



April 2016

Greater China and North Asia

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.

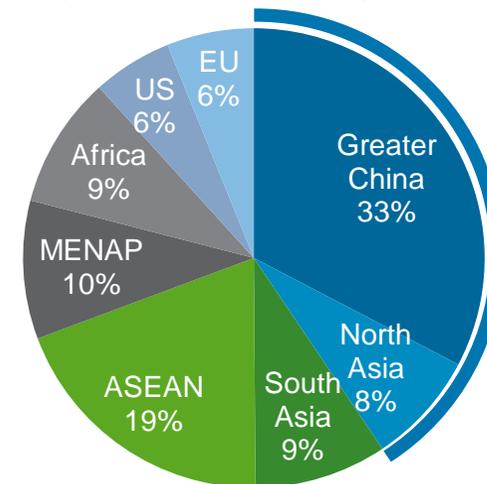
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Greater China and North Asia (GCNA) overview

- ✓ 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

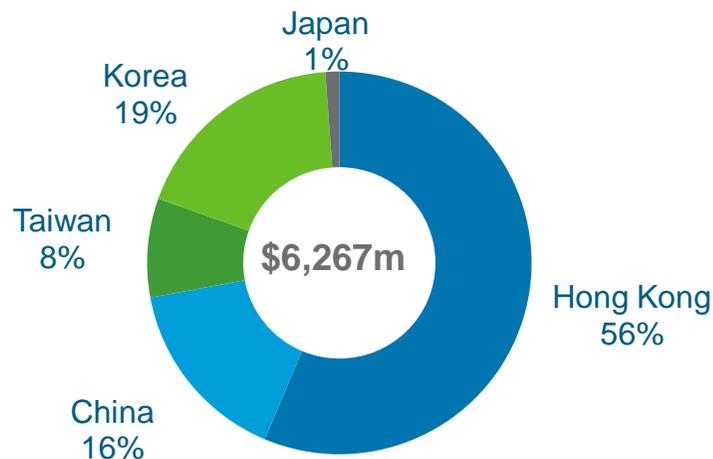
	Staff	Presence since
Hong Kong	~5,700	1859
China	~5,700	1858
Taiwan	~3,400	1985
Korea	~4,700	1929
Japan	~160	1880
Total¹	> 21,000	-

GCNA performance summary

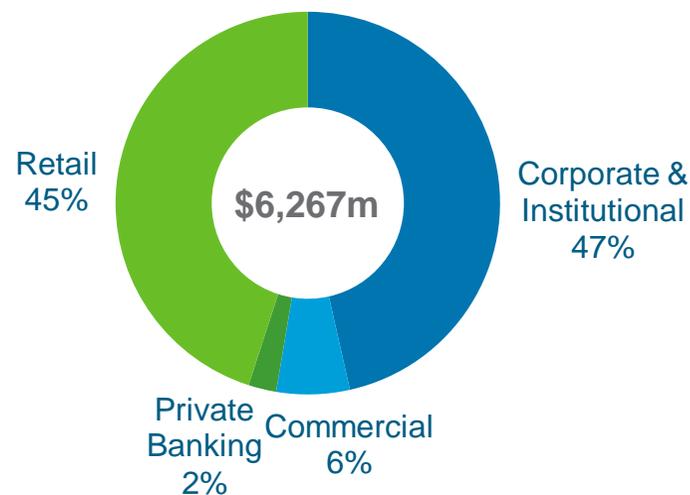
US\$m	FY 14	FY 15 ¹	Better / (Worse) %
GCNA			
<i>Income</i>	6,916	6,267	(9)
<i>Expenses</i>	(4,090)	(3,979)	3
<i>Impairments</i>	(1,016)	(1,006)	1
<i>Profit before tax (Underlying)</i>	1,987	1,456	(27)

- 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\$)

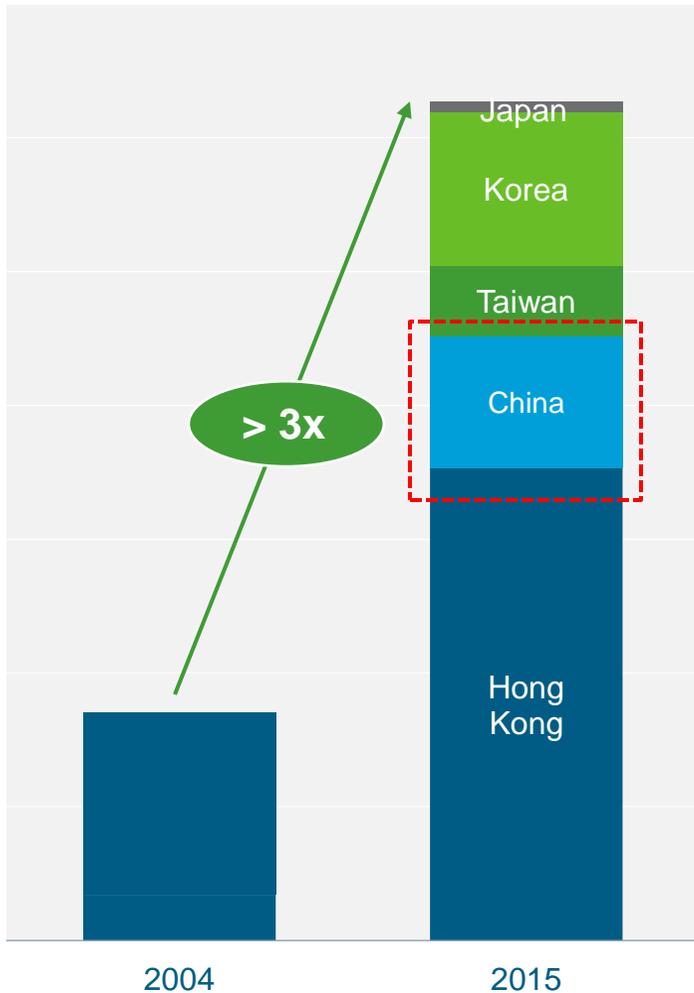


FY15 GCNA income by segments (US\$)

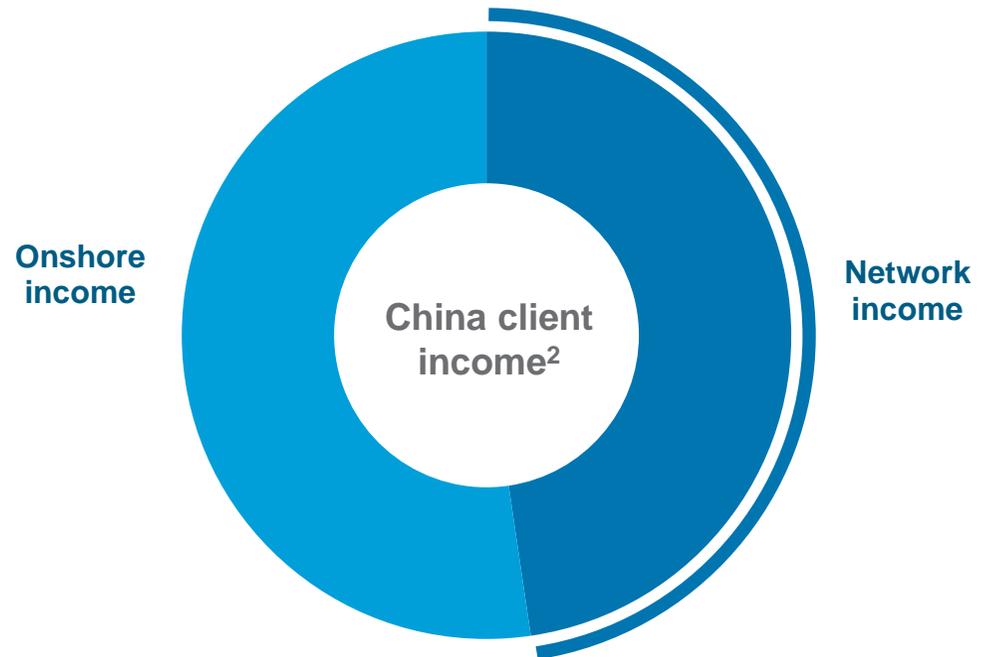


A well-established franchise, pivotal to the Group's overall network proposition

GCNA income¹



China continues to be a significant network income contributor



GCNA strategic priorities



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 SRP¹
 - 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

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

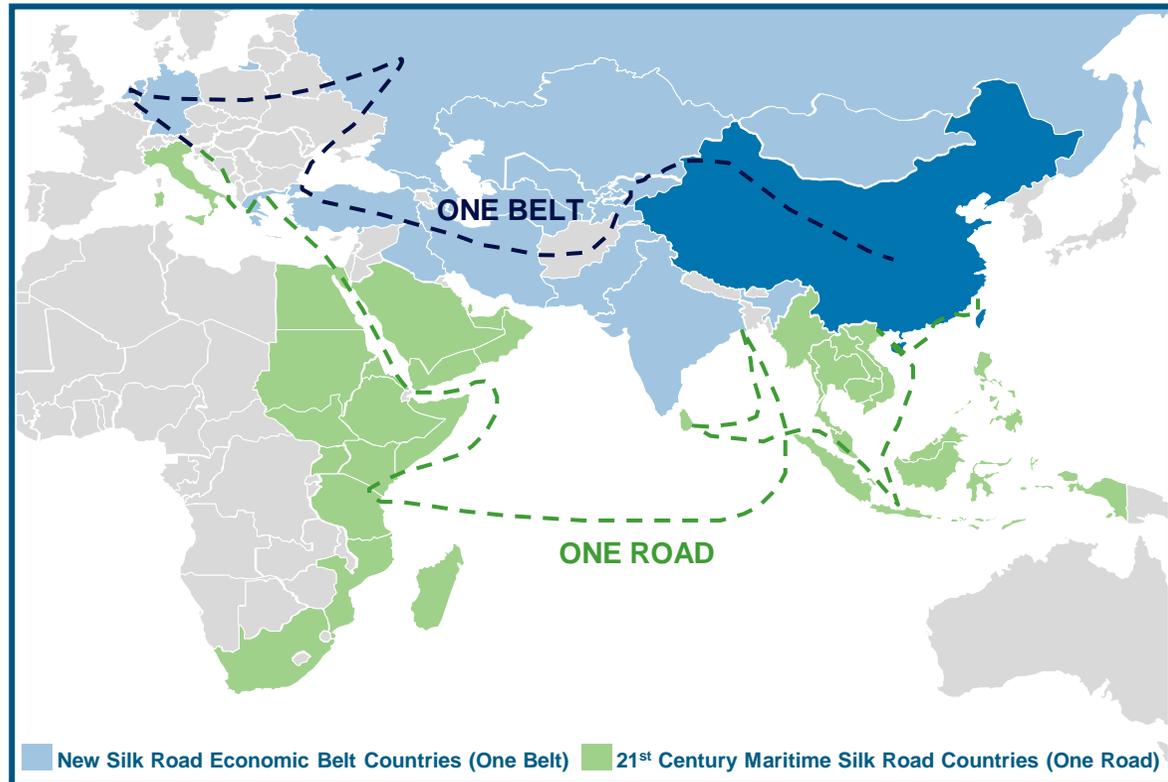
Capture opportunities from RMB SDR¹ inclusion

Gear up for China's capital markets opening

Leverage One Belt, One Road

Capture 'mainland wealth' flows

- 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



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

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)

SDR inclusion

- More RMB bond trading with higher demand from central banks
- FX and cash mgmt opportunities with RMB as a reserve currency:

RMB FX market

- Central banks gain direct access to onshore interbank FX market
- Onshore FX market trading hours extended
- Growth in RMB FX trading volume

Bond market

- Opening up of China's Interbank Bond Market; Panda Bond issuance
- Relaxation on offshore CNH bond proceeds repatriation
- Relaxation on outbound bond issuance by China Corporates / FI

Leasing company

- Bigger foreign debt quota creates demand for offshore borrowing
- Relaxation of fund repatriation restrictions

Securities / investment

- RQFII / QFII development, mutual recognition of funds
- Shenzhen- and Shanghai-Hong Kong Stock Connect

Commodities

- Settlement bank for Shanghai Gold Exchange International Board
- CNH trade financing and Structured Inventory Products

Others

- CIPS¹: global RMB clearing bank
- ABS²: fast growing domestic ABS market create trading opportunities

We have strong and all-rounded capabilities in RMB

<h2>RMB clearing</h2>	<h2>RMB FX trading</h2>	<h2>RMB cross-border two-way cash pool</h2>
<ul style="list-style-type: none"> ▪ 1st batch of CIPS¹ Direct Participant Banks ▪ Customer service leveraging our local presence 	<ul style="list-style-type: none"> ▪ Top player in FX trading ▪ Frontrunner of RMB FX / Rates hedging products ▪ Market leader of RMB structured investment products 	<ul style="list-style-type: none"> ▪ Leading position in a number of successful cases for Shanghai Free Trade Zone scheme and Pan-China scheme
<h2>RMB cross-border trade settlement and payment</h2>	<h2>RMB bond issuance</h2>	<h2>CIBM² access</h2>
<ul style="list-style-type: none"> ▪ Leading player in RMB payment ▪ Top 10 on settlement amount in Shanghai (incl. Chinese banks) 	<ul style="list-style-type: none"> ▪ Underwrote world's 1st dim sum bond ▪ Constantly top 2 in league tables ▪ Sub-underwriting licence for onshore bonds 	<ul style="list-style-type: none"> ▪ Full licences for bond trading and custodian business ▪ 1 of the 4 foreign banks invited as settlement agents (total 16 banks, incl. Chinese banks)
<h2>RQFII</h2>	<h2>Shanghai-Hong Kong Stock Connect</h2>	<h2>Commodities</h2>
<ul style="list-style-type: none"> ▪ Active player in RQFII ▪ End-to-end full capacity service ▪ Facilitated world's 1st sovereign RQFII approval 	<ul style="list-style-type: none"> ▪ Full capability to capture market opportunities 	<ul style="list-style-type: none"> ▪ Settlement bank for RMB collaterals for LME ▪ Founding member of Shanghai Gold Exchange International Board

