates.

Dividends will generally be income from sources outside the U.S. and will generally be “passive” income for purposes of computing the foreign tax credit allowable to a U.S. holder. The rules governing foreign tax credits are complex, and holders should consult their tax advisers regarding the creditability of foreign taxes in a holder's particular circumstances.

*Conversion of the Securities into Ordinary Shares.* A U.S. holder generally will not recognise any gain or loss in respect of the receipt of the Ordinary Shares following a Conversion. A U.S. holder's tax basis of the Ordinary Shares received will equal the tax basis of the Securities converted, and the holding period of such Ordinary Shares will generally include the period during which the Securities were held prior to such Conversion. In general, a holder's tax basis in its Securities will be equal to the price it paid for them. Where different blocks of Securities were acquired at different times or at different prices, the tax basis and holding period of the Ordinary Shares may be determined by reference to each such block of Securities.

*Sale or Redemption of the Securities and Ordinary Shares.* Subject to the discussion below under “*PFIC Considerations*”, holders will generally recognize capital gain or loss upon the sale or redemption of their Securities (other than a conversion of the Securities into Ordinary Shares, as discussed above) in an amount equal to the difference between the amount they receive at such time and their tax basis in the Securities. In general, a holder’s tax basis in its Securities will be equal to the price it paid for them. Holders should generally recognize capital gain or loss upon the sale of their Ordinary Shares in an amount equal to the difference between the amount they receive (or, in cases where they receive amounts other than in U.S. Dollars, the U.S. Dollar value of the amount they receive) in respect of the Ordinary Shares sold and their tax basis in such Ordinary Shares. Such capital gain or loss will be long-term capital gain or loss if holders held their Securities and Ordinary Shares for more than one year. Long-term capital gain of a non-corporate U.S. holder is generally taxed at preferential rates. The deductibility of capital losses is subject to limitations. Such gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. Holders that actually or constructively continue to hold equity of the Issuer following a redemption of their Securities may be subject to Section 302 of the Code, which could cause the redemption proceeds to be treated as dividend income. Such holders are advised to consult their own tax advisors regarding the tax treatment of a redemption of their Securities.

*Adjustment of the Conversion Price.* The Conversion Price is subject to adjustment under certain circumstances. U.S. Treasury Regulations promulgated under Section 305 of the Code may treat a U.S. holder of the Securities as having received a constructive distribution if and to the extent that certain adjustments (or, in some cases, certain failures to make adjustments) to the Conversion Price increase a U.S. holder’s proportionate interest in the Issuer’s assets or earnings. Adjustments to the Conversion Price made pursuant to a bona fide reasonable adjustment formula that has the effect of preventing dilution of the interest of the U.S. holder of the Securities will generally not be considered to result in a constructive distribution to the U.S. holder. If adjustments that do not qualify as being pursuant to a bona fide reasonable adjustment formula are made (or, in some cases, adjustments that do so qualify that fail to be made), U.S. holders of Securities may be treated as having received a distribution even though they have not received any cash or property. For example, the IRS could assert that a decrease in the Conversion Price to reflect an Extraordinary Dividend to Shareholders generally gives rise to a constructive taxable distribution to the U.S. holders of the Securities. Any constructive distribution would be includable in such U.S. holder’s income at its then fair market value in a manner described above under “*Distributions on the Securities and Ordinary Shares*”. Although the Issuer does not believe that an adjustment in most cases is likely to be treated as giving rise to a taxable distribution, it is possible that the IRS, and, if challenged, a court, could disagree with the Issuer’s position.

*PFIC Considerations.* The Issuer believes it was not a passive foreign investment company (“**PFIC**”) for U.S. federal income tax purposes for its previous taxable year and does not expect to become a PFIC for its current taxable year or in the foreseeable future, and therefore the Issuer believes that the Securities and Ordinary Shares should not be treated as stock of a PFIC, but this conclusion is a factual determination made annually and thus may be subject to change. In general, the Issuer will be a PFIC with respect to a holder if, for any taxable year in which a holder holds the Securities or Ordinary Shares, either (i) at least 75 per cent. of the gross income of the Issuer for the taxable year is passive income or (ii) at least 50 per cent. of the value, determined on the basis of a quarterly average, of the Issuer’s assets is attributable to assets that produce or are held for the production of passive income (including cash). To the extent the Issuer owns (directly or indirectly) at least 25 per cent. (by value) of the stock of another corporation, for the purpose of determining whether the Issuer is a PFIC, the Issuer is treated as if it holds its proportionate share of the assets and earns its proportionate share of the income of such corporation. If the Issuer were to be treated as a PFIC, U.S. holders of Securities or Ordinary Shares would be required (i) to pay a special addition to tax on certain distributions and gains on sale, (ii) to pay tax on any gain from the sale or other disposition of Securities or Ordinary Shares at ordinary income (rather than capital gains) rates in addition to paying the special addition to tax on this gain, and (iii) to comply with additional reporting obligations in respect of their Securities or Ordinary Shares. In certain circumstances, the receipt of the Ordinary Shares following a Conversion could be treated as a taxable disposition of the Securities. Additionally, interest payments with respect to the Securities and distributions with respect to the Ordinary Shares would not constitute qualified dividend income with respect to a holder if the Issuer were a PFIC either in the taxable year of the distribution or in the preceding taxable year. Holders should consult their tax advisers regarding the potential application of the PFIC regime.

*Information With Respect to Foreign Financial Assets.* Owners of “specified foreign financial assets” with an aggregate value in excess of U.S.\$50,000 (and in some circumstances, a higher threshold) may be required to file an information report with respect to such assets with their tax returns. “Specified foreign financial assets” may include financial accounts maintained by foreign financial institutions (which would include interests of a foreign financial institution that are not regularly traded on an established securities market, such as the Securities), as well as the following, but only if they are held for investment and not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-U.S. persons,



(ii) financial instruments and contracts that have non-U.S. issuers or counterparties, and (iii) interests in foreign entities. Holders are urged to consult their tax advisors regarding the application of this reporting requirement to their ownership of the Securities or Ordinary Shares.

**Backup Withholding and Information Reporting.** Information reporting requirements, on U.S. Internal Revenue Service Form 1099, generally will apply to interest on the Securities, distributions on the Ordinary Shares or other taxable distributions made to non-corporate U.S. holders within the United States and the payment of proceeds to such holders from the sale of Securities or Ordinary Shares effected at a U.S. office of a broker. Additionally, backup withholding may apply to such payments if the U.S. holder fails to comply with applicable certification requirements or (in the case of interest or distributions) such holder is notified by the U.S. Internal Revenue Service that it has failed to report all interest and dividends required to be shown on its federal income tax returns.

Payment of the proceeds from the sale of Securities or Ordinary Shares effected at a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, a sale effected at a foreign office of a broker could be subject to information reporting in the same manner as a sale within the United States (and in certain cases may be subject to backup withholding as well) if (i) the broker has certain connections to the United States, (ii) the proceeds or confirmation are sent to the United States or (iii) the sale has certain other specified connections with the United States.

U.S. holders generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed their income tax liability by filing a refund claim with the U.S. Internal Revenue Service.

## **Hong Kong**

### *Withholding Tax*

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Securities or in respect of any capital gains arising from the resale of the Securities.

### *Profits Tax*

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Securities may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) interest on the Securities is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Securities is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;
- (i) interest on the Securities is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong) (the “IRO”) and arises through or from the carrying on by the financial institution of its business in Hong Kong, notwithstanding that the moneys in respect of which the interest is received or accrues are made available outside Hong Kong;
- (ii) interest on the Securities is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO), notwithstanding that the moneys in respect of which the interest is received by or accrues to the intra-group financing business are made available outside Hong Kong; or
- (iii) the Securities are treated as “regulatory capital security” for the purposes of the IRO and interest on the Securities is received by or accrues to a LAC banking entity (within the meaning of section 2 of the IRO), and arises through or from the carrying on by the entity of its business in Hong Kong, even if the moneys laid out for the acquisition of the security in respect of which the interest is received or accrues are made available outside Hong Kong.

Gains or profits from the sale, disposal or redemption of the Securities will be subject to Hong Kong profits tax where they arise in or are derived from Hong Kong and are received by or accrue to a person, including a corporation (whether or not a financial institution), from the carrying on by such person of a trade, profession or business in Hong Kong.

Special rules exist for the assessment and calculation of Hong Kong profits tax liability for certain types of person (for example “qualifying corporate treasury centres” as defined in the IRO) and certain types of security. Prospective holders of the Securities are advised to seek their own professional advice in relation to Hong Kong profits tax.

### **Stamp Duty**

No stamp duty is payable on the issue, transfer (for so long as the register of holders of the Securities is outside Hong Kong) or conversion of the Securities.

No stamp duty will be chargeable upon the issue of the Ordinary Shares upon conversion of the Securities. Stamp duty may be payable on any transfer of the Ordinary Shares if the relevant transfer is required to be registered in Hong Kong. If stamp duty is payable in respect of the transfer of Ordinary Shares it will, with effect from 1 August 2021, be payable at the rate of 0.26 per cent. (of which 0.13 per cent. is payable by the seller and 0.13 per cent. is payable by the purchaser) normally by reference to the consideration or its value. If, in the case of either the sale or purchase of such Ordinary Shares, stamp duty is not paid, both the seller and the purchaser may be liable jointly and severally to pay any unpaid stamp duty and also any penalties for late payment. If stamp duty is not paid on or before the due date (two days after the sale or purchase if effected in Hong Kong or 30 days if effected elsewhere) a penalty of up to 10 times the duty payable may be imposed. In addition, stamp duty is payable at the fixed rate of HK\$5.00 on each instrument of transfer executed in relation to any transfer of the Ordinary Shares if the relevant transfer is required to be registered in Hong Kong.

## SUBSCRIPTION AND SALE

Subject to the terms and on the conditions contained in a Subscription Agreement dated 10 August 2021 (the “**Subscription Agreement**”), between the Issuer and the Managers, the Managers have severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe for the Securities.

Each Manager named below has agreed severally and not jointly to purchase the principal amount of the Securities set out opposite its name below:

<b><i>Joint Lead Managers</i></b>	<b><i>Principal amount (U.S.\$)</i></b>
<b>Barclays Capital Inc.</b>	<b>291,000,000</b>
<b>Goldman Sachs &amp; Co. LLC</b>	<b>291,000,000</b>
<b>Morgan Stanley &amp; Co. LLC</b>	<b>291,000,000</b>
<b>SG Americas Securities, LLC</b>	<b>291,000,000</b>
<b>Standard Chartered Bank</b>	<b>291,000,000</b>
<b><i>Co-Managers</i></b>	
<b>China Minsheng Banking Corp., Ltd., Hong Kong Branch (a joint stock limited company incorporated in the People’s Republic of China)</b>	<b>4,500,000</b>
<b>First Abu Dhabi Bank</b>	<b>4,500,000</b>
<b>ICBC Standard Bank Plc</b>	<b>4,500,000</b>
<b>Industrial Bank Co., Ltd. Hong Kong Branch (a branch of Industrial Bank Co., Ltd., a joint stock company incorporated in P.R.C. with limited liability)</b>	<b>4,500,000</b>
<b>Natixis Securities Americas LLC</b>	<b>4,500,000</b>
<b>Oversea-Chinese Banking Corporation Limited</b>	<b>4,500,000</b>
<b>QNB Capital LLC</b>	<b>4,500,000</b>
<b>Santander Investment Securities Inc.</b>	<b>4,500,000</b>
<b>SNB Capital Company</b>	<b>4,500,000</b>
<b>U.S. Bancorp Investments, Inc.</b>	<b>4,500,000</b>
<b>Total</b>	<b>1,500,000,000</b>

The Issuer will pay to the Managers a commission as agreed between the Issuer and the Managers in respect of Securities subscribed by them. The Issuer has agreed to reimburse the Managers for certain of their expenses incurred in connection with the issuance of the Securities.

The Issuer has agreed to indemnify the Managers against certain liabilities in connection with the offer and sale of the Securities. The Subscription Agreement entitles the Managers to terminate and be released and discharged from their obligations under the Subscription Agreement in certain circumstances prior to payment for the Securities being made to the Issuer.

The Securities are a new issue of securities and there is currently no established trading market for the Securities. In addition, the Securities are subject to certain restrictions on resale and transfer as described in the section titled “*Transfer Restrictions*”. The Managers have advised the Issuer that they intend to make a market in the Securities, but they are not obligated to do so. The Managers may discontinue any market making in the Securities at any time in their sole discretion. Accordingly, the Issuer can make no assurances that a liquid trading market will develop for the Securities, that the Securities will be able to be sold at a particular time or that the prices the Securities sell for will be favourable.

## United States

Neither the Securities nor the Ordinary Shares into which they may be converted have been or will be registered under the Securities Act, or may be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Manager has represented and agreed, except as permitted by the Subscription Agreement, that it will not offer or sell Securities (other than Securities offered or sold in accordance with Rule 144A), (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of an identifiable tranche of which such Securities are a part (the “**Distribution Compliance Period**”) within the United States or to, or for the account or benefit of, U.S. persons and, at or prior to confirmation of sale of Securities, it will have sent to each distributor, dealer, or person receiving a selling concession, fee or other remuneration to which it sells Securities during the Distribution Compliance Period (other than resales of Securities pursuant to Rule 144A) a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for, the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

The Securities are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. The Subscription Agreement provides that the Managers may directly or through their respective agents or affiliates which are U.S. registered broker-dealers arrange for the offer and resale of Securities in the United States only to QIBs in accordance with Rule 144A.

In addition, until 40 days after the commencement of the offering of the Securities, an offer or sale of such Securities within the United States by any dealer (whether or not participating in the offering of the Securities) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

This document has been prepared by the Issuer for use in connection with the offer and sale of the Securities outside the United States to non-U.S. persons, the offer, sale and resale of Securities in the United States to QIBs in reliance upon Rule 144A and for the listing of the Securities on the ISM. The Issuer and the Managers reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than the number of Securities which may be offered. This document does not constitute an offer to any person in the United States or to any U.S. person other than any QIB to whom an offer has been made directly by one of the Managers or a U.S. broker-dealer affiliate of one of the Managers. Distribution of this document by any non-U.S. person outside the United States or by any QIB in the United States to any U.S. person or to any other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB, is prohibited.

## UK

Each Manager has represented and agreed that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Securities in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Securities in, from or otherwise involving the UK.

### Prohibition of Sales to EEA Retail Investors

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities to any retail investor in the EEA, where “retail investor” means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of EU MiFID II; or
- (ii) a customer within the meaning of the Insurance Distribution Directive where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II.

### Prohibition of Sales to UK Retail Investors

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities to any retail investor in the UK, where “retail investor” means a person who is one (or more) of the following:

- (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of the domestic law of the UK by virtue of the EUWA; or
- (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) UK MiFIR.

### **Hong Kong**

Each Manager has represented and agreed that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “CWUMPO”) or which do not constitute an offer to the public within the meaning of the CWUMPO; and (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

### **PRC**

Each Manager has represented and agreed that neither it nor any of its affiliates will offer or sell any of the Securities in the PRC (for this purpose, excluding Hong Kong, Macau and Taiwan), as part of the initial distribution of the Securities.

### **Japan**

The Securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the “Financial Instruments and Exchange Act”). Accordingly, each Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Securities in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other applicable laws, regulations and ministerial guidelines of Japan.

### **France**

Each of the Managers has represented and agreed that it has only offered or sold and will only offer or sell, directly or indirectly, any Securities in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this document or any other offering material relating to the Securities and any offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties and/or (b) qualified investors (*investisseurs qualifiés*) and/or (c) a limited circle of investors (*cercle restreint*) acting for their own account, all as defined in, and in accordance with, articles L.411-1, L.411-2 and D.411-1 to D.411-4 of the French *Code monétaire et financier*.

This document has not been submitted to the clearance procedures of the AMF.

## Italy

The offering of the Securities has not been registered with the Commissione Nazionale per le Società e la Borsa ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, each Manager represents and agrees that any offer, sale or delivery of the Notes or distribution in the Republic of Italy will be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Any such offer, sale or delivery of the Securities or distribution of copies of the Offering Circular or any other document relating to the Securities in the Republic of Italy must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 58 of 24 February 1998, CONSOB Regulation No. 20307 of 15 February 2018 and Legislative Decree No. 385 of 1 September 1993 (in each case as amended from time to time) and any other applicable laws and regulations;
- (ii) in compliance with Article 129 of Legislative Decree No. 385 of 1 September 1993, as amended, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy and the relevant implementing guidelines of the Bank of Italy issued on 25 August 2015 (as amended on 10 August 2016); and
- (iii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

Any investor purchasing any Securities is solely responsible for ensuring that any offer or resale of the Securities occurs in compliance with applicable laws and regulations.

This document and the information contained herein are intended only for the use of its recipient and are not to be distributed to any third-party resident or located in the Republic of Italy for any reason. No person resident or located in Italy other than the original recipients of this document may rely on it or its contents.

## The Netherlands

The Securities (or any interest therein) are not and may not, directly or indirectly, be offered, sold, pledged, delivered or transferred in the Netherlands, on the Issue Date or at any time thereafter, and neither this document nor any other document in relation to any offering of the Securities (or any interest therein) may be distributed or circulated in the Netherlands, other than to qualified investors as defined in Regulation (EU) 2017/1129, provided that these parties acquire the Securities for their own account or that of another qualified investor.

## Singapore

Each Manager has acknowledged that this document has not been registered as a prospectus with the Monetary Authority of Singapore (the "**MAS**"). Accordingly, each Manager has represented and agreed that it has not offered or sold any Securities and/or the Ordinary Shares to be delivered following Conversion or caused such Securities and/or the Ordinary Shares to be delivered following Conversion to be made the subject of an invitation for subscription or purchase and will not offer or sell such Securities and/or such Ordinary Shares to be delivered following Conversion or cause such Securities and/or such Ordinary Shares to be delivered following Conversion to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this document or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Securities and/or the Ordinary Shares to be delivered following Conversion, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

This document has not been registered as a prospectus with the MAS. Accordingly, this document or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Securities and/or the Ordinary Shares to be delivered following Conversion may not be circulated or distributed, nor may the Securities and/or the Ordinary Shares to be delivered following Conversion be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Securities pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7)(1) of the SFA
- (5) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

#### ***Notification under Section 309B(1) of the SFA***

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

#### **General**

No action has been taken in any jurisdiction by the Managers or the Issuer that would permit a public offering of any of the Securities, or possession or distribution of this document or any other offering or publicity material relating to the Securities, in any country or jurisdiction where action for that purpose is required.

Each Manager has agreed that it will, to the best of its knowledge and belief, comply with all relevant securities laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers Securities or has in its possession or distributes this document or any other offering material, in all cases at its own expense.

Certain of the Managers or their affiliates have performed investment banking, financial advisory, commercial banking and other services for the Issuer from time to time for which they have received customary fees and expenses. The Managers or their affiliates may, from time to time, engage in transactions with and perform services for the Issuer in the ordinary course of business, for which they will receive customary fees in connection with these services. In addition, in the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve debt securities and/or instruments of the Issuer or the Issuer's affiliates. If any of the Managers or their affiliates has a lending relationship with the Issuer, certain of those Managers or their affiliates may hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, these Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the Securities offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Securities offered hereby. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

#### **Pre-issue Trades Settlement**

It is expected that delivery of Securities will be made against payment therefor on the Issue Date (T+7), which will be more than two business days following the date of pricing. Under Rule 15c6-I of the U.S. Securities and Exchange Commission under the Exchange Act, trades in the United States secondary market generally are required to settle within two business days (T+2), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Securities in the United States on the date of pricing or the next four succeeding business days will be required, by virtue of the fact that the Securities initially will settle beyond T+2, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Securities may be affected by such local settlement practices and purchasers of Securities who wish to trade Securities between the date of pricing and the Issue Date should consult their own adviser.

Each of ICBC Standard Bank Plc and Oversea-Chinese Banking Corporation Limited has represented that it is restricted in its U.S. securities dealings under the United States Bank Holding Company Act and may not underwrite, subscribe, agree to purchase or procure purchasers to purchase Securities that are offered or sold in the United States. Accordingly, ICBC Standard Bank Plc and Oversea-Chinese Banking Corporation Limited each shall not be obligated to, and shall not, underwrite, subscribe, agree to purchase or procure purchasers to purchase Securities that may be offered or sold by other Managers in the United States. ICBC Standard Bank Plc and Oversea-Chinese Banking Corporation Limited each shall offer and sell the Securities constituting part of its allotment solely outside the United States.



## CLEARING AND SETTLEMENT

*The following is a summary of the rules and procedures of DTC, Clearstream, Luxembourg and Euroclear currently in effect, as they relate to clearing and settlement of transactions involving the Securities. The rules and procedures of these systems are subject to change at any time.*

### **DTC**

DTC has advised us that it is a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“**DTC participants**”) deposit with DTC. DTC also facilitates the post-trade settlement among DTC participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between DTC participants’ accounts. This eliminates the need for physical movement of securities certificates. DTC participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“**DTCC**”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly (“**Indirect DTC participants**”). The rules applicable to DTC’s participants are on file with the Commission. More information about DTC can be found at its Internet Web site at [www.dtcc.com](http://www.dtcc.com), a website the contents of which are not incorporated by reference into this document.

### **Clearstream, Luxembourg**

Clearstream Banking, S.A. (“**Clearstream, Luxembourg**”) holds securities for its participating organisations (“**Clearstream, Luxembourg participants**”) and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg participants through electronic book-entry changes in accounts of Clearstream, Luxembourg participants, thereby eliminating the need for physical movement of certificates. Clearstream, Luxembourg provides to Clearstream, Luxembourg participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also interfaces with domestic securities markets in several countries. Clearstream, Luxembourg is registered as a bank in Luxembourg, and as such is subject to regulation by the Commission de Surveillance du Secteur Financier, and the Banque Centrale du Luxembourg which supervise and oversee the activities of Luxembourg banks. Clearstream, Luxembourg participants are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations, and may include the Agents. Indirect access to Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with a Clearstream, Luxembourg participant. Clearstream, Luxembourg has established an electronic bridge with Euroclear Bank SA/NV (“**Euroclear**”) as the operator of the Euroclear system (the “**Euroclear Operator**”) in Brussels to facilitate settlement of trades between Clearstream, Luxembourg and the Euroclear Operator.

Distributions with respect to Securities held beneficially through Clearstream, Luxembourg will be credited to cash accounts of Clearstream, Luxembourg participants in accordance with its rules and procedures, to the extent received by the depository for Clearstream, Luxembourg.

### **Euroclear**

Euroclear holds securities and book-entry interests in securities for participating organisations (“**Euroclear participants**”) and facilitates the clearance and settlement of securities transactions between Euroclear participants, and between Euroclear participants and participants of certain other securities intermediaries through electronic book-entry changes in accounts of such participants or other securities intermediaries. Euroclear provides Euroclear participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations, and may include the Agents. Non-participants in Euroclear may hold and transfer beneficial interests in a Global Note through accounts with a Euroclear participant or any other securities intermediary that holds a book-entry interest in

a Global Note through one or more securities intermediaries standing between such other securities intermediary and Euroclear.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the “**Euroclear Terms and Conditions**”). The Euroclear Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Euroclear Terms and Conditions only on behalf of Euroclear participants, and has no record or relationship with persons holding through Euroclear participants.

Distributions with respect to Securities held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Terms and Conditions, to the extent received by the depositary for Euroclear.

## **Book-Entry Ownership**

### ***Global Certificates***

Securities issued pursuant to Rule 144A initially will be represented by one or more Restricted Global Certificates. Securities issued in reliance on Regulation S initially will be represented by one or more Unrestricted Global Certificates. Upon issuance, the Global Certificates will be deposited with a custodian for DTC, in New York, New York, and registered in the name of DTC or its nominee, in each case for credit to an account of a direct or indirect participant in DTC as described below. Beneficial interests in the Restricted Global Certificates may not be exchanged for beneficial interests in the Unrestricted Global Certificates at any time except in the limited circumstances described below under “*Transfers of Securities*”.

Payments of the principal of, and interest on, the Global Certificates registered in the name of DTC's nominee will be to or to the order of its nominee as the registered owner of the Global Certificates. The Issuer expects that the nominee, upon receipt of any such payment, will immediately credit DTC participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the Global Certificates as shown on the records of DTC or the nominee. The Issuer also expects that payments by DTC participants to owners of beneficial interests in the Global Certificates held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. None of the Issuer nor any Paying Agent or any Transfer Agent (each an “**Agent**”) will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Global Certificates or for maintaining, supervising or reviewing any records relating to such ownership interests.

Individual definitive Securities will only be available in amounts of U.S.\$200,000, or higher integral multiples of U.S.\$1,000, in certain limited circumstances described below.

### ***Individual Definitive Securities***

Registration of title to Securities in a name other than a depositary or its nominee for DTC will not be permitted unless (i) DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Global Certificates, or ceases to be a “clearing agency” registered under the Exchange Act, or is at any time no longer eligible to act as such and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC, (ii) if principal in respect of any Securities is not paid if and when due or (iii) the Issuer provides its consent. In such circumstances, the Issuer will cause sufficient individual definitive Securities to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Securityholder(s). A person having an interest in a Global Certificate must provide the Registrar with:

- (i) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Securities; and
- (ii) in the case of a Restricted Global Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous resale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Individual definitive Securities issued pursuant to this paragraph (ii) shall bear the legends applicable to transfers pursuant to Rule 144A.

## ***Transfers of Securities***

Transfers of ownership or other interests in Securities in DTC may be made only through DTC participants. Indirect DTC participants are required to effect transfers through a DTC participant. DTC has no knowledge of the actual beneficial owners of the Securities. DTC's records reflect only the identity of the DTC participants to whose accounts the Securities are credited, which may not be the beneficial owners. DTC participants will remain responsible for keeping account of their holdings on behalf of their customers and for forwarding all notices concerning the Securities to their customers.

So long as DTC, or its nominee, is a registered owner of the Global Certificates, payments of principal and interest, if any, on the Securities will be made in immediately available funds in accordance with their respective holdings shown on DTC's records. Payments by DTC participants or Indirect DTC participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers registered in "street name", and it will be the responsibility of such DTC participants and Indirect DTC participants and not the responsibility of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Paying Agent. Disbursement of payments to DTC participants will be DTC's responsibility, and disbursement of payments to the beneficial owners will be the responsibility of DTC participants and Indirect DTC participants.

Because DTC can only act on behalf of DTC participants, who in turn act on behalf of Indirect DTC participants, and because owners of beneficial interests in the Securities holding through DTC will hold interests in the Securities through DTC participants or Indirect DTC participants, the ability of the owners of beneficial interests to pledge the Securities to persons or entities that do not participate in DTC, or otherwise take actions with respect to the Securities, may be limited.

Ownership of interests in the Securities held by DTC will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC, the DTC participants and the Indirect DTC participants. The laws of some jurisdictions require that certain persons take physical delivery in definitive form of securities which they own. Consequently, the ability to transfer beneficial interests in the Securities held by DTC is limited to that extent. Euroclear and Clearstream, Luxembourg may hold interests in the Global Certificates as DTC Participants.

Transfers may be made at any time by a holder of an interest in the Unrestricted Global Certificate to a transferee who wishes to take delivery of such interest through the Restricted Global Certificate for the Securities provided that any such transfer made on or prior to the expiration of the Distribution Compliance Period (as defined in "*Subscription and Sale*") relating to the Securities represented by the Unrestricted Global Certificate will only be made upon receipt by the Registrar or any Transfer Agent of a written certificate from DTC to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities law of any state of the United States or any other jurisdiction. Any such transfer made thereafter of the Securities represented by the Unrestricted Global Certificate will only be made upon request through DTC by the holder of an interest in the Unrestricted Global Certificate to the Principal Paying and Conversion Agent and receipt by the Principal Paying and Conversion Agent of details of that account at DTC to be credited with the relevant interest in the Restricted Global Certificate. Transfers at any time by a holder of any interest in the Restricted Global Certificate to a transferee who takes delivery of such interest through the Unrestricted Global Certificate will only be made upon delivery to the Registrar or any Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S and giving details of the account at DTC to be credited and debited, respectively, with an interest in the relevant Global Certificate.

Euroclear and Clearstream, Luxembourg may hold interests in the Global Certificates as DTC Participants. Payments, deliveries, transfers, exchanges, notices and other matters relating to the Securities made through Euroclear or Clearstream, Luxembourg must comply with the rules and procedures of those systems. Those systems could change their rules and procedures at any time. The Issuer has no control over those systems or their participants and the Issuer takes no responsibility for their activities. Transactions between participants in Euroclear or Clearstream, Luxembourg, on the one hand, and participants in DTC, on the other hand, will also be subject to DTC's rules and procedures.

For a further description of restrictions on transfer of Securities, see the section entitled "*Transfer Restrictions*".

DTC will take any action permitted to be taken by a holder of Securities (including, without limitation, the presentation of a Global Certificate for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in the Global Certificate are credited and only in respect of such portion of the aggregate principal amount of the Global Certificate as to which such participant or participants has or have given such direction. However, in the circumstances described above, DTC will

surrender the Global Certificate for exchange for individual definitive Securities (which, in the case of Securities represented by the Restricted Global Certificate, will bear the legend applicable to transfers pursuant to Rule 144A).

While a Global Certificate is lodged with DTC or the Custodian, Securities represented by individual definitive Securities will not be eligible for clearing or settlement through DTC.

For a description of the operational mechanics in the event of a Conversion Trigger Event, see “*Terms and Conditions of the Securities—Conversion*”.

## TRANSFER RESTRICTIONS

### Restricted Securities

Each purchaser of Securities within the United States pursuant to Rule 144A (**"Restricted Securities"**), by accepting delivery of this document, will be deemed to have represented, agreed and acknowledged that:

- (1) it is (a) a QIB, (b) acquiring such Restricted Securities for its own account or for the account of a QIB and (c) aware, and each beneficial owner of such Restricted Securities has been advised, that the sale of such Restricted Securities to it is being made in reliance on Rule 144A;
- (2) it understands that such Restricted Securities and any Ordinary Shares to be delivered upon conversion of such Restricted Securities have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any State of the United States;
- (3) it understands that if the Restricted Securities are converted into Ordinary Shares, such Ordinary Shares may only be transferred in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S so long as such Ordinary Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act;
- (4) it understands that such Restricted Securities, unless the Issuer determines otherwise in compliance with applicable law, will bear a legend to the following effect:

THIS SECURITY AND ANY ORDINARY SHARES TO BE DELIVERED UPON CONVERSION OF THIS SECURITY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE **"SECURITIES ACT"**) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (**"RULE 144A"**) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. ANY ORDINARY SHARES DELIVERED UPON CONVERSION OF THIS SECURITY MAY ONLY BE TRANSFERRED IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT SO LONG AS SUCH ORDINARY SHARES ARE RESTRICTED SECURITIES WITHIN THE MEANING OF RULE 144(a)(3) UNDER THE SECURITIES ACT. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS SECURITY OR ANY ORDINARY SHARES TO BE DELIVERED UPON CONVERSION OF THIS SECURITY. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A;

- (5) it understands that the Restricted Securities offered in reliance on Rule 144A will be represented by the Restricted Global Certificate. Before any interest in the Restricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws; and
- (6) it acknowledges that the Issuer, the Registrar, the Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Restricted Securities for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Prospective purchasers are hereby notified that sellers of the Securities may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

### Unrestricted Securities

Each purchaser of Securities outside the United States pursuant to Regulation S ("**Unrestricted Securities**") and each subsequent purchaser of such Unrestricted Securities in resales prior to the expiration of the Distribution Compliance Period (as defined in "*Subscription and Sale*"), by accepting delivery of this document and the Unrestricted Securities, will be deemed to have represented, agreed and acknowledged that:

- (1) it is, or at the time Unrestricted Securities are purchased will be, the beneficial owner of such Unrestricted Securities and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate;
- (2) it understands that such Unrestricted Securities and any Ordinary Shares to be delivered upon conversion of such Unrestricted Securities have not been and will not be registered under the Securities Act and that, prior to the expiration of the Distribution Compliance Period, it will not offer, sell, pledge or otherwise transfer such Unrestricted Securities except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States;
- (3) it understands that the Unrestricted Securities, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend to the following effect:

THIS SECURITY AND ANY ORDINARY SHARES TO BE DELIVERED UPON CONVERSION OF THIS SECURITY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT;
- (4) it understands that the Unrestricted Securities offered in reliance on Regulation S may be represented by the Unrestricted Global Certificate. Prior to the expiration of the Distribution Compliance Period, before any interest in the Unrestricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Restricted Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws; and
- (5) the Issuer, the Registrar, the Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

## GENERAL INFORMATION

1. Application has been made for the Securities to be admitted to trading on the ISM on or about 20 August 2021.

2. Application will also be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Ordinary Shares (as defined herein) to be issued upon any Conversion (as defined herein) of the Securities. Upon the occurrence of the Conversion Trigger Event, application will be made to the FCA for the admission to the Official List, and to the London Stock Exchange for the admission to trading on the Regulated Market of the London Stock Exchange, of the Ordinary Shares to be issued upon Conversion of the Securities.

3. The Issuer has obtained all necessary consents, approvals and authorisations in the UK in connection with the issue and performance of the Securities. The issue of the Securities was authorised by resolutions of the Issuer's Board of Directors passed on 6 and 7 November 2019 and of a duly authorised resolution of a committee of the Issuer's Board of Directors passed on 5 August 2021.

4. There has been no significant change in the financial or trading position of the Issuer and its subsidiaries since 30 June 2021, being the end of the last financial period for which financial information of the Issuer and its subsidiaries has been published (as set out in the 2021 Half Year Report). There has been no material adverse change in the prospects of the Issuer since 31 December 2020, being the date of its last published audited financial statements.

5. As discussed in the "*Legal and regulatory matters*" section on page 156 of the 2021 Half Year Report, the Group receives legal claims against it in a number of jurisdictions and is a party to regulatory and enforcement investigations and proceedings from time to time.

Save in relation to the matters described below, there are no, nor have there been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) in the twelve months preceding the date of this document of which the Issuer is aware which may have, or have had in the recent past, a significant effect on its ability to meet its obligations to Securityholders.

The Group is subject to a number of proceedings with various authorities the resolution of which may include substantial monetary penalties, additional compliance and remediation requirements and additional business restrictions. These proceedings include:

- In January 2020, a shareholder derivative complaint was filed by the City of Philadelphia in the New York State Court against 45 current and former directors and senior officers of the Group. It is alleged that the individuals breached their duties to the Group and caused a waste of corporate assets by permitting the conduct that gave rise to the costs and losses to the Group related to legacy conduct and control issues. In March 2021, an amended complaint was served in which Standard Chartered Bank and seven individuals were removed from the case. The Issuer and Standard Chartered Holdings Limited remain named as "nominal defendants" in the complaint. The case is at an early procedural stage. On 27 May 2021, the Issuer filed a motion to dismiss the complaint.
- In October 2020, a claim was filed in the English High Court by 249 shareholders against the Issuer in relation to alleged untrue and/or misleading statements and/or omissions in information published by the Issuer in its rights issue prospectuses of 2008, 2010 and 2015 and/or public statements regarding the Group's historic sanctions, money laundering and financial crime compliance issues. The claim is brought under sections 90 and 90A of the FSMA. Section 90 permits shareholders to pursue a claim if they acquire shares, and suffer loss, as a result of misleading statements in, or omissions of material information from, a prospectus or listing particulars. Section 90A permits shareholders to pursue a claim if they acquire, hold or dispose of shares in reliance upon an untrue or misleading statement in, or dishonest omission of required information from published information, or if there has been a dishonest delay in publishing relevant information. The case is at an early procedural stage.
- Since 2014, the Group has been named as a defendant in a series of lawsuits that have been filed in the United States District Courts for the Southern and Eastern Districts of New York against a number of banks (including Standard Chartered Bank) on behalf of plaintiffs who are, or are relatives of, victims of various terrorist attacks in Iraq and Afghanistan. The plaintiffs in each of these lawsuits have alleged that the defendant banks aided and abetted the unlawful conduct of U.S. sanctioned parties in breach of the U.S. Anti-Terrorism Act. One lawsuit was withdrawn by the relevant plaintiffs in October 2017. The courts have also ruled in favour of the banks' motions to dismiss in five of the other lawsuits. The plaintiffs' appeal against the dismissal of one such case

was heard in February 2021, with a ruling expected later in 2021. Appeals are also expected by the plaintiffs in three of the other dismissed lawsuits. Four other lawsuits are still at an early procedural stage, and have been stayed pending the outcomes of the appeals in the dismissed cases. The most recent lawsuit was filed on 5 August 2021 against various Group entities and other defendants and concerns terrorist attacks that took place in Afghanistan between 2011 and 2016. The lawsuit does not specify an amount of damages and is yet to be served on the Group. It is not currently possible for the Group to predict the outcome of these lawsuits.

6. The Securities have been accepted for trading in book entry form by DTC. The International Securities Identification Number (ISIN) for the Restricted Global Certificates is US853254CD08 and the ISIN for the Unrestricted Global Certificates is USG84228EV68. The Committee on the Uniform Security Identification Procedure (CUSIP) number applicable to the Restricted Global Certificates is 853254CD0 and the CUSIP number applicable to the Unrestricted Global Certificates is G84228EV6. The FISN of the Securities represented by Restricted Global Certificates is STD CHARTERED P/NT CONV PERP SUB 14 and the FISN of the Securities represented by Unrestricted Global Certificates is STD CHARTERED P/NT CONV PERP SUB. The CFI Code of the Securities represented by Restricted Global Certificates is DCFUQR and the CFI Code of the Securities represented by Unrestricted Global Certificates is DCFUQR.

7. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg.

8. From the date of this document and for so long as any Securities are outstanding, the following documents will be available, at the website of the Issuer (<https://www.sc.com/en/investors/>):

- i. the Trust Deed (which includes the form of the Global Certificate and the Certificates);
- ii. the Agency Agreement;
- iii. the Conversion Calculation Agency Agreement;
- iv. the Articles of Association of the Issuer;
- v. copies of each of the documents incorporated by reference herein, being:
  - a. the document entitled "*Standard Chartered PLC statement on the Bank of England 2019 stress test results*" released by the Issuer on 17 December 2019;
  - b. the 2019 Annual Report;
  - c. the 2020 Annual Report; and
  - d. the 2021 Half Year Report; and
- vi. a copy of this document or any further offering circular or supplementary offering circular relating to the Securities.

9. Copies of the latest annual report and accounts of the Issuer may be obtained, and copies of the Trust Deed will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours by appointment, so long as any of the Securities is outstanding. At the Paying Agents' discretion, such inspection may be provided electronically.

10. Ernst & Young LLP ("**EY**") (chartered accountants and a member of the Institute of Chartered Accountants in England and Wales (the "**ICAEW**")), were formally appointed as independent auditors for the Issuer at the Annual General Meeting of the Issuer held on 12 May 2021 and will undertake the audit of accounts of the Issuer for the year ending 31 December 2021. EY audited and rendered an unqualified audit report on the accounts of the Issuer for the year ended 31 December 2020. The report of EY contained the following statement: "This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. 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".

Prior to the appointment of EY, KPMG LLP (chartered accountants and a member of the ICAEW) were the appointed auditors of the Issuer. KPMG LLP audited and rendered an unqualified audit report on the accounts of the Issuer for the year ended 31 December 2019. The report of KPMG LLP contained the following statement: "This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at [www.kpmg.com/uk/auditscopeukco2014a](http://www.kpmg.com/uk/auditscopeukco2014a), which are incorporated into this report, as if set out in full and



should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.” The report of KPMG LLP also contained the following statement: “To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed”. KPMG LLP resigned as the auditors of the Issuer on 31 March 2020.

11. The Issuer's Legal Entity Identifier is U4LOSYZ7YG4W3S5F2G91.

12. Some of the Managers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer or its affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Managers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Securities. Any such short positions could adversely affect future trading prices of the Securities. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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Printed by the Issuer