AGREEMENT AND PLAN OF MERGER

 BY AND AMONG HSBC HOLDINGS PLC**,** HOUSEHOLD INTERNATIONAL, INC.
 AND H2 ACQUISITION CORPORATION

**TABLE OF CONTENTS**

**Page**

ARTICLE I

DEFINITIONS

ARTICLE II

THE MERGER

2.1 The Merger........................................................................................................................ 10

2.2 Closing .............................................................................................................................. 10

2.3 Effective Time .................................................................................................................. 11

2.4 Change in Structure........................................................................................................... 11

2.5 Certificate of Incorporation............................................................................................... 11

2.6 Bylaws............................................................................................................................... 11

2.7 Directors............................................................................................................................ 11

2.8 Officers ............................................................................................................................. 11

ARTICLE III

EFFECT OF THE MERGER ON STOCK; EXCHANGE OF CERTIFICATES

3.1 Effect on Capital Stock ..................................................................................................... 12

3.2 Exchange of Certificates................................................................................................... 14

3.3 Adjustments to Prevent Dilution....................................................................................... 18

3.4 Options.............................................................................................................................. 18

3.5 Shares of Dissenting Shareholders.................................................................................... 21

ARTICLE IV

DISCLOSURE SCHEDULES; STANDARDS FOR REPRESENTATIONS AND WARRANTIES

4.1 Disclosure Schedules ........................................................................................................ 21

4.2 Standards........................................................................................................................... 22

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

5.1 Organization and Qualification; Subsidiaries ................................................................... 22

5.2 Certificate of Incorporation and By-Laws ........................................................................ 23

**Page**

5.3 Capitalization .................................................................................................................... 23

5.4 Authority Relative to this Agreement............................................................................... 25

5.5 No Conflicts; Required Filings and Consents................................................................... 25

5.6 Certain Contracts .............................................................................................................. 26

5.7 SEC Filings; Financial Statements; SAP Statements; RAP Statements; Other Filings.... 27

5.8 Undisclosed Liabilities; Certain Assets ............................................................................ 29

5.9 Information Supplied ........................................................................................................ 29

5.10 Absence of Certain Changes or Events............................................................................. 30

5.11 Compliance with Applicable Laws; Permits..................................................................... 31

5.12 Absence of Litigation........................................................................................................ 33

5.13 Regulatory Agreements .................................................................................................... 33

5.14 Properties .......................................................................................................................... 33

5.15 Loans................................................................................................................................. 33

5.16 Servicing ........................................................................................................................... 34

5.17 Securitization Matters ....................................................................................................... 34

5.18 Employee Benefit Plans; ERISA ...................................................................................... 35

5.19 Labor Matters.................................................................................................................... 38

5.20 Taxes................................................................................................................................. 38

5.21 Tax Status.......................................................................................................................... 39

5.22 Intellectual Property.......................................................................................................... 40

5.23 Environmental Liability.................................................................................................... 42

5.24 Company Insurance Policies............................................................................................. 42

5.25 Voting Matters .................................................................................................................. 42

5.26 Rights Agreement ............................................................................................................. 43

5.27 Interested Party Transactions............................................................................................ 43

5.28 Risk Management; Derivatives......................................................................................... 43

5.29 State Takeover Statutes..................................................................................................... 43

5.30 Opinion of Financial Advisor ........................................................................................... 44

5.31 Brokers.............................................................................................................................. 44

5.32 Nature of Business ............................................................................................................ 44

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF THE PARENT

6.1 Organization and Qualification; Subsidiaries ................................................................... 44

6.2 Capitalization .................................................................................................................... 44

6.3 Authority Relative to this Agreement............................................................................... 45

6.4 No Conflicts; Required Filings and Consents................................................................... 46

6.5 SEC Filings; Financial Statements.................................................................................... 46

6.6 Undisclosed Liabilities...................................................................................................... 47

6.7 Information Supplied ........................................................................................................ 47

6.8 Absence of Certain Changes or Events............................................................................. 47

6.9 Compliance with Applicable Laws................................................................................... 47

6.10 Absence of Litigation........................................................................................................ 48

6.11 Taxes................................................................................................................................. 48

6.12 Tax Status.......................................................................................................................... 48

**Page**

6.13 Voting Matters .................................................................................................................. 48

6.14 Brokers.............................................................................................................................. 49

ARTICLE VII

COVENANTS RELATING TO THE CONDUCT OF BUSINESS

7.1 Conduct of Business by the Company Pending the Merger ............................................. 49

7.2 No Solicitation .................................................................................................................. 52

7.3 Conduct of Business by Parent Pending the Merger ........................................................ 54

ARTICLE VIII

ADDITIONAL AGREEMENTS

8.1 Registration Statement; Parent Documents ...................................................................... 54

8.2 Shareholder Meetings ....................................................................................................... 56

8.3 Access to Information; Confidentiality............................................................................. 56

8.4 Filings; Other Actions; Notification ................................................................................. 57

8.5 Accountants’ Letters ......................................................................................................... 58

8.6 Listing Applications.......................................................................................................... 58

8.7 Tax Opinions..................................................................................................................... 58

8.8 Affiliates ........................................................................................................................... 59

8.9 Indemnification, Exculpation and Insurance .................................................................... 59

8.10 Employee Matters ............................................................................................................. 60

8.11 Section 16 Matters ............................................................................................................ 61

8.12 Public Announcements ..................................................................................................... 61

8.13 Conveyance Taxes ............................................................................................................ 62

8.14 Tax Free Merger ............................................................................................................... 62

8.15 Redemption of Certain Designations of Preferred Stock.................................................. 62

8.15 Retirement of Treasury Stock ........................................................................................... 62

ARTICLE IX

CONDITIONS PRECEDENT TO CLOSING

9.1 Conditions to the Obligation of Each Party to Effect the Merger..................................... 63

9.2 Conditions to the Obligation of Parent to Effect the Merger............................................ 64

9.3 Conditions to the Obligation of the Company to Effect the Merger................................. 65

ARTICLE X

TERMINATION, AMENDMENT AND WAIVER

10.1 Termination....................................................................................................................... 65

10.2 Effect of Termination........................................................................................................ 67

10.3 Fees and Expenses ............................................................................................................ 67

**Page**

ARTICLE XI

MISCELLANEOUS AND GENERAL

11.1 Survival............................................................................................................................. 68

11.2 Modification or Amendment............................................................................................. 68

11.3 Waiver............................................................................................................................... 69

11.4 Counterparts...................................................................................................................... 69

11.5 Governing Law and Venue; Waiver of Jury Trial ............................................................ 69

11.6 Notices .............................................................................................................................. 70

11.7 Entire Agreement.............................................................................................................. 71

11.8 No Third Party Beneficiaries ............................................................................................ 71

11.9 Severability ....................................................................................................................... 71

11.10 Interpretation..................................................................................................................... 71

11.11 Assignment ....................................................................................................................... 71

**AGREEMENT AND PLAN OF MERGER**

AGREEMENT AND PLAN OF MERGER (this “Agreement”), dated as of November 14, 2002, among HSBC Holdings plc, a public limited company incorporated in England and Wales (“Parent”), Household International, Inc., a Delaware corporation (the “Company”) and H2 Acquisition Corporation, a Delaware corporation and a wholly-owned subsidiary of Parent (“Merger Sub”).

**RECITALS**

WHEREAS, the boards of directors of Parent, Merger Sub and the Company have each determined that it is in furtherance of and consistent with their respective long-term business strategies and is advisable and in the best interests of their respective companies and shareholders for the Company to merge with and into Merger Sub upon the terms and subject to the conditions set forth herein;

WHEREAS, in furtherance of such combination, the boards of directors of Parent, Merger Sub and the Company have each approved the merger (the “Merger”) of the Company with and into Merger Sub in accordance with the applicable provisions of the Delaware General Corporation Law (the “DGCL”), and upon the terms and subject to the conditions set forth herein;

WHEREAS, it is intended that, for United States federal income tax purposes, the Merger shall qualify (i) as a reorganization under the provisions of Section 368(a) of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) for an exception to the general rule of Section 367(a)(1) of the Code, and that this Agreement be, and hereby is, adopted as a plan of reorganization for purposes of Sections 354 and 361 of the Code;

WHEREAS, following the Merger, Parent intends to contribute the capital stock of the Surviving Corporation to an indirect U.S. subsidiary of Parent (the “Parent Intermediate Holding Subsidiary”) which will serve as the principal holding company of Parent’s U.S. operations through successive transfers in which each transferee is “controlled” by the respective transferor within the meaning of Section 368(c) of the Code; and

WHEREAS, the Company, Parent and Merger Sub desire to make certain representations, warranties, covenants and agreements in connection with the Merger and the other transactions contemplated hereby.

NOW, THEREFORE, in consideration of the premises, and of the representations, warranties, covenants and agreements contained herein, and intending to be legally bound, the parties hereto agree as follows:

**ARTICLE I**

**DEFINITIONS**

“Acquisition Proposal” has the meaning set forth in Section 7.2(a).

“Affiliate Letters” has the meaning set forth in Section 8.8.

“Agreement” has the meaning set forth in the preamble.

“Alternative Transaction” means any of (i) a transaction pursuant to which any Person (or group of Persons) other than Parent or its affiliates, directly or indirectly, acquires or would acquire more than 25% of the outstanding Common Shares or outstanding voting power or of any new series or class of preferred stock that would be entitled to a class or series vote with respect to the Merger, whether from the Company or pursuant to a tender offer or exchange offer or otherwise, (ii) a merger or other business combination involving the Company (other than the Merger), (iii) any transaction pursuant to which any Person (or group of Persons) other than Parent or its affiliates acquires or would acquire control of assets (including for this purpose the outstanding equity securities of subsidiaries of the Company and securities of the entity surviving any merger or business combination including any of the Company’s subsidiaries) of the Company, or any of its subsidiaries representing (as determined by the Board of Directors of the Company in good faith) more than 25% of the fair market value of all the assets, net revenues or net income of the Company and its subsidiaries, taken as a whole, immediately prior to such transaction, or (iv) any other consolidation, business combination, recapitalization or similar transaction involving the Company or any of its subsidiaries, other than the transactions contemplated by this Agreement, as a result of which the holders of Common Shares immediately prior to such transaction do not, in the aggregate, own at least 75% of each of the outstanding common stock and the outstanding voting power of the surviving or resulting entity in such transaction immediately after the consummation thereof in substantially the same proportion as such holders held the Common Shares immediately prior to the consummation thereof.

“Assumed Stock Option” has the meaning set forth in Section 3.4(a).

“Burdensome Condition” has the meaning set forth in Section 8.4(a).

“Business Day” means any day other than a Saturday, Sunday or one on which banks are authorized by law to close in New York, New York or London, England or, for the purposes of Section 2.2 only, Hong Kong.

“Bylaws” has the meaning set forth in Section 2.6.

“Certificate” has the meaning set forth in Section 3.1(c).

“Certificate of Incorporation” has the meaning set forth in Section 2.5.

“Certificate of Merger” has the meaning set forth in Section 2.3.

“Change in Company Recommendation” has the meaning set forth in Section 7.2(c).

“Closing” has the meaning set forth in Section 2.2.

“Closing Date” has the meaning set forth in Section 2.2.

“Code” has the meaning set forth in the recitals. “Common Exchange Ratio” has the meaning set forth in Section 3.1(a). “Common Merger Consideration” has the meaning set forth in Section 3.1(a). “Common Share” has the meaning set forth in Section 3.1(a). “Company” has the meaning set forth in the preamble. “Company $4.30 Preferred Stock” has the meaning set forth in Section 5.3(a). “Company $4.50 Preferred Stock” has the meaning set forth in Section 5.3(a). “Company 5% Preferred Stock” has the meaning set forth in Section 5.3(a). “Company 7 5/8% Preferred Stock” has the meaning set forth in Section 5.3(a). “Company 7.35% Preferred Stock” has the meaning set forth in Section 5.3(a). “Company 7.5% Preferred Stock” has the meaning set forth in Section 5.3(a). “Company 7.60% Preferred Stock” has the meaning set forth in Section 5.3(a). “Company 8.25% Preferred Stock” has the meaning set forth in Section 5.3(a). “Company Acquisition Agreement” has the meaning set forth in Section 10.3(b)(i). “Company Benefit Plan” shall mean any material employment, consulting, severance

pay, termination pay, retirement, deferred compensation, retention or change in control plan, program, arrangement, agreement or commitment, or an executive compensation, incentive bonus or other bonus, pension, stock option, restricted stock or equity-based, profit sharing, savings, life, health, disability, accident, medical, insurance, vacation, or other employee benefit plan, program, arrangement, agreement, fund or commitment, including any “employee benefit plan” as defined in Section 3(3) of ERISA, providing benefits to any current or former employee, consultant or director of the Company or any of its subsidiaries (including any entity with respect to which the Company or its subsidiaries is a successor) and entered into, maintained or contributed to by the Company or any of its subsidiaries or to which the Company or any of its subsidiaries has any obligation to contribute.

“Company Charter Documents” has the meaning set forth in Section 5.2. “Company Counsel Tax Opinion” has the meaning set forth in Section 8.7. “Company Disclosure Schedule” has the meaning set forth in Section 4.1. “Company DRIP” has the meaning set forth in Section 3.4(f). “Company Employees” has the meaning set forth in Section 8.10(b).

“Company ESPP” has the meaning set forth in Section 3.4(f).

“Company Financial Statements” has the meaning set forth in Section 5.7(a).

“Company IP” means, as of a specified date, all Intellectual Property that is used or held for use in connection with the business of the Company and its subsidiaries as of such date.

“Company Loans” has the meaning set forth in Section 5.15.

“Company Material Contract” has the meaning set forth in Section 5.6(a).

“Company Option Plans” has the meaning set forth in Section 3.4(a).

“Company Permits” has the meaning set forth in Section 5.11(e).

“Company RAP Statements” has the meaning set forth in Section 5.7(c).

“Company Regulatory Agreement” has the meaning set forth in Section 5.13.

“Company SAP Statements” has the meaning set forth in Section 5.7(b).

“Company SEC Documents” has the meaning set forth in Section 5.7(a).

“Company Servicing Rights” means, with respect to any loan, any and all of the following: (a) all rights to service such loan; (b) all rights to receive servicing fees, additional servicing compensation (including without limitation any late fees, assumption fees, penalties or similar payments with respect to such loan, and any interest income on any payments or other receipts on or with respect to such loan), reimbursements or indemnification for servicing such loan, and any payments received in respect of the foregoing and proceeds thereof; (c) the right to collect, hold and disburse escrow payments or other similar payments with respect to such loans and any amounts actually collected with respect thereto (in accordance with any applicable Servicing Agreement), and to receive interest income on such amounts to the extent permitted by applicable law; (d) all accounts and other rights to payment related to any of the property described in this paragraph; (e) possession and use of any and all servicing files pertaining to such loans or pertaining to the past, present or prospective servicing of such loans; (f) all rights and benefits relating to the direct solicitation of the related borrowers for refinance or modification of such loans and attendant right, title and interest in and to the list of borrowers and data relating to their respective loans; (g) all rights, powers and privileges incident to any of the foregoing; and (h) all agreements or documents creating, defining or evidencing any of the foregoing rights to the extent they relate to such rights and all rights of the Company or any of its subsidiaries thereunder.

“Company Shareholder Approval” has the meaning set forth in Section 5.25.

“Company Shareholder Meeting” has the meaning set forth in Section 8.2(a).

“Company Sponsored Asset Securitization Transaction” means any loan or other asset securitization transaction in which the Company or any of its subsidiaries was an issuer, sponsor or depositor.

“Company Stock Option” has the meaning set forth in Section 3.4(a).

“Company Stock Purchase Plans” has the meaning set forth in Section 3.4(f).

“Confidentiality Agreement” has the meaning set forth in Section 8.3.

“Continuation Period” has the meaning set forth in Section 8.10(a).

“Copyrights” means writings and other works of authorship.

“Depositary” has the meaning set forth in Section 3.1(a).

“Deposit Agreement” has the meaning set forth in Section 3.1(a).

“DGCL” has the meaning set forth in the recitals.

“Dissenting Shares” has the meaning set forth in Section 3.5.

“Effective Date” has the meaning set forth in Section 2.3.

“Effective Time” has the meaning set forth in Section 2.3.

“Environmental Claims” has the meaning set forth in Section 5.23.

“Environmental Laws” has the meaning set forth in Section 5.23.

“ERISA” mean the Employee Retirement Income Security Act of 1974, as amended.

“Excess Shares” has the meaning set forth in Section 3.2(d)(i).

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Exchange Agent” has the meaning set forth in Section 3.2(a)(i).

“Excluded Shares” has the meaning set forth in Section 3.1(a).

“Federal Reserve Board” means the Board of Governors of the Federal Reserve System.

“Fee” has the meaning set forth in Section 10.3(b).

“Final Dividend” has the meaning set forth in Section 7.1(a).

“Form F-4” has the meaning set forth in Section 8.1(a).

“FSA” means the U.K. Financial Services Authority.

“Governmental Consents” has the meaning set forth in Section 9.1(d).

“Governmental Entity” means any federal, state, local or foreign government, any court, administrative, regulatory or other governmental agency, commission or authority or any non­governmental self-regulatory agency, commission or authority, in each such case in any part of the world, including, without limitation, the NYSE, the UKLA, the LSE, the HKSE, the FSA, the Federal Reserve Board and the Hong Kong Monetary Authority.

“HKSE” means The Stock Exchange of Hong Kong Ltd.

“HKSE Listing Rules” means The Rules Governing The Listing of Securities on the HKSE.

“Hong Kong” means the Hong Kong Special Administrative Region of the People’s Republic of China.

“HSR Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

“Intellectual Property” means all intellectual property and other similar proprietary rights in any jurisdiction, whether owned or held for use under license, whether registered or unregistered, including without limitation such rights in and to: (i) Trademarks; (ii) Patents, inventions, invention disclosures, discoveries and improvements, whether or not patentable; (iii) Copyrights; (iv) Trade Secrets; (v) Software; (vi) domain names and uniform resource locators;

(vii) mask works; (viii) moral rights; and (ix) claims, causes of action and defenses relating to the enforcement of any of the foregoing; in each case, including any registrations of, applications to register, and renewals and extensions of, any of the foregoing with or by any governmental authority in any jurisdiction.

“IRS” means the United States Internal Revenue Service.

“Licensed Company IP” means all Company IP other than the Owned Company IP.

“LSE” means the London Stock Exchange plc.

“Material Adverse Effect” means, with respect to Parent or the Company, as the case may be, a material adverse effect on (i) the business, assets, liabilities, results of operations or financial condition of such party and its subsidiaries taken as a whole; provided, however, that with respect to this clause (i), Material Adverse Effect shall not be deemed to include the impact of (v) the public disclosure of the transactions contemplated hereby, (w) changes in laws, rules or regulations of general applicability or interpretations thereof by courts or Governmental Entities, in each case after the date hereof, (x) changes, after the date hereof, in applicable generally accepted accounting principles or regulatory accounting requirements generally applicable to comparable companies, (y) actions or omissions of a party to this Agreement taken with the prior written consent of the other parties to this Agreement and (z) changes, after the date hereof, in general economic and market conditions except, in the case of clauses (w), (x) and (z), to the extent that such changes have a disproportionately adverse effect on the relevant party and its subsidiaries relative to comparable businesses, or (ii) the ability of such party to perform its

material obligations under this Agreement and to consummate the transactions contemplated hereby.

“Merger” has the meaning set forth in the recitals.

“Merger Sub” has the meaning set forth in the preamble.

“Merger Sub Common Stock” has the meaning set forth in Section 3.1(d).

“Month End Date” has the meaning set forth in Section 2.2.

“Multi-State Settlement Agreement” has the meaning set forth in Section 5.11(c).

“1996 Plan” has the meaning set forth in Section 3.4(a).

“NYSE” means the New York Stock Exchange, Inc.

“OCC” means the Office of the Comptroller of Currency.

“OFT” means the U.K. Office of Fair Trading.

“Option Holder” has the meaning set forth in Section 3.4(a).

“Order” has the meaning set forth in Section 9.1(e).

“Other Company Documents” has the meaning set forth in Section 5.7(e).

“Owned Company IP” means that portion of the Company IP that is owned by the Company and its subsidiaries.

“Parent” has the meaning set forth in the preamble.

“Parent ADRs” has the meaning set forth in Section 3.1(a).

“Parent Circular” has the meaning set forth in Section 8.1(c).

“Parent Counsel Tax Opinion” has the meaning set forth in Section 8.7.

“Parent Depositary Shares” has the meaning set forth in Section 3.1(a).

“Parent Disclosure Schedule” has the meaning set forth in Section 4.1.

“Parent Documents” has the meaning set forth in Section 8.1(c).

“Parent Financial Statements” has the meaning set forth in Section 6.5.

“Parent Intermediate Holding Subsidiary” has the meaning set forth in the recitals.

“Parent Listing Particulars” has the meaning set forth in Section 8.1(c).

“Parent Ordinary Shares” has the meaning set forth in Section 3.1(a).

“Parent Plans” has the meaning set forth in Section 8.10(b).

“Parent SEC Documents” has the meaning set forth in Section 6.5.

“Parent Shareholder Approval” has the meaning set forth in Section 6.13.

“Parent Shareholder Meeting” has the meaning set forth in Section 8.2(a).

“Patents” means patents and patent applications, and any and all divisions, continuations, continuations-in-part, reissues, continuing patent applications, reexaminations, and extensions thereof, any counterparts claiming priority therefrom, utility models, patents of importation/confirmation, certificates of invention, certificates of registration and like rights.

“PBGC” has the meaning set forth in Section 5.18(a).

“Person” means any individual, corporation (including not-for-profit), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, Governmental Entity or other entity of any kind or nature.

“Preferred Merger Consideration” means, with respect to any series of Preferred Shares not redeemed pursuant to Section 8.15 and outstanding immediately prior to the Effective Time, the cash consideration into which such series of Preferred Shares will be converted in the Merger

pursuant to Section 3.1(b).

“Preferred Shares” has the meaning set forth in Section 5.3(a).

“Press Announcements” means any press announcements issued in accordance with the

UKLA Listing Rules or the HKSE Listing Rules.

“Previously Filed Company SEC Documents” has the meaning set forth in Section 5.7(a).

“Previously Filed Parent SEC Documents” has the meaning set forth in Section 6.6.

“Proposed Closing Date” has the meaning set forth in Section 2.2.

“Prospectus” has the meaning set forth in Section 8.1(a).

“Proxy Statement” has the meaning set forth in Section 8.1(a).

“RAP” has the meaning set forth in Section 5.7(c).

“Required States” has the meaning set forth in Section 5.11(c).

“Rights Agreement” means the Rights Agreement, dated July 9, 1996, between the

Company and Harris Trust and Savings Bank, as Rights Agent. “SAP” has the meaning set forth in Section 5.7(b).

“Sarbanes-Oxley Act” means the Sarbanes-Oxley Act of 2002.

“SEC” means the Securities and Exchange Commission.

“Securities Act” means the Securities Act of 1933, as amended.

“Securitization Disclosure Documents” has the meaning set forth in Section 5.17(a).

“Servicing Agreement” means all contracts and agreements pursuant to which the Company or any of its subsidiaries has Company Servicing Rights.

“Software” means software, including without limitation data files, source code, object code, application programming interfaces, databases and other software-related specifications and documentation.

“Subsidiary Charter Documents” has the meaning set forth in Section 5.2.

“Superior Proposal” means any proposal made by a third party to acquire, directly or indirectly (including through a merger, consolidation or similar transaction), for consideration consisting of cash and/or securities, all of the Company Common Stock entitled to vote generally in the election of directors or all or substantially all of the assets of the Company, on terms which the Board of Directors of the Company reasonably believes (after consultation with a financial advisor of nationally recognized reputation and outside legal counsel) to be reasonably capable of completion and, if completed, more favorable from a financial point of view to its shareholders than the Merger and the transactions contemplated by this Agreement taking into account at the time of determination any changes to the financial terms of this Agreement proposed by Parent.

“Surviving Corporation” has the meaning set forth in Section 2.1.

“Tax” shall mean, with respect to any Person, any tax, domestic or non-U.S., including without limitation any income (net, gross or other, including recapture of any tax items such as investment tax credits), alternative or add-on minimum tax, gross income, gross receipts, gains, sales, use, leasing, lease, user, ad valorem, transfer, recording, franchise, profits, property (real or personal, tangible or intangible), fuel, license, withholding on amounts paid to or by such Person, payroll, employment, unemployment, social security, excise, severance, stamp, occupation, premium, environmental or windfall profit tax, custom, duty, value added or other tax, or other like assessment or charge of any kind whatsoever, together with any interest, levies, assessments, charges, penalties, additions to tax or additional amounts imposed by any Taxing Authority.

“Tax Return(s)” shall mean all returns, consolidated or otherwise, reports or statements (including without limitation informational returns), required to be filed with any Taxing Authority.

“Taxing Authority” shall mean any Governmental Entity responsible for the imposition of any Tax.

“Third-Party Asset Investor” means, with respect to any asset serviced by the Company or any of its subsidiaries for any third party, any owner, purchaser or beneficiary of such asset.

“Trade Secrets” means trade secrets (including, those trade secrets defined in the Uniform Trade Secrets Act and under corresponding foreign statutory and common law), business, technical and know-how information, non-public information, and confidential information and rights to limit the use or disclosure thereof by any Person.

“Trademarks” means trademarks, trade dress, service marks, certification marks, logos, and trade names, and the goodwill associated with the foregoing.

“UKLA” means the FSA, acting in its capacity as the competent authority for the purpose of Part VI of the Financial Services and Markets Act 2000.

“Units” has the meaning set forth in Section 5.3(a).

“U.S. GAAP” means United States generally accepted accounting principles.

**ARTICLE II**

**THE MERGER**

2.1 The Merger. Upon the terms and subject to the conditions set forth in this Agreement, at the Effective Time and in accordance with the DGCL, the Company shall be merged with and into Merger Sub and the separate corporate existence of the Company shall thereupon cease. Merger Sub shall be the surviving corporation in the Merger (sometimes hereinafter referred to as the “Surviving Corporation”), and the separate corporate existence of Merger Sub with all its rights, privileges, immunities, powers and franchises shall continue unaffected by the Merger. At the Effective Time, the effect of the Merger shall be as provided in this Agreement, and the applicable provisions of the DGCL. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time all the property, rights, privileges, powers and franchises of the Company and Merger Sub shall vest in the Surviving Corporation, and all debts, liabilities and duties of the Company and Merger Sub shall become the debts, liabilities and duties of the Surviving Corporation.

2.2 Closing. The closing of the Merger (the “Closing”) shall take place (i) at the offices of Cleary, Gottlieb, Steen & Hamilton, One Liberty Plaza, New York, New York at 9:00

a.m. New York City time on the fifth Business Day after all of the conditions set forth in Article IX have been fulfilled or waived (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the fulfillment or waiver of those conditions) in accordance with this Agreement (the “Proposed Closing Date”); provided, however, that if the Proposed Closing Date occurs within five Business Days before the last day of a calendar month, Parent may elect, at its option, to defer the Closing until such month-end date (the “Month End Date”) by giving written notice to such effect to the Company accompanied by a written irrevocable waiver of all conditions other than the conditions contained in Sections 9.1(e), 9.1(f) and 9.2(f), to the extent permissible under applicable law, of all conditions to Closing as of the Month End Date or (ii) at such other place and time and/or on such other date as the Company and Parent may agree in writing (the date upon which the Closing occurs, the “Closing Date”).

2.3 Effective Time. Subject to the provisions of this Agreement, as soon as practicable following the Closing on the Closing Date, the parties hereto shall file a certificate of merger as contemplated by the DGCL (the “Certificate of Merger”), together with any required related certificates, with the Secretary of State of the State of Delaware, in such form as required by, and executed in accordance with the relevant provisions of, the DGCL. The Merger shall become effective upon the filing of the Certificate of Merger or at such later date and time as Parent and the Company shall agree and specify in such Certificate of Merger (such time, the “Effective Time” and the date on which the Effective Time occurs, the “Effective Date”).

2.4 Change in Structure. Parent may at any time prior to the Effective Time change the structural method of effecting the combination with the Company (including, without limitation, the provisions of this Article II and of Article III) if and to the extent Parent deems such change to be desirable; provided, however, that no such change shall (i) alter or change in any way (including as to the amount or kind) the consideration to be issued to holders of capital stock of the Company, or the holders of any Company Stock Options as provided for in this Agreement, (ii) adversely affect the tax treatment of holders of Common Shares as a result of the transactions contemplated by this Agreement, (iii) materially impede or materially delay, or be reasonably likely to materially impede or materially delay, consummation of the transactions contemplated by this Agreement or (iv) adversely affect any party’s ability to satisfy any of the closing conditions set forth in Article IX.

2.5 Certificate of Incorporation. The certificate of incorporation of Merger Sub as in effect immediately prior to the Effective Time shall be the certificate of incorporation of the Surviving Corporation (the “Certificate of Incorporation”), until thereafter duly amended as provided therein or by applicable law.

2.6 Bylaws. The bylaws of Merger Sub in effect immediately prior to the Effective Time shall be the bylaws of the Surviving Corporation (the “Bylaws”), until thereafter amended as provided therein or by applicable law.

2.7 Directors. The directors of Merger Sub immediately prior to the Effective Time shall, from and after the Effective Time, be the directors of the Surviving Corporation until their successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the Certificate of Incorporation and the Bylaws of the Surviving Corporation.

2.8 Officers. The officers of the Company immediately prior to the Effective Time shall, from and after the Effective Time, be the officers of the Surviving Corporation until their successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the Certificate of Incorporation and the Bylaws of the Surviving Corporation.

**ARTICLE III**

**EFFECT OF THE MERGER ON STOCK; EXCHANGE OF CERTIFICATES**

3.1 Effect on Capital Stock. At the Effective Time, as a result of the Merger and without any action on the part of the holder of any stock of the Company or Merger Sub:

(a) Common Merger Consideration. Each share of Company Common Stock, $1.00 par value per share (each, a “Common Share”), issued and outstanding immediately prior to the Effective Time (other than shares (i) owned by Parent or any subsidiary of the Company or Parent, unless held for the account or benefit of any customer, client or other Person, or (ii) held in treasury by the Company (collectively, “Excluded Shares”)), shall be converted into the right to receive, in accordance with this Article III, 2.675 (the “Common Exchange Ratio”) ordinary shares of Parent, of nominal value U.S. $0.50 each (“Parent Ordinary Shares”). Each holder of converted and cancelled Common Shares (other than Excluded Shares) shall have the right to elect (in respect of each separate beneficial owner) to receive, in lieu of each of the Parent Ordinary Shares such beneficial owner has the right to receive pursuant to the prior sentence,

0.535 American depositary shares (the “Parent Depositary Shares”) per Common Share, each such Parent Depositary Share representing the right to receive five Parent Ordinary Shares (such Parent Ordinary Shares or Parent Depositary Shares to be issued to holders of Common Shares, the “Common Merger Consideration”). The Parent Depositary Shares may be evidenced by one or more American depositary receipts (“Parent ADRs”) issued in accordance with the Deposit Agreement among Parent, The Bank of New York, as depositary (the “Depositary”), and holders and beneficial owners from time to time of Parent ADRs issued thereunder (as amended from time to time, the “Deposit Agreement”).

(b) Preferred Merger Consideration.

(i) Each share of Company 7 5/8% Preferred Stock issued and outstanding immediately prior to the Effective Time (other than Excluded Shares and Dissenting Shares) shall be converted into the right to receive, in accordance with this Article III, cash in the amount of $1,000 ($25 per depositary share) plus all accumulated and unpaid dividends to but excluding the Closing Date, without interest.