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They are not guarantees of future performance and actual results could differ materially from those contained in the forward-looking statements. These forward-looking statements reflect the current views, beliefs of the Directors and other members of senior management, as well as assumptions made by them and information currently available to them. Estimates and assumptions 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. 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This presentation is directed only at persons who: (i) are investment professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the "Order"); or (ii) fall within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc") of the Order (all such persons being "relevant persons"). It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons and may not be relied upon by such persons and is therefore not intended for private individuals. This presentation is only for relevant persons and must not be acted on, reviewed or relied on by persons who are not relevant persons.
## What we will cover today

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<th>Welcome</th>
<th>Bill Winters</th>
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<td>Bill Winters – Group Chief Executive Officer</td>
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<td>Strategic plan – Financial summary</td>
<td>Andy Halford – Group Chief Financial Officer</td>
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<td>Cost reduction and investment programme</td>
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<td>Tightening risk profile</td>
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<td>Generating improved Returns on Equity</td>
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<td>Metrics to measure our progress</td>
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<td>Summary</td>
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<td>Q&amp;A</td>
<td>Bill Winters and Andy Halford</td>
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</table>
We will establish a strong, lean, focused, differentiated and profitable bank

• GB£3.3bn Rights Issue and no final 2015 dividend to strengthen capital position and accelerate execution

• Businesses and assets representing over US$100bn, approximately one third, of Group Risk Weighted Assets to be restructured

• Gross cost reduction target increased to US$2.9bn to improve efficiency and fund investment over 4 years

• Approximately US$3bn restructuring charges expected by the end of 2016 from potential losses on liquidation of non strategic assets, redundancy costs and goodwill write downs

• A step-up in cash investment by more than US$1bn over 3 years to reposition our Retail and Private Banking businesses, our Africa franchise, our renminbi services, and to enhance controls

• Fundamental change in mix towards more profitable and less capital-intensive businesses

• Restructured the Group to focus on local execution and improved accountability

• After these actions, CET1 ratio will be towards the top end of our new target range of 12-13%

Will lead to a strongly capitalised bank poised for growth in our dynamic and growing markets, with the goal to deliver returns by business of 10%
There is clear need for change to address declining performance

- Economic uncertainty in many markets
- Heightened near term risks
- Unacceptable performance trajectory
- Performance lags local and global peers
- Underinvested systems
- Tighter capital and liquidity requirements
- Competition intensifying

**Profit before tax (US$bn) and RoE (%)**

- **Profit before tax**
  - 2010: 6
  - 2011: 6
  - 2012: 7
  - 2013: 6
  - 2014: 5
  - Q315 YTD: 3

- **Normalised ROE**
  - 2010: 20
  - 2011: 18
  - 2012: 16
  - 2013: 14
  - 2014: 12
  - Q315 YTD: 10
We operate in many of the highest growth markets in the world, despite current adverse emerging markets sentiment

2015-2019 forecast GDP and trade growth (CAGR\(^1\%\))

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP</th>
<th>Trade</th>
<th>GDP</th>
<th>Trade</th>
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<tbody>
<tr>
<td>UAE</td>
<td>3.5%</td>
<td>9.7%</td>
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<td>India</td>
<td>7.6%</td>
<td>7.9%</td>
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<tr>
<td>China</td>
<td>6.2%</td>
<td>6.5%</td>
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<td>Hong Kong</td>
<td>3.3%</td>
<td>5.6%</td>
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<td>Korea</td>
<td>3.6%</td>
<td>4.6%</td>
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<td>Taiwan</td>
<td>4.1%</td>
<td>5.7%</td>
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<td>Nigeria</td>
<td>5.4%</td>
<td>2.2%</td>
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<tr>
<td>Singapore</td>
<td>3.1%</td>
<td>7.4%</td>
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<td>Indonesia</td>
<td>5.8%</td>
<td>6.0%</td>
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<tr>
<td>Malaysia</td>
<td>5.0%</td>
<td>5.4%</td>
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Source: International Monetary Fund and World Trade Organisation

1) Compound annual growth rate
Powerful underlying trends offer exciting long-term opportunities

| Rise of Urban Middle Class | • Asia ex-Japan is expected to drive global private financial wealth growth  
|                           | • 29 of the 41 global mega-cities are expected to be in Asia, Africa and the Middle East by 2030  
|                           | • Markets such as China, India and Africa are becoming more consumption led  
|                           | • *This is the natural and existing client base of Standard Chartered*  
| Increasing Global Connectivity | • EM Corporates are ‘internationalising’ with 40% of revenues from overseas  
|                              | • Commercial clients comprise 30-60% of GDP in our footprint markets and are internationalising  
|                              | • China opening and renminbi likely to become a reserve currency  
|                              | • *Standard Chartered is a trade and commerce bank; these trends play to core strengths*  
| Digital Revolution | • Leverage strong brand with improved customer experience  
|                    | • Digitisation provides efficiency and productivity gains and makes us more convenient for clients  
|                    | • Dynamic landscape with new technologies and new competitors  
|                    | • *Rolling out our enhanced digital technology will enable us to compete effectively*  
| Financial Deepening | • Local capital markets deepening and internationalising  
|                    | • Increasing need for local hedging instruments for client risk management  
|                    | • Growing sophistication of financial services companies in local markets  
|                    | • *We are at the leading edge of the developments in many of our markets*  

Our strong brand, Wealth platform and presence in Asia, Africa and the Middle East will allow us to benefit from these underlying trends by giving outstanding service to clients
Guiding principles to become strong and profitable

1. Maintain strong capital position
2. Improve asset quality
3. Take action on areas generating below target returns
4. Invest where we have, or can have, sustainable advantage
5. Establish best-in-class conduct and control capabilities
6. Run local businesses locally and global businesses globally
7. Re-focus relentlessly on client satisfaction
8. Re-establish culture of excellence in everything we do
## Comprehensive programme of actions in pursuit of three core objectives

| 1 Secure the foundations | • Rights Issue expected to strengthen the balance sheet materially  
|                         | • Business strategy aligned with tightened risk tolerance  
|                         | • Businesses and assets representing approximately one third of Group RWA to be restructured  
|                         | • Simplified organisation structure to focus more on geographic execution  
|                         | • Deliver our conduct and financial crime risk programmes  
| 2 Get lean and focused  | • Restructure Corporate and Institutional Banking for higher returns  
|                         | • Accelerate Retail transformation  
|                         | • Fundamentally overhaul Commercial Banking  
|                         | • Clear and deliverable strategy for our regions  
|                         | • Assertively manage costs to create investment capacity  
| 3 Invest and innovate   | • Invest and innovate in Private Banking and Wealth Management to capture opportunities  
|                         | • Build on a strong foundation and invest to grow safely in Africa  
|                         | • Leverage opening of China; capture opportunities from renminbi internationalisation  
|                         | • Roll out enhanced Retail digital capabilities across our footprint  

Focused on execution and delivering on targets

- Commenced delivery of financial targets
- Strengthened CET 1
- On track to deliver existing cost efficiency targets
- On track to achieve existing low-returning RWA targets

- Introduced tighter risk tolerance criteria
- Actively de-risked and reduced concentrations
- Launched Training Academy: already trained c. 325 banks

- Announced sale or closure of over 20 non-strategic businesses since 2014
- UAE SME and correspondent banking closures

- Rolled out new simpler structure and new Management Team
- Defined new segment, product and regional strategies
- Started to drive headcount efficiencies throughout the Group
- Reduced headcount from ~91k FY 2014 to ~86.5k currently
- Investing to embrace digital era and address platform limitations
- World’s best Consumer Digital Bank 2015 (Global Finance)
Rights Issue expected to strengthen the balance sheet materially

- Raising net proceeds of GB£3.3bn or approximately US$5.1bn equivalent\(^1\) in ordinary shares by way of Rights Issue
- Issue price of 465 pence per share with 2 new shares for every 7 existing shares
- Discount of 29.4% to Theoretical Ex-Rights Price (TERP)
- Fully underwritten Rights Issue
- Rights Issue expected to complete before end of 2015
- The Board will not be proposing a final dividend for the current financial year
- The Directors and Management Team are fully supportive of the Rights Issue and those that are entitled to take up their rights intend to participate
- Proceeds of the Rights Issue expected to increase the CET 1 ratio by approximately 160bps as at 30 June 2015
- The Prudential Regulation Authority is familiar with the details of the Group’s current capital position and proposed plans, and has raised no objections in respect of them
- The Bank of England will publish the results of its 2015 stress tests on 1 December, including the results for the Group, the outcome of which is unknown to the Company and not yet finalised

\(^1\) Based on US$:GB£ exchange rate as of 02/11/2015
Business strategy aligned with tightened risk tolerance to create a more diverse and resilient balance sheet

1. Strategy set to risk tolerance – clients and products
2. Reduce concentrations
3. Focus on returns critical to risk discipline
4. Retail client focus on high value segments less capital intensive
5. Active portfolio management reduces tail risks
6. Operational Risk Framework cleared with focus on conduct

The future business is governed by more granular risk tolerance limits with Board level oversight
Businesses and assets comprising approximately one third of Group RWA to be restructured.

1. **Return on Equity (RoE)**
   - **<0%**
   - **Portfolio of assets beyond risk tolerance**
     - ~US$20bn
     - To be liquidated
   - **<5%**
   - **Manage client relationships**
     - Low returning relationships in CIB\(^2\) and Commercial Banking
     - ~US$50bn
     - Improve returns or exit
   - **~0%**
   - **Exit peripheral businesses**
     - ~US$5bn
     - Exit
   - **<5%**
   - **Focus countries**
     - Korea Retail and Commercial
     - ~US$10bn
     - Restructure
     - Republic Indonesia
     - ~US$20bn
     - Reposition

---

1) Return on Equity; 2) Corporate Institutional Banking
Simplified organisation structure to focus more on geographic execution

• Rolled out simplified organisation structure in July 2015
• Retail and Commercial businesses managed locally and regionally
• New management team established to deliver and execute strategy
• Simplified regional structure from 8 to 4
• Reduce layers and increase span of managers
• Senior staff exits in progress
• Drive headcount efficiencies throughout the organisation
• Plans to reduce gross headcount by approximately 15,000
Deliver our conduct and financial crime risk programmes

- Risk and conduct integral to strategic review and organisation structure
- Enhancing controls and strengthening compliance culture:
  - Hiring industry leaders
  - Establishing new governance frameworks
  - Substantial investment in systems
  - Conduct as a core part of the day job for every employee
- Determined to make leading contribution to the global fight against financial crime
- Engaging proactively with regulators and other stakeholders

Creating the right environment

- Effective operation of financial markets
- Fair outcome for clients
- Financial crime identification and reporting

Significant investment over the next 3 years
## Comprehensive programme of actions in pursuit of three core objectives

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<thead>
<tr>
<th>Secure the foundations</th>
<th>Get lean and focused</th>
<th>Invest and innovate</th>
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<tbody>
<tr>
<td>• Rights Issue expected to strengthen the balance sheet materially</td>
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<td>• Accelerate Retail transformation</td>
<td>• Build on a strong foundation and invest to grow safely in Africa</td>
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<td>• Businesses and assets representing approximately one third of Group RWA to be restructured</td>
<td>• Fundamentally overhaul Commercial Banking</td>
<td>• Leverage opening of China; capture opportunities from renminbi internationalisation</td>
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<tr>
<td>• Simplified organisation structure to focus more on geographic execution</td>
<td>• Clear and deliverable strategy for our regions</td>
<td>• Roll out leading Retail digital capabilities across our footprint</td>
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<td>• Deliver our conduct and financial crime risk programmes</td>
<td>• Assertively manage costs to create investment capacity</td>
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</table>
Restructure Corporate and Institutional Banking for higher returns

Strategic priorities...

- Upgrade or exit lower returning clients and RWAs
- Favour network businesses (TB and FM)\(^1\)
- Take costs out ahead of RWAs
- Service clients’ supply and distribution ecosystem
- Create leading asset distribution capability
- Sustain renminbi leadership

...with actions to drive higher returns

- US$40bn RWA optimisation
- US$750m direct business cost saves targeted 2016-2018...
- …substantially offset by investment into Transaction Banking and Financial Markets and control enhancements
- Complete global roll-out of enhanced platforms, e.g. Transaction Banking
- Drive headcount efficiencies throughout the business

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\(^1\) Transaction Banking and Financial Markets
Step up investment in brand and marketing

Deliver significant cost efficiency though technology investment

Focus on Priority and emerging urban affluent clients in major cities

Turn around Korea performance, but keep options open

Tighten city-focused strategy in China

Accelerate Retail transformation

Strategic priorities

Branch rationalisation
(Number of branches)

2013 YE
2015 Q3
End state

US$550m direct business cost saves targeted 2016-2018

Core cities already generate 10% RoE

Current RoE < 0%
Manage for returns

Around Korea performance, but keep options open

Focus on Priority and emerging urban affluent clients in major cities

Tighten city-focused strategy in China

Deliver significant cost efficiency though technology investment

Step up investment in brand and marketing

Non-core cities incl. Korea

Core cities
Fundamentally overhaul Commercial Banking

Core advantages

- Long history of banking growing and internationalising companies in our markets
- Strong and integrated product platform (TB and FM)
- Distinctive bank-wide connections, across borders and supply chains

Strategic priorities

Re-cost and re-tool

- New segment including transfer of Local Corporates from Corporate and Institutional Banking
- Take out ~US$10bn low returning RWA
- Right-size the expense base
- Continue to enhance controls and ensure continued improvements in financial crime compliance

Build on differentiated strengths

- Build the proposition on our strengths – international, supply chain link to International Corporates, strong product capabilities
- Leverage local connectivity, managing via country franchises
- Make significant investment into Africa
We have a clear and deliverable strategy for our regions building on our current strategic positioning.

<table>
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<tr>
<th>Greater China &amp; North Asia</th>
<th>ASEAN &amp; South Asia</th>
<th>Africa &amp; Middle East</th>
<th>Europe &amp; Americas</th>
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<tr>
<td>&quot;Invest to grow Hong Kong; restructure Retail and Commercial in China and Korea&quot;</td>
<td>&quot;Drive Retail Banking to turn around performance in key markets&quot;</td>
<td>&quot;Invest to grow in Africa; refocus MENA, build in Pakistan&quot;</td>
<td>&quot;Maintain our origination centres to support the network; reshape LatAm&quot;</td>
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Current Strategic Positioning

- **Invest in strength**
- **Operational execution**
- **Reshape / turnaround**
- **No presence**

1) Retail Banking; 2) Private Bank; 3) Commercial Banking
Assertively manage costs to create investment capacity

Significant step up in gross cost efficiency targets

**New Plan**
US$2.9bn over 4 years (2015-2018)

**Original Plan**
US$1.8bn over 3 years (2015-2017)

On track to deliver US$0.6bn (2015)

Committed to total 2018 costs below total 2015 costs

Creating capacity to significantly step up investment

- Significant incremental investment into business controls across segments
- Additional business investment into
  - Retail client systems and digital capability
  - Private Banking and Wealth Management
  - Upgrade Africa infrastructure and deepen Retail presence in select markets
  - Invest into renminbi services to build a leading and differentiated network offering

A step-up in cash investment by more than US$1bn over three years, to deliver a cost, control and profitability transformation
Comprehensive programme of actions in pursuit of three core objectives

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<tr>
<td>• Clear and deliverable strategy for our regions</td>
<td></td>
</tr>
<tr>
<td>• Assertively manage costs to create investment capacity</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3</th>
<th>Invest and innovate</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Invest and innovate in Private Banking and Wealth Management to capture opportunities</td>
<td></td>
</tr>
<tr>
<td>• Build on a strong foundation and invest to grow safely in Africa</td>
<td></td>
</tr>
<tr>
<td>• Leverage opening of China; capture opportunities from renminbi internationalisation</td>
<td></td>
</tr>
<tr>
<td>• Roll out enhanced Retail digital capabilities across our footprint</td>
<td></td>
</tr>
</tbody>
</table>
We are investing in the businesses generating the Group’s incremental returns above our cost of capital, driving value.

Over US$1bn of strategic business investment over three years

- Retail client systems and digital capability
- Private Banking and Wealth Management
- Upgrade Africa infrastructure and deepen Retail presence in select markets
- Invest into renminbi services to build a leading and differentiated network offering
- Majority of growth in profits above cost of capital to come from Retail, Private Banking and Wealth
- Investments expected to increase RoE by more than 100 bps
Invest and innovate in Private Banking and Wealth Management to capture the opportunities in our footprint

**Core advantages**

- Best in class, open architecture wealth distribution platform
- Strong onshore presence in rapidly growing Wealth markets
- Advantaged origination from Retail, Commercial and Corporate clients

**Strategic priorities**

**Distinctive and digital distribution**

~US$250m cash investment 2016-2018 to upgrade capabilities and build a single global platform:
- Improve sales productivity
- Improve efficiency with increased automation of back-office activities
- Lower operational risk

**Greater China Wealth**

- Leverage our brand and strength in Hong Kong and our onshore presence in China to differentially invest in and grow our Greater China Wealth business

**Privileged client acquisition**

- Be the ‘Private Bank of Entrepreneurs’ with enhanced proposition for high net worth entrepreneurs
- Meaningful revenue and Asset under Management growth from collaboration between Private Banking, Corporate and Institutional Banking and Commercial Banking
Core advantages

- Relevant footprint for multinational companies
- Strong market share in key markets
- Differentiated and valuable brand

Corporate and Institutional: Build upon renminbi, Rates and FX capabilities, sovereign relationships and invest in infrastructure

Commercial Banking: Target low risk, low cost supply chain driven model

Retail: Deepen presence in select markets, front-end digital rollout

Continue to invest in financial crime risk controls

~US$250m cash investment 2016-2018
Leverage opening of China; capture opportunities from renminbi internationalisation

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

- Renminbi’s inclusion in SDR¹ basket
- Gear up for Capital Markets opening
- Leverage One Belt, One Road
- Capture ‘mainland wealth’ flows

Source: SWITCH watch; Bloomberg; Euromoney survey; 1) Special Drawing Rights
3 Roll out enhanced retail digital capabilities across our footprint

Tomorrow – End to end Digital

Client

Frontline

Operations

Staff assisted (Workbench)

Online Channels

Workflow System

Automated CDD, Credit & WM systems

Transaction Processing Systems

Analytics Data Warehouse

- Majority of the ~US$500m cash investment into Retail 2016 – 2018

Today

Target

Paper based on-boarding

90% → 10%

Turn around time

5 days → <1 hour

Online Sales

10% → 30%

Branch Transactions

80M → 40M

Staff productivity

25%
We will establish a strong, lean, focused, differentiated and profitable bank

- GB£3.3bn Rights Issue and no final 2015 dividend to strengthen capital position and accelerate execution
- Businesses and assets representing over US$100bn, approximately one third, of Group Risk Weighted Assets to be restructured
- Gross cost reduction target increased to US$2.9bn to improve efficiency and fund investment over 4 years
- Approximately US$3bn restructuring charges expected by the end of 2016 from potential losses on liquidation of non strategic assets, redundancy costs and goodwill write downs
- A step-up in cash investment by more than US$1bn over 3 years to reposition our Retail and Private Banking businesses, our Africa franchise, our renminbi services, and to enhance controls
- Fundamental change in mix towards more profitable and less capital-intensive businesses
- Restructured the Group to focus on local execution and improved accountability
- After these actions, CET1 ratio will be towards the top end of our new target range of 12-13%

Will lead to a strongly capitalised bank poised for growth in our dynamic and growing markets, with the goal to deliver returns by business of 10%
Q3 performance further highlights the need for change

<table>
<thead>
<tr>
<th>US$m</th>
<th>Q3 14</th>
<th>Q3 15</th>
<th>Better/ (Worse)%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>4,514</td>
<td>3,682</td>
<td>(18)</td>
</tr>
<tr>
<td>Expenses</td>
<td>(2,314)</td>
<td>(2,238)</td>
<td>3</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>(11)</td>
<td>(25)</td>
<td>nm</td>
</tr>
<tr>
<td>Regulatory spend</td>
<td>(198)</td>
<td>(237)</td>
<td>(20)</td>
</tr>
<tr>
<td>Pre-provision operating profit</td>
<td>1,991</td>
<td>1,183</td>
<td>(41)</td>
</tr>
<tr>
<td>Loan impairment</td>
<td>(536)</td>
<td>(1,230)</td>
<td>(130)</td>
</tr>
<tr>
<td>Other impairment</td>
<td>(3)</td>
<td>(161)</td>
<td>nm</td>
</tr>
<tr>
<td>Profit from associates</td>
<td>78</td>
<td>70</td>
<td>(11)</td>
</tr>
<tr>
<td>Profit before tax (adjusted)¹</td>
<td>1,530</td>
<td>(139)</td>
<td>(109)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>30 Jun 2015</th>
<th>30 Sep 2015</th>
<th>Better/ (Worse)%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non performing loans (US$bn)</td>
<td>8,747</td>
<td>9,511</td>
<td>(9)</td>
</tr>
<tr>
<td>CET1 ratio (%)</td>
<td>11.5</td>
<td>11.4</td>
<td></td>
</tr>
</tbody>
</table>

- Disappointing operating loss in Q3 driven by income weakness and loan impairment
- Continued challenging macroeconomic conditions, in particular China and commodities
- Loan impairment trends remain adverse, with NPLs up 9 per cent since the half year
- CET1 ratio remains within the target range for 2015 announced in March

¹) Excludes the impact of Own Credit Adjustment (Q3 15:US$570m; Q3 14:US$20m), gains and losses on businesses sold/held for sale and civil monetary penalties. The UK bank levy is booked entirely in the fourth quarter.
RoE in recent years has been driven down by largely cyclical business factors and structural regulatory factors.

<table>
<thead>
<tr>
<th>Overall impact (%)</th>
<th>Of which, impact due to</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Business (%)</td>
<td>Regulatory (%)</td>
</tr>
<tr>
<td>ROE in 2010</td>
<td>14.1</td>
<td></td>
</tr>
<tr>
<td>Income ROA(^1)</td>
<td>(5.3)</td>
<td>-5.0</td>
</tr>
<tr>
<td>Costs</td>
<td>0.6</td>
<td>+1.7</td>
</tr>
<tr>
<td>Impairment</td>
<td>(3.4)</td>
<td>-3.4</td>
</tr>
<tr>
<td>Others</td>
<td>(0.6)</td>
<td>-0.7</td>
</tr>
<tr>
<td>RWA intensity</td>
<td>(1.1)</td>
<td>-1.1</td>
</tr>
<tr>
<td>Capital requirements</td>
<td>(1.5)</td>
<td>-1.5</td>
</tr>
<tr>
<td>ROE in Q3 15 YTD(^2)</td>
<td>2.6</td>
<td>-7.4</td>
</tr>
</tbody>
</table>

1) Return on Assets; 2) Q3 15 YTD annualised and adjusted to include an estimate of the UK bank levy
Our priority is to drive returns to 10% with CET 1 of 12-13%

Key strategic actions

1. Raise GB£3.3bn through a Rights Issue
2. Restructure over US$100bn RWA
3. Execute US$2.9bn gross cost reduction
4. Step-up cash investments by over US$1bn
5. Improve risk profile

Goals

- Common Equity Tier 1 ratio of 12-13%
- Programme over 4 years from 2015 to 2018
Rights Issue expected to strengthen the balance sheet materially

**Increased CET1 target ranges**

- **12-13%**
- **11-12%**

**CET1 ratio (%) at the top of the range**

<table>
<thead>
<tr>
<th>Date</th>
<th>Estimated Rights Issue impact</th>
<th>Estimated post rights</th>
</tr>
</thead>
<tbody>
<tr>
<td>30-Jun-15</td>
<td>11.5</td>
<td>13.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.6</td>
</tr>
</tbody>
</table>

**Restructuring charges of around US$3bn**

- Expected to be booked by the end of 2016
- Over half expected to relate to potential losses on liquidating non-strategic and peripheral businesses and assets
- The remaining charge is expected to be split between potential redundancy costs and goodwill write-downs
- The potential impact of the restructuring charges, together with the associated reduction in RWA, is expected to have a small impact on the Group’s CET1 capital ratio
Material RWA reallocation creates capacity for investment into higher returning businesses

Total 2015 Group Risk Weighted Assets US$bn

- Liquidate assets beyond risk tolerance
- Restructure Korea Retail
- Reposition Indonesia
- Improve returns on low returning relationships
- Exits of peripheral businesses
- Remaining RWA

RWA managed up, out, or restructured by 2018

- ~US$10bn in Retail and Private Banking
- ~US$5bn Commercial Banking
- ~US$10bn Corporate and Institutional Banking
- Plus the portion of ~US$50bn low returning relationships that we can manage up rather than out

Net change in Credit RWA 2015-18

1) Change in credit RWA based on forecast/indicative 2015 figures under new organisational structure. Figures net of RWA reinvestment. Modelled outcome assume nil “managed up” from low returning relationships in CIB and CB. Commercial included the transfer of Local Corporates from Corporate and Institutional Banking.
Assertively manage the cost base to create investment capacity by stepping up cost reductions to US$2.9bn over 4 years

We have increased our gross cost efficiency targets...


US$2.3bn (2016-2018)

US$2.9bn (2015-2018)

On track to deliver US$0.6bn (2015)

...and are committed to lower total costs by 2018
Productivity actions identified for businesses and functions totalling US$2.9bn over 4 years

**Main cost reduction and productivity actions**

- **CIB**
  - Rationalise client coverage roles across segments and regions
  - Improve end-to-end efficiency and effectiveness of key processes
  - Cost savings to reflect reduction in more capital intensive businesses

- **Retail**
  - Implement new straight-through client on-boarding process and system
  - Migrate customers from branches to online
  - Rationalise branches

- **Commercial**
  - Rationalise client coverage roles across segments and regions
  - Improve end-to-end efficiency and effectiveness of key processes

- **PB/WM**
  - Automate processes
  - Improve tools for relationship managers

- **Group-wide initiatives**
  - Optimise real estate, via increasing density and agile working
  - Implement new strategic sourcing approach

- **Functions**
  - Simplify organisation / increase spans of management control
  - Standardise, eliminate duplication, introduce self-serve tools

**Example actions**

- **CIB**
  - Consolidate industry teams
  - Centralise administrative activity in CIB middle office

- **Retail**
  - Roll-out Retail workbench
  - Drive end to end redesign and digitisation

- **Commercial**
  - Consolidate Local Corporates into Commercial

- **PB/WM**
  - Adapt Retail workbench for private bank

- **Group-wide initiatives**
  - Outsource real estate management activities
  - Optimise desk-to-head ratio

- **Functions**
  - Drive end to end redesign and digitisation
We will invest in excess of US$3bn (cash basis) over three years, to deliver a cost, control and profitability transformation.

- **Obsolescence** – Upgrade systems and infrastructure
- **Enhancements** – Invest in current systems for flexibility, maintainability and availability
- **Efficiency** – Enhancements to deliver process and control efficiencies

- **Retail Banking** – systems and digital capability across our footprint
- **Private Banking and Wealth Management** – Upgrade platforms
- **Build Africa business** – invest in Retail and regional CIB
- **Renminbi** – Invest to sustain renminbi leadership

- **System** <US$1.5bn
- **Strategic** >US$1bn
- **Regulatory** >US$0.5bn
- **Total** >US$3bn

- **Regulatory compliance investment** (e.g. BCBS, IFRS 9)
- Invest to ensure our business is supported by a leading compliance programme
Planned cost reduction from 2015 to 2018 including significant investment spend

2015 to 2018 cost base walk

- **US$10.1bn**
- **US$2.3bn**
- **US$0.7bn**
- **<US$10bn**

**Key Points:**
- US$3bn in total cash investment 2016-2018 results in US$0.7bn P&L increase in 2018
- Committed total costs in 2018 below 2015 levels

<table>
<thead>
<tr>
<th>2015e</th>
<th>Salary/inflation/other</th>
<th>Cost efficiencies and disposals</th>
<th>Increase in investment (P&amp;L)</th>
<th>Committed total costs in 2018 below 2015 levels</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>US$10.1bn</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>US$2.3bn</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>US$0.7bn</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>&lt;US$10bn</strong></td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
Taking significant action to improve our risk profile

**Reduced Retail unsecured (US$bn)**

- H2 13: 25
- H1 14: 20
- H2 14: 15
- H1 15: 10
- Q3 15: 5

(29% decrease)

**Reduced single name concentration**

- H2 13: 83%
- H1 14: 81%
- H2 14: 83%
- H1 15: 67%
- Q3 15: 68%

(17% reduction)

**Increased CIB and CB cover ratio**

- H2 13: 56%
- H1 14: 56%
- H2 14: 56%
- H1 15: 56%
- Q3 15: 56%

100%

**Cover ratio without collateral & recovery**

- H2 13: 50%
- H1 14: 50%
- H2 14: 50%
- H1 15: 50%
- Q3 15: 50%

5 yrs rolling average recovery rate

- H2 13: 100%
- H1 14: 100%
- H2 14: 100%
- H1 15: 100%
- Q3 15: 100%

**Future state**

- Maintain below 60%

- 60%

**Actions taken**

- Continued action to reduce corporate concentrations
- Strategy to reduce the high risk CCPL² business is driving lower Retail loan impairment
- Coverage has remained at above 100% including recoveries and collateral

1) Net nominal
2) Credit Cards and Personal Loans
Continue to reduce our Commodities exposures actively

Commodity portfolio overview (Sep 2015)

• Actively managing, net exposure down 30% since H2 13

• Represents 8% of CIB and CB net exposures (9% at HY15)

• Short tenor – 69% of portfolio with maturity <1 year

• Oil and gas (O&G) and related exposures of US$25.1bn; down 12% on Dec 14

• 94% of O&G producers’ exposure is to clients with either breakeven price <US$40pb or to large State Owned Enterprises

Commodities\(^1\) (US$bn)

<table>
<thead>
<tr>
<th></th>
<th>H2 13</th>
<th>H1 14</th>
<th>H2 14</th>
<th>H1 15</th>
<th>Q3 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>61.8</td>
<td>60.7</td>
<td>54.9</td>
<td>48.8</td>
<td>43.2</td>
<td></td>
</tr>
</tbody>
</table>

(30%)

Producers\(^1\)

<table>
<thead>
<tr>
<th></th>
<th>H2 13</th>
<th>H1 14</th>
<th>H2 14</th>
<th>H1 15</th>
<th>Q3 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>30.1</td>
<td>28.1</td>
<td>24.3</td>
<td>21.4</td>
<td>20.2</td>
<td></td>
</tr>
</tbody>
</table>

(33%)

Traders\(^1\)

<table>
<thead>
<tr>
<th></th>
<th>H2 13</th>
<th>H1 14</th>
<th>H2 14</th>
<th>H1 15</th>
<th>Q3 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.7</td>
<td>32.6</td>
<td>30.6</td>
<td>27.4</td>
<td>22.9</td>
<td></td>
</tr>
</tbody>
</table>

(28%)

Commodities exposure

- Investment grade clients / global major / SOEs: 35%
- Short term: 55%
- Structured secured project and corporate finance exposures: 6%
- Other: 4%

1) CIB and Commercial exposures are presented on a Country of Credit Responsibility (“CCR”) and on a net exposure basis. Net exposures comprise of loans and advances to banks and customers, investment securities, derivative exposures after master netting agreements, other assets, contingent liabilities, documentary credits and cash and balances at central banks.
Commodity exposures are a significant proportion of the CIB and Commercial loan impairment and Non Performing Loans

Commodity related loan impairment trend\(^1\) (US$m)

- **47% of YTD**
- **Q3 Loan Impairment**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3</td>
<td>110</td>
<td>500</td>
</tr>
<tr>
<td>Q4</td>
<td>274</td>
<td>547</td>
</tr>
<tr>
<td>Q1</td>
<td>36</td>
<td>500</td>
</tr>
<tr>
<td>Q2</td>
<td>500</td>
<td>547</td>
</tr>
</tbody>
</table>

Commodities increasing proportion of NPLs\(^1\) (%)

- **30 Sep 2014**
  - Commodity NPLs: 35%
  - Other NPLs: 65%

- **30 Sep 2015**
  - Commodity NPLs: 43%
  - Other NPLs: 57%

Continuing to actively manage commodity portfolio

- Commodities are a significant source of CIB and Commercial loan impairment for the Group
- Ongoing actions to reduce exposures and de-risk the portfolio
- Commodity producers represent the majority of Non Performing Loans
- Approximately 70% of commodity related Non Performing Loans are from existing GSAM accounts we have been managing for some time

\(^1\) CIB and Commercial exposures are presented on a Country of Credit Responsibility ("CCR") and on a net exposure basis. Net exposures comprise of loans and advances to banks and customers, investment securities, derivative exposures after master netting agreements, other assets, contingent liabilities, documentary credits and cash and balances at central banks.
Actively managing our China Corporate and Institutional and Commercial clients exposures

**Portfolio Overview**

- Total exposure US$60bn, down 23% since H2 13
- US$18bn in China and US$42bn in other locations
- 85% <1 year in tenor mainly trade or interbank (ALM)
- Limited impact of Chinese stock market volatility and manageable renminbi-related exposure

**FI exposure of US$32.9bn (55% of China CIB/CB)**

- Reduced exposure by 26% since H1 14
- 99% is investment grade
- 95% is < 1 year in tenor
- 79% to Top 5 Chinese banks

**China CIB/CB exposure**

<table>
<thead>
<tr>
<th></th>
<th>H2 13</th>
<th>H1 14</th>
<th>H2 14</th>
<th>H1 15</th>
<th>Q3 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>78.5</td>
<td>84.6</td>
<td>71.0</td>
<td>66.4</td>
<td>60.2</td>
</tr>
<tr>
<td>(23%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Continued to actively manage commodity portfolio**

- Total exposures down 41% YTD to US$5.5bn
- Producer exposure down 54% YTD to US$1.9bn
- Trader exposure down 36% YTD to US$3.6bn

---

1) CIB and Commercial exposures are presented on a Country of Credit Responsibility (“CCR”) and on a net exposure basis. Net exposures comprise of loans and advances to banks and customers, investment securities, derivative exposures after master netting agreements, other assets, contingent liabilities, documentary credits and cash and balances at central banks.
Continuing to reduce selected more vulnerable exposures in India

**Challenging macro environment**
- Economic reforms slower than expected
- Corporate earnings in Q1 15 worst in last 10 quarters
- Corporate stress remains elevated
- Credit growth lowest in last two decades
- Bank sector de-leveraging leading to lower appetite for re-financing
- Led to extended view on corporate recovery horizon giving rise to higher loan impairment in H1 15

**Portfolio overview** (Sep 2015)
- Total exposure US$33bn, down 20% since H2 13
- 35% of exposure is to Investment Grade clients
- 58% of total exposure <1 year in tenor

---

1) CIB and Commercial exposures are presented on a Country of Credit Responsibility (“CCR”) and on a net exposure basis. Net exposures comprise of loans and advances to banks and customers, investment securities, derivative exposures after master netting agreements, other assets, contingent liabilities, documentary credits and cash and balances at central banks.
Re-building Return on Equity – Key assumptions to 2020

**MACRO**

- Base case assumes an estimate for economic and regulatory headwinds
- Conservative GDP estimates (lower than market forecasts)*
- US interest rates increase to 1.25% by 2017 and remain at that level (lower than market expectations)
- Sentiment to emerging markets improves gradually over time
- No major new regulatory changes beyond those already known (e.g. estimate of Basel IV included)

**GDP growth assumptions**

<table>
<thead>
<tr>
<th>Real GDP (%)</th>
<th>2015</th>
<th>2016</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>2.2</td>
<td>1.9</td>
<td>1.5</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>2.4</td>
<td>2.3</td>
<td>2.8</td>
</tr>
<tr>
<td>China</td>
<td>6.9</td>
<td>6.3</td>
<td>6.1</td>
</tr>
<tr>
<td>South Korea</td>
<td>2.8</td>
<td>2.7</td>
<td>2.8</td>
</tr>
<tr>
<td>Singapore</td>
<td>2.1</td>
<td>2.5</td>
<td>2.8</td>
</tr>
<tr>
<td>India</td>
<td>7.3</td>
<td>7.3</td>
<td>7.5</td>
</tr>
</tbody>
</table>

**BUSINESS MIX**

- Asset liquidation, de-risking and cyclical improvements return impairment costs to 2013 levels
- Reduced UK Bank Levy costs over time (significant benefit only after 2021 i.e. after projected period)
- Korea restructuring and Indonesia repositioning

**MANAGEMENT ACTIONS**

- Delivered significant cost efficiencies while stepping up investment
- Targeted investment in improving Private Banking, Africa, renminbi services and digital Retail platforms
- Corporate and Institutional Banking and Commercial Banking restructuring plans delivered
Plan drives RoE to ~8% by 2018, ~10% in 2020 and CET1 of 12-13%.

- Income momentum, reduced investment drag and improved macro environment

1) Q3 YTD annualised and adjusted to include an estimate of the UK bank levy
## Metrics to measure progress

### Financial Framework
- **RoE of 10% in the medium term**
- **CET 1 of 12-13%**

### Secure the Foundation
- **Risk tolerance discipline**: Reduce / exit exposures to within the refreshed Group risk tolerance by 2017
- **Liquidate and exit identified non strategic assets**: c.US$25bn RWA to nil by end 2018
- **Cost Discipline**: 2018 total costs below 2015

### Get lean and focused
- **Corporate and Institutional Banking / Commercial Banking**: c.US$50bn RWA optimisation by 2018
- **Retail**: Target cost income ratio of c.55% by 2020

### Invest and innovate
- **Private Banking and Wealth Mgt**: US$25bn Asset under Management growth by 2018
- **Retail Banking**: Over 40 per cent of income from Priority Clients by 2018
- **Africa**: Market share gains across the Africa region
- **Renminbi**: Maintain leadership position in renminbi cross border payments, offshore renminbi bond issuance and FX solutions