



Standard Chartered Bank

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

£300,000,000

8.103 per cent. Step-up Callable Perpetual Preferred Securities

(to be consolidated and form a single series with the £300,000,000 8.103 per cent. Step-up Callable Perpetual Preferred Securities issued on 11 May, 2001 (the "Original Preferred Securities") with effect on and from, 11 May, 2006)

Issue price: 116.801 per cent.

The £300,000,000 8.103 per cent. Step-up Callable Perpetual Preferred Securities (the "Preferred Securities") of Standard Chartered Bank (the "Bank" or "SCB") will bear interest from (and including) 11 May, 2006 to (but excluding) 11 May, 2016 at a rate of 8.103 per cent. per annum, payable annually in arrear on 11 May in each year starting on 11 May, 2007. Thereafter, the Preferred Securities will bear interest at a rate, reset every five years, of 4.275 per cent. per annum above the gross redemption yield on a specified United Kingdom government security, payable annually in arrear on 11 May in each year, all as more particularly described in "Terms and Conditions of the Preferred Securities – 5. Coupon Payments". Payments (which term, as defined herein, does not include principal) may be deferred as described in "Terms and Conditions of the Preferred Securities – 4. Deferrals", but neither the Bank nor Standard Chartered PLC (the "Parent") may declare, pay or distribute interest or dividends on any of its issued Tier 1 Capital (as defined herein) other than the Parent Preference Shares (as defined herein) whilst any Payments are deferred.

The Preferred Securities are redeemable at the option of the Bank on 11 May, 2016 (the "First Reset Date") or on any Coupon Payment Date (as defined herein) thereafter at their principal amount together with any Outstanding Payments (as defined herein). In addition, upon the occurrence of certain tax or regulatory events, the Preferred Securities may at the Bank's option be either exchanged or their terms varied so that they become Upper Tier 2 Securities (as defined herein) at any time, provided that if such tax or regulatory events do or would persist after such exchange or variation or certain other provisions apply, the Preferred Securities may be redeemed at their principal amount together with any Outstanding Payments, or redeemed, as more particularly described in "Terms and Conditions of the Preferred Securities – 7. Exchange, Variation, Redemption and Purchase".

Under existing Financial Services Authority ("FSA") requirements, the Bank may not redeem or purchase any Preferred Securities unless the FSA has given its prior consent.

The Preferred Securities will be unsecured securities of the Bank and will be subordinated to the claims of Creditors (as defined herein) in that no payment of principal or interest in respect of the Preferred Securities shall be due and payable except to the extent that the Bank could make such payment and still be considered solvent immediately thereafter.

In the event of the winding-up of the Bank, holders of the Preferred Securities will, for the purpose only of calculating the amounts payable by the Bank in respect of each Preferred Security, be treated as if, on the day prior to the commencement of the winding-up and thereafter, they were the holders of preference shares ranking *pari passu* with the holders of that class or classes of preference shares (if any) from time to time issued by the Bank which have a preferential right to a return of assets in the winding-up over, and so rank ahead of, the holders of all other classes of the issued shares of the Bank. See "Terms and Conditions of the Preferred Securities – 3. Winding-up".

For a description of certain matters that prospective investors should consider, see "Risk Factors".

Application has been made to the *Commission de Surveillance du Secteur Financier* (the "CSSF") which is the Luxembourg competent authority for the purpose of Directive 2003/71/EC (the "Prospectus Directive") for its approval of this Prospectus. Application has been made to the Luxembourg Stock Exchange for the Preferred Securities to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Luxembourg Stock Exchange. This document constitutes a Prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the "Prospectus Directive").

Joint Lead Managers and Joint Bookrunners

DEUTSCHE BANK

LEHMAN BROTHERS

STANDARD CHARTERED BANK

Co-Managers

GOLDMAN SACHS

MERRILL LYNCH

UBS INVESTMENT BANK

The date of this Prospectus is 10th May, 2006

The Bank accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Bank (which has taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

With effect on and from the Issue Date of the Preferred Securities, being 11 May, 2006, when the Preferred Securities will be consolidated and form a single series with the Original Preferred Securities, the aggregate principal amount of the Preferred Securities and the Original Preferred Securities will total £600,000,000.

In connection with the issue and sale of the Preferred Securities, no person is authorised to give any information or to make any representation not contained in this document and if given or made, such information or representation must not be relied upon as having been authorised by the Bank or the Managers (as defined in “**Subscription and Sale**” below) or the Trustee.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Bank or the Managers that any recipient of this Prospectus should purchase any of the Preferred Securities. Each investor contemplating purchasing Preferred Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Bank.

The distribution of this document and the offering or sale of the Preferred Securities in certain jurisdictions may be restricted by law. The Bank and the Managers do not represent that this document may be lawfully distributed, or that the Preferred Securities may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Bank or the Managers which would permit a public offering of the Preferred Securities or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Preferred Securities may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or the Preferred Securities may come must inform themselves about, and observe, any such restrictions. See “**Subscription and Sale**” below for a description, *inter alia*, of certain restrictions on offers, sales and deliveries of the Preferred Securities. Neither the delivery of this Prospectus nor any sale hereunder shall create, under any circumstances, any implication that there has been no change in the affairs of the Bank, the Parent or the Standard Chartered Group since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

The Preferred Securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended, and comprise Preferred Securities in bearer form that are subject to United States tax law requirements. Subject to certain exceptions, the Preferred Securities may not be sold or delivered, directly or indirectly, within the United States or to U.S. persons.

In this document, all references to “£” and “Sterling” are to the lawful currency from time to time of the United Kingdom.

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In connection with the issue of the Preferred Securities, Deutsche Bank AG, London Branch, Lehman Brothers International (Europe) and Standard Chartered Bank (each a “Stabilising Manager”) (or persons acting on behalf of any of the the Stabilising Managers) may over-allot Preferred Securities (provided that the aggregate principal amount of Preferred Securities allotted does not exceed 105 per cent. of the aggregate principal amount of the Preferred Securities) or effect transactions with a view to supporting the market price of the Preferred Securities and/or the Original Preferred Securities at a level higher than that which might otherwise prevail. However, there is no assurance that any of the Stabilising Managers (or persons acting on behalf of any of the Stabilising Managers) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Preferred Securities is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Preferred Securities and 60 days after the date of the allotment of the Preferred Securities.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and have been filed with the CSSF shall be incorporated in, and form part of, this Prospectus:

Financial Statements for the Financial Year ended 31 December, 2004

- (a) the auditor's report and audited consolidated annual financial statements of the Parent for the financial year ended 31 December, 2004 which appear on pages 69 to 120 of the Annual Report and Accounts of the Parent for the year ended 31 December, 2004, including the information set out on the following pages in particular:

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- (b) the auditor's report and audited individual annual financial statements of the Bank for the financial year ended 31 December, 2004 which appear on pages 8 to 56 of the Bank's Directors' Report and Financial Statements for the year ended 31 December, 2004, including the information set out on the following pages in particular:

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Financial Statements for the Financial Year ended 31 December, 2005

- (c) the Annual Report and Accounts of the Parent for the year ended 31 December, 2005, including the auditor's report and audited consolidated annual financial statements of the Parent for the financial year ended 31 December, 2005 which appear on pages 63 to 135, including the information set out on the following pages in particular:

Financial Review	22
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- (d) the auditor's report and audited individual annual financial statements of the Bank for the financial year ended 31 December, 2005 which appear on pages 7 to 70 of the Bank's Director's Report and Financial Statements for the year ended 31 December, 2005, including the information set out at the following pages in particular:

Balance Sheet	9
Income Statement	8
Cash Flow Statement	11 ⁽¹⁾
Accounting Policies and Notes	12-70
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The trading statement issued by the Parent for the Annual General Meeting of the Parent on 4 May, 2006 including details of recent developments.

Any other information not listed above but contained in such documents is incorporated by reference for information purposes only.

Following the publication of the Prospectus a supplement may be prepared by the Bank and approved by the CSSF in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus or in a document which is incorporated by reference in this Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus can be obtained from the principal office of the Bank and from the specified office of the Paying Agent for the time being in Luxembourg.

This Prospectus and the documents incorporated by reference are available for viewing at www.bourse.lu.

The Bank can be contacted by telephone on +44 (0)20 7280 7500.

¹ This also includes the cash flow statement of the Bank for the financial year ended 31 December 2004.

SUMMARY

This summary must be read as an introduction to this Prospectus and any decision to invest in any Preferred Securities should be based on a consideration of this Prospectus as a whole, including the documents incorporated by reference. Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the European Economic Area no civil liability will attach to the persons who are responsible in any such Member State in respect of this Summary, including any translation hereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to information contained in this Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Prospectus before the legal proceedings are initiated.

Issuer	Standard Chartered Bank
Parent	Standard Chartered PLC
Trustee	The Bank of New York
Issue Size	£300,000,000, consisting of Preferred Securities in the denominations of £1,000, £10,000 and £100,000.
No fixed maturity	<p>The Preferred Securities are perpetual securities and have no maturity date. However, the Preferred Securities may be redeemed in whole but not in part at the option of the Bank, subject to the prior consent of the FSA and to the Solvency Condition having been met, at their principal amount together with any Outstanding Payments on 11 May, 2016 or any Coupon Payment Date thereafter.</p> <p>The Bank, the Parent and any other Subsidiary of the Parent may, subject to the prior consent of the FSA and to the Solvency Condition having been met, purchase the Preferred Securities in any manner and at any price, together with all unmatured Coupons and Talons appertaining thereto.</p>
Interest	The Preferred Securities bear interest at a rate of 8.103 per cent. per annum from (and including) 11 May, 2006 to (but excluding) 11 May, 2016 and thereafter at a rate per annum reset every five years of 4.275 per cent. above the gross redemption yield on a specified United Kingdom government security.
Coupon Payment Dates	Subject as described below, Coupon Payments will be payable annually in arrear on 11 May in each year from (and including) 11 May, 2007.
Subordination	<p>The Preferred Securities constitute direct, unsecured and subordinated securities of the Bank and rank <i>pari passu</i> without any preference among themselves. The rights and claims of the Holders and the Couponholders under the Preferred Securities are subordinated to the claims of Creditors (as defined in the “Terms and Conditions of the Preferred Securities – 21. Definitions”).</p> <p>Thus no amount in respect of the Preferred Securities shall be due and payable except to the extent that the Bank is considered solvent at the time of such payment and could make such payment and still be considered solvent immediately thereafter.</p>
Winding-up Claims	In the event of the winding-up of the Bank, the Holders will, for the purpose only of calculating the amounts payable by the Bank in respect of each Preferred Security, be treated as if, on the day prior to the commencement of the winding-up and thereafter, they were the holders of preference shares having an equal right to a return of the assets of the Bank in the winding-up to the holders of a class of preference shares (if any) of the Bank which have a preferential right to a return of assets in

the winding-up over, and so rank ahead of the holders of, all other classes of the issued shares of the Bank. Such class of preference shares would rank junior to the claims of Creditors and junior to any notional class of preference shares in the capital of the Bank by reference to which the amount payable in respect of any Junior Subordinated Debt in the winding-up of the Bank is determined.

Exceptional Deferral of Payments

If the Bank determines, on the 20th Business Day prior to the date on which any Payment (which term does not include any payment of principal) would, in the absence of deferral in accordance with Condition 4, be due and payable that it is, or payment of the relevant Payment will result in the Bank being, in non-compliance with applicable Capital Regulations, the Bank may defer such Payment.

Such exceptionally deferred payment may be satisfied at any time (provided that at the time of satisfying such payment, the Exceptional Deferral Condition fails to be met) by the Bank giving not less than 16 Business Days' notice of such satisfaction. Unless the Bank elects to defer such Payment pursuant to its general right to defer referred to below, such exceptionally deferred payment must be satisfied on the Coupon Payment Date next following the 19th Business Day after the Bank determines that it no longer is, and such Payment will not result in it being, in non-compliance with such applicable Capital Regulations.

No interest will accrue on such exceptionally deferred Payment.

General Deferral of Payments

As long as the Preferred Securities have not ceased to be eligible to qualify for inclusion in the Tier 1 Capital or Upper Tier 2 Capital of the Bank or the Group, the Bank may elect to defer any Payment (which term does not include any payment of principal) on the Preferred Securities for any period of time. However, the deferred payment will bear interest at 2 per cent. per annum above the then current rate of interest on the Preferred Securities for such period of time.

Dividend Restriction during Period of Deferral

If the Bank defers a Payment for any reason as described above then, while any Payment is so deferred, neither the Bank nor the Parent may declare, pay or distribute interest or dividends on any of its issued Tier 1 Capital (whether directly or indirectly issued) other than the Parent Preference Shares.

Alternative Coupon Satisfaction Mechanism

Investors will always receive payments made in respect of Preferred Securities in cash. However, if the Bank defers a Payment it must or if and to the extent the Bank so elects at any time it may satisfy its obligation to make any Payment (which term does not include any payment of principal) to Holders by the following mechanism. The Bank shall issue its ordinary shares to the Trustee or its agent or as the Trustee may direct and the Parent shall issue its ordinary shares in exchange therefor to the Trustee or its agent or as the Trustee may direct. The Trustee will transfer or direct the issue of the Parent's shares to the Calculation Agent who will sell those shares. When sold, the Parent's shares will provide a cash amount which the Principal Paying Agent, on behalf of the Trustee, will pay to the Holders in respect of the relevant Payment. The Parent will calculate in advance the number of ordinary shares of the Bank and the Calculation Agent will calculate the number of ordinary shares of the Parent to be issued in order to enable the Trustee or its agent to raise the full amount of money due on the relevant payment date to Holders.

Insufficiency

Each of the Bank and the Parent is required to keep available for issue enough ordinary shares as it reasonably considers would be required to

Market Disruption Event

satisfy from time to time the next year's Coupon Payment using the alternative coupon satisfaction mechanism described above.

If, in the opinion of the Bank, a Market Disruption Event exists on or after the 15th Business Day preceding any date upon which the Bank is due to satisfy a payment using the alternative coupon satisfaction mechanism, the payment to Holders may be deferred until the Market Disruption Event no longer exists.

Suspension

If, following any take-over offer or any reorganisation, restructuring or scheme of arrangement, the company which, prior to such event was the Ultimate Owner ceases to be the Ultimate Owner, then unless a Permitted Restructuring Arrangement shall be put in place, such changes to the documentation relating to the Preferred Securities as determined by an independent investment bank to be appropriate in order to preserve substantially the economic effect for the Holders of a holding of the Preferred Securities prior to the Suspension will be made by the Bank and the Trustee. Pending such changes the Bank will be unable to satisfy Payments using the alternative coupon satisfaction mechanism. If the investment bank is unable to determine appropriate amendments, as notified to the Bank and the Trustee, the Preferred Securities will (subject to the prior consent of the FSA and to the prior agreement of the new Ultimate Owner) be redeemed, following notice to the Holders by the Bank of such redemption, at the Redemption Price (see "Terms and Conditions of the Preferred Securities – 8. Payments – (d) Suspension") together with any Outstanding Payments, not later than the 60th Business Day following the giving of such notice by the Bank to the Holders.

Additional Amounts

The Bank will pay additional amounts to Holders to gross up Payments upon the imposition of UK withholding tax, subject to customary exceptions.

Exchange, variation or redemption for taxation/regulatory reasons

Upon the occurrence of certain taxation events or if at any time securities in the nature of the Preferred Securities cease to qualify as Tier 1 Capital, the Bank may, subject to the prior consent of the FSA, either (a) at any time exchange the Preferred Securities for, or vary the terms of the Preferred Securities so that they become, Upper Tier 2 Securities provided that if such taxation event also affects or would affect the Upper Tier 2 Securities or if such exchanged or varied securities do not or would not qualify as Upper Tier 2 Capital or if certain other provisions apply the Bank may, subject to the consent of the FSA and to the Solvency Condition being met, redeem all, but not some only, of the Preferred Securities at their principal amount together with any Outstanding Payments or (b) redeem all, but not some only, of the Preferred Securities at the price provided for under "Terms and Conditions of the Preferred Securities – 7. Exchange, Variation, Redemption and Purchase".

Remedy for Non-Payment

The sole remedy against the Bank available to the Trustee or any Holder of Preferred Securities for recovery of amounts owing in respect of the Preferred Securities will be the institution of proceedings for the winding-up in England of the Bank and/or proving in such winding-up.

Form

Bearer. The Preferred Securities will be represented by a Permanent Global Preferred Security, which will be deposited outside the United States with a common depository for Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") and Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**") on or about 11 May, 2006. Preferred Securities in definitive bearer form with coupons and a

talon attached on issue will be issued in exchange for interests in the Permanent Global Preferred Security (a) upon non-payment of sums when due as set out in Condition 10, (b) at any time at the option of the Bank, or (c) in other limited circumstances.

Listing

Application has been made to list the Preferred Securities on the Luxembourg Stock Exchange.

Governing Law

English.

RISK FACTORS

The following is a summary of certain aspects of the Preferred Securities of which prospective investors should be aware. This summary is not intended to be exhaustive and prospective investors should carefully consider the following information in conjunction with the other information contained in this document.

Factors which are material for the purpose of assessing the risks relating to the Preferred Securities

Deferral

The Bank may elect to defer any Payment (such term does not include principal) on the Preferred Securities for any period of time, as more particularly described in “Terms and Conditions of the Preferred Securities – 4. Deferrals”. Any such deferred payment will, unless it is an exceptional deferral as described under “Terms and Conditions of the Preferred Securities – 4. Deferrals – (a) Exceptional Deferral of Payments”, bear interest at 2 per cent above the then current interest rate. A deferred payment which is an exceptional deferral will not bear interest at such increased rate. During the period of such deferral, the Bank and the Parent will be prohibited from declaring, paying or distributing interest or dividends on any of their directly or indirectly issued Tier 1 Capital other than the Parent Preference Shares.

Perpetual securities

The Bank is under no obligation to redeem the Preferred Securities at any time (save in the particular circumstances referred to in “Terms and Conditions of the Preferred Securities – 8. Payments – (d) Suspension”) and the Holders have no right to call for their redemption.

Redemption risk

Upon the occurrence of certain specified tax and regulatory events, the Preferred Securities may be either (i) redeemed at a price provided in “Terms and Conditions of the Preferred Securities – 7. Exchange, Variation, Redemption and Purchase” or (ii) exchanged or their terms varied so that they become Upper Tier 2 Securities or, if any such specified tax event applies or would apply to the Upper Tier 2 Securities or certain other provisions, including regulatory provisions, apply, the Preferred Securities may, subject as provided in “Terms and Conditions of the Preferred Securities – 7. Exchange, Variation, Redemption and Purchase – (c) Exchange, Variation or Redemption due to Taxation and (d) Exchange, Variation or Redemption for Regulatory Purposes”, be redeemed at their principal amount together with any Outstanding Payments.

No limitation on issuing debt or senior or *pari passu* securities

There is no restriction on the amount of debt which the Bank may issue which ranks senior to the Preferred Securities or on the amount of securities which the Bank may issue which rank senior to or *pari passu* with the Preferred Securities. The issue of any such debt or securities may reduce the amount recoverable by Holders on a winding-up of the Bank and/or may increase the likelihood of a deferral of Payments under the Preferred Securities.

Availability of shares

If the Bank is to make a payment using the alternative coupon payment mechanism and insufficient ordinary shares in the Bank or the Parent are available, then the Bank’s payment obligation shall be suspended to the extent of such insufficiency and, except in the case of Exceptionally Deferred Coupon Payments, shall bear interest at 2 per cent. per annum above the then current interest rate applicable to the Preferred Securities, until such time as sufficient shares are available to satisfy all or part of the suspended payment obligation, as more particularly described in “Terms and Conditions of the Preferred Securities – 6. Alternative Coupon Satisfaction Mechanism – (d) Insufficiency”.

Market Disruption Event

If, following a decision by the Bank to satisfy a payment using the alternative coupon satisfaction mechanism, in the opinion of the Bank a Market Disruption Event exists, the payment to Holders may be deferred until the cessation of such market disruption, as more particularly described in “Terms and Conditions of the Preferred Securities – 6. Alternative Coupon Satisfaction Mechanism – (e) Market Disruption”. Any such deferred payments shall bear interest at the rate applicable to the Preferred Securities if the Market Disruption Event continues for 14 days or more.

Restricted remedy for non-payment

In accordance with current FSA requirements for subordinated capital, the sole remedy against the Bank available to the Trustee or any Holder for recovery of amounts owing in respect of any Payment or principal in respect of the Preferred Securities will be the institution of proceedings for the winding-up in England of the Bank and/or proving in such winding-up.

Factors that may affect the Bank's ability to fulfil its obligations under the Preferred Securities

Risks Relating to the Group's Business Operations

Market environment.

The Group operates primarily in Asia, Africa and the Middle East and these operations expose it to risks that could adversely affect its financial condition and results arising from the political and economic environment. Operations in some of these markets present various risks that do not necessarily apply to businesses in Western Europe. Some of these markets are typically more volatile and less developed economically and politically than markets in Western Europe. The Group faces significant economic and political risk, including economic volatility, recession, inflationary pressure, exchange rate risk, interruption of business, as well as civil unrest, imposition of exchange controls, expropriation, nationalisation, renegotiation or nullification of existing contracts and changes in law or tax policy. These risks could result in an adverse impact on the Group's financial condition and results of operations.

Competitive landscape.

The Group is subject to significant competition from many other international banks operating in the emerging markets described above, including competitors that may have greater financial and other resources, and, in certain of these markets, from local banks. Local regulations in a number of jurisdictions that favour local banks by restricting the ability of international banks operating in the relevant country to enter the market and/or expand their existing operations could adversely affect the Group's ability to compete against local banks in these markets. Many of the international and local banks operating in the Group's markets compete for substantially the same customers as the Group. Competition may increase in some or all of the Group's principal markets and may have an adverse effect on its financial condition and results of operations.

Regulatory environment.

The Group's businesses and earnings are affected by the fiscal or other policies and regulations that are adopted by various regulatory authorities of the United Kingdom, other jurisdictions where the Group operates and international agencies. In particular, local regulations in a number of jurisdictions that favour local banks by restricting the ability of international banks operating in each country to enter the market and/or expand their existing operations could adversely affect the Group's ability to compete in these markets.

The nature and impact of future changes in laws, regulations and regulatory policies are not predictable and are beyond the Group's control, and changes in such laws, regulations and regulatory policies may have an adverse effect on the Group's financial condition and results of operations.

Acquisitions and integrations.

The Group is currently experiencing significant growth as it expands geographically and in the scope of products and services it offers. This expansion has included, for example, the acquisition in April 2005 of Korea First Bank (now known as Standard Chartered First Bank Limited) for approximately KRW3.4 trillion (equivalent of U.S.\$3.3 billion). Positive progress has been made on the integration process, including the migration of the Standard Chartered branch into the Standard Chartered First Bank network.

The success of the Group's acquisitions will depend in part on the ability of its management to integrate the operations of newly-acquired businesses with its existing operations and to integrate various departments, systems and procedures. Consequently, the Group's ability to implement its business strategy may be constrained and the timing of such implementation may be impacted due to demands placed on existing resources by that process. There can be no assurance that:

- the acquired entities will achieve the level of performance that the Group anticipates; or
- the projected demand and prices of the Group's products and services will be realised.

The Group's business strategy includes selective plans to continue to acquire assets or businesses that it believes are logical extensions of its existing businesses, in order to increase cash flow and earnings. It continues to look at potential acquisitions in a number of markets. The Group may experience some or all of the difficulties described above managing the integration of any subsequent acquisitions into its existing businesses.

The failure to manage effectively its expansion could have a material adverse effect on the Group's financial condition and results of operations.

Credit-related risk.

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of the Group's businesses. Adverse changes in the credit quality of the Group's borrowers and counterparties or a general deterioration in global economic conditions, or arising from systemic risks in the financial systems, could reduce the recoverability and value of the Group's assets and require an increase in the Group's level of provisions for bad and doubtful debts. An adverse change in economic conditions could also adversely affect the level of banking activity and the Group's interests and other income.

Market risk.

Market Risk is the exposure created by potential changes in market prices and rates. The Group is exposed to market risk arising principally from customer driven transactions. Some of the significant market risks the Bank faces are interest rate, foreign exchange and bond price risks. Changes in interest levels, yield curves and spreads may affect, amongst other things, interest rate margins and trading profits. Changes in currency rates affect, amongst other things, the value of assets and liabilities denominated in foreign currencies and also the earnings reported by the Bank's non-US dollar denominated branches and subsidiaries.

Although the Group devotes considerable resources to managing the above risks, failure to manage this can impact the Group adversely, thereby affecting the Bank's ability to fulfil its obligations under the Preferred Securities.

Liquidity risk.

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

Whilst the Group devotes considerable resources to manage the liquidity risk effectively by maintaining adequate liquidity at all times, in all geographical locations and for all currencies, failure to manage the risks may affect the Bank's ability to fulfil its obligations under the Preferred Securities.

Legal risk.

The Group is subject to legal obligations in the UK and other countries around the world in which the Group operates. As a result, the Group is exposed to many forms of legal risk, which may arise in a number of ways. Primarily:

- loss may be caused by changes in applicable laws;
- loss may arise from defective transactions or contracts, either where contractual obligations are either not enforceable or do not allocate rights and obligations as intended, or are enforceable against the Group in an adverse way, or by defective security arrangements;
- the title to and ability to control the assets of the Group (including the intellectual property of the Group, such as its trade names) may not be adequately protected; and
- the Group may be liable for damages to third parties where legal proceedings are brought against it. Regardless of whether or not such claims have merit, the outcome of legal proceedings is inherently uncertain and could result in financial loss.

Although the Group has processes and controls to manage legal risk, failure to manage legal risks properly can impact the Group adversely.

Operational risk.

The Group's business depends on the ability to process a large number of transactions efficiently and accurately. Losses can result from inadequate or failed internal control processes and systems, human error, fraud or external events that interrupt normal business operations. Although the Group has implemented risk controls and loss mitigation actions and substantial resources are dedicated to developing efficient procedures and staff training, it is only possible to be reasonably, but not absolutely, certain that such procedures will be effective.

Country risk.

Country risk is the risk that a counterparty is unable to meet its contractual obligations as a result of adverse economic conditions or actions taken by governments in the relevant country.

This covers the risk that:

- the sovereign borrower of a country may be unable or unwilling to fulfil its foreign currency or cross-border contractual obligations; and/or
- a non-sovereign counterparty may be unable to fulfil its contractual obligations as a result of currency shortage due to adverse economic conditions or actions taken by the government of the country.

These risks could result in an adverse impact on the Group's financial condition and results of operations.

Operating in markets with less developed judicial and dispute resolution systems.

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

TERMS AND CONDITIONS OF THE PREFERRED SECURITIES

The following, subject to alteration, are the Conditions of the Preferred Securities which will be endorsed on each Preferred Security in definitive form (if issued):

The Preferred Securities are constituted by the Principal Trust Deed as amended by the First Supplemental Trust Deed and the Second Supplemental Trust Deed and, with effect on and from 11 May, 2006 (being the Issue Date of the Preferred Securities), are consolidated and form a single series with the Original Preferred Securities. The issue of the Preferred Securities was authorised pursuant to resolutions of the Court of the Bank passed on 28 April 2006. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed. Copies of the Trust Deed, the Agency Agreement and the Calculation Agency Agreement are available for inspection during normal business hours by the Holders and the Couponholders at the principal office of the Trustee, being at 11 May, 2006 at 101 Barclay Street, New York, New York 10286, United States of America, and at the specified office of each of the Paying Agents. The Holders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Agency Agreement and the Calculation Agency Agreement applicable to them.

1. Form, Denomination and Title

(a) Form and Denomination

The Preferred Securities are serially numbered and in bearer form in the Authorised Denominations each with Coupons and one Talon attached on issue. A Preferred Security of one Authorised Denomination may not be exchanged for a Preferred Security of another Authorised Denomination.

(b) Title

Title to the Preferred Securities, Coupons and Talons shall pass by delivery. The bearer of any Preferred Security will (except as otherwise required by law or as ordered by a court of competent jurisdiction) 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 or its theft or loss or anything written on it) and no person will be liable for so treating the Holder.

2. Status

(a) Status and Subordination of the Preferred Securities

The Preferred Securities constitute direct, unsecured, subordinated securities of the Bank and rank *pari passu* without any preference among themselves.

(b) (i) Condition of Payment by the Bank: The rights and claims of the Holders and the Couponholders are subordinated to the claims of all Creditors, in that payments in respect of the Preferred Securities (and the issue of Bank Shares in accordance with Condition 6) are conditional upon the Bank being considered solvent at the time of such payment (or at the time of issue of such Bank Shares) by the Bank and in that no principal or Payments shall be due and payable in respect of the Preferred Securities (including the issue of Bank Shares in accordance with Condition 6) except to the extent that the Bank could make such payment (or make such issue of Bank Shares) and still be considered solvent immediately thereafter.

For the purposes of these Conditions, the Bank shall be considered solvent if both (a) it is able to pay its debts as they fall due and (b) its Assets exceed its Liabilities (other than its Liabilities to persons who are not Creditors). For the purposes of this Condition 2(b)(i) any reference to a payment by the Bank in respect of a Preferred Security shall be deemed to include a purchase of such Preferred Security by the Bank.

(ii) Winding-Up Claims: Amounts representing any payments of principal or interest in respect of which the conditions referred to in Condition 2(b)(i) are not satisfied on the date upon which the same would otherwise be due and payable (“**Winding-Up Claims**”) will be payable by the Bank in a winding-up of the Bank as provided in Condition 3 and on any redemption pursuant to Condition 7(b), 7(c), 7(d) or 8(d) provided that in the event that prior to any winding-up of the Bank, the Bank shall again be solvent and would be solvent immediately after making payment of such Winding-Up Claims, then the Bank shall promptly notify the Trustee, the

Holders, the Principal Paying Agent and the Calculation Agent of such fact and the Winding-Up Claims shall, subject to Condition 2(b)(i), be due and payable on the 16th Business Day after the Bank shall have given such notice. A Winding-Up Claim shall not bear interest unless the Bank shall be solvent once again, in which case any such Winding-Up Claims shall bear interest as provided in Condition 6(e) from (and including) the date the Bank is so solvent again to (but excluding) the relevant payment date. In the event that the Bank shall be solvent once again, the Dividend Restriction shall apply from the date that the Bank is so solvent again until the relevant payment date.

- (iii) *Set-off*: Subject to applicable law, no Holder or Couponholder may exercise, claim or plead any right of set-off, counterclaim or retention in respect of any amount owed to it by the Bank arising under or in connection with the Preferred Securities or the Coupons and each Holder and Couponholder shall, by virtue of being the bearer of or of his holding of any Preferred Security or Coupon, be deemed to have waived all such rights of set-off, counterclaim or retention.

For the avoidance of doubt, if the Bank is not solvent for the purposes of Condition 2(b), any sums which would otherwise be payable in respect of the Preferred Securities by the Bank will instead be available to absorb losses of the Bank.

(c) Reports as to solvency

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

3. Winding-up

If at any time an order is made, or an effective resolution is passed, for the winding-up of the Bank (except for the purposes of a reconstruction, amalgamation, reorganisation, merger or consolidation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed)), there shall be payable by the Bank in respect of each Preferred Security and Coupon (in lieu of any other payment by the Bank), such amount, if any, as would have been payable to the holder of such Preferred Security and Coupon if, on the day prior to the commencement of the winding-up and thereafter, such Holder were the holder of one of a class of preference shares in the capital of the Bank (the “**Notional Preference Shares**”) having an equal right to a return of assets in the winding up to and so ranking *pari passu* with the holders of that class or classes of preference shares (if any) from time to time issued by the Bank which have a preferential right to a return of assets in the winding-up over and so rank ahead of the holders of all other classes of issued shares for the time being in the capital of the Bank, but ranking junior to the claims of Creditors and junior to any notional class of preference shares in the capital of the Bank by reference to which the amount payable in respect of any Junior Subordinated Debt in a winding-up of the Bank is determined and senior to all other classes of issued shares (save as aforesaid) for the time being in the capital of the Bank 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, were an amount equal to the principal amount of the relevant Preferred Security and any other Payments which are Outstanding together with, to the extent not otherwise included within the foregoing, its pro rata share of any Winding-Up Claims attributable to the Preferred Security.

4. Deferrals

The Bank must make each Coupon Payment on the relevant Coupon Payment Date subject to and in accordance with these Conditions. However, the Bank may defer a Coupon Payment and any other Payment in the following circumstances:

(a) Exceptional Deferral of Payments

- (i) If on the 20th Business Day preceding the date on which any Payment would, in the absence of deferral in accordance with this Condition 4, be due and payable, the Exceptional Deferral Condition is met, any such Payment may (subject to Condition 6(a)) be deferred by the Bank giving notice to the Trustee, the Holders, the Principal Paying Agent and the Calculation Agent not less than 16 Business Days prior to such date.

If, following the deferral of a Payment by the Bank under this Condition 4(a)(i), the Exceptional Deferral Condition is no longer met on the 20th Business Day preceding a Coupon Payment Date, then the Bank shall satisfy such Payment on the Relevant Deferred Coupon Payment Date having given, not less than 16 Business Days prior to the Relevant Deferred Coupon Payment Date, notice to the Trustee, the Holders and the Calculation Agent that it will satisfy such Payment on such date. The Bank shall not satisfy such Payment on the Relevant Deferred Coupon Payment Date if:

- (1) it has previously elected to satisfy such Payment earlier (provided that, it may only satisfy such Payment earlier if at the time of satisfying such payment, the Exceptional Deferral Condition fails to be met) by delivering a notice to the Trustee, the Holders, the Principal Paying Agent and the Calculation Agent not less than 16 Business Days prior to the relevant Exceptionally Deferred Coupon Payment Date that it will satisfy such payment on such date; or
 - (2) it elects to defer such Payment under Condition 4(b).
- (ii) If any Payment is deferred pursuant to this Condition 4(a) then:
- (1) the Dividend Restriction shall apply from the date of the first-mentioned notice in Condition 4(a)(i) until such time as that Exceptionally Deferred Coupon Payment is satisfied and the full amount of such Exceptionally Deferred Coupon Payment has been received by the Principal Paying Agent or the Trustee; and
 - (2) no amount will be payable by way of interest on any such deferred Payment, save as provided in Condition 6(e).

Any such deferred Payment shall be satisfied only in accordance with Condition 6.

(b) Election to defer Payment

- (i) If a Capital Disqualification Event has not occurred or is not continuing, the Bank may, in respect of any Payment which would, in the absence of deferral in accordance with this Condition 4, be due and payable, defer such Payment by giving a notice to the Trustee, the Principal Paying Agent, the Calculation Agent and the Holders not less than 16 Business Days prior to the relevant due date. The Bank may then satisfy any such Payment at any time pursuant to Condition 6 (and only pursuant to Condition 6) upon delivery of a notice to the Trustee, the Principal Paying Agent and the Calculation Agent not less than 16 Business Days prior to the relevant Deferred Coupon Satisfaction Date informing them of its election to so satisfy such Payment.
- (ii) If any Payment is deferred pursuant to this Condition 4(b) then:
 - (1) the Dividend Restriction shall apply from the date of the first-mentioned notice in Condition 4(b)(i) until such time as that Deferred Coupon Payment (and any other Deferred Coupon Payment or Accrued Coupon Payment) is satisfied and the full amount of such Deferred Coupon Payment has been received by the Principal Paying Agent or the Trustee; and
 - (2) each Payment which the Bank defers pursuant to the giving of such a notice shall bear interest at a rate equal to the aggregate of the Coupon Rate and 2 per cent. per annum from (and including) the date on which (but for such deferral) the Deferred Coupon Payment would otherwise have been due to be made to (but excluding) the relevant Deferred Coupon Satisfaction Date.

(c) Capital Disqualification Event

If on any Coupon Payment Date (i) a Capital Disqualification Event has occurred and is continuing and (ii) the Bank is, and following payment of the relevant Payment by the Bank will be, in compliance with the applicable Capital Regulations, the Bank shall (subject to Condition 2(b)(i)) be obliged to pay the Coupon Amount payable in respect of the Coupon Period which ends on that Coupon Payment Date.

5. Coupon Payments

(a) Coupon Payment Dates

The Preferred Securities shall bear interest from (and including) the Issue Date of the Preferred Securities. Such interest will (subject to Conditions 2(b)(i), 2(b)(ii), 4(a), 4(b), 6(d), 6(e) and 8(d)) be payable on

each Coupon Payment Date. Each Preferred Security will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused. In such event, it shall continue to bear interest in accordance with this Condition (both before and after judgment) as provided in the Trust Deed.

(b) Coupon Rate

- (i) The Coupon Rate in respect of the period from (and including) the Issue Date of the Preferred Securities to (but excluding) the First Reset Date is 8.103 per cent. per annum.
- (ii) The Coupon Rate in respect of each Reset Period shall be the aggregate of 4.275 per cent. per annum and the Five Year Benchmark Gilt-Rate in respect of such Reset Period as determined by the Calculation Agent.

(c) Calculation and Publication of Coupon Rate and Coupon Amounts

The Principal Paying Agent will, upon the determination of each Coupon Rate pursuant to Condition 5(b)(ii), calculate the Coupon Amount in respect of each Authorised Denomination and cause the Coupon Rate and each Coupon Amount payable in respect of a Coupon Period to be notified as soon as possible after their determination but in no event later than the fourth Business Day thereafter, to the Trustee, the Bank, the Calculation Agent and the Luxembourg Stock Exchange and the Holders.

Each Coupon Amount in respect of any Coupon Period shall be calculated by applying the Coupon Rate to the principal amount of the Preferred Security of the relevant Authorised Denomination and, in respect of any period of less than a complete Coupon Period, such Coupon Amount shall be calculated on the basis of the number of days in the relevant period from (and including) the date from which interest begins to accrue to (but excluding) the date on which it falls due, divided by the number of days from (and including) the previous Coupon Payment Date (or, if none, the Issue Date of the Preferred Securities) to (but excluding) the next following Coupon Payment Date.

(d) Determination or Calculation by Trustee

If the Principal Paying Agent or, as the case may be, the Calculation Agent does not at any time for any reason so determine the Coupon Rate or calculate each Coupon Amount in accordance with Conditions 5(b)(ii) and 5(c), the Trustee or an agent on its behalf shall do so and such determination or calculation shall be deemed to have been made by the Principal Paying Agent or, as the case may be, the Calculation Agent. In doing so, the Trustee or such agent shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it or such agent can do so, and in all other respects it or such agent shall do so in such manner as it shall deem fair and reasonable in all the circumstances. All determinations or calculations made or obtained for the purposes of the provisions of this Condition 5(d) by the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Bank, the Calculation Agent, the Paying Agents and all Holders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Bank, the Holders or the Couponholders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

6. Alternative Coupon Satisfaction Mechanism

(a) Alternative Coupon Satisfaction Mechanism

The Bank may elect to satisfy any Payment in full or in part (in which case any reference in this Condition 6 to a "Payment" shall be construed accordingly) through the issue of Bank Shares to the Trustee or as it may direct in accordance with this Condition 6, in which case it shall notify the Parent, the Trustee, the Principal Paying Agent and the Calculation Agent not less than 16 Business Days prior to the relevant Coupon Payment Date. In the absence of or save to the extent of such election and issue, subject to Conditions 4(a) and (b), Payments must be satisfied in accordance with Condition 8(a), provided that if the Exceptional Deferral Condition is met, the relevant Payment must be deferred unless the prior consent of the Financial Services Authority is obtained for the making of the relevant Payment. In the case of satisfaction of a Payment in part, the amount payable in respect of each Coupon to which such Payment relates, shall be reduced on a *pro rata* basis by the amount of such part payment made.

(b) Issue of shares

If any Payment is to be satisfied in full or in part through the issue of Bank Shares to the Trustee or as it may direct by the Bank and the issue of Ordinary Shares by the Parent then, subject to Conditions 6(d), 6(e) and 8(d):

- (i) by close of business on or before the seventh Business Day prior to the relevant Coupon Payment Date, Relevant Deferred Coupon Payment Date, Deferred Coupon Satisfaction Date or Exceptionally Deferred Coupon Payment Date, the Bank will issue to the Trustee (or, if so agreed between the Bank and the Trustee, to an agent of the Trustee) or as the Trustee may direct, such number of Bank Shares (the “**Payment Bank Shares**”) as, in the determination of the Parent, have a value of not less than the relevant Payment to be satisfied in accordance with this Condition 6;
- (ii) by close of business on or before the sixth Business Day prior to the relevant Coupon Payment Date, Relevant Deferred Coupon Payment Date, Deferred Coupon Satisfaction Date or Exceptionally Deferred Coupon Payment Date, the Trustee has agreed to direct the issue of the Payment Bank Shares or to transfer or instruct its agent to transfer the Payment Bank Shares to the Parent in consideration for which the Parent has agreed to issue to the Trustee (or, if so agreed between the Bank and the Trustee, to an agent of the Trustee) or as the Trustee may direct within one Business Day of such direction or transfer such number of Ordinary Shares (the “**Payment Ordinary Shares**”) as, in the determination of the Calculation Agent, have a market value of not less than the relevant Payment or part thereof to be satisfied in accordance with this Condition 6; and
- (iii) the Trustee will use reasonable endeavours to effect the transfer or direct the issue or instruct its agent to effect the transfer or direct the issue of such Payment Ordinary Shares to or to the order of the Calculation Agent or to or to the order of such other persons as the Trustee may direct (subject to any necessary consents being obtained) as soon as practicable and in any case not later than by close of business on the fifth Business Day prior to the date on which the relevant Payment is due and the Calculation Agent has agreed to use reasonable endeavours to procure purchasers for such Payment Ordinary Shares. If necessary, the Calculation Agent has further agreed to exchange, as agent of the Trustee, the proceeds of such sale into sterling at prevailing market exchange rates and deliver such exchanged proceeds to, or hold such exchanged proceeds to the order of, the Trustee who shall pay or procure that its agent pays such proceeds as it holds in respect of the relevant Payment or part thereof on its due date to the Principal Paying Agent for application in accordance with Condition 6(c); and
- (iv) if, after the operation of the above procedures, there would in the opinion of the Calculation Agent be a shortfall on the date on which the relevant Payment is due, the Bank and the Parent shall issue and/or sell (as the case may be) further Bank Shares and Ordinary Shares in accordance with the provisions of the Trust Deed to ensure that a sum at least equal to the relevant Payment is available to make the relevant Payment or part thereof on the relevant due date provided that if, despite the operation of the aforementioned provisions, such a shortfall exists on the relevant due date the Bank may, in accordance with the provisions of the Trust Deed either pay an amount equal to such shortfall as soon as practicable to the Trustee or continue, together with the Parent, to issue and/or sell Bank Shares and Ordinary Shares until the Principal Paying Agent shall have received funds equal to the full amount of such shortfall.

(c) Issue satisfies Payment

Where the Bank either elects or is required to make a Payment hereunder by issuing Bank Shares to the Trustee or as it directs (with the subsequent issue by the Parent to the Trustee or as it directs of Ordinary Shares) and in accordance with its obligations under the Trust Deed issues such shares, such issue shall, subject to Condition 6(b)(iv) and 6(e), satisfy the relevant Payment or, as the case may be, in the circumstances referred to in (d) below, the relevant part of such Payment. The proceeds of sale of Ordinary Shares issued in accordance with this Condition 6 shall be paid by the Principal Paying Agent to the Holders in respect of the relevant Payment.

(d) Insufficiency

- (i) If the Bank is to satisfy all or part of a Payment in accordance with this Condition 6 and either the Bank or the Parent does not, on the date when the number of Bank Shares or Ordinary Shares (as the case may be) required to be issued is determined in accordance with this Condition 6, have sufficient number of, respectively, Bank Shares or Ordinary Shares available for issue, then the Bank or the

Parent (as the case may be) shall notify the Bank or the Parent (as the case may be), the Trustee, the Principal Paying Agent, the Calculation Agent and the Holders that all or part, as the case may be, of the relevant Payment cannot be so satisfied due to the events described in this paragraph. In this case the Payment or part thereof shall be satisfied following the date of the next annual general meeting or extraordinary general meeting of shareholders of the Bank or the Parent (as the case may be) at which a resolution is passed making a sufficient number of Bank Shares or Ordinary Shares available to satisfy all or such part of the relevant Payment provided that if the number of Bank Shares or Ordinary Shares (as the case may be) authorised to be issued at any such meeting is insufficient to satisfy all or such part of the relevant Payment then those Bank Shares or Ordinary Shares so issued shall (to the extent that the relevant number of Bank Shares or Ordinary Shares (as the case may be) are also available) be applied by the Bank in part satisfaction of all or such part of the relevant Payment. Following the passage of any such resolution, the Bank or the Parent (as the case may be) shall notify the Trustee, the Principal Paying Agent, the Calculation Agent and the Holders of the date upon which the relevant Payment or, as the case may be, the part thereof is to be made in accordance herewith on not less than 16 Business Days' notice. The relevant Payment or, as the case may be, the part thereof which is not so satisfied shall, unless it is an Exceptionally Deferred Coupon Payment, continue to accrue interest at the rate specified in Condition 4(b)(ii) from (and including) the date on which Payment would otherwise have been due to (but excluding) the date on which such Payment or part thereof is satisfied or, in the event of a Market Disruption Event, the date on which such Payment or part thereof would, but for the occurrence of such Market Disruption Event, have been satisfied (from which date interest (if any) will accrue on such Payment as provided in Condition 6(e)).

- (ii) In the case of an insufficiency of Bank Shares, the Parent shall procure that the Bank holds an annual or extraordinary general meeting at which a resolution to make a sufficient number of Bank Shares so available is passed within two Business Days of the Bank giving the first-mentioned notice in paragraph (i) above. If, in the case of an insufficiency of Ordinary Shares, the Parent does not hold an annual general meeting within six months of giving the above first-mentioned notice, at which a resolution to make a sufficient number of Ordinary Shares so available is passed, the Trustee shall by notice require the Parent to convene an extraordinary general meeting at which such a resolution shall be proposed on a date falling within 10 weeks of such notice from the Trustee.
- (iii) In the event that any such resolution proposed at any such annual general meeting or extraordinary general meeting of the Parent is rejected, such resolution will be proposed at each annual general meeting or any extraordinary general meeting of the Parent thereafter and if at such meeting such proposal is rejected again, then, in the case of the Bank having elected to satisfy any Payment in full or in part through the issue of Bank Shares, from the date of such second rejection, the Dividend Restriction shall apply until such time as such resolution has been passed by the shareholders of the Parent or, if the Dividend Restriction is already in place pursuant to Condition 4(a) or 4(b), until such time (if later) as such restriction ceases to apply.

(e) Market Disruption

Notwithstanding the provisions of Condition 6(b), if there exists, in the opinion of the Bank, a Market Disruption Event on or after the 15th Business Day preceding any date upon which a Payment or, in the case of an insufficiency as provided in paragraph (d) above, part thereof is due to be made or satisfied in accordance with this Condition 6, then the Bank may give a notice to the Trustee, the Principal Paying Agent, the Calculation Agent and the Holders as soon as possible after the Market Disruption Event has arisen or occurred, whereupon the relevant Payment may be deferred until such time as (in the opinion of the Bank) the Market Disruption Event no longer exists.

Any such deferred Payment or part thereof will be satisfied as soon as practicable following such time as the Market Disruption Event no longer exists. Interest shall not accrue on such deferred Payment or part thereof unless, as a consequence of the existence of a Market Disruption Event, the Bank does not make the relevant Payment or part thereof for a period of 14 days or more after the due date therefor, in which case interest shall accrue on such deferred Payment or part thereof from (and including) the date on which the relevant Payment or part thereof was due to be made to (but excluding) the date on which such Payment or part thereof is made. Any such interest shall accrue at the rate provided for in Condition 5 and shall be satisfied only in accordance with this Condition 6 and as soon as reasonably practicable after the relevant deferred Payment is made. No liability shall attach to the Trustee or its agents if, as a result of a Market

Disruption Event or any other event outside the control of the Trustee or any such agent, the Trustee or any such agent is unable to comply with the provisions of Condition 6(b).

7. Exchange, Variation, Redemption and Purchase

(a) No Fixed Redemption Date

The Preferred Securities are perpetual securities in respect of which there is no fixed redemption date and the Bank shall (subject to the provisions of Conditions 2 and 3 and without prejudice to the provisions of Condition 12) only have the right to repay them in accordance with the following provisions of this Condition 7 or in the circumstances provided for in Condition 8(d).

Any redemption or purchase of the Preferred Securities is subject to the prior consent of the Financial Services Authority.

(b) Bank's Call Option

Subject to Condition 2(b)(i), the Bank may, by giving not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 16 and to the Principal Paying Agent and the Trustee, which notice shall be irrevocable, elect to redeem all, but not some only, of the Preferred Securities on the First Reset Date or any Coupon Payment Date thereafter at their principal amount together with any Outstanding Payments.

(c) Exchange, Variation or Redemption due to Taxation

If the Bank satisfies the Trustee immediately prior to the giving of the notice referred to below that, on the next due date for a Payment:

- (i) the Bank would be unable to make such payment without being required to pay additional amounts as provided or referred to in Condition 11 and such obligation cannot be avoided by the Bank taking such measures as it (acting in good faith) deems appropriate; or
- (ii) payments of amounts in respect of interest on the Preferred Securities including, for the avoidance of doubt, the issue of Bank Shares pursuant to Condition 6, may be treated as "distributions" within the meaning of Section 832(1) of the Income and Corporation Taxes Act 1988 (or such other Section and/or Act as may from time to time supersede or replace Section 832(1) of the Income and Corporation Taxes Act 1988 for the purposes of such definition) and such requirement or circumstance cannot be avoided by the Bank taking such measures as it (acting in good faith) deems appropriate; or
- (iii) as a result of any change in or proposed change in, or amendment to or proposed amendment to, the laws of the United Kingdom or any political subdivision or authority thereof having power to tax, or any change in or proposed change in the application of official or generally published interpretation of such laws, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such law or regulations that differs from the previously generally accepted position in relation to similar transactions or which differs from any specific written confirmation given by a tax authority in respect of the Preferred Securities or the Original Preferred Securities, which change or amendment becomes, or would become, effective, or in the case of a change or proposed change in law if such change is enacted (or, in the case of a proposed change, is expected to be enacted) by Act of Parliament or made by Statutory Instrument on or after 11 May, 2001, there is more than an insubstantial risk that the Bank will not obtain full or substantially full relief for the purposes of United Kingdom corporation tax for any payment of interest including, for the avoidance of doubt, where the payment of interest is to be satisfied by the issue of Bank Shares pursuant to Condition 6 or, as a result of the Preferred Securities being in issue, the Bank may be unable to claim or surrender losses as group relief, and such requirement or circumstance cannot be avoided by the Bank taking such measures as it (acting in good faith) deems appropriate,

then the Bank may (subject to the prior consent of the Financial Services Authority but without any requirement for the consent or approval of the Holders or, save as specified below, the Trustee), having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16, the Holders (which notice shall be irrevocable) either (xx) at any time exchange the Preferred Securities for, or vary the terms of the Preferred Securities so that they become

Upper Tier 2 Securities on terms which preserve any existing rights under these Conditions to Outstanding Payments or (yy) provided the Solvency Condition is met, redeem at any time all, but not some only, of the Preferred Securities.

If the Bank elects to redeem the Preferred Securities pursuant to paragraph (yy) above, it shall redeem each Preferred Security:

- (x) at its principal amount together with any Outstanding Payments in the case of (A) such redemption arising because of any circumstance specified in Condition 7(c)(iii) occurring or (B) such redemption arising because of any circumstance specified in Condition 7(c)(i) or (ii) where such circumstance occurs as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date; and
- (y) otherwise at the Redemption Price together with Outstanding Payments.

Where the Bank has elected to exchange or vary the Preferred Securities for or into Upper Tier 2 securities in accordance with (xx) above, the Trustee shall use its reasonable endeavours to assist the Bank in the exchange or variation of the Preferred Securities for or into Upper Tier 2 Securities, provided that the Trustee shall not be obliged to participate or assist in any such exchange or variation if, in its opinion, the terms of the securities into which the Preferred Securities are to be exchanged or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not so participate or assist, the Bank may, provided that the Solvency Condition is met, having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16, the Holders (which notice shall be irrevocable), redeem at any time all, but not some only, of the Preferred Securities at their principal amount together with any Outstanding Payments.

If, where the Bank has elected to exchange or vary the Preferred Securities for or into Upper Tier 2 Securities in accordance with (xx) above, (a) the consent of the Financial Services Authority is not given or, (b) the Preferred Securities, as so exchanged or varied for or into Upper Tier 2 Securities, do not (or would not, if so exchanged or varied) qualify as Upper Tier 2 Capital or, (c) any of the conditions listed in paragraphs (i) to (iii) above apply or continue to apply to Upper Tier 2 Securities for or into which the Preferred Securities have been exchanged or varied or, (d) if the Bank shows to the satisfaction of the Trustee that any of the conditions listed in paragraphs (i) to (iii) above would apply if such exchange or variation were to take place, the Bank may, provided that the Solvency Condition is met, having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16, the Holders (which notice shall be irrevocable), redeem, in accordance with these Conditions, at any time all, but not some only, of the Preferred Securities or any such Upper Tier 2 Securities for or into which they have been exchanged or varied at their principal amount together with any Outstanding Payments.

Prior to the publication of any notice of exchange, variation or redemption pursuant to this Condition 7(c) the Bank shall deliver to the Trustee a certificate signed by a Director of the Bank stating that the relevant requirement or circumstance referred to in paragraphs (i), (ii) or (iii) above is satisfied or would be satisfied were such exchange or variation to take place and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out above in which event it shall be conclusive and binding on the Holders. Upon expiry of such notice the Bank shall either redeem, vary or exchange the Preferred Securities as the case may be.

(d) Exchange, Variation or Redemption for Regulatory Purposes

If the Bank notifies the Trustee immediately prior to the giving of the notice referred to below that the Financial Services Authority has determined that securities of the nature of the Preferred Securities can no longer qualify as Tier 1 Capital, then the Bank may (subject to the prior consent of the Financial Services Authority but without any requirement for the consent or approval of the Holders or, save as specified below, the Trustee), having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16, the Holders (which notice shall be irrevocable) either (aa) at any time exchange the Preferred Securities for, or vary the terms of the Preferred Securities so that they become, Upper Tier 2 Securities on terms which preserve any existing rights under these Conditions to Outstanding Payments or (bb) provided the Solvency Condition is met, redeem at any

time all, but not some only, of the Preferred Securities at the Redemption Price together with any Outstanding Payments.

Where the Bank has elected to exchange or vary the Preferred Securities for or into Upper Tier 2 Securities in accordance with (aa) above, the Trustee shall use its reasonable endeavours to assist the Bank in the exchange or variation of the Preferred Securities for or into Upper Tier 2 Securities provided that the Trustee shall not be obliged to participate or assist in any such exchange or variation if, in its opinion, the terms of the securities into which the Preferred Securities are to be exchanged or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not so participate or assist as provided above, the Bank may, provided that the Solvency Condition is met, having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16, the Holders (which notice shall be irrevocable) redeem at any time all, but not some only, of the Preferred Securities at their principal amount together with any Outstanding Payments.

If, where the Bank has elected to exchange or vary the Preferred Securities for or into Upper Tier 2 Securities in accordance with (aa) above, (a) the consent of the Financial Services Authority is not given or, (b) the Preferred Securities as so exchanged or varied for or into Upper Tier 2 Securities, do not (or would not, if so exchanged or varied) qualify as Upper Tier 2 Capital or, (c) any of the conditions listed in paragraphs (c)(i), (ii) and (iii) above apply, or would apply, to such Upper Tier 2 Securities, the Bank may, provided that the Solvency Condition is met, having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16, the Holders (which notice shall be irrevocable), redeem, in accordance with these Conditions, at any time all, but not some only, of the Preferred Securities or any such Upper Tier 2 Securities for or into which they have been exchanged or varied at their principal amount together with any Outstanding Payments.

(e) Purchases

The Bank, the Parent or any other Subsidiary of the Parent may (subject to the prior consent of the Financial Services Authority and provided the Solvency Condition is met) at any time purchase Preferred Securities in any manner and at any price. In each case purchases will be made together with all unmatured Coupons and Talons (if any) appertaining thereto.

(f) Cancellation

All Preferred Securities redeemed by the Bank and any unmatured Coupons and Talons (if any) appertaining thereto will be cancelled and may not be reissued or resold. Preferred Securities purchased by the Bank, the Parent or any other Subsidiary of the Parent may be held, reissued, resold or, at the option of the Bank, surrendered to any Paying Agent for cancellation.

8. Payments

(a) Method of Payment

- (i) Payments of principal and Coupon Amounts will be made by or on behalf of the Bank against presentation and surrender of Preferred Securities or the appropriate Coupons at the specified office of any of the Paying Agents except that payments of Coupon Amounts in respect of any period not ending on a Coupon Payment Date will only be made upon surrender of the relative Preferred Security. Such payments will be made, at the option of the payee by sterling cheque drawn on, or by transfer to a sterling account maintained by the payee with, a bank in the United Kingdom.
- (ii) Upon the due date for redemption of any Preferred Security, any unexchanged Talon relating to such Preferred Security (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon and unmatured Coupons relating to such Preferred Security (whether or not attached) shall also become void and no payment shall be made in respect of them. If any Preferred Security is presented for redemption without all unmatured Coupons and any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Bank may require.
- (iii) On or after the Coupon Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Preferred Security, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent in exchange for a further Coupon sheet (and another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 12).

(iv) The names of the initial Paying Agents and their initial specified offices are set out below. The Bank reserves the right, subject to the prior written approval of the Trustee at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that it will at all times maintain (aa) a Paying Agent having a specified office outside the United Kingdom, (bb) for so long as the Preferred Securities are listed on the Luxembourg Stock Exchange or any other stock exchange or regulated securities market and the rules of such exchange or securities market so require, a Paying Agent having a specified office in such location as the rules of such exchange or securities market may require and (cc) save to the extent such requirement is already complied with by virtue of sub-paragraph (aa), a Paying Agent having a specified office in a European Union Member State that will not be obliged to withhold or deduct tax from payments pursuant to any law implementing or complying with, or introduced in order to conform to, European Council Directive 2003/48/EC on the taxation of savings income or any agreement between the European Union and any jurisdiction providing for equivalent measures to such Directive. Notice of any such termination or appointment and of any change in the specified offices of the Paying Agents will be given to the Holders in accordance with Condition 16.

(b) *Payments subject to Fiscal Laws*

All payments made in accordance with these Conditions are subject in all cases to any fiscal or other laws, regulations, directives and orders of any court of competent jurisdiction applicable in the place of payment, but without prejudice to the provisions of Condition 11. No commissions or expenses shall be charged to the Holders or Couponholders in respect of such payments.

(c) *Payments on Business Days*

A Preferred Security or a Coupon may only be presented for payment on a day (other than a Saturday or a Sunday) on which commercial banks are open for general business in London and, in the place of the specified office of the relevant Paying Agent to whom the Preferred Security or Coupon is presented or surrendered. No further interest or other payment will be made as a consequence of the day on which the relevant Preferred Security or Coupon may be presented for payment under this paragraph falling after the due date.

(d) *Suspension*

If, following any take-over offer made under the City Code on Take-overs and Mergers or any reorganisation, restructuring or scheme of arrangement, the company which, immediately prior to such event, was the Ultimate Owner ceases to be the Ultimate Owner, then the Bank shall as soon as practicable give notice to the Trustee, the Calculation Agent and the Holders, whereupon the Bank's right to satisfy a Payment by the method contemplated by Condition 6 shall be suspended (such event being a "Suspension"). In such event, unless a Permitted Restructuring Arrangement shall be put in place within 6 months of the occurrence of a Permitted Restructuring (in which case the Suspension shall cease upon such Permitted Restructuring Arrangement being put in place), an independent investment bank appointed by the Bank (at the Bank's expense) and approved by the Trustee shall determine, subject to the requirements that (i) the Bank shall not be obliged to reduce its net assets, (ii) no amendment may be proposed or made which would alter the regulatory capital treatment of the Preferred Securities for banking capital adequacy purposes without the prior consent of the Financial Services Authority, and (iii) no such amendment may be made which would, in the Trustee's opinion, impose more onerous obligations on the Trustee without its consent, what amendments (if any) to these Conditions, the Trust Deed and any other relevant documents are appropriate in order to preserve substantially the economic effect for the Holders of a holding of the Preferred Securities prior to the Suspension. Upon any such determination being reached and notified to the Trustee and the Bank by such investment bank, the Trustee, the Bank and the Parent shall, pursuant to the terms of the Trust Deed and without the consent of the Holders or Couponholders, effect any necessary consequential changes to these Conditions and the Trust Deed and any other relevant documents, whereupon the Bank's right to satisfy a Payment by the method contemplated in Condition 6 shall no longer be subject to the Suspension.

If, after using all reasonable endeavours, such investment bank is unable to formulate such amendments, it shall so notify the Bank, the previous Ultimate Owner, the new Ultimate Owner, the Trustee, the Principal Paying Agent and the Calculation Agent and each Preferred Security shall (subject to the prior consent of the Financial Services Authority and with the prior agreement of the new Ultimate Owner) be redeemed by the Bank, following notice to the Holders by the Bank of such redemption as soon as practicable after

receipt of the consent of the Financial Services Authority, at the Redemption Price, together with any Outstanding Payments, not later than the 60th Business Day following the giving of such notice by the Bank to the Holders. Such redemption will, unless otherwise agreed by the Bank, the Parent and the Trustee, be effected through the issue of Bank Shares, such Bank Shares to be transferred to the new Ultimate Owner in consideration for which the new Ultimate Owner issues and transfers its ordinary shares (or share capital of an equivalent class) in accordance, *mutatis mutandis*, with Conditions 6(b), 6(c), 6(d) and 6(e) (with references to the Payment Ordinary Shares being construed as references to such ordinary shares or equivalent share capital of the new Ultimate Owner which, when sold, provide a net cash amount (converted into sterling if necessary) of not less than the Redemption Price so payable by the Bank).

9. Pre-emption

The Bank shall, from time to time, keep available for issue such number of Bank Shares as it reasonably considers would be required to be issued in order to satisfy the requirement to issue Payment Bank Shares in accordance with Condition 6 in connection with the next Coupon Payment.

The Parent shall, from time to time, keep available for issue such number of Ordinary Shares as it reasonably considers would be required to be issued in order to satisfy the requirement to issue Payment Ordinary Shares in accordance with Condition 6 in connection with the next Coupon Payment.

No damages will be payable for breach of these covenants but, in the event of breach by the Bank or the Parent of this Condition 9, the Trustee may require the Parent, as applicable, (i) to procure that the Bank holds as soon as practicable an extraordinary general meeting of the shareholders of the Bank at which a resolution is passed to remedy the breach or (ii) to put before the next general meeting of the shareholders of the Parent a resolution to remedy the breach.

The Trustee shall not be obliged to monitor compliance by the Bank or the Parent with this Condition and shall be entitled to assume, unless it has actual knowledge to the contrary, that each of the Bank and the Parent is complying with its obligations under this Condition.

10. Non-Payment when Due

Notwithstanding any of the provisions below in this Condition 10, the right to institute winding-up proceedings is limited to circumstances where payment has become due. Pursuant to Condition 2(b) and subject as provided in the next sentence no principal or Payment will be due by the Bank if the Bank is not solvent or would not be solvent if payment of such principal or Payment was made. Also, in the case of any Payment, such Payment will not be due if the Bank has elected to defer that Payment pursuant to Condition 4(a) or 4(b) or if the circumstances referred to in any of Conditions 6(d), 6(e) or 8(d) then apply. The Trust Deed contains provisions entitling the Trustee to claim from the Bank, inter alia, the fees, expenses and liabilities incurred by it in carrying out its duties under the Trust Deed. The restrictions on commencing proceedings described below will not apply to any such claim.

- (a) If the Bank shall not make payment in respect of the Preferred Securities (in the case of payment of principal) for a period of 7 days or more after the due date for the same or (in the case of any Coupon Amount, Deferred Coupon Payment, Exceptionally Deferred Coupon Payment or Accrued Coupon Payment or any payment under Clause 2.6 of the Trust Deed in respect of a payment shortfall) shall not make payment for a period of 14 days or more after the date on which such payment is due, the Bank shall be deemed to be in default under the Trust Deed, the Preferred Securities and the Coupons and the Trustee may, notwithstanding the provisions of paragraph (b) of this Condition 10, institute proceedings for the winding-up in England of the Bank.
- (b) Subject as provided in Condition 9, the Trustee may at its discretion and without further notice institute such proceedings against the Bank as it may think fit to enforce any term or condition binding on the Bank under the Trust Deed, the Preferred Securities or the Coupons (other than for the payment of any principal or satisfaction of any Payments in respect of the Preferred Securities or the Coupons, including any payment under Clause 2.6 of the Trust Deed) provided that the Bank shall not 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.

- (c) The Trustee shall not be bound to take any of the actions referred to in paragraph (a) or (b) above against the Bank to enforce the terms of the Trust Deed, the Preferred Securities or the Coupons unless (i) it shall have been so requested by an Extraordinary Resolution or in writing by the holders of at least one-quarter in principal amount of the Preferred Securities then outstanding and (ii) it shall have been indemnified to its satisfaction.
- (d) No Holder or Couponholder shall be entitled to proceed directly against the Bank, or to institute proceedings for the winding-up of the Bank or to prove in such winding-up unless the Trustee, having become so bound to proceed or being able to prove in such winding-up, fails to do so within a reasonable period and such failure shall be continuing, in which case the Holder or Couponholder shall have only such rights against the Bank as those which the Trustee is entitled to exercise. No remedy against the Bank shall be available to the Trustee or any Holder or Couponholder (i) for the recovery of amounts owing in respect of the Preferred Securities or the Coupons (including any payment under Clause 2.6 of the Trust Deed), other than the institution of proceedings for the winding-up in England of the Bank and/or proving in such winding-up and (ii) for the breach of any other term under the Trust Deed, the Preferred Securities or the Coupons, other than as provided in paragraph (b) above.

11. Taxation

All payments by the Bank of principal, Coupon Amounts, Deferred Coupon Payments, Exceptionally Deferred Coupon Payments, Accrued Coupon Payments and Winding-Up Claims in respect of the Preferred Securities will be made without withholding of or deduction for, or on any account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of the United Kingdom or any political subdivision thereof or by any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Bank will pay such additional amounts as may be necessary in order that the net amounts receivable by Holders or Couponholders after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Preferred Securities or, as the case may be, Coupons in the absence of such withholding or deduction, except that no such additional amounts shall be payable in relation to any payment with respect to any Preferred Security or Coupon:

- (a) presented for payment by or on behalf of a Holder or, as the case may be, Couponholder who is liable to such taxes, duties, assessments or governmental charges in respect of such Preferred Security or Coupon by reason of such Holder or, as the case may be, Couponholder having some connection with the United Kingdom other than the mere holding of such Preferred Security or Coupon; or
- (b) presented for payment more than 30 days after the Relevant Date except to the extent that the Holder or, as the case may be, Couponholder would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days; or
- (c) presented for payment in the United Kingdom; or
- (d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any law implementing or complying with, or introduced in order to conform to, European Council Directive 2003/48/EEC on the taxation of savings income or any agreement between the European Union and any jurisdiction providing for equivalent measures to such Directive; or
- (e) presented for payment by or on behalf of a Holder, or as the case may be, Couponholder who would be able to avoid such withholding or deduction either by (i) presenting the relevant Coupon to another Paying Agent in a Member State of the European Union, or (ii) satisfying any statutory requirements and/or by making a declaration of non-residence or other similar claim for exemption.

References in these Conditions to principal, Coupon Amounts, Deferred Coupon Payments, Exceptionally Deferred Coupon Payments and/or Accrued Coupon Payments shall be deemed to include any additional amounts which may become payable pursuant to the foregoing provisions or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

12. Prescription

Preferred Securities and Coupons (which for this purpose shall not include Talons) will become void unless presented for payment within a period of 10 years in the case of Preferred Securities and five years in the

case of Coupons from the Relevant Date relating thereto. There shall be no prescription period for Talons but there shall not be included in any Coupon sheet issued in exchange for a Talon any Coupon the claim in respect of which would be void pursuant to this Condition or Condition 8(a)(ii) or any Talon which would be void pursuant to Condition 8(a)(ii).

13. Meetings of Holders, Modification, Waiver and Substitution

The Trust Deed contains provisions for convening meetings of Holders to consider any matter affecting their interests including the modification by Extraordinary Resolution (as defined in the Trust Deed) of these Conditions or other provisions of the Trust Deed.

The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the Preferred Securities for the time being outstanding, or at any adjourned such meeting one or more persons being or representing Holders whatever the principal amount of the Preferred Securities so held or represented, except that at any meeting the business of which includes the modification of certain of these Conditions (including, *inter alia*, the provisions regarding subordination referred to in Conditions 2 and 3, the terms concerning currency and due dates for payment of principal or Coupon Payments in respect of the Preferred Securities and reducing or cancelling the principal amount of any Preferred Securities or the Coupon Rate) and certain other provisions of the Trust Deed, the quorum will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, in principal amount of the Preferred Securities for the time being outstanding.

An Extraordinary Resolution passed at any meeting of Holders will be binding on all Holders, whether or not they are present at the meeting, and on all Couponholders.

Notwithstanding any other provision of these Conditions, the Trustee may agree, without the consent of the Holders or Couponholders, to any modification (subject to certain exceptions) of, or to any waiver or authorisation of any breach of proposed breach of, any of these Conditions or any other provisions of the Trust Deed which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Holders or to any modification which is of a formal, minor or technical nature or to correct a manifest error or to comply with the mandatory provisions of the law of the jurisdiction in which the Bank is incorporated.

No modification to these Conditions or any other provisions of the Trust Deed shall become effective unless the prior consent thereto of the Financial Services Authority shall have been obtained.

Subject to the prior consent of the Financial Services Authority and as provided in the Trust Deed, the Trustee may agree with the Bank, without the consent of the Holders or Couponholders, to the substitution on a subordinated basis equivalent to that referred to in these Conditions of any holding company of the Bank, any Subsidiary of such holding company, any successor in business of the Bank or any Subsidiary of any successor in business of the Bank (the "Substituted Issuer") in place of the Bank (or any previous Substituted Issuer under this Condition 13) as a new issuing party under the Trust Deed, the Preferred Securities and the Coupons. In connection with any proposed substitution as aforesaid and in connection with the exercise of its functions, the Trustee shall have regard to the interests of the Holders as a class and the Trustee shall not have regard to the consequences of such substitution for individual Holders or Couponholders resulting from in particular their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory.

In connection with any substitution or such exercise as aforesaid, no Holder or Couponholder shall be entitled to claim, whether from the Bank, the Substituted Issuer or the Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such substitution or exercise upon any individual Holders or Couponholders except to the extent already provided in Condition 11 and/or any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Any such modification, waiver, authorisation or substitution shall be binding on all Holders and all Couponholders and, unless the Trustee agrees otherwise, any such modification or substitution shall be notified to the Holders in accordance with Condition 16 as soon as practicable thereafter.

14. Replacement of the Preferred Securities, Coupons and Talons

Should any Preferred Security, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (or such other place of which notice shall have

been given in accordance with Condition 16) upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Bank may reasonably require. Mutilated or defaced Preferred Securities, Coupons or Talons must be surrendered before any replacement Preferred Securities, Coupons or Talons will be issued.

15. The Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking any action unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Bank, the Parent or any other Subsidiary of the Parent without accounting for any profit resulting therefrom. The Trustee is entitled under the Trust Deed to rely on reports and certificates addressed and/or delivered to it by two Directors of the Bank, the Auditors or the liquidator of the Bank (as the case may be) whether or not the report or Certificate of the Auditors or such liquidator is subject to any limitation on the liability of the Auditors or the liquidator (as the case may be) and whether by reference to a monetary cap or otherwise.

16. Notices

All notices to Holders will be valid (a) if published in a leading newspaper having general circulation in the United Kingdom and (b) for so long as the Preferred Securities are listed on the Luxembourg Stock Exchange or any other stock exchange or regulated securities exchange or market, if published in accordance with rules of such exchange or market. It is expected that publication will be made in the *d'Wort* and the *Financial Times*. Any such notice shall be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve.

Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Holders in accordance with this Condition.

17. Further Issues

The Bank is at liberty from time to time without the consent of the Holders or the Couponholders to create and issue further Preferred Securities ranking *pari passu* in all respects (or in all respects save for the date from which interest thereon accrues and the amount of the first payment of interest on such further Preferred Securities) and so that the same shall be consolidated and form a single series with the outstanding Preferred Securities. Any such Preferred Securities shall be constituted by a deed supplemental to the Trust Deed.

18. Agents

The Bank will procure that there shall at all times be a Calculation Agent and a Principal Paying Agent so long as any Preferred Security is outstanding. If either the Calculation Agent or the Principal Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions or the Calculation Agency Agreement or the Agency Agreement, as appropriate, the Bank shall appoint, on terms acceptable to the Trustee, an independent investment bank acceptable to the Trustee to act as such in its place. Neither the termination of the appointment of a Calculation Agent or the Principal Paying Agent nor the resignation of either will be effective without a successor having been appointed.

All calculations and determinations made by the Calculation Agent or the Principal Paying Agent in relation to the Preferred Securities shall (save in the case of manifest error) be final and binding on the Bank, the Parent, the Trustee, the Paying Agents, the Holders and the Couponholders.

None of the Bank, the Parent, the Trustee and the Paying Agents shall have any responsibility to any person for any errors or omissions in any calculation by the Calculation Agent.

19. Governing Law

The Trust Deed, the Preferred Securities, the Coupons and the Talons are governed by, and shall be construed in accordance with, the laws of England.

20. Contracts (Rights of Third Parties) Act 1999

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

21. Definitions

In these Conditions:

“**Accrued Coupon Payment**” means, as at any time, where these Conditions provide that interest shall continue to accrue after a Coupon Payment Date in respect of a Preferred Security, the amount of interest accrued thereon in accordance with Conditions 2(b)(ii), 4(b), 5, 6(d) and 6(e);

“**Agency Agreement**” means the agency agreement dated 11 May, 2001 between the Bank, the Parent, the Trustee and the Paying Agents relating to the Original Preferred Securities and the Preferred Securities under which each Paying Agent agrees to perform the duties required of it under these Conditions;

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

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

“**Authorised Denominations**” means £1,000, £10,000 and £100,000;

“**Bank**” means Standard Chartered Bank;

“**Bank Shares**” means ordinary shares of the Bank, having on the Issue Date a par value of U.S.\$1.00;

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

“**Business Day**” means a day, other than a Saturday or Sunday, on which commercial banks and foreign exchange markets are open for general business in London;

“**Calculation Agency Agreement**” means the amended and restated calculation agency agreement dated 11 May, 2006 between the Bank, the Parent, the Trustee and the Calculation Agent, relating to the Preferred Securities and the Original Preferred Securities under which the Calculation Agent agrees to perform the duties required of it under these Conditions;

“**Calculation Agent**” means Lehman Brothers International (Europe) as calculation agent in relation to the Preferred Securities, or its successor or successors for the time being appointed under the Calculation Agency Agreement;

“**Capital Disqualification Event**” is deemed to have occurred if, at any time the Bank or the Group is required under the applicable Capital Regulations to have Tier 1 Capital and/or Upper Tier 2 Capital, the Preferred Securities would no longer be eligible to qualify (save where such non qualification is only as a result of any applicable limitation on the amount of such capital) for inclusion in the Tier 1 Capital or Upper Tier 2 Capital of the Bank or the Group on a solo and/or consolidated basis;

“**Capital Regulations**” means at any time the regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the Financial Services Authority or such other governmental authority in the United Kingdom (or, if the Bank becomes domiciled in a jurisdiction other than the United Kingdom, in such other jurisdiction) having primary bank supervisory authority with respect to the Bank;

“**Coupon**” means an interest coupon relating to a Preferred Security and includes, where the context so permits, a Talon;

“**Coupon Amount**” means (i) in respect of a Coupon, the amount of interest payable on the presentation and surrender of such Coupon for the relevant Coupon Period in accordance with Condition 5 and (ii) for the purposes of Conditions 7(c), 7(d) and 8(d), any interest accrued from (and including) the preceding

Coupon Payment Date (or, if none, the Issue Date) to (but excluding) the due date for redemption if not a Coupon Payment Date;

“**Coupon Determination Date**” means, in relation to each Reset Date, the fifth Business Day prior to such Reset Date;

“**Coupon Payment**” means, in respect of a Coupon Payment Date, the aggregate Coupon Amounts for the Coupon Period ending on such Coupon Payment Date;

“**Coupon Payment Date**” means 11 May in each year, starting 11 May, 2007;

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

“**Coupon Rate**” has the meaning given to it in Condition 5(b);

“**Couponholder**” means the bearer of any Coupon;

“**Creditor**” means any creditor of the Bank (a) who is an unsubordinated creditor of the Bank, or (b) whose claim is, or is expressed to be, subordinated to the claim of any unsubordinated creditor of the Bank but not further or otherwise, or (c) who is a subordinated creditor of the Bank (including any creditor whose claims are in respect of Junior Subordinated Debt) other than any whose claim ranks or is expressed to rank *pari passu* with or junior to the claim of any Holder;

“**dealing day**” means a day, other than a Saturday or Sunday, on which the London Stock Exchange plc (or such other stock exchange on which the Benchmark Gilt or the Reference Bond (as the case may be) is at the relevant time admitted to official listing) is ordinarily open for the trading of securities;

“**Deferred Coupon Payment**” means any Coupon Payment, or part thereof, which, pursuant to Condition 4(b), the Bank has elected to defer and which has not been satisfied;

“**Deferred Coupon Satisfaction Date**” means the date on which the Bank has resolved to satisfy a Deferred Coupon Payment, as notified by the Bank to the Trustee, the Holders, the Principal Paying Agent and the Calculation Agent in accordance with Condition 4(b);

“**Dividend Restriction**” means that:

- (x) neither the Bank nor the Parent may declare, pay or distribute interest or a dividend or other payment (other than interest or a dividend declared, paid or distributed by the Bank to the Parent, any holding company of the Parent or to another wholly-owned subsidiary of the Parent) on any of its issued Tier 1 Capital other than the Parent Preference Shares or make any payment on a Tier 1 Guarantee; or
- (y) the Bank and the Parent will procure that no payment is made by any subsidiary undertaking on any security (howsoever named or designated) benefiting from a Tier 1 Guarantee;

“**Eligible Company**” means a company incorporated in England by or on behalf of the Bank whose ordinary shares are listed (i) on the official list of the Financial Services Authority in its capacity as competent authority under the Financial Services Act 1986 and are admitted to trading on the market for listed securities of London Stock Exchange plc or (ii) on such other internationally recognised stock exchange as the Trustee may approve;

the “**Exceptional Deferral Condition**” will be met if, in the determination of the Bank, on the relevant date, the Bank is, or payment of the relevant Payment by the Bank will result in the Bank being, in non-compliance with the applicable Capital Regulations;

“**Exceptionally Deferred Coupon Payment**” means a Coupon Payment, or part thereof, which has been deferred in accordance with Condition 4(a) and has not subsequently been either (i) satisfied or (ii) deferred in accordance with Condition 4(b);

“**Exceptionally Deferred Coupon Payment Date**” means the date on which the Bank has resolved to satisfy an Exceptionally Deferred Coupon Payment, as notified by the Bank to the Trustee, the Holders, the Principal Paying Agent and the Calculation Agent in accordance with Condition 4(a);

“**First Reset Date**” means 11 May, 2016;

“**First Supplemental Trust Deed**” means the first supplemental trust deed dated 30 December, 2005 between the Bank, the Parent and the Trustee modifying the Conditions of the Original Preferred Securities;

“**Five Year Benchmark Gilt-Rate**” means, in respect of a Reset Period, the gross redemption yield (as calculated by the Calculation Agent on the basis set out by the United Kingdom Debt Management Office in the paper “**Formulae for Calculating Gilt Prices from Yields**” page 4, Section One: Price/Yield Formulae” Conventional Gilts; Double-date and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date” (published 8/6/1998) on a semi-annual compounding basis (converted to an annualised yield and rounded up (if necessary) to four decimal places) of the Benchmark Gilt in respect of that Reset Period, with the price of the Benchmark Gilt for this purpose being the arithmetic average (rounded up (if necessary) to four decimal places) of the bid and offered prices of such Benchmark Gilt quoted by the Reference Dealers at 3.00 p.m. (London time) on the relevant Coupon Determination Date on a dealing basis for settlement on the next following dealing day in London;

“**FSA**” means the Financial Services Authority or such other governmental authority in the United Kingdom (or if the Bank becomes domiciled in a jurisdiction other than the United Kingdom, in such other jurisdiction) having primary bank supervisory authority with respect to the Bank;

“**Holder**” means the bearer of any Preferred Security;

“**holding company**” has the meaning ascribed to it under Section 736 of the Companies Act 1985;

“**Holding Company Shares**” means ordinary shares of the New Holding Company;

“**interest**” shall, where appropriate, include Coupon Amounts, Deferred Coupon Payments, Exceptionally Deferred Coupon Payments and Accrued Coupon Payments;

“**Issue Date**” means 11 May, 2006 in relation to the Preferred Securities and 11 May, 2001 in relation to the Original Preferred Securities;

“**Junior Subordinated Debt**” means the Bank’s outstanding £200 million Step-Up Notes and £675 million Undated Step-Up Notes and any other securities outstanding from time to time which rank or are expressed to rank *pari passu* with such securities;

“**Liabilities**” means the non-consolidated gross liabilities of the Bank as shown and adjusted in like manner as for Assets;

“**Market Disruption Event**” means (i) the occurrence or existence of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the London Stock Exchange plc or such other principal exchange of the Parent from time to time or otherwise) or on settlement procedures for transactions in the Ordinary Shares on the London Stock Exchange plc if, in any such case, that suspension or limitation is, in the determination of the Calculation Agent, material in the context of the sale of the Ordinary Shares, or (ii) in the opinion of the Bank, there has been a substantial deterioration in the price and/or value of the Bank Shares or the Ordinary Shares or circumstances are such as to prevent or to a material extent restrict the issue or delivery of the Payment Bank Shares or the Payment Ordinary Shares, or (iii) where, pursuant to these Conditions, moneys are required to be converted from one currency into another currency in respect of any Payment, the occurrence of any event that makes it impracticable to effect such conversion;

“**New Holding Company**” means an Eligible Company that becomes the ultimate holding company of the Group following a Permitted Restructuring;

“**Ordinary Shares**” means ordinary shares of the Parent, having on the Issue Date of the Original Preferred Securities a par value of 50 cents each;

“**Original Preferred Securities**”, means the £300,000,000 8.103 per cent. Step-up Callable Perpetual Preferred Securities issued on 11 May, 2001 and constituted by the Principal Trust Deed and with which the Preferred Securities are consolidated and form a single series;

“**Outstanding**”, in relation to any Coupon Payment, Deferred Coupon Payment, Exceptionally Deferred Coupon Payment or Coupon Amount not falling within the definition of Coupon Payment, means that such payment (a) has either become due and payable or would have become due and payable except for the non-satisfaction on the relevant date of the conditions referred to in Condition 2(b)(i) or the deferral, postponement or suspension of such payment in accordance with any of Conditions 4(a), 4(b), 6(d), 6(e)

or 8(d); and (b) in any such case has not been satisfied, and, in relation to any Accrued Coupon Payment, means any amount thereof which has not been satisfied whether or not payment has become due;

“**Parent**” means Standard Chartered PLC;

“**Parent Preference Shares**” means the $8\frac{1}{4}$ per cent. non-cumulative irredeemable preference shares of £1 each of the Parent and the $7\frac{3}{8}$ per cent. non-cumulative irredeemable preference shares of £1 each of the Parent in each case outstanding on the Issue Date of the Original Preferred Securities;

“**Paying Agents**” means the paying agents appointed pursuant to the Agency Agreement and such term shall, unless the context otherwise requires, include the Principal Paying Agent;

“**Payment**” means any Coupon Payment, Deferred Coupon Payment, Exceptionally Deferred Coupon Payment, Accrued Coupon Payment or Coupon Amount not falling within the definition of Coupon Payment;

“**Payment Bank Shares**” has the meaning ascribed to it in Condition 6(b);

“**Payment Ordinary Shares**” has the meaning ascribed to it in Condition 6(b);

“**Permitted Restructuring**” means the completion of (i) an offer made by or on behalf of, an Eligible Company to all (or as nearly as may be practicable all) shareholders of the Parent (or, if the Parent is not then Ultimate Owner, the then Ultimate Owner) to acquire the whole (or as nearly as may be practicable the whole) of the issued ordinary share capital of the Parent (or, if the Parent is not then Ultimate Owner, the then Ultimate Owner) other than those already held by or on behalf of such Eligible Company or (ii) a reorganisation or restructuring whether by way of a scheme of arrangement or otherwise pursuant to which an Eligible Company acquires all (or as nearly as may be practicable all) of the issued ordinary share capital of the Parent (or, if the Parent is not then Ultimate Owner, the then Ultimate Owner) other than those already held by such Eligible Company or pursuant to which all (or as nearly as may be practicable all) of the issued ordinary share capital of the Parent (or, if the Parent is not then the Ultimate Owner, the then Ultimate Owner) not held by the New Holding Company are cancelled;

“**Permitted Restructuring Arrangement**” means an arrangement whereby the following conditions are satisfied (a) the execution of a trust deed supplemental to the Trust Deed and/or such other documentation as may be necessary to ensure that (i) the alternative coupon satisfaction mechanism as described in Condition 6, the Trust Deed and the Calculation Agency Agreement operates so that Bank Shares may be exchanged for Holding Company Shares in such a manner that ensures that upon sale of such Holding Company Shares the holder of each Preferred Security then outstanding will receive, in the event of a payment to be satisfied pursuant to Condition 6, an amount not less than that which would have been receivable had such a Permitted Restructuring not taken place and (ii) the economic effect, for the Holders, of a holding of the Preferred Securities prior to the Permitted Restructuring is substantially preserved and (b) the Trustee is notified that the credit ratings that would be assigned to the Preferred Securities by Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. and by Moody’s Investors Service, Inc. following any such Permitted Restructuring, shall not be less than those assigned to the Preferred Securities immediately prior to such Permitted Restructuring taking place;

“**Preferred Securities**” means the £300,000,000 8.103 per cent. Step-up Callable Perpetual Preferred Securities, and such expression shall include, unless the context otherwise requires, any further Preferred Securities issued pursuant to Condition 17 and forming a single series with the Preferred Securities;

“**Principal Paying Agent**” means the principal paying agent appointed pursuant to the Agency Agreement;

“**Principal Trust Deed**” means the trust deed dated 11 May, 2001 between the Bank, the Parent and the Trustee;

“**Redemption Price**” means, in respect of each Preferred Security, (a) the Authorised Denomination of such Preferred Security or, if redemption occurs before the First Reset Date and this is higher, (b) the price, expressed as a percentage (rounded to four decimal places, 0.00005 being rounded upwards), at which the gross redemption yield (as calculated by the Calculation Agent on the basis set out by the United Kingdom Debt Management Office in the paper “**Formulae for Calculating Gilt Prices from Yields**” page 4, Section One: Price/Yield Formulae” Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date” (published 8/6/1998) on the Preferred Securities, if they were to be purchased at such price on the third dealing day prior to the date fixed for redemption, would be equal to

the gross redemption yield on such dealing day of the Reference Bond plus 0.50 per cent. on the basis of the middle market price of the Reference Bond prevailing at 11.00 a.m. (London time) on such dealing day as determined by the Principal Paying Agent;

“**Reference Bond**” means, in relation to any calculation of the Redemption Price, the 8 per cent. Treasury Stock due 2015, or if such security is no longer in issue, such other United Kingdom government security as the Calculation Agent may, with the advice of the Reference Dealers, determine to be appropriate for determining the Redemption Price;

“**Reference Dealers**” means three brokers of gilts and/or gilt-edged market makers selected by the Calculation Agent in consultation with the Bank and approved in writing by the Trustee, or such other three persons operating in the gilt-edged market as are selected by the Calculation Agent in consultation with the Bank and approved in writing by the Trustee;

“**Relevant Date**” means (i) in respect of any payment other than a Winding-Up Claim, the date on which such payment first becomes due and payable but, if the full amount of the moneys payable on such date has not been received by the Principal Paying Agent or the Trustee on or prior to such date, the “**Relevant Date**” means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Holders in accordance with Condition 16, and (ii) in respect of a Winding-Up Claim, the date which is one day prior to the commencement of the winding-up;

“**Relevant Deferred Coupon Payment Date**” means with respect to a deferral under Condition 4(a)(i), the Coupon Payment Date next following the 19th Business Day after such Exceptional Deferral Condition fails to be satisfied;

“**Reset Date**” means the First Reset Date and every fifth Coupon Payment Date thereafter;

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

“**Second Supplemental Trust Deed**” means the second supplemental trust deed dated 11 May, 2006 between the Bank, the Parent and the Trustee constituting the Preferred Securities;

“**Shareholders**” means the holders at any given time of Ordinary Shares;

the “**Solvency Condition**” shall be satisfied in relation to the Bank if the condition attaching to payment by the Bank in Condition 2(b)(i) is satisfied;

“**Standard Chartered Group**” and “**Group**” means the Parent and its Subsidiaries;

“**Subsidiary**” has the meaning ascribed to it under Section 736 of the Companies Act 1985;

“**Substituted Issuer**” has the meaning ascribed to it in Condition 13;

“**Suspension**” has the meaning ascribed to it in Condition 8(d);

“**Talon**” means a talon for further Coupons;

“**Tier 1 Capital**” has the meaning given to such term (i) in section CA of the Interim Prudential Sourcebook for Banks published by the FSA, as amended, supplemented or replaced from time to time, or (ii) in any successor Capital Regulations;

“**Tier 1 Guarantee**” means any guarantee, indemnity or other contractual support arrangement entered into by the Bank or the Parent in respect of securities (regardless of name or designation) issued by a subsidiary undertaking which create Tier 1 Capital of the Bank or the Parent;

“**Trust Deed**” means the Principal Trust Deed as supplemented by the First Supplemental Trust Deed and the Second Supplemental Trust Deed;

“**Trustee**” means Bank of New York as trustee for the Holders and includes its successor(s);

“**Ultimate Owner**” means, at any given time, the ultimate holding company of the Group;

“**Upper Tier 2 Capital**” has the meaning given to such term (i) in Section CA of the Interim Prudential Sourcebook for Banks published by the FSA, as amended, supplemented or replaced from time to time, or (ii) in any successor Capital Regulations;

“Upper Tier 2 Securities” means securities of the Bank that have substantially similar terms to the Preferred Securities save that (1) they shall contain terms no less favourable to an investor than the then current minimum requirements of the Financial Services Authority in relation to Upper Tier 2 Capital and (2) the Coupon Rate of such securities shall be determined in such manner as shall result in it being 0.50 per cent. per annum below the Coupon Rate from time to time (and whether before or after the First Reset Date) applying to the Preferred Securities;

“wholly-owned subsidiary” has the meaning ascribed to it under Section 736 of the Companies Act 1985; and

“Winding-Up Claim” has the meaning ascribed to it in Condition 2(b)(ii).

SUMMARY OF PROVISIONS RELATING TO THE PREFERRED SECURITIES WHILE IN GLOBAL FORM

1. Exchange

The Preferred Securities will be represented by a Permanent Global Preferred Security in bearer form without Coupons or Talons which will be deposited outside the United States with a common depository for Clearstream, Luxembourg and Euroclear on or about 11 May, 2006. Upon deposit of the Permanent Global Preferred Security (the “**Permanent Global Preferred Security**”) with a common depository for Clearstream, Luxembourg and Euroclear, Clearstream, Luxembourg and Euroclear will credit each subscriber with a principal amount of Preferred Securities equal to the principal amount thereof for which it has subscribed and paid.

Each of the persons shown in the records of Clearstream, Luxembourg or Euroclear as the holder of a Preferred Security represented by the Permanent Global Preferred Security must look solely to Clearstream, Luxembourg or Euroclear (as the case may be) for his share of each payment made by the Bank to the bearer of the Permanent Global Preferred Security, subject to and in accordance with the respective rules and procedures of Clearstream, Luxembourg or Euroclear (as the case may be).

The Permanent Global Preferred Security will contain provisions applicable to the Preferred Securities represented thereby, some of which modify the effect of the Terms and Conditions of the Preferred Securities. Certain of these are summarised in this section.

For so long as any of the Preferred Securities is represented by the Permanent Global Preferred Security, the bearer of the Permanent Global Preferred Security may, except as ordered by a court of competent jurisdiction or as required by law, be treated by the Bank, the Trustee and the Paying Agents as the owner thereof and of all rights thereunder free from all encumbrances (in accordance with and subject to its terms and the Trust Deed) and the expression “Holder” and related expressions shall be construed accordingly. Interests in Preferred Securities which are represented by the Permanent Global Preferred Security will only be transferable in accordance with the rules and procedures for the time being of Clearstream, Luxembourg and/or Euroclear as the case may be.

Payment of amounts due in respect of the Permanent Global Preferred Security will be made through Clearstream, Luxembourg or Euroclear without any requirement for certification.

Interests in the Permanent Global Preferred Security will be exchangeable in whole but not in part (free of charge to the holder) for definitive bearer Preferred Securities (a) if the Permanent Global Preferred Security is held on behalf of Clearstream, Luxembourg or Euroclear or the Alternative Clearing System (as defined below) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of public holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so by such holder giving notice to the Principal Paying Agent or (b) at any time at the option of the Bank, by the Bank giving notice to the Principal Paying Agent and the Holders of its intention to exchange the Permanent Global Preferred Security for definitive Preferred Securities on or after the Permanent Global Exchange Date (as defined below) specified in the notice.

On or after the Permanent Global Exchange Date the holder of the Permanent Global Preferred Security shall surrender the Permanent Global Preferred Security to or to the order of the Principal Paying Agent. In exchange for the Permanent Global Preferred Security, the Bank shall deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated definitive Preferred Securities having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Preferred Security and a Talon.

“**Alternative Clearing System**” means any such other clearing system as shall have been approved by the Trustee.

“**Permanent Global Exchange Date**” means a day falling not less than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Principal Paying Agent is located and, except in the case of exchange pursuant to (a) above, in the cities in which Euroclear, Clearstream, Luxembourg or, if relevant, the Alternative Clearing System are located.

2. Payments

Principal and interest in respect of the Permanent Global Preferred Security shall be paid to its holder against presentation and (if no further payment falls to be made on it) surrender of it to or to the order of any Paying Agent which shall endorse such payment or cause payment to be endorsed in the appropriate schedule to the Permanent Global Preferred Security. No person shall however be entitled to receive any payment on the Permanent Global Preferred Security falling due after the Permanent Global Exchange Date, unless exchange of the Permanent Global Preferred Security for definitive Preferred Securities is improperly withheld or refused by or on behalf of the Bank.

3. Notices

So long as the Permanent Global Preferred Security is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System, notices required to be given to Holders may be given by their being delivered to Euroclear and/or Clearstream, Luxembourg or, as the case may be, the Alternative Clearing System, rather than by publication as required by the Terms and Conditions of the Preferred Securities except that so long as the Preferred Securities are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, notices shall also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *d'Wort*). Any notice delivered to Euroclear, Clearstream, Luxembourg and/or, as the case may be, the Alternative Clearing System shall be deemed to have been given to the Holders on the day on which such notice is so delivered.

4. Meetings

The holder of the Permanent Global Preferred Security shall be treated at any meeting of Holders as having one vote in respect of each £1,000 principal amount of Preferred Securities for which the Permanent Global Preferred Security may be exchanged.

5. Purchase and cancellation

Cancellation of any Preferred Security represented by the Permanent Global Preferred Security which is required by the Terms and Conditions of the Preferred Securities to be cancelled will be effected by reduction in the principal amount of the Permanent Global Preferred Security.

6. Trustee's powers

In considering the interests of Holders in circumstances where the Permanent Global Preferred Security is held on behalf of any one or more of Euroclear, Clearstream, Luxembourg and an Alternative Clearing System, the Trustee may have regard to such information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Permanent Global Preferred Security and may consider such interests on the basis that such accountholders were the holder of the Permanent Global Preferred Security.

USE OF PROCEEDS

The net proceeds from the issue of the Preferred Securities are estimated to amount to £348,003,000 and will be used for the general business purposes of the Standard Chartered Group.

SELECTED FINANCIAL INFORMATION OF THE BANK

The table below sets out selected historical financial information relating to the Bank for each of the two financial years ended 31 December, 2004 and 31 December, 2005.

Two Year Summary	2005	2004
	US\$m	US\$m
Operating profit before impairment losses and taxation	1,479	1,314
Impairment losses on loans and advances and other credit risk provisions	(131)	(167)
Dividend income from subsidiaries	316	206
Other impairment	(82)	3
Profit before taxation	1,582	1,356
Profit for the year	1,136	1,018
Loans and advances to banks*	9,453	10,645
Loans and advances to customers*	40,919	39,758
Total assets	115,938	98,441
Deposits by banks*	12,655	13,592
Customer accounts*	44,971	38,848
Total shareholders' equity	11,526	7,788
Total capital resources**	19,734	14,004

* Excluding amounts designated at fair value

** Total shareholders' equity and subordinated liabilities and other borrowed funds

STANDARD CHARTERED BANK

The Parent, the ultimate holding company of the Bank, was incorporated and registered in England and Wales on 18 November 1969 as a company limited by shares. Its ordinary shares and preference shares are listed on the Official List of the Financial Services Authority and traded on the London Stock Exchange plc's market for listed securities. The Parent's ordinary shares are also listed on the Hong Kong Stock Exchange.

The Bank was incorporated in England with limited liability by Royal Charter in 1853 (with reference number ZC 18). The Bank's issued share capital comprises ordinary shares, all of which are owned by Standard Chartered Holdings Limited, a company incorporated in England and Wales, and preference shares, all of which are owned ultimately by the Parent.

The Parent and the Bank are both headquartered in London.

The Group is an international banking and financial services group particularly focused on the markets of Asia, Africa and the Middle East. The Group has a network of over 1,200 branches and offices in 56 countries and territories and almost 44,000 employees. The Bank is the principal operating company of the Group.

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

Consumer Banking

The Consumer Banking business provides banking services, deposit taking services, credit cards, personal loans, mortgages, auto finance and wealth management services. Its major markets include Hong Kong, Korea, Singapore, Malaysia, India, Thailand, Taiwan and the United Arab Emirates. Principal customers of the Consumer Banking business are individuals in Asia, Africa and the Middle East. In addition to serving individuals, the Consumer Banking business also offers a range of deposit taking, trade, lending and other banking services to small and medium sized enterprises in its key markets. The Group's branches are a key part of the distribution network for its Consumer Banking business.

The Group also uses direct selling to distribute certain products and offers on-line banking in most of its key markets.

Wholesale Banking

The Wholesale Banking business provides capital markets, structured finance, asset backed securitisation, foreign exchange, derivatives and money market products, corporate advisory services, structured trade services, cash management and securities services as well as more traditional lending and trade finance services, to a wide range of corporate and institutional clients. These services are provided through the Group's international network in Asia, Africa and the Middle East complemented by a sales origination platform in the United Kingdom and the United States.

Subsidiary Undertakings

As at the date hereof, the Bank's principal subsidiary undertakings comprised Standard Chartered Bank (Hong Kong) Limited, Standard Chartered First Bank Korea Limited, Standard Chartered Bank Malaysia Berhad, Standard Chartered Bank (Thai) Public Company Limited, Standard Chartered Holdings (Africa) B.V., Standard Chartered Capital Management (Jersey) LLC, Standard Chartered Receivables (UK) Limited, Standard Chartered Financial Investments Limited and Standard Chartered Debt Trading Limited. All the above are wholly owned subsidiaries of the Bank, except Standard Chartered Bank (Thai) PCL, which is 99.8 per cent. owned by the Bank.

Since 31 December, 2005, being the date of the last published financial statements of the Bank, the Bank has not made any principal investments nor has any of its management bodies already made firm commitments concerning principal future investments.

Directors

The Directors of the Bank and their principal outside activities, where significant, are as follows:

E M Davies CBE *Chairman of SCB and Group Chief Executive of Standard Chartered¹
Non-Executive Director of Tesco PLC*

B K Sanderson CBE *Director and Chairman of Standard Chartered¹
Chairman of BUPA*

G R Bullock *Director and Group Head of Strategy of Standard Chartered¹
Non-Executive Director of Fleming Family and Partners Limited and of Spirax-Sarco Engineering plc*

M B DeNoma *Director and Group Executive Director of Standard Chartered²*

R H Meddings *Director and Group Executive Director of Standard Chartered¹*

T J Miller *Director, People, Property and Assurance¹
Non-Executive Director of Michael Page International*

K S Nargolwala *Director and Group Executive Director of Standard Chartered³
Non-Executive Director of Tate & Lyle PLC*

A M G Rees *Director and CEO Wholesale Bank of Standard Chartered⁴*

P A Sands *Director and Group Executive Director of Standard Chartered¹*

Notes:

1. The business address should be regarded for the purposes of this Prospectus as:
1 Aldermanbury Square
London EC2V 7SB
2. The business address should be regarded for the purposes of this Prospectus as:
51 Bras Basah Road
Plaza by the Park #09-00
Singapore 189554
3. The business address should be regarded for the purposes of this Prospectus as:
6 Battery Road, #08-00
Singapore 049909
4. The business address should be regarded for the purpose of this Prospectus as:
6 Battery Road, #06-00
Singapore 049909

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

Recent Developments

The Bank is seeing the strategic investments made in recent years deliver increasingly strong results.

In Thailand in 1999 the Bank invested in 75 per cent of Nakornthon Bank, and, in 2005, bought virtually all the remaining stake. Standard Chartered Bank (Thai), as it is now, has 41 branches and is well positioned as a local bank with international strengths.

In 2000, in India, the Bank bought Grindlays, changing the nature of its presence in that growing market and others such as Bahrain, Bangladesh and Jordan. The Bank is now the largest international bank in India with over two million consumer customers and 800 top corporate relationships.

In Indonesia in 2004, together with its consortium partner PT Astra, the Bank took a controlling stake in Bank Permata - a consumer bank with more than 300 branches. This gives the Bank a strong position in this growing market.

In China, the Bank established its presence almost 150 years ago and is well placed to take a leadership position in this emerging economic giant. Through increasingly rapid organic growth the Bank now has a total of 18 branches, sub-branches and representative offices in 14 Chinese cities, making it one of the best-placed foreign banks. In addition, in 2005 the Bank took a strategic stake in China Bohai Bank - the first joint-stock commercial bank to be granted a national licence in China since 1996. It is also focused on the

opportunities presented by the Pearl River Delta - one of the world's fastest-growing economic zones, which accounts for about one-third of China's exports.

In South Korea, Asia's third-largest economy with a population of 47 million, the Bank bought Korea First Bank. There are now 407 branches re-branded as SC First Bank and the Bank sees excellent prospects in this market.

The Bank's alliances also offer opportunities. Through relatively modest investments in companies such as Fleming Family & Partners and Travelex, the Bank has created mutually attractive opportunities to access significant customer groups with new offerings and products.

The Bank's progress in the first few months of 2006 has continued to be good.

The Bank's performance from 1 January, 2005 to the date of this prospectus is in line with the outlook that was given at the Parent's 2005 Results presentation and in the Parent's 2005 Annual Report. The Bank is seeing good income momentum in both businesses and across almost all its geographies.

The Bank is maintaining its disciplined approach to managing expenses and, for the Bank as a whole, expense growth for the full year will be broadly in line with income growth.

The Bank continues to manage risk proactively. In Consumer Banking, it was stated that Taiwan's credit card market would be a challenge in 2006 and it is proving to be even more so than previously anticipated. Elsewhere, loan impairment charges in Consumer Banking are growing only in line with the size and mix of the book. In Wholesale Banking, the generally benign credit environment in many of the Bank's markets continues: new provisions remain low; though, as expected, recoveries and releases are less than 2005.

Looking ahead, the Bank is confident that it can continue to build on its track record for good performance, and is optimistic about the future.

Corporate Governance

The Parent stated in its Annual Report and Accounts for the year ended 31 December, 2005 on page 44 that the Parent complies with the principles of the Code of Best Practice in the Combined Code on Corporate Governance issued by the Financial Reporting Council in July 2003 except that meeting major shareholders is not currently part of the induction programme for non-executive directors. The Bank is a wholly owned subsidiary of the Parent.

CAPITALISATION AND INDEBTEDNESS

The following table sets out the audited non-consolidated capitalisation and indebtedness of the Bank as at 31 December, 2005.

	2005 US\$m
Authorised share capital	
Ordinary Shares of U.S.\$1.00 each	10,000
Non-cumulative preference shares of U.S.\$5.00	5
	10,005
Shareholders' equity	
Allotted, called up and fully paid capital	
Ordinary shares	6,767
Preference shares	5
Share premium reserve	968
Reserves	3,786
	11,526
Dated loan capital⁽¹⁾	
£30 million Floating Rate Notes 2009 ⁽²⁾	51
£300 million 6.75 per cent Notes 2009	476
€600 million 5.375 per cent Notes 2009	655
US\$700 million 8.0 per cent Notes 2031	753
€750 million 3.625 per cent Notes 2017	880
\$500 million Floating Rate Notes 2015 ⁽²⁾	498
\$500 million Floating Rate Notes 2016 ⁽²⁾	498
	3,811
Undated loan capital⁽¹⁾	
£400 million 5.375% Undated Callable Step-up Subordinated Notes	683
£275 million 5.375% Undated Callable Step-up Subordinated Notes	473
€500 million 8.16 per cent non-cumulative Trust Preferred Securities (callable 2010) ⁽⁶⁾	629
£300 million 8.103 per cent Step-Up Callable Perpetual Trust Preferred Securities (callable 2016) ⁽⁷⁾	628
£200 million 7.75 per cent Step-Up Notes (callable 2022)	426
Primary Capital Floating Rate Notes (US\$400 million) ⁽²⁾	400
Primary Capital Floating Rate Notes (US\$300 million) (Series 2) ⁽²⁾	300
Primary Capital Floating Rate Notes (US\$400 million) (Series 3) ⁽²⁾	400
Primary Capital Floating Rate Notes (US\$200 million) (Series 4) ⁽²⁾	200
£150 million Primary Capital Floating Rate Notes ⁽²⁾	258
	4,397
Total	19,734

(1) All dated and undated loan capital described above is unsecured, unguaranteed and subordinated to the claims of other creditors including, without limitation, customer deposits and deposit by banks.

(2) These notes bear interest rates fixed periodically based on London interbank rates.

(3) Liabilities denominated in foreign currencies are translated into US dollars at market exchange rates prevailing at 31 December, 2005. The exchange rates used were £1.00 = U.S.\$1.7176 and Eur1.00 = U.S.\$1.1802

(4) Contingent liabilities of the Bank amounted to U.S.\$16,765 million as at 31 December, 2005, of which U.S.\$10,867 million related to guarantees and irrevocable letters of credit.

(5) The total amount of all other borrowings and indebtedness as at 31 December, 2005 was U.S. \$65 billion, of which the majority was deposits from banks and customers accounts. This excludes amounts owing to other Group undertakings.

- (6) The Bank has agreed that it will pay in full on a subordinated basis to the holders of the EUR500 million 8.16 per cent. non-cumulative partnership preferred securities issued by Standard Chartered Capital 1 L.P. (the "Partnership") definitive dividends and amounts payable on redemption and liquidation to the extent that such amounts are not paid by the Partnership.
- (7) These securities are redeemable at the option of the Bank on or after 11 May, 2016 on any interest payment date.
- (8) In January 2006, the Bank issued 78 million ordinary shares of US\$1 each. In February 2006, the authorised share capital of the Bank was increased by the creation of 2,400,000 non-cumulative irredeemable preference shares of US\$0.01 each and the preference shares were issued to a subsidiary of the Parent.

Save as disclosed herein, there has been no material change in the authorised and issued share capital and no material change in total capitalisation and indebtedness and contingent liabilities (including guarantees) of the Bank as set out in the above table since 31 December, 2005.

TAXATION

1. UNITED KINGDOM TAXATION

The following is a summary of the current United Kingdom taxation treatment of the Preferred Securities. It is not exhaustive. It relates only to the position of persons who are the absolute beneficial owners of the Preferred Securities and Coupons and may not apply to certain classes of Holders, such as dealers in securities. Holders who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should consult their professional advisers.

Withholding Tax

1. All payments of interest on the Preferred Securities can be paid gross provided that, at the time of the payment, the Preferred Securities are listed on a recognised stock exchange, as defined in Section 841 of the Income and Corporation Taxes Act 1988 (the Luxembourg Stock Exchange is so recognised).

In all other cases, interest on the Preferred Securities will be paid under deduction of United Kingdom income tax at the lower rate (currently 20 per cent.), subject to any direction to the contrary by HM Revenue & Customs in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty or as to the availability of certain other reliefs.

2. The interest on the Preferred Securities will have a United Kingdom source and, accordingly, subject as set out below, may be chargeable to United Kingdom income tax by direct assessment even if paid without withholding or deduction. However, such interest received without deduction or withholding is not chargeable to United Kingdom tax in the hands of a Holder who is not resident for tax purposes in the United Kingdom unless the Holder, in the case of an individual, carries on a trade, profession or vocation in the United Kingdom through a branch or agency or, in the case of a body corporate, carries on a trade in the United Kingdom through a permanent establishment, in connection with which the interest or profit is received or to which the Preferred Securities are attributable. There are certain exceptions for income received by specified categories of agent (such as some brokers and investment managers).
3. If interest on the Preferred Securities were to be paid under deduction of United Kingdom income tax, Holders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.
4. The provisions relating to additional payments referred to in Condition 11 of “Terms and Conditions of the Preferred Securities” would not apply if the HM Revenue & Customs sought to assess the person entitled to the relevant interest or (where applicable) profit on any Preferred Security directly to United Kingdom income tax. However, exemption from or reduction of such United Kingdom tax liability might be available under an applicable double taxation treaty.
5. Noteholders who are individuals may wish to note that HM Revenue & Customs has power to obtain information (including the name and address of the recipient or beneficial owner of the relevant payment) from any person in the United Kingdom who either pays interest to, or receives interest for the benefit of, an individual. HM Revenue & Customs also has power to obtain such information from any person in the United Kingdom who either pays amounts payable on the redemption of Preferred Securities which may be redeemed at an amount in excess of their issue price to, or receives such amounts for the benefit of, an individual. Information so obtained may, in certain circumstances, be exchanged by HM Revenue & Customs with the tax authorities of other jurisdictions.

2. LUXEMBOURG TAXATION

The following summary is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Preferred Securities should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Withholding Tax

(i) Non-resident holders of Preferred Securities

Under Luxembourg general tax laws currently in force and subject to the laws of 21 June, 2005 (the **Laws**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Preferred Securities, nor on accrued but unpaid interest in respect of the Preferred Securities, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Preferred Securities held by non-resident holders of Preferred Securities.

Under the Laws implementing the Council Directive 2003/48/EC of 3 June, 2003 on taxation of savings income in the form of interest payments and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the **Territories**), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Laws, which are resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence or establishment, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. Where withholding tax is applied, it will be levied at a rate of 15% during the first three-year period starting 1 July, 2005, at a rate of 20% for the subsequent three-year period and at a rate of 35% thereafter. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Preferred Securities coming within the scope of the Laws would at present be subject to withholding tax of 15%.

(ii) Resident holders of Preferred Securities

Under Luxembourg general tax laws currently in force and subject to the law of 23 December, 2005 (the **Law**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Preferred Securities, nor on accrued but unpaid interest in respect of Preferred Securities, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Preferred Securities held by Luxembourg resident holders of Preferred Securities.

Under the Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner who is resident of Luxembourg will be subject to a withholding tax of 10%. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Preferred Securities coming within the scope of the Law would be subject to withholding tax of 10%.

3. EU DIRECTIVE ON THE TAXATION OF SAVINGS INCOME

The EC has adopted a Directive (Directive 2003/48/EC) regarding the taxation of savings income. The Directive provides for the tax authorities of the Member States to provide each other with details of payments of interest and similar income made to individuals but permits Austria, Belgium and Luxembourg instead to impose a withholding tax on the payments concerned for a “transitional period” (although it also provides that no such withholding tax should be levied where the beneficial owner of the payment authorises an exchange of information and/or where the beneficial owner presents a certificate from the tax authority of the Member State in which the beneficial owner is resident). The Directive does not preclude Member States from levying other types of withholding tax.

SUBSCRIPTION AND SALE

Under a subscription agreement entered into with the Bank and the Parent on 10 May, 2006 (the “**Subscription Agreement**”) Deutsche Bank AG, London Branch, Lehman Brothers International (Europe), Standard Chartered Bank, Goldman Sachs International, Merrill Lynch International and UBS Limited (the “**Managers**”) have jointly and severally agreed to subscribe for the Preferred Securities at the issue price of 116.801 per cent. of their principal amount. The Bank has agreed to pay to the Managers a combined management, underwriting and selling commission of 0.80 per cent. of the principal amount of the Preferred Securities. The Subscription Agreement is subject to termination in certain circumstances prior to payment to the Bank.

United States

The Preferred Securities have not been and will not be registered under the US Securities Act of 1933, as amended (the “**Securities Act**”), or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, US 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 under the Securities Act.

The Preferred Securities are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a US person, except in certain transactions permitted by US tax regulations. Terms used in this paragraph have the meanings given to them by the US Internal Revenue Code of 1986 and regulations thereunder.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver Preferred Securities (i) as part of their distribution at any time, or (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date, within the United States or to, or for the account or benefit of, US persons, and that it will have sent to each dealer to which it sells Preferred Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of Preferred Securities within the United States or to, or for the account or benefit of, US persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Preferred Securities within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

Each Manager has represented and agreed that, except as permitted by the Subscription Agreement, it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Preferred Securities in, from or otherwise involving the United Kingdom.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Preferred Securities to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Preferred Securities which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Preferred Securities to the public in that Relevant Member State at any time:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (c) in any other circumstances which do not require the publication by the Bank of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Preferred Securities to the public” in relation to any Preferred Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Preferred Securities to be offered so as to enable an investor to decide to purchase or subscribe the Preferred Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

General

No action has been taken in any jurisdiction that would permit a public offering of any of the Preferred Securities, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required.

Each Manager has agreed that it will, to the best of its knowledge and belief, comply with all relevant securities laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers Preferred Securities or has in its possession or distributes this Prospectus or any other offering material and neither the Bank nor any other Manager shall have responsibility therefor.

GENERAL INFORMATION

- (1) Application has been made to list the Preferred Securities on the Luxembourg Stock Exchange. The Preferred Securities are expected to commence trading on the Luxembourg Stock Exchange on or around 11th May, 2006.
- (2) The issue of the Preferred Securities by the Bank has been duly authorised by resolutions of the Court of the Bank passed on 28 April, 2006.
- (3) The Preferred Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg.

The Common Code and ISIN for the Preferred Securities will be the same as for the Original Preferred Securities, namely:

Common Code: 12922914
ISIN: XS0129229141

- (4) All Preferred Securities and Coupons will carry a legend to the following effect “Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code”. The sections referred to in such legend provide that United States persons, with certain exceptions, will not be entitled to deduct any loss, and will not be entitled to capital gains treatment with respect to any gain, realised on any sale, exchange or redemption of a Preferred Security or Coupon.
- (5) Neither the Bank nor any of its subsidiaries is involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware) during a period covering at least the previous 12 months which may have or have in such period had a significant effect on the financial position or profitability of the Bank.
- (6) There has been no significant change in the financial or trading position and no material adverse change in the financial position or prospects of the Bank since 31 December, 2005.
- (7) No redemption or purchase by the Bank, the Parent or any other member of the Standard Chartered Group for cancellation of the Preferred Securities will be made without the prior consent of the Financial Services Authority.
- (8) From the date of this Prospectus and for so long as any Preferred Securities are outstanding, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the principal office of the Bank and at the office of the Paying Agent:
 - (i) the Royal Charter, Bye-Laws and Rules of the Bank;
 - (ii) the audited annual report and accounts of the Bank for the years ended 31 December, 2004 and 31 December 2005;
 - (iii) a copy of the Prospectus or any further prospectus or supplementary prospectus; and
 - (iv) a copy of the annual report and accounts of the Parent for the years ending 31 December, 2004 and 31 December, 2005.
- (9) Copies of the latest annual report and non-consolidated accounts of the Bank and of the latest annual report and consolidated accounts of the Parent may be obtained free of charge, and copies of the Trust Deed will be available for inspection, at the specified office of each of the Paying Agents during normal business hours, so long as any of the Preferred Securities is outstanding. The Bank does not prepare consolidated or interim accounts. The Parent does not prepare non-consolidated accounts but does prepare interim semi-annual accounts.
- (10) The non-consolidated accounts of the Bank for the years ended 31 December, 2005 and 2004 have been audited, without qualification, in accordance with Auditing Standards issued by the Auditing Standards Board, by KPMG Audit Plc, Chartered Accountants and Registered Auditors of 8 Salisbury Square, London EC2V 7LY. Statutory accounts relating to each financial year to which such financial information relates have been delivered to the Registrar of Companies in England and Wales. The

Bank's and the Parent's auditors have made reports under Section 235 of the Companies Act 1985 on such statutory accounts which were not qualified within the meaning of Section 262 of the Companies Act and did not contain any statements made under Section 273(2) or (3) of the Companies Act 1985.

- (11) The total expenses of the issue are estimated to amount to EUR250,000.

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REGISTERED OFFICE OF THE PARENT**

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PRINCIPAL PAYING AGENT

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