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STANDARD CHARTERED PLC

渣打集團有限公司

*(Incorporated as a public limited company in England and Wales with registered number 966425)
(Stock Code: 02888)*

**WAIVER IN RESPECT OF SPECIFIC MANDATE TO ISSUE EQUITY CONVERTIBLE
ADDITIONAL TIER 1 SECURITIES**

On 21 February 2018, the Hong Kong Stock Exchange granted a waiver to the Company from compliance with Rule 13.36(1) of the Hong Kong Listing Rules.

Under Rule 13.36(1) of the Hong Kong Listing Rules, the directors of a company must obtain the consent of shareholders in a general meeting prior to allotting or issuing shares or securities convertible into shares except as set out under Rule 13.36(2)(b). Rule 13.36(2)(b) of the Hong Kong Listing Rules allows the directors to seek a general mandate from shareholders to allot or issue shares on a non-pre emptive basis. At its AGM, which is to be held on 9 May 2018, the Company will be seeking a specific mandate from its shareholders in addition to the general mandate under Rule 13.36(2)(b) of the Hong Kong Listing Rules for the sole purpose of issuing ECAT1 Securities (further details of which are set out below). This specific mandate requires a dispensation from Rule 13.36(1) of the Hong Kong Listing Rules. The Company has therefore applied for, and the Hong Kong Stock Exchange has granted, a waiver from compliance with Rule 13.36(1) to allow the directors to seek authority from shareholders in relation to issuing ECAT1 Securities pursuant to the proposed Resolutions.

The Notice of Annual General Meeting 2018 to be despatched to shareholders on or around 26 March 2018 contains, amongst other things, information on the ECAT1 Securities and details of the Resolutions to be proposed at the Company's AGM for shareholders to consider and, if thought fit, approve the issue of ECAT1 Securities.

BACKGROUND – REASONS WHY THE COMPANY IS SEEKING A SPECIFIC MANDATE

Under Rule 13.36(1) of the Hong Kong Listing Rules, the directors of a company must obtain the consent of shareholders in a general meeting prior to allotting or issuing shares or securities convertible into shares except as set out under Rule 13.36(2)(b). Rule 13.36(2)(b) of the Hong Kong Listing Rules allows the directors to seek a general mandate from shareholders to allot or issue shares on a non-pre emptive basis.

At its AGM, which is to be held on 9 May 2018, the Company will be seeking a specific mandate from shareholders in addition to the general mandate under Rule 13.36(2)(b) of the Hong Kong

Listing Rules for the sole purpose of issuing ECAT1 Securities (i.e. the Company could not use this specific mandate to issue new shares for any other purpose). The general mandate may be used by the Company to issue new shares at any time on a non-pre emptive basis, subject to the limits under the relevant resolution and restrictions under the UK and Hong Kong Listing Rules and Investment Association guidelines. The specific mandate for ECAT1 Securities will provide greater flexibility for the Company in allowing it to maintain a general mandate for other purposes (e.g. issuing consideration shares). By the same token, the general mandate would not be used in connection with the issue of ECAT1 Securities.

The Company believes it would not be practical to obtain a specific mandate from shareholders to issue ECAT1 Securities only when the need arises, primarily due to the time it would take to prepare the relevant circular to shareholders, obtain pre-clearance for the circular from the authorities, and then print and despatch the relevant circular to shareholders convening the general meeting to seek shareholder approval. Having a pre-approved mandate will enable the Company to act on a timely basis to satisfy the capital requirements when market conditions are conducive to launching the issue.

ISSUE OF EQUITY CONVERTIBLE ADDITIONAL TIER 1 SECURITIES

ECAT1 Securities

The Company must meet minimum regulatory capital requirements in the jurisdictions in which it operates. Under the CR Regulation, the Company must hold a minimum amount of “Tier 1 capital” defined as a percentage of its Risk Weighted Assets on a consolidated basis. To maintain an efficient capital structure that protects the interests of ordinary shareholders under prudential regulatory requirements, the Company can choose to meet part of that minimum requirement by holding up to 2.1 per cent of its Risk Weighted Assets in the form of AT1 Securities instead of CET1.

In order for securities to qualify as Tier 1 capital, the terms and conditions of the AT1 Securities must contain a Trigger Event. Under the CR Regulation, AT1 Securities must convert to equity or be written down when the issuer’s CET1 ratio is below 5.125% or a higher level as the issuer may determine. The Trigger Event ratio would be determined in conjunction with the PRA before the issue of any AT1 Securities.

The Company will take into account various factors when deciding whether to issue AT1 Securities, including the capital position of the Company at the time, the prevailing regulatory capital requirements and its view of the likely capital requirements in the longer term. The timing and terms of issuance of AT1 Securities will be determined by the Company in consultation with the PRA.

The flexibility to issue AT1 Securities enables the Company to achieve diversification and efficiency in its capital base. Shareholder approval is being sought at the AGM to authorise the issue of ECAT1 Securities and/or shares to be issued on conversion or exchange of those ECAT1 Securities.

Steps the Company can take before or on a Trigger Event

In advance of and after a Trigger Event the Company's management can be expected to take certain actions:

- (i) Recovery Planning – the Company is required by its regulators to develop and maintain a Recovery Plan to be implemented in the event that the Company's capital position comes under pressure. Should the Company's capital ratios fall, the Company is likely to be required to implement those planned recovery actions to improve its capital position (e.g. by reducing Risk Weighted Assets or through a rights issue of ordinary shares) in advance of a Trigger Event. Were a rights issue to be launched, the Company's ordinary shareholders would be offered the opportunity to acquire new ordinary shares in proportion to their existing shareholding in the Company (subject to legal, regulatory or practical restrictions).
- (ii) Shareholder Participation – should a Trigger Event occur (despite taking recovery actions), the Board may give shareholders the opportunity to purchase the ordinary shares issued on conversion or exchange of any ECAT1 Securities on a pro rata basis, where practicable and subject to applicable laws and regulations, at the same price as the holders of the ECAT1 Securities would otherwise have acquired those ordinary shares (i.e. the Conversion Price). This will be determined on a transaction-by-transaction basis and the mechanism for shareholder participation will be written into the terms and conditions of the ECAT1 Securities where applicable.

The circumstances in which a Trigger Event might be expected to occur are considered to be remote given the level of capital the Company currently holds in excess of the expected Trigger Event ratio and the recovery actions that it has available to it should such a situation seem likely to arise.

As at 31 December 2017, the Company had US\$38.162 billion of CET1 and a CET1 ratio of 13.6%. This level of capital is considerably in excess of the expected Trigger Event ratio.

Benefits of issuing ECAT1 Securities

To the extent permitted, ECAT1 Securities are expected to be a cheaper form of eligible regulatory capital for meeting Tier 1 capital and leverage ratio requirements than CET1 and so would lower the Company's ongoing costs for the benefit of all shareholders.

Under the Company's accounting policies, it is expected that the ECAT1 Securities will be recorded as equity securities in the financial statements; however, this will be determined at the time of issuance.

Issue price and conversion price of ECAT1 Securities

The pricing mechanism for ECAT1 Securities is similar to other fixed income capital instruments that the Company would issue. The issue price of the ECAT1 Securities will be fixed immediately prior to issuance taking into account prevailing market convention.

The terms and conditions of the ECAT1 Securities will specify a Conversion Price or a mechanism for setting a Conversion Price for the ECAT1 Securities. The Conversion Price may be set at a

discount to the price of the Company's ordinary shares immediately prior to issuance of the ECAT1 Securities. The extent of the discount will be determined in consultation with the PRA and taking into account prevailing market convention.

Redemption of ECAT1 Securities

The CR Regulation requires AT1 capital instruments to be perpetual with a minimum of five years before the first optional call date. The ECAT1 Securities will include redemption terms consistent with regulatory requirements and market practice. For example, the Company may redeem the ECAT1 Securities (i) after a fixed period of time (minimum five years) upon an interest rate reset date (Optional Redemption); (ii) in the event of a change in the regulatory classification of the ECAT1 Securities such that they can no longer be included in the Company's Tier 1 capital (Regulatory Event Redemption); or (iii) as a result of a change in the tax treatment of the ECAT1 Securities (Tax Redemption). In each case, redemption can only take place with the prior consent of the PRA.

Calculation of the size of the specific mandate

The size of the authorities reflected in the Resolutions has been calculated based on anticipated capital requirements to provide flexibility in capital management. The Resolutions give the Board authority to set the specific terms of the ECAT1 Securities, which may provide for write-down or conversion on the occurrence of a Trigger Event. The authorities sought are set at a level to provide full flexibility to the Company in managing its capital structure efficiently given the uncertainties that remain in both the precise regulatory requirements and the market for this form of capital instrument.

The specific mandate will give the Board authority to allot ordinary shares and grant rights to subscribe for or convert any security into ordinary shares in the Company representing up to 20 per cent of the Company's issued ordinary share capital as at 15 March 2018. This limit has been calculated based on internal modelling to provide flexibility to the Company, taking into account potential fluctuations in the Company's share price, the GBP/USD exchange rates and inflation in the Group's risk-weighted assets, and modelled on a hypothetical conversion price discount factor of 10%. The previous issue of ECAT1 Securities of the Company made pursuant to the 2014 Mandate was made at a conversion price discount factor of 30% and the two issues of ECAT1 Securities of the Company made pursuant to the 2016 Mandate were made at a conversion price discount factor of 10%. The Company expects that any issue of ECAT1 Securities made pursuant to the 2018 Mandate will be made at a similar conversion price discount factor to the issues made pursuant to the 2016 Mandate. However, the price discount factor will ultimately depend on the prevailing market conditions at the time of issuance.

HONG KONG STOCK EXCHANGE WAIVER

The specific mandate sought requires a dispensation from Rule 13.36(1) of the Hong Kong Listing Rules. The Company therefore applied for, and the Hong Kong Stock Exchange granted, on 21 February 2018, a waiver from compliance with Rule 13.36(1). This waiver allows the directors to seek a specific mandate from the shareholders at the Company's AGM in relation to issuing ECAT1 Securities, subject to the limits set out in the Resolutions. If the specific mandate is approved by shareholders, the waiver would continue in force until:

- (i) the end of next year's AGM (or, if earlier, until the close of business on 8 August 2019) at which time it will lapse unless the specific mandate is renewed, either unconditionally or subject to conditions; or
- (ii) revoked or varied by ordinary resolution of the shareholders in a general meeting.

The 20 per cent limit under the authority proposed in Resolution 22 of the Notice of Annual General Meeting 2018 is independent of any use of the authorities granted at the 2014 to 2017 annual general meetings, which authorities each expired (to the extent unused) at the end of the following year's annual general meeting. The total ECAT1 Securities issued by the Company to date under the previous mandates have utilised less than 20 per cent. of the issued capital in aggregate. However, given the increase in regulatory requirements and other external factors, it is currently expected that further issuance of ECAT1 Securities, if undertaken, may over time utilise more than 20 per cent. of the issued capital on an aggregate basis.

DESPATCH OF NOTICE OF ANNUAL GENERAL MEETING 2018

The Notice of Annual General Meeting 2018 containing, amongst other things, further information on the ECAT1 Securities and the Resolutions for shareholders to consider and, if thought fit, approve the issue of ECAT1 Securities will be dispatched to shareholders on or around 26 March 2018.

DEFINITIONS

In this Announcement, unless the context otherwise requires, the following words and phrases have the following meanings:-

"AGM"	the annual general meeting of the Company to be held on Wednesday 9 May 2018
"AT1 Securities"	Additional Tier 1 instruments
"Board"	the board of directors of the Company
"CET1"	Common Equity Tier 1 capital
"Company"	Standard Chartered PLC
"Conversion Price"	the rate at which the ECAT1 Securities will be exchanged for ordinary shares on the occurrence of a Trigger Event
"CR Regulation"	the EU Capital Requirements Regulation
"directors"	the directors of the Company whose names are set out below
"ECAT1 Securities" or "Equity Convertible Additional Tier 1 Securities"	AT1 Securities which convert into ordinary shares on the occurrence of a Trigger Event

“Group”	the Company, any subsidiary of the Company and any subsidiary undertaking of the Company, taken together
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“PRA”	the Prudential Regulation Authority of the United Kingdom
“Resolutions”	ordinary resolution 22 and special resolution 25 relating to the issue of the ECAT1 Securities to be considered at the AGM
“Trigger Event”	the breach of a pre-determined capital ratio specified in the terms of the AT1 Securities which automatically results in the principal amount of the AT1 Securities either being written down or being converted into CET1, as specified in the terms of the AT1 Securities

By Order of the Board
Elizabeth Lloyd, CBE
Group Company Secretary

Hong Kong, 23 March 2018

As of the date of this announcement, the Board of Directors of the Company comprises:

Chairman:

José María Viñals Iñiguez

Executive Directors:

William Thomas Winters and Andrew Nigel Halford

Independent Non-Executive Directors:

Om Prakash Bhatt; Dr Louis Chi-Yan Cheung; David Philbrick Conner; Dr Byron Elmer Grote; Dr Han Seung-soo, KBE; Christine Mary Hodgson (Senior Independent Director); Gay Huey Evans, OBE; Naguib Kheraj (Deputy Chairman); Dr Ngozi Okonjo-Iweala and Jasmine Mary Whitbread