Forward looking statement

This document contains or incorporates by reference ‘forward-looking statements’ regarding the belief, assumptions or current expectations of the Company, the Directors and other members of its senior management about the Group’s strategy, businesses, performance and the other matters described in this document. Generally, words such as “may”, “should”, “could”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “plan”, “seek”, “continue” or similar expressions are intended to identify forward-looking statements.

Forward-looking statements involve inherent risks and uncertainties. They are not guarantees of future performance and actual results could differ materially from those contained in the forward-looking statements. Forward-looking statements are based on current views, estimates and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the Group and are difficult to predict. Such risks, factors and uncertainties may cause actual results to differ materially from any future results or developments expressed or implied from the forward-looking statements. Such risks, factors and uncertainties include but are not limited to: changes in the credit quality and the recoverability of loans and amounts due from counterparties; changes in the Group’s financial models incorporating assumptions, judgments and estimates which may change over time; risks relating to capital, capital management and liquidity; risks associated with implementation of Basel III and uncertainty over the timing and scope of regulatory changes in various jurisdictions in which the Group operates; risks arising out of legal and regulatory matters, investigations and proceedings; operational risks inherent in the Group’s business; risks arising out of the Group’s holding company structure; risks associated with the recruitment, retention and development of senior management and other skilled personnel; risks associated with business expansion and engaging in acquisitions; reputational risk; pension risk; global macroeconomic risks; risks arising out of the dispersion of the Group’s operations, the locations of its businesses and the legal, political and economic environment in such jurisdictions; competition; risks associated with the UK Banking Act 2009 and other similar legislation or regulations; changes in the credit ratings or outlook for the Group; market, interest rate, commodity prices, equity price and other market risk; foreign exchange risk; financial market volatility; systemic risk in the banking industry and among other financial institutions or corporate borrowers; cross-border country risk; risks arising from operating in markets with less developed judicial and dispute resolution systems; risks arising out of regional hostilities, terrorist attacks, social unrest or natural disasters and failure to generate sufficient level of profits and cash flows to pay future dividends.

Any forward-looking statement contained in this document is based on past or current trends and/or activities of the Group and should not be taken as a representation that such trends or activities will continue in the future. No statement in this document is intended to be a profit forecast or to imply that the earnings of the Company and/or the Group for the current year or future years will necessarily match or exceed the historical or published earnings of the Company and/or the Group. Each forward-looking statement speaks only as of the date of the particular statement. Except as required by any applicable law or regulations, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Group’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.
Greater China and North Asia (GCNA) overview

- Over 150 years of history and heritage in China and Hong Kong
- Over 40% of Group income and key profit generator
- Significant outbound and inbound revenue contributor
- Exciting region with growing proportion of world GDP
- Near-term outlook impacted by market conditions and management actions
- Well positioned into cycle: taken proactive actions on cost and asset quality
- Clear proposition; investing in core competencies to capture long term opportunities

Operating income by region

GCNA key markets profile

<table>
<thead>
<tr>
<th>Market</th>
<th>Staff</th>
<th>Presence since</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Kong</td>
<td>~5,700</td>
<td>1859</td>
</tr>
<tr>
<td>China</td>
<td>~5,700</td>
<td>1858</td>
</tr>
<tr>
<td>Taiwan</td>
<td>~3,400</td>
<td>1985</td>
</tr>
<tr>
<td>Korea</td>
<td>~4,700</td>
<td>1929</td>
</tr>
<tr>
<td>Japan</td>
<td>~160</td>
<td>1880</td>
</tr>
<tr>
<td>Total1</td>
<td>&gt; 21,000</td>
<td>-</td>
</tr>
</tbody>
</table>
GCNA performance summary

<table>
<thead>
<tr>
<th>US$m</th>
<th>FY 14</th>
<th>FY 15¹</th>
<th>Better / (Worse) %</th>
</tr>
</thead>
<tbody>
<tr>
<td>GCNA</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>6,916</td>
<td>6,267</td>
<td>(9)</td>
</tr>
<tr>
<td>Expenses</td>
<td>(4,090)</td>
<td>(3,979)</td>
<td>3</td>
</tr>
<tr>
<td>Impairments</td>
<td>(1,016)</td>
<td>(1,006)</td>
<td>1</td>
</tr>
<tr>
<td>Profit before tax (Underlying)</td>
<td>1,987</td>
<td>1,456</td>
<td>(27)</td>
</tr>
</tbody>
</table>

- Performance impacted by macro and management actions
- Early progress on strategic priorities
  - Proactive actions on cost and asset quality
  - Repositioning China and Korea
  - Investing in core strengths
- More to do to improve returns

FY15 GCNA income by key markets (US$)

- Hong Kong 56%
- China 16%
- Taiwan 8%
- Korea 19%
- Japan 1%
- $6,267m

FY15 GCNA income by segments (US$)

- Retail 45%
- Corporate & Institutional 47%
- Private Banking 2%
- Commercial 6%
- $6,267m

¹) Exclude restructuring charges in 2015
A well-established franchise, pivotal to the Group’s overall network proposition

China continues to be a significant network income contributor

**GCNA income\(^1\)**

- **2004**
  - Hong Kong
  - Taiwan
  - Korea
  - Japan
  - **China** (\(> 3x\))

- **2015**
  - Hong Kong
  - Taiwan
  - Korea
  - Japan
  - **China**

**China client income\(^2\)**

- Onshore income
- Network income

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1) Includes own account income
2) Breakdown as of FY15
GCNA strategic priorities

- Sustain and grow network business
- Turnaround RB and CB
- Capture China opening

- Sustain and grow network business
- Turnaround RB and CB
- Leverage alliances

- Drive network business
- Enhance onshore distribution

- Leverage offshore gateway capabilities
- Capture mainland wealth
- Drive RMB leadership

- Diversify business mix
- Optimise footprint
- Bank commercial wealth

Income by segment (as of FY15)

1) CIB – Corporate and Institutional Banking
2) CB – Commercial Banking
3) RB – Retail Banking
4) PvB – Private Banking
Hong Kong overview – invest to grow fundamentals and capture cross-border opportunities

- Deeply rooted franchise
- Resilient and diversified income base
- Strong brand, client relationships and people
- Highly liquid balance sheet
- Strong network collaboration

Strategic priorities to:
- Invest to strengthen resilience of franchise
- Drive balance sheet and capital efficiency
- Capture cross-border opportunities

**Challenges**
- Slowing China
- RMB and equity market volatility
- Poor investment sentiment
- Low interest rate environment

**Opportunities**
- Leverage strong platform and network connectivity
- Opening of China and RMB internationalisation
- Mainland wealth and investment flow
- Strategic alliances to accelerate client acquisition
China overview – focus on target cities and clients

- Top foreign bank, unbroken commitment since 1858
- Significant contributor – onshore and offshore
- Near term priorities on risk management and cost
- Strategic priorities in place to drive transformation
  - Drive city prioritization and cost efficiency
  - Continue to drive Retail Banking transformation
  - Diversify CIB portfolio into ‘new economy’
  - Build Commercial Banking franchise

**Challenges**
- China adjusting to slower GDP growth
- RMB volatility and capital outflow
- Reform of state-owned enterprises
- Elevated pressures in credit environment

**Opportunities**
- Sharpened client value proposition targeting ‘New economy’ industries and high value segments
- Opening of China and RMB internationalisation
- Network business – i.e. One Belt, One Road
- Differentiation through product and digital capabilities
Korea overview – turnaround franchise and improve fundamentals

- Large economy, though banking industry has clearly been challenged
- Significant restructuring actions taken since 2013:
  - Headcount reduction from SRP\(^1\)
  - Simplified corporate structure
  - De-risked retail unsecured
- In 2016 we will continue to:
  - Improve cost efficiency, drive towards profitability
  - Leverage alliances
  - Grow network business

### Challenges

- Highly competitive & regulated banking market
- Prolonged low interest rates environment
- Slowdown in global economic growth, esp. China
- Inflexible cost base

### Opportunities

- Strategic alliances with Shinsegae and Samsung
- Network business in CIB and CB
- Up-tier client penetration
- Revitalised franchise post restructuring actions

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1) SRP – Special Retirement Plan
Investing to leverage the opening of China

Core advantages

- Strong franchise in Greater China
- Leader in offshore renminbi product innovation
- Recognised thought leader
- Leading trading bank in CNH FX market

Strategic priorities

- Capture opportunities from RMB SDR\(^1\) inclusion
- Gear up for China’s capital markets opening
- Leverage One Belt, One Road
- Capture ‘mainland wealth’ flows

Source: SWITCH watch; Bloomberg; Euromoney survey; 1) Special Drawing Rights

- STAN is present in ~50% of the Belt and Road (B&R) countries announced
- Product capabilities well positioned to meet financing needs of B&R enterprises

[Map showing Belt and Road countries]
We are uniquely positioned to capture offshore RMB opportunities

**RMB today**

- World’s 5th most used payment currency (Feb 2016, SWIFT)
- ~1/3 of China’s trade settled in RMB
- Current account fully liberalised
- SDR inclusion from 1st Oct 2016

**Our vision on RMB by 2020**

- RMB to become a G3 currency
- ~1/2 of China’s trade settled in RMB
- ~5% of the world’s FX reserves denominated in RMB (c.US$800bn – US$1tn)

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1) CIPS – Cross-border Interbank Payment System
2) ABS – Asset-backed securities
We have strong and all-rounded capabilities in RMB

<table>
<thead>
<tr>
<th>RMB clearing</th>
<th>RMB FX trading</th>
<th>RMB cross-border two-way cash pool</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st batch of CIPS¹ Direct Participant Banks</td>
<td>Top player in FX trading</td>
<td>Leading position in a number of successful cases for Shanghai Free Trade Zone scheme and Pan-China scheme</td>
</tr>
<tr>
<td>Customer service leveraging our local presence</td>
<td>Frontrunner of RMB FX / Rates hedging products</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Market leader of RMB structured investment products</td>
<td></td>
</tr>
<tr>
<td></td>
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</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>RMB cross-border trade settlement and payment</th>
<th>RMB bond issuance</th>
<th>CIBM² access</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leading player in RMB payment</td>
<td>Underwrote world’s 1st dim sum bond</td>
<td>Full licences for bond trading and custodian business</td>
</tr>
<tr>
<td>Top 10 on settlement amount in Shanghai (incl. Chinese banks)</td>
<td>Constantly top 2 in league tables</td>
<td>1 of the 4 foreign banks invited as settlement agents (total 16 banks, incl. Chinese banks)</td>
</tr>
<tr>
<td></td>
<td>Sub-underwriting licence for onshore bonds</td>
<td></td>
</tr>
<tr>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>RQFII</th>
<th>Shanghai-Hong Kong Stock Connect</th>
<th>Commodities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active player in RQFII</td>
<td>Full capability to capture market opportunities</td>
<td>Settlement bank for RMB collaterals for LME</td>
</tr>
<tr>
<td>End-to-end full capacity service</td>
<td></td>
<td>Founding member of Shanghai Gold Exchange International Board</td>
</tr>
<tr>
<td>Facilitated world’s 1st sovereign RQFII approval</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1) CIPS – Cross-border Interbank Payment System
2) CIBM – China’s Interbank Bond Market