



Full Year 2014 Results Presentation

04 March 2015

Here for good

Forward looking statement

This document contains or incorporates by reference 'forward-looking statements' regarding the belief 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", "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 Company 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 Company 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 Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.



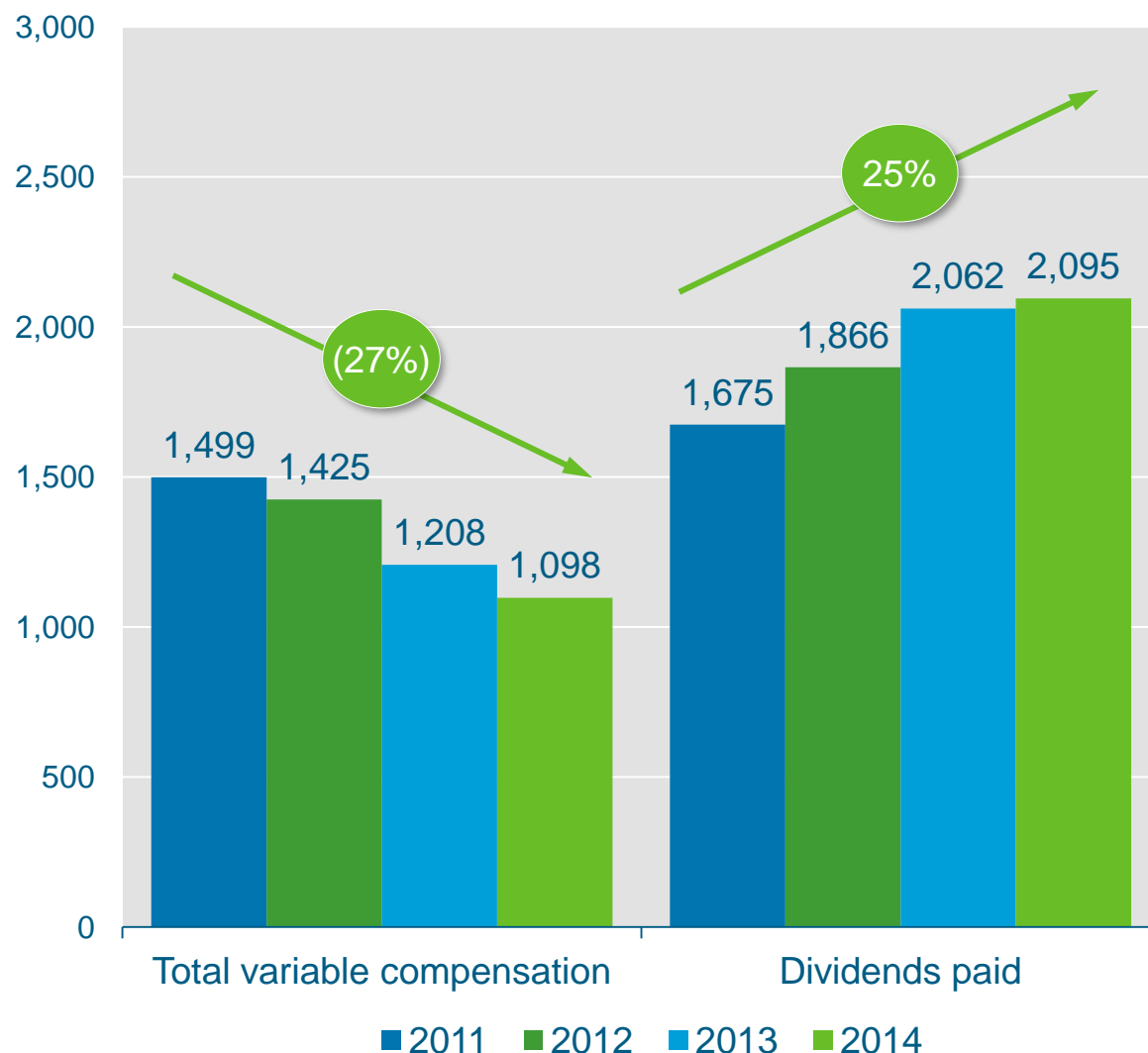
Sir John Peace

Chairman

Programme of actions

- Significant leadership changes
- CET1 target of 11-12% in 2015 and thereafter
- Return on Equity target >10% in the medium term
- US\$1.8bn of cost savings over the next 3 years
- US\$25-30bn in Risk Weighted Assets savings over the next 2 years
- Sustain momentum on raising the bar on conduct

Stakeholder interests



- 2014 total variable compensation for the Group is down 9% from 2013
- Dividend per share held at 2013 level
- Over the last 3 years
 - Total variable compensation is down 27%
 - Dividends have grown 25%

Driving value for our shareholders



Our Ambition

The world's best international bank

Our Strategy

We bank the people and companies driving investment, trade and the creation of wealth across Asia, Africa and the Middle East

Our Brand Promise

Here for good

Our Aspirations	Relationships Build trusted relationships with the people, companies and institutions shaping our markets' future	Investment Play a leading role in facilitating investment and deepening financial markets	Trade Become the undisputed leader in commercial payments and financing for and in Asia, Africa and the Middle East	Wealth Be recognised as a leader in growing and protecting our clients' wealth	Relevant Scale Establish sufficient scale, balance sheet and franchise strength to be relevant and influential in our key markets
	Courageous We take measured risks and stand up for what is right	Responsive We deliver relevant, timely solutions for clients and customers	International We value diversity and collaborate across the network	Creative We innovate and adapt, continuously improving the way we work	Trustworthy We are reliable, open and honest
Our Commitments	Colleagues A great place to work, enabling individuals to grow and teams to win	Society A force for good, promoting sustainable economic and social development	Investors A distinctive investment, delivering consistently superior performance via disciplined growth	Regulators A responsible partner with exemplary governance and ethics	



Andy Halford

Group Finance Director

Introductory comments

- Our people are very proud of the Bank and determined to restore performance
- The Bank is executing on the strategies we outlined in November last year
- We have listened to shareholder concerns
- I have spent considerable time with risk to deeply understand our positioning
- Identifying US\$1.8bn of cost opportunities to drive efficiency between 2015-2017
- Targeting US\$25-30bn in Risk Weighted Asset initiatives
- Simplified the Group's financial priorities with CET1 between 11-12% in 2015 and thereafter and RoE >10% in the medium term

Performance summary

US\$m	FY 13	FY 14	Better/ (Worse)%
Income	18,671	18,234	(2)
Expenses	(9,946)	(10,198)	(3)
Restructuring costs	(12)	(181)	nm
Bank levy	(235)	(366)	(56)
Pre-provision Operating profit	8,478	7,489	(12)
Loan impairment	(1,617)	(2,141)	(32)
Other impairment	(129)	(403)	(212)
Profit from associates	226	248	10
Profit before tax (adjusted)¹	6,958	5,193	(25)
Own credit adjustment	106	100	(6)
Civil monetary penalty	-	(300)	nm
Goodwill impairment	(1,000)	(758)	24
Profit before tax	6,064	4,235	(30)

- Robust income performance despite significant de-risking
- Tight underlying cost control
- Significant increase in regulatory spend
- Further step up in the UK Bank levy
- Recent commodity market weakness driving increased impairments
- Korea goodwill fully written off

Note: nm = not meaningful. 1) Adjusted excludes Own Credit Adjustments (OCA), goodwill impairment and civil monetary penalty

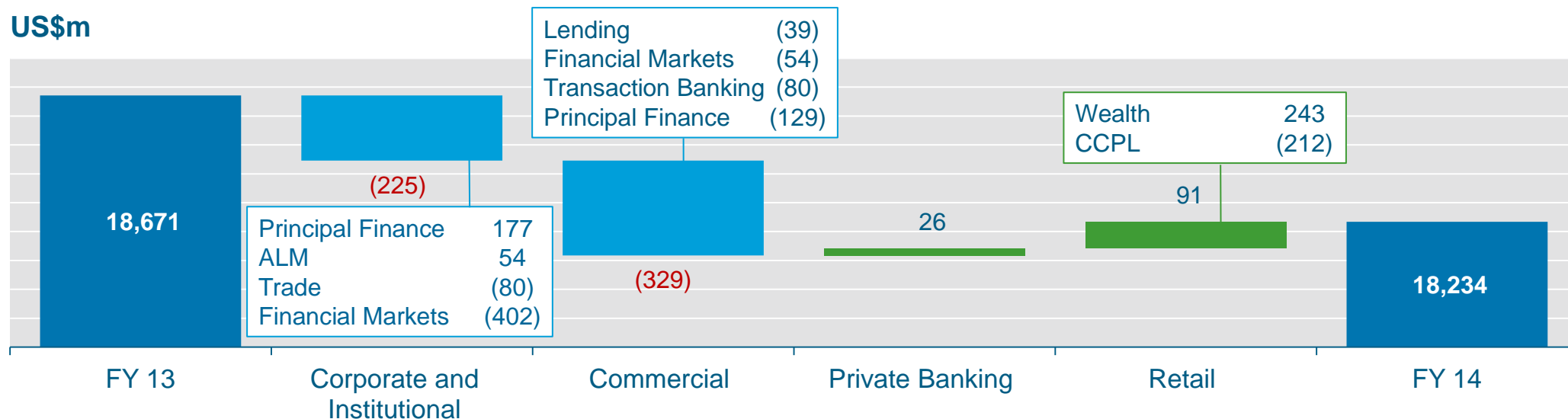
Key performance indicators

Key performance indicators	FY 13	FY 14
Normalised return on equity	11.2%	7.8%
Common Equity Tier 1 (transitional) ratio	10.9%	10.5%
Common Equity Tier 1 (end-point) ratio	11.2%	10.7%
Normalised earnings per share	204c	146c
Dividend per share	86c	86c

- Strong capital position – flat in H2 despite headwinds
- Taking action on costs to protect returns
- Maintained dividend per share

Income down 2% partly due to de-risking actions

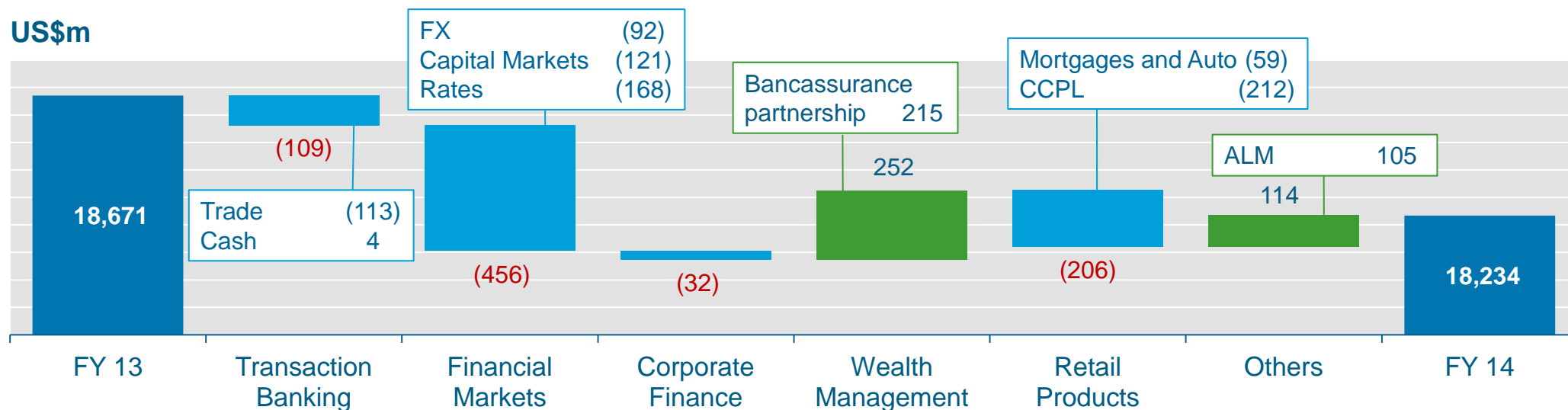
US\$m	FY 13	FY 14	Better/(Worse)%
Corporate and Institutional Clients	10,656	10,431	(2)
Commercial Clients	1,511	1,182	(22)
Private Banking Clients	586	612	4
Retail Clients	5,918	6,009	2
Total operating income	18,671	18,234	(2)



Note: CCPL= Cards, Personal Loans and Unsecured lending

Product income

US\$m	FY 13	FY 14	Better/(Worse)%
Transaction Banking	3,911	3,802	(3)
Financial Markets	3,856	3,400	(12)
Corporate Finance	2,519	2,487	(1)
Wealth Management	1,449	1,701	17
Retail Products	5,046	4,840	(4)
Others*	1,890	2,004	6
Total operating income	18,671	18,234	(2)

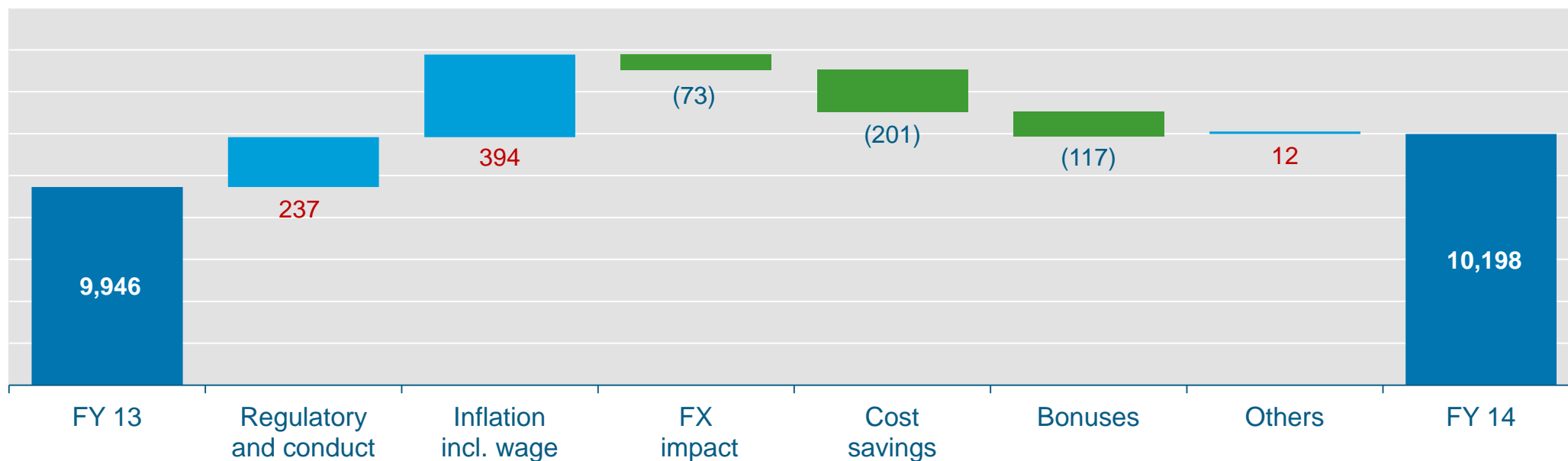


Notes: FX = Foreign Exchange; ALM = Asset and Liability Management; Others includes ALM, Principal Finance and Lending and Portfolio Management

Cost savings offset by regulatory and other inflation

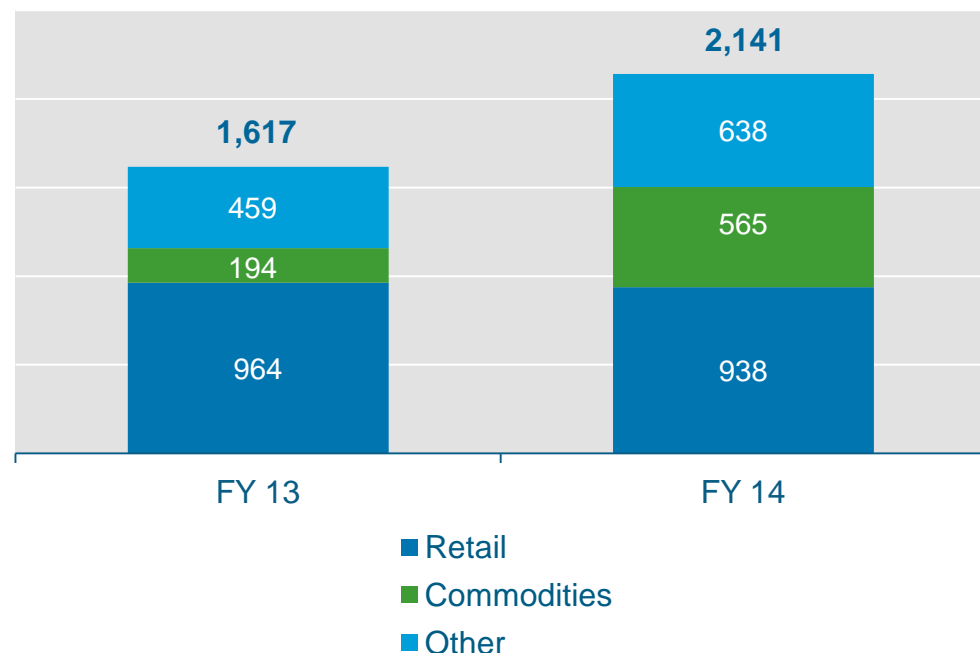
- Underlying expenses up 3% YoY or US\$252m, impacted by
 - Increases in regulatory and compliance costs
 - ~5% inflation across our footprint
 - US\$201m in cost savings

YoY cost movements US\$m



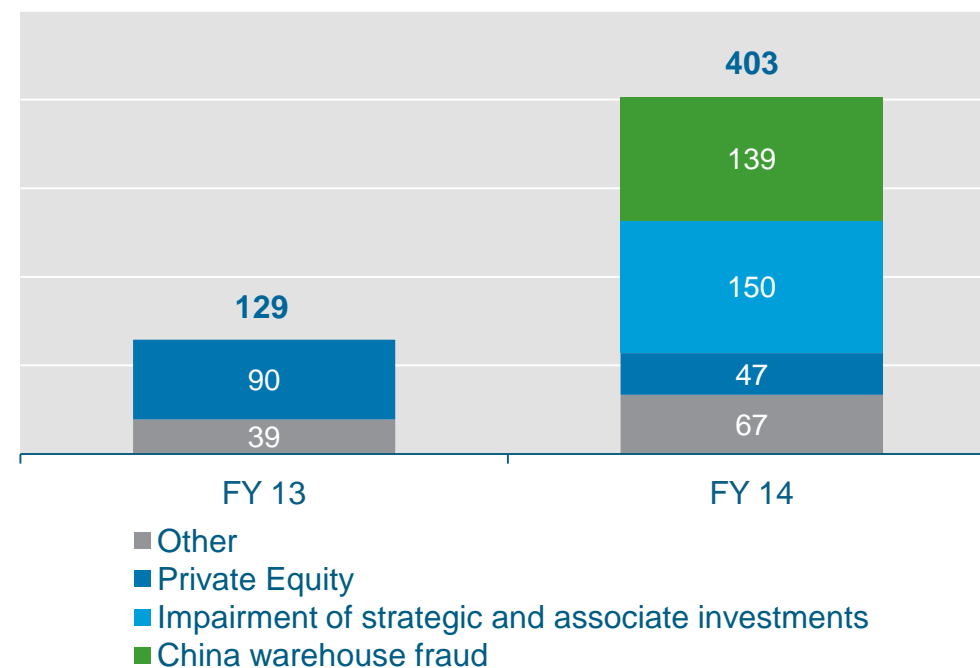
Impairment

Loan impairment US\$m



- Retail impairment down 3% benefitting from Korea PDRS improvement
- Small number of exposures in Corporate and Institutional impacted by further weakness in commodity markets

Other impairment US\$m



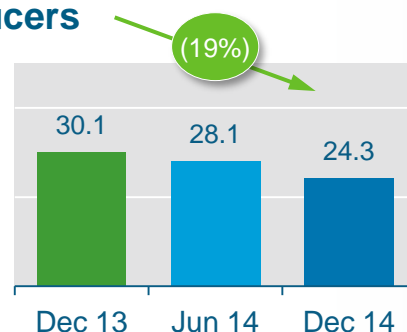
- Write-down of certain strategic and associate investments
- China warehouse fraud provision

Actively managing our commodity credit exposure¹

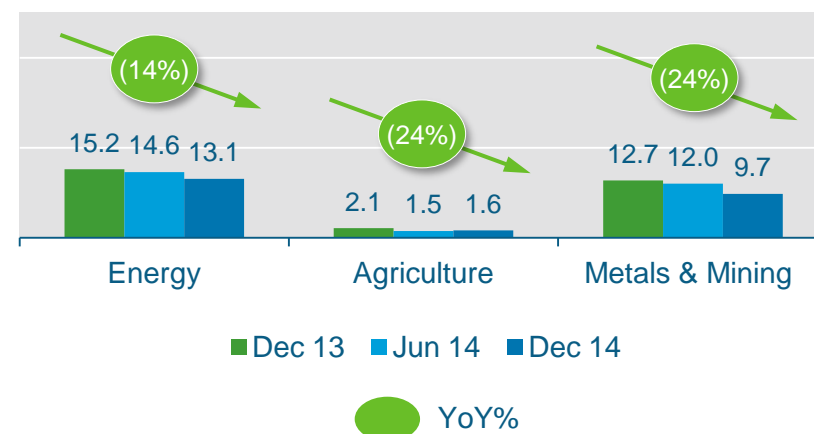
Commodities – US\$bn



Producers



Traders



Commodity portfolio overview

- Total net exposure US\$55bn; down 11%
- 107 group exposures >US\$100m
- Short tenor with 74% of the portfolio <1 year
- 94% of China commodities portfolio (US\$9.4bn) is <1year

Oil and Gas portfolio

- Total net exposure US\$28.6bn; down 14% year on year
- Producers (45%); Refineries (22%)
- 98% of the Producers exposure is to clients with break even price below the current oil price or to State Owned Enterprises

1) Commodity exposures are presented on a net exposure basis. Net exposures comprise 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

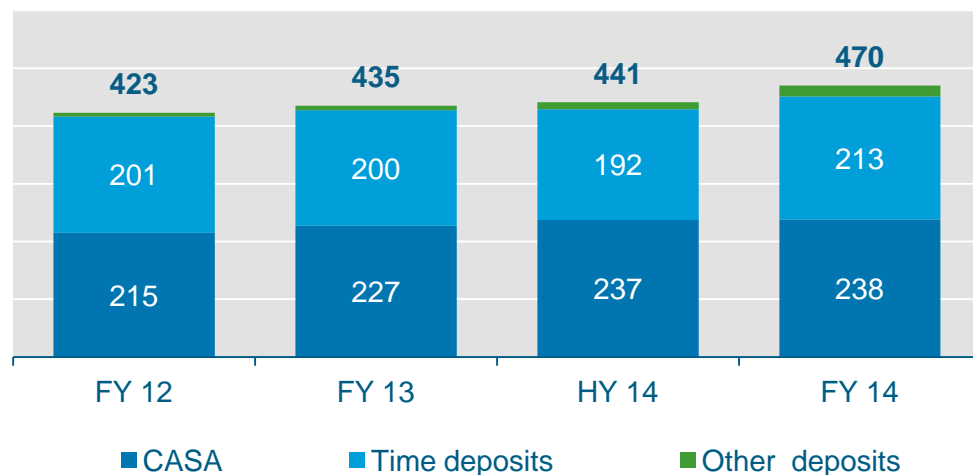
Asset quality

Pillars	Key attribute	Metric	2013	2014
Diversification	Well diversified across industries CIC and Commercial	Largest industry concentration % Loans and advances to customers	17%	16%
Tenor	Short tenor portfolio	CIC and Commercial <1year	64%	65%
Collateral	Collateralisation remains strong	Total collateral held (US\$bn)	153	159
Discipline and Governance	Cover ratio	With collateral (excluding PIP)	62%	62%
	Retail delinquency trends are stable	30+ days past due	1.10%	1.06%
	Total non-performing loans	Gross non-performing loans (US\$bn)	6.5	7.5
Market risk	Group VaR is low and client driven	Group VaR (US\$m)	38.5	26.5

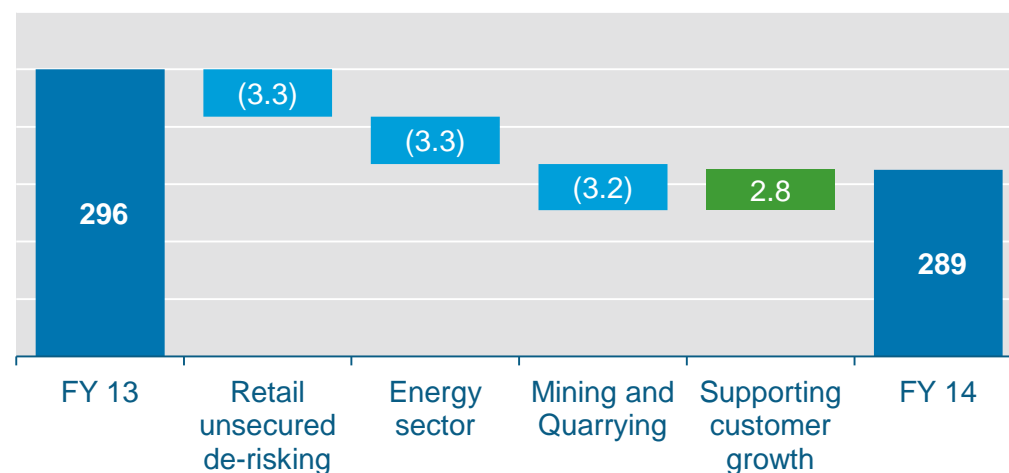
Notes: CIC = Corporate and Institutional Clients; VAR = Value at risk

Well-structured and liquid balance sheet

Total deposits US\$bn



Total loans and advances to customers US\$bn

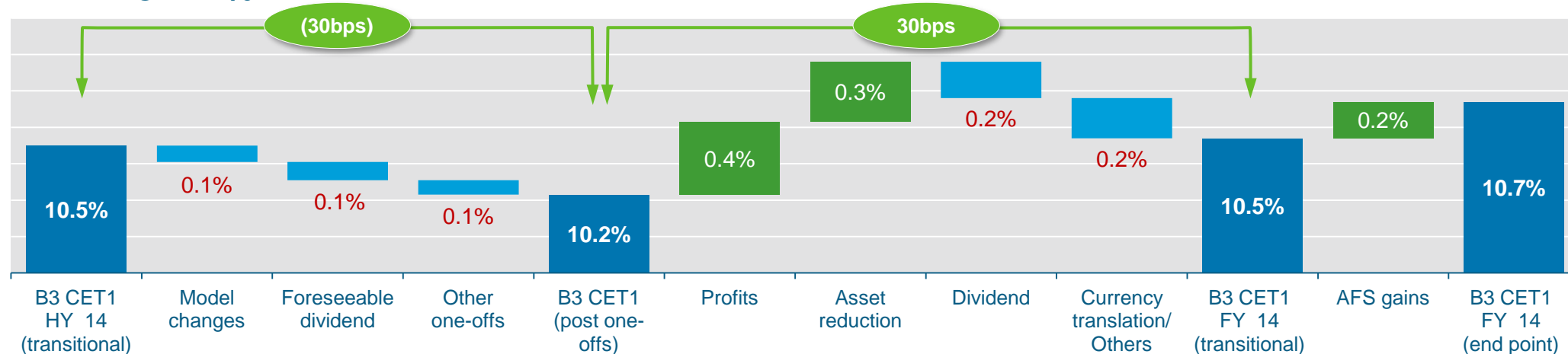


- Liquid asset ratio of 32% – cUS\$234bn of cash or near cash on balance sheet
- Basel 3 LCR and NSFR >100% today
- Structurally well positioned for resolution & TLAC debate
 - No UK ring fence
 - SPE resolution strategy fits existing structure
 - Loss absorbing capacity >20% and in the right place
- Customer loans down 3% YoY; flat on a constant currency basis
- Supported client growth and financing needs
- Continued active de-risking of Retail unsecured
- Reduced exposure to energy and mining and quarrying

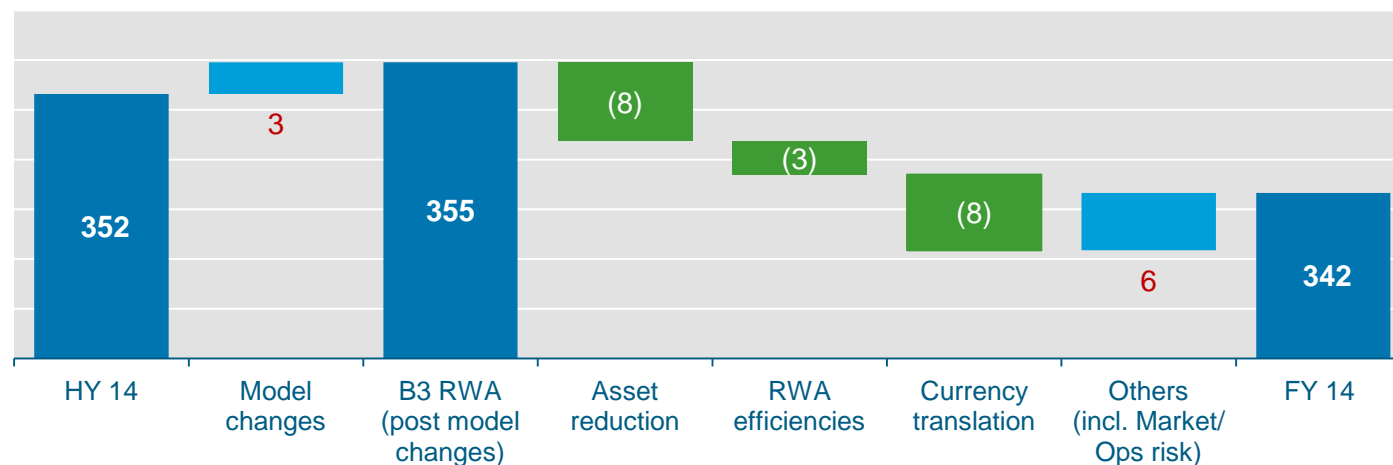
Notes: CASA = Current Account and Savings Accounts; LCR = Liquidity Coverage Ratio ; NSFR = Net Stable Funding Ratio; SPE = Single Point of Entry; TLAC = Total Loss Absorbing Capacity

Strong headline capital despite headwinds

H2 14 – CET1 %



H2 14 – Risk Weighted Assets (RWA) US\$bn



- 50bps underlying accretion in 2014; 30bps in H2 2014
- 200bps over the known minimum requirement of 8.7% (end point basis)
- Leverage ratio of 4.5%
- Strong level of TLAC above 20%

Note: TLAC = Total Loss Absorbing Capacity

Financial priorities

Priorities

CET1 target of 11-12% in 2015 and thereafter

Deliver Return on Equity of over 10% in the medium term

Goals



Note: Based on our current best understanding of future regulatory requirements

Programme of actions

- Significant leadership changes
- CET1 target of 11-12% in 2015 and thereafter
- Return on Equity target >10% in the medium term
- US\$1.8bn of cost savings over the next 3 years
- US\$25-30bn in Risk Weighted Assets savings over the next 2 years
- Sustain momentum on raising the bar on conduct

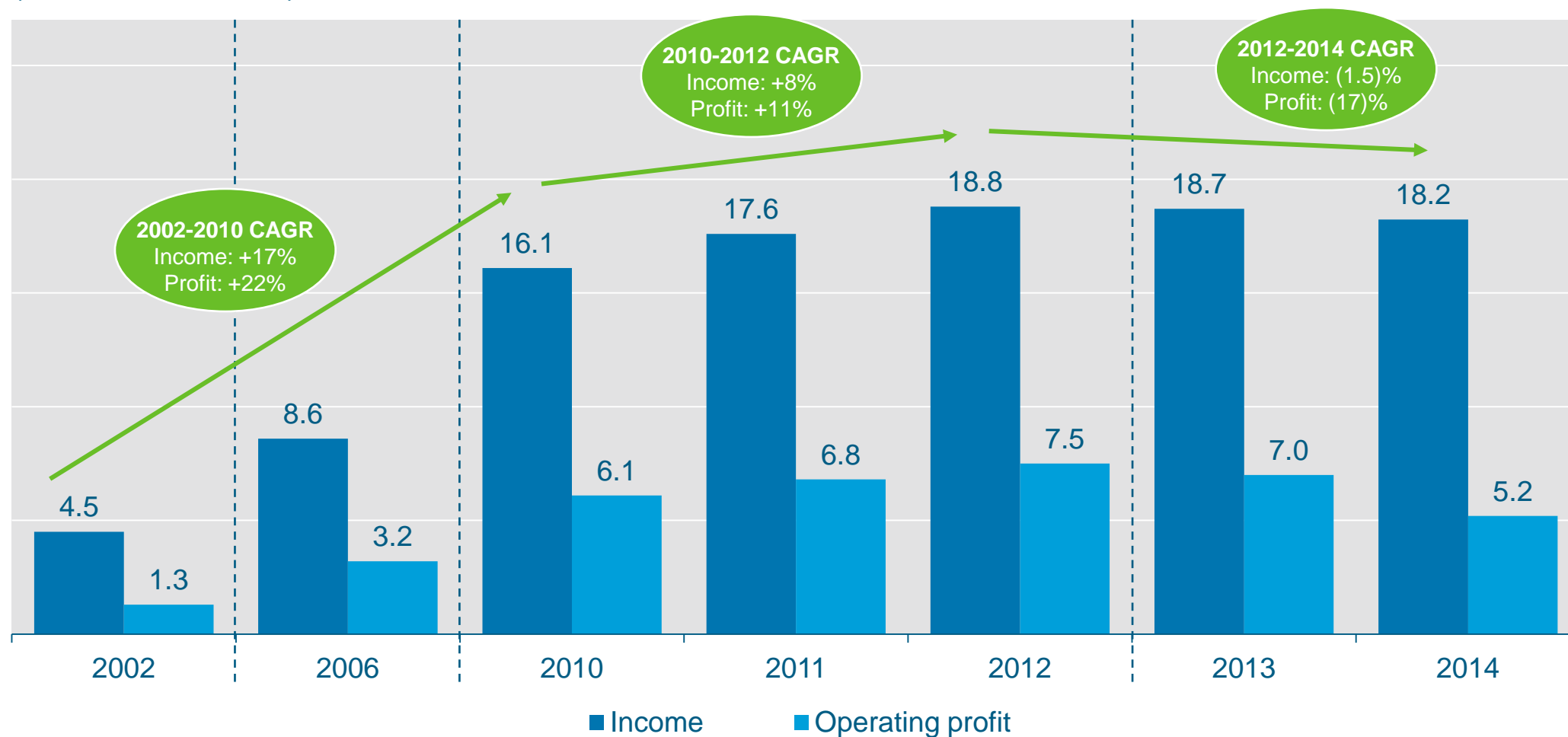


Peter Sands

Chief Executive Officer

Performance

Group income and operating profit (US\$bn and CAGR)



Programme of actions

- Significant leadership changes
- CET1 target of 11-12% in 2015 and thereafter
- Return on Equity target >10% in the medium term
- US\$1.8bn of cost savings over the next 3 years
- US\$25-30bn in Risk Weighted Assets savings over the next 2 years
- Sustain momentum on raising the bar on conduct

Financial priorities

Priorities

CET1 target of 11-12% in 2015 and thereafter

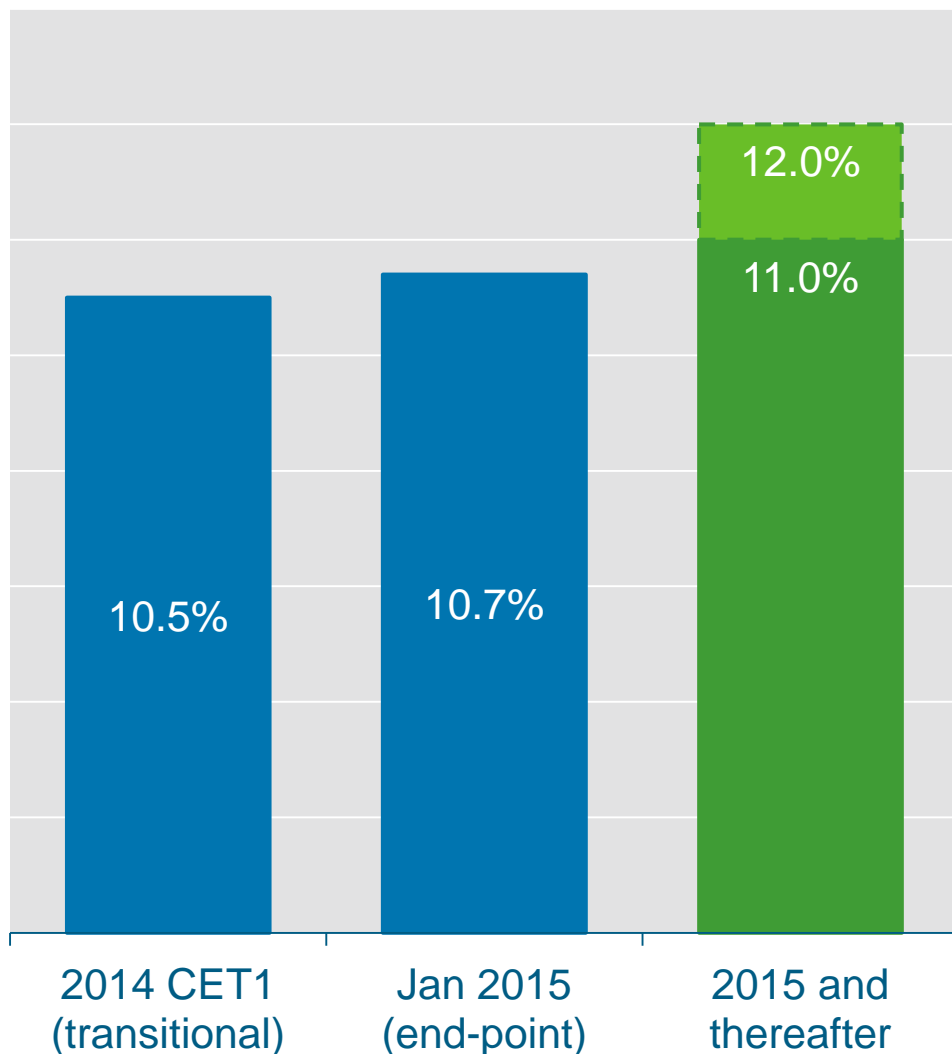
Deliver Return on Equity of over 10% in the medium term

Goals



Note: Based on our current best understanding of future regulatory requirements

Capital



RWA initiatives

- Low returning relationships in Corporate and Institutional Clients

Business disposals

- Sub-scale Retail and non-core businesses

Cost savings

- US\$1.8bn over the next 3 years

Costs

Underlying

Exits

2015

Retail Clients

- Re-design of sales force
- Branch rationalisations
- Standardisation, automation and digitisation

Corporate and Institutional Clients / product groups

- Headcount reductions
- Rationalisation of sales forces
- Centralisation of client due diligence teams

Support functions

- Headcount relocation and reduction
- Hubbing and automation
- Vendor re-negotiation

>US\$400m

15

Total number of businesses exited in 2014/2015

>US\$200m

2015-2107

US\$400-500m per year

US\$300-600m

US\$1.8bn in cost savings over 3 years

Asset quality

Pillars	Key attribute	Metric	2013	2014
Diversification	Well diversified across industries CIC and Commercial	Largest industry concentration % Loans and advances to customers	17%	16%
Tenor	Short tenor portfolio	CIC and Commercial <1year	64%	65%
Collateral	Collateralisation remains strong	Total collateral held (US\$bn)	153	159
Discipline and Governance	Cover ratio	With collateral (excluding PIP)	62%	62%
	Retail delinquency trends are stable	30+ days past due	1.10%	1.06%
	Total non-performing loans	Gross non-performing loans (US\$bn)	6.5	7.5
Market risk	Group VaR is low and client driven	Group VaR (US\$m)	38.5	26.5

Notes: CIC = Corporate and Institutional Clients; VAR = Value at risk

Impact of exits and de-risking

Exits in 2014/2015 – completed

- SME business run down in UAE
- Exit of Institutional Cash Equities business
- Sale of retail business in Germany
- Sale of retail securities business in Taiwan
- Sale of minority stake in Travelex
- Sale of savings bank in Korea
- Sale of retail bank in Lebanon

Exits in 2015 – ongoing

- Sale of consumer finance companies in Korea, Hong Kong and China
- Closure of private bank in Geneva
- Closure of Russia and Vienna offices
- Sale of leasing companies in Pakistan

15

Total number
of businesses
exited in
2014/2015

~US\$300m

income impact
from de-risking
actions
in 2014

Financial impact

	Announced November 2014	Cash Equities/ Others	Total 2015
Income	US\$350m	+ US\$100m	= ~US\$450m
Profit	US\$120m	+ US\$20m	= ~US\$140m

Client segments

2014	Income US\$bn	Income growth YoY%	RWA US\$bn	Cost income ratio %	Operating profit RoRWA %
Corporate and Institutional Clients	10.4	(2)	245	50	1.8
Commercial Clients	1.2	(22)	25	63	0.9
Private Banking	0.6	4	7	73	2.3
Retail Clients	6.0	2	65	67	1.6
Total Group	18.2	(2)	342	59	1.6

Notes: Income/Operating Profit excludes civil penalty, goodwill impairments, OCA and bank levy; All numbers are on a reported basis

Retail Clients



Financial performance priorities in 2015

- Drive efficiency towards 55% cost-income ratio target
- Continue shift towards Priority and Business clients (income contribution 38% in 2014 to 43%)
- Accelerate standardisation and digitisation

Private Banking



Financial performance priorities in 2015

- Drive growth in new clients (>2000)
- AUM growth of over 10%
- Build relationship manager numbers and capabilities
- Reinforce infrastructure and controls

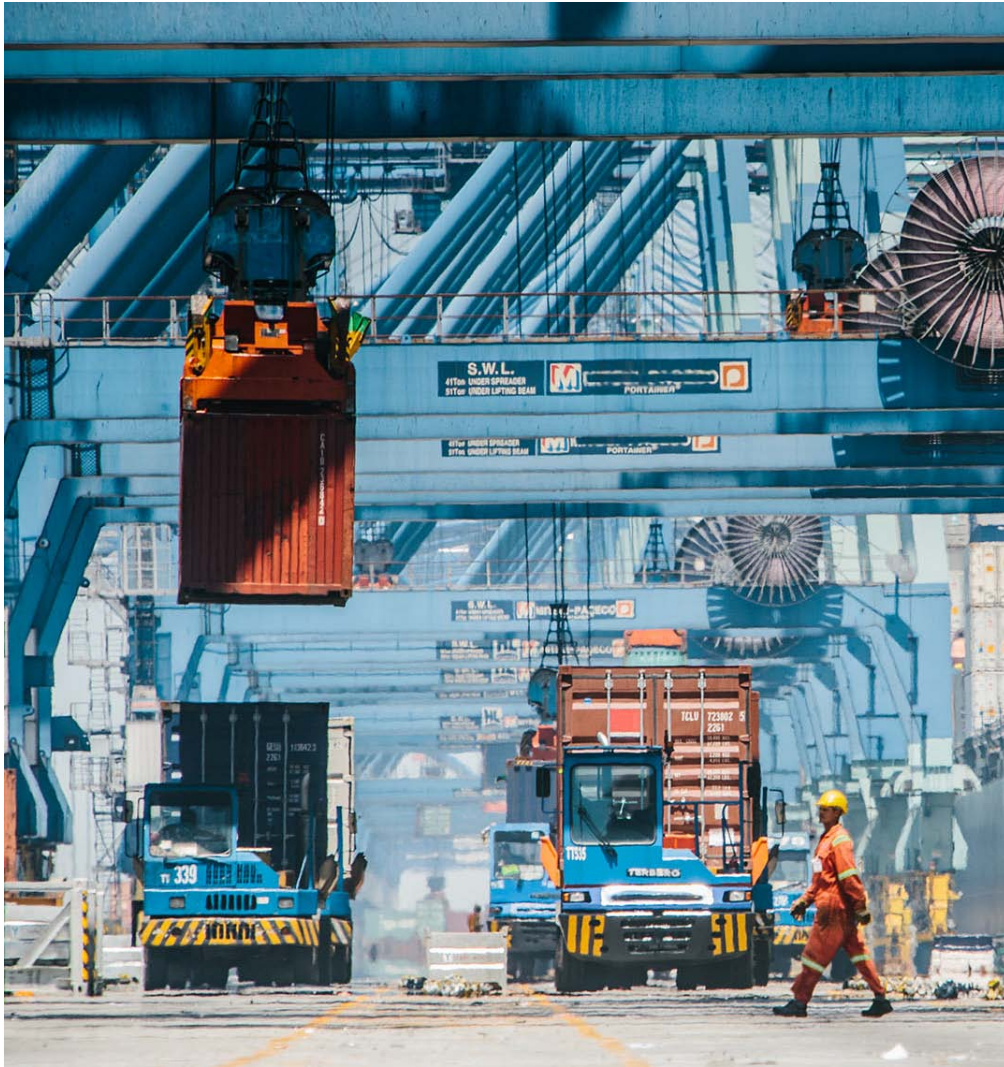
Commercial Clients



Financial performance priorities in 2015

- Grow client base (3000 new-to-bank clients)
- Deepen existing client relationships
- Build relationship manager numbers and capabilities
- Leverage the network more effectively
- Reinforce infrastructure and controls

Corporate and Institutional Clients



Financial performance priorities in 2015

- Leverage network more effectively
- Deepen client relationships
 - Multi market ratio 2.8 to over 3
 - Multi product ratio 6.3 to 6.5
- Drive non financing revenue contribution up from 41% to over 43%
- Redeploy RWA from low returning relationships
- Grow investor sub-segment
- Enhance controls and efficiency

Conduct

“ We’ve told the world that we’re Here for good... we need to prove it in every interaction we have and every decision we make. ”

لقد قلنا للعالم أجمع
“هنا دائماً للأفضل”

جوهر ما نحن عليه

بحاجة إلى إثبات ذلك في جميع
تعاملاتنا وفي كل قرار نتخذه.

“ 우리는 전 세계에서 Here for good을 표방해 왔습니다. 이것은 우리의 본질입니다. 하지만 우리는 모든 거래를 하고 모든 결정을 내릴 때 이를 증명해야 할 필요가 있습니다. ”

“ 我們已向全世界承諾，會信守「一心做好，口一」的承諾。這是我們的立足之本，每一次往來和每一種決策都展現這個原則。 ”

“ เราบอกกับทุกคนว่า for good นี่คือการที่แสดงว่าเราคือใคร เพียงเท่านั้น แต่เราพิสูจน์ให้เห็นว่าสิ่งนี้รวมอยู่ในทุกสิ่งที่เราทำและการตัดสินใจของเรา ”

“ 我們已向世界宣告「一心做好，始終如一」是我們的立足之本。在每一次業務往來決策中都身體力行這個原則。 ”

“ Kita telah menyatakan kepada dunia bahwa kita Here for good. Ini adalah esensi keberadaan kita. Namun kita harus membuktikannya dalam setiap interaksi yang kita lakukan dan keputusan yang kita buat. ”

“ 当行は「Here for good」を標榜しています。「Here for good」は当行のビジネスの本質であり、当行は、あらゆる活動や決断において、これを実践しなければなりません。 ”

Programme of actions

- Significant leadership changes
- CET1 target of 11-12% in 2015 and thereafter
- Return on Equity target >10% in the medium term
- US\$1.8bn of cost savings over the next 3 years
- US\$25-30bn in Risk Weighted Assets savings over the next 2 years
- Sustain momentum on raising the bar on conduct

Q&A