



Results Presentation

23 February 2016

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.



Bill Winters

Chief Executive Officer

Summary



Poor performance in 2015 but we have taken action



We have a good and valuable franchise with outstanding client relationships



We remain confident that the strategy is right for the Group



The strategy was designed for just this sort of external environment



We will continue to take necessary, sometimes painful, steps to improve returns



We will maintain our strong balance sheet as a competitive advantage



Financial performance expected to remain subdued in 2016



Andy Halford

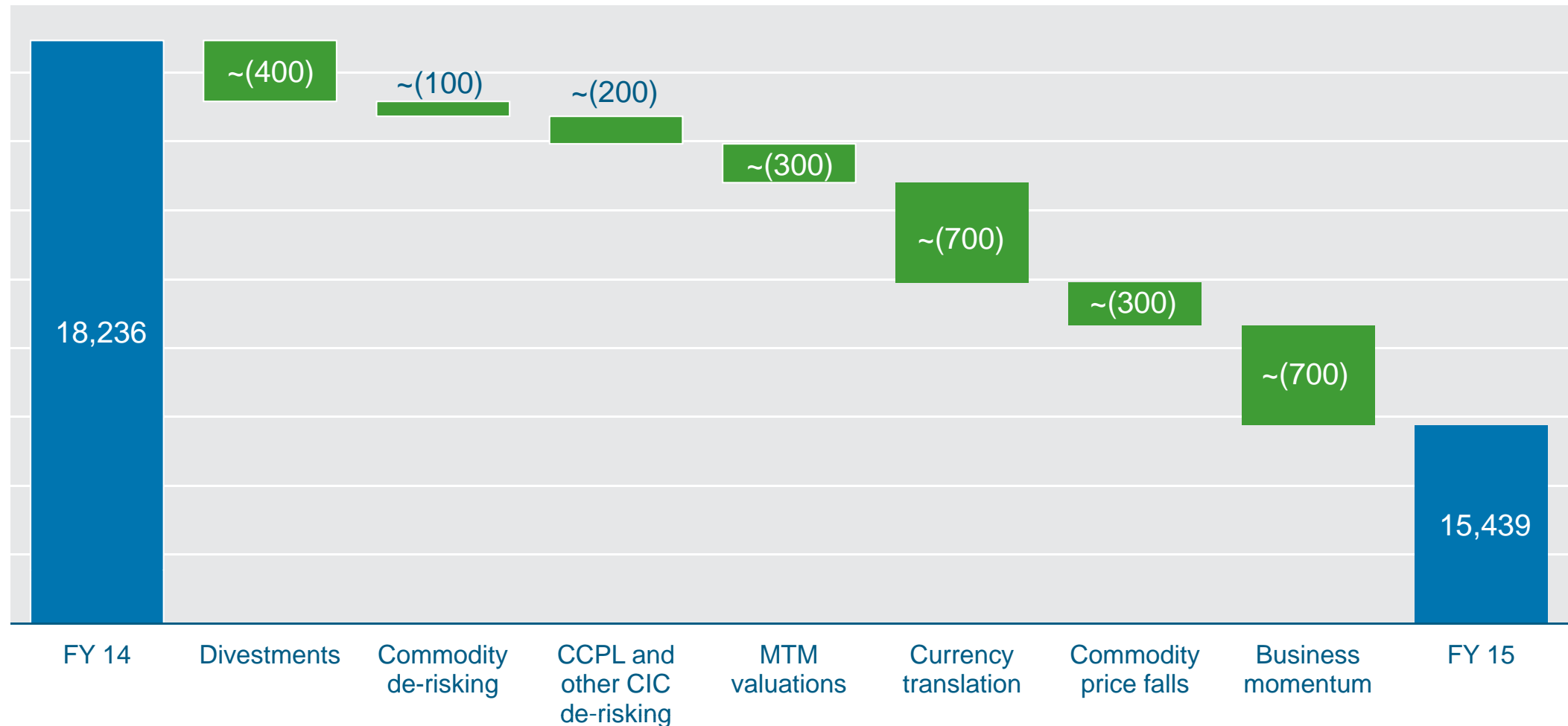
Group Chief Financial Officer

Group performance summary

US\$m	FY 14	FY 15	Better/ (Worse)%		
Income	18,236	15,439	(15)	YoY change in income (US\$m)	(2,797)
Operating expenses	(9,662)	(9,032)	7	- Currency translation	~(700)
Regulatory expenses ¹	(717)	(1,006)	(40)	- Divestments and exits	~(400)
Bank levy	(366)	(440)	(20)	- CCPL ⁵ reductions	~(200)
Pre-provision operating profit	7,491	4,961	(34)	- Commodity linked income	~(400)
Loan impairment	(2,141)	(4,008)	(87)	- MTM ⁶ valuations	~(300)
Other impairment	(403)	(311)	23	- Business momentum	~(700)
Profit from associates	248	192	(23)		
Profit before tax (underlying)	5,195	834	(84)		
Restructuring	-	(1,845)	nm	Restructuring	(1,845)
Valuation adjustment	-	(863)	nm	- Loan impairment	(968)
Own credit adjustment	100	495	nm	- Redundancy costs	(695)
Other exceptional items ²	(1,060)	(144)	nm	- Other impairment	(56)
Profit / (loss) before tax (reported)	4,235	(1,523)	(136)	- Goodwill impairment	(126)
Normalised ROE ³ (%)	7.8%	(0.4%)	-		
Normalised EPS ⁴ (Cents)	138.9	(6.6)	-		
Dividend per share (Cents)	81.9	13.7	(83)		
Common Equity Tier 1	10.7%	12.6%	-	CET1 pre restructuring	13.2%

Income impacted by adverse market conditions and management actions

Operating income (US\$m)

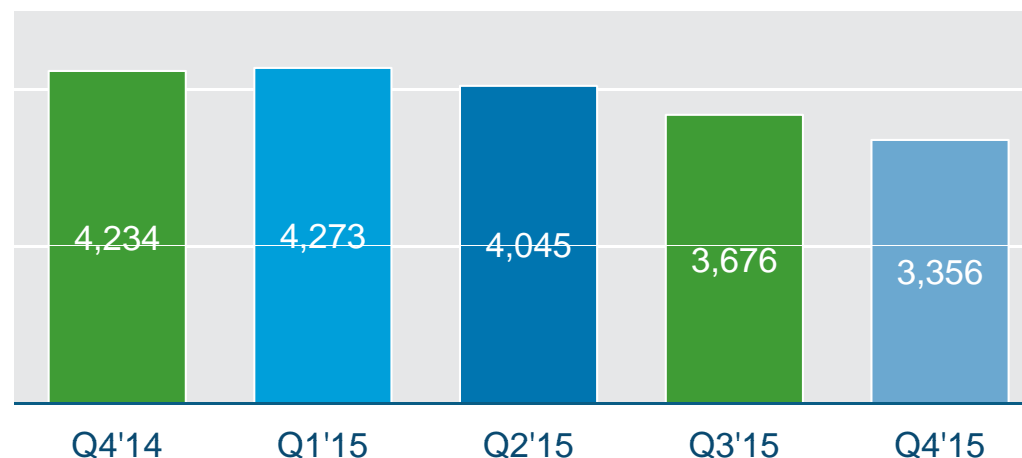


Taking action to address declining income trajectory

- **Lower balance sheet momentum... but taking action**
 - Reflects adverse macro conditions in 2015
 - Selective asset origination
- **We are reaching the end of the de-risking phase**
 - Open to grow within risk and return framework
 - Reinvesting freed up capital in targeted businesses
- **Seeing progress in areas where we have invested**
 - Retail Priority income up 14% YoY
 - Wealth Management AUM⁴ up 7% YoY
 - **Added clients:** ~1,000 Private Banking Clients, ~3,000 Commercial Clients
 - Maintained leadership position in RMB
 - Refocused on serving CIC and CC supply chain
 - New structure increases regional CEOs' control

US\$m	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15
Operating income	4,448	4,421	4,074	3,682	3,262
Mark to market ¹	148	112	178	58	81
Divestments	(130)	(84)	(53)	-	-
FX ² and FX one-off ³	(232)	(176)	(154)	(64)	13
Operating income (adjusted as above)	4,234	4,273	4,045	3,676	3,356

Operating income (adjusted) US\$m

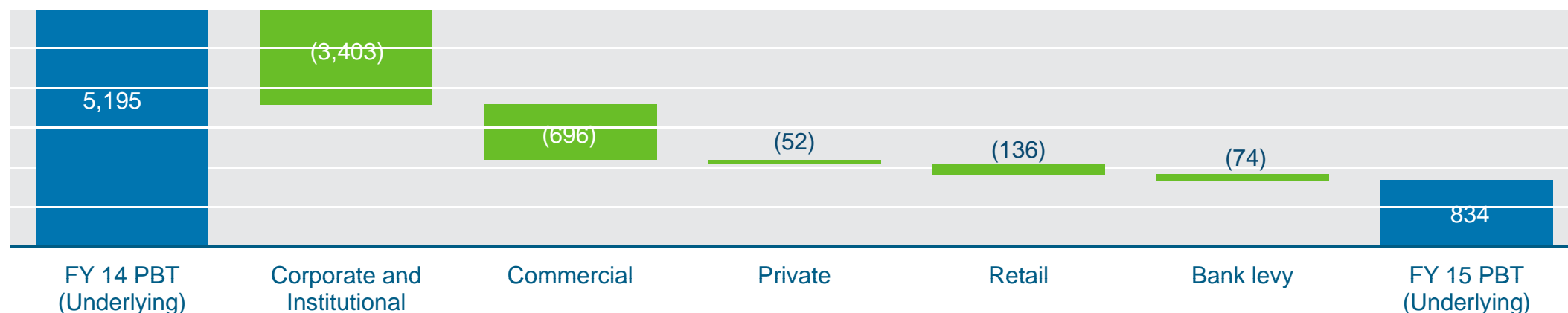


Client segment performance has been similarly impacted

US\$m (underlying)	FY 14	FY 15	Better/ (Worse) %
Corporate and Institutional Clients (CIC)			
Commercial Clients			
Income	1,183	826	(30)
Profit before tax	219	(477)	(318)
Private Banking Clients			
Income	612	557	(9)
Profit before tax	149	97	(35)
Retail Clients			

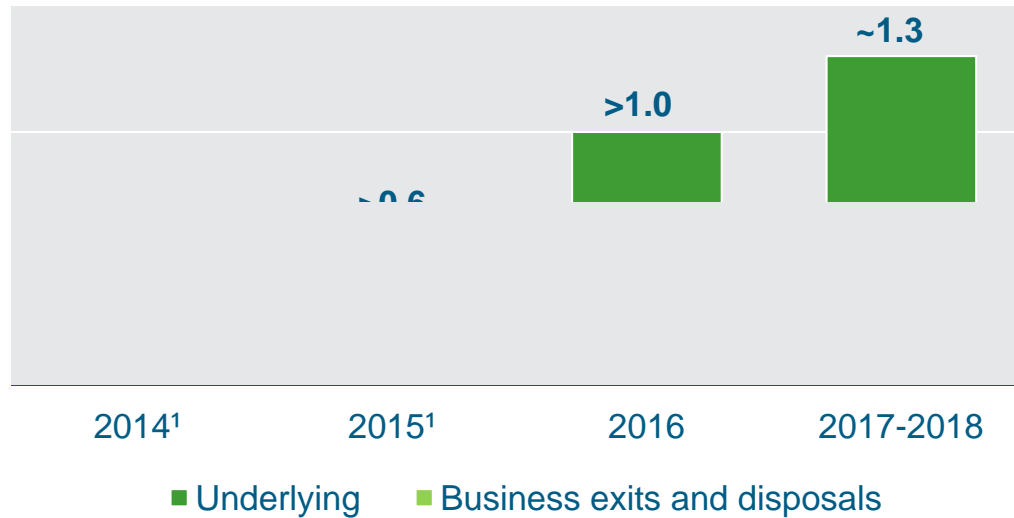
Key operational themes

- CIC with weaker income and higher loan impairment, largely in liquidation portfolio
- Commercial Clients impacted by increased loan impairment, client exits and de-risking
- Private Banking Clients impacted by single impairment case and business exits
- Retail Clients income broadly flat excluding FX, de-risking and business exits

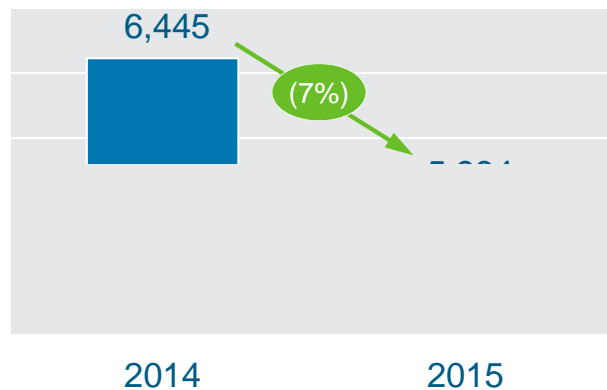


We have stepped up our cost focus to improve profitability and create investment capacity

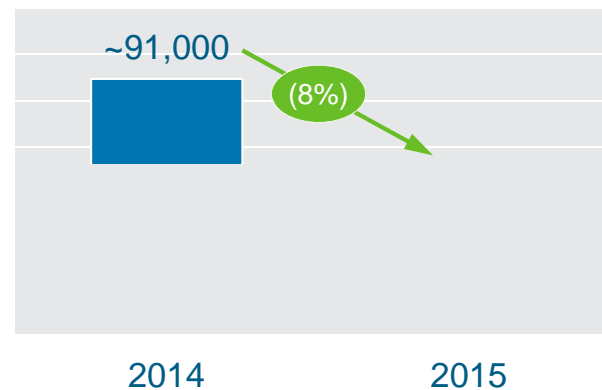
Annual cost efficiencies (US\$bn)



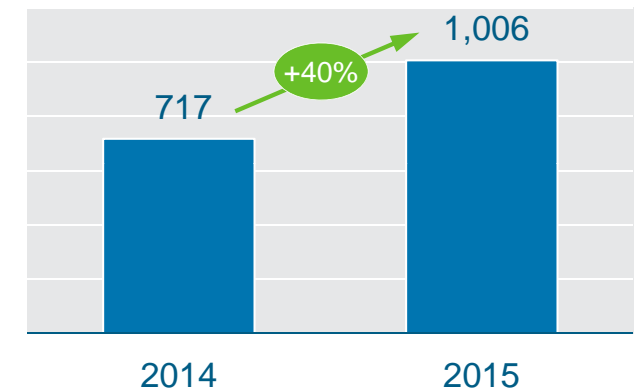
Staff costs (US\$m)²



Staff numbers



Regulatory costs (US\$m)



We have taken decisive action on exposures beyond tightened risk tolerance

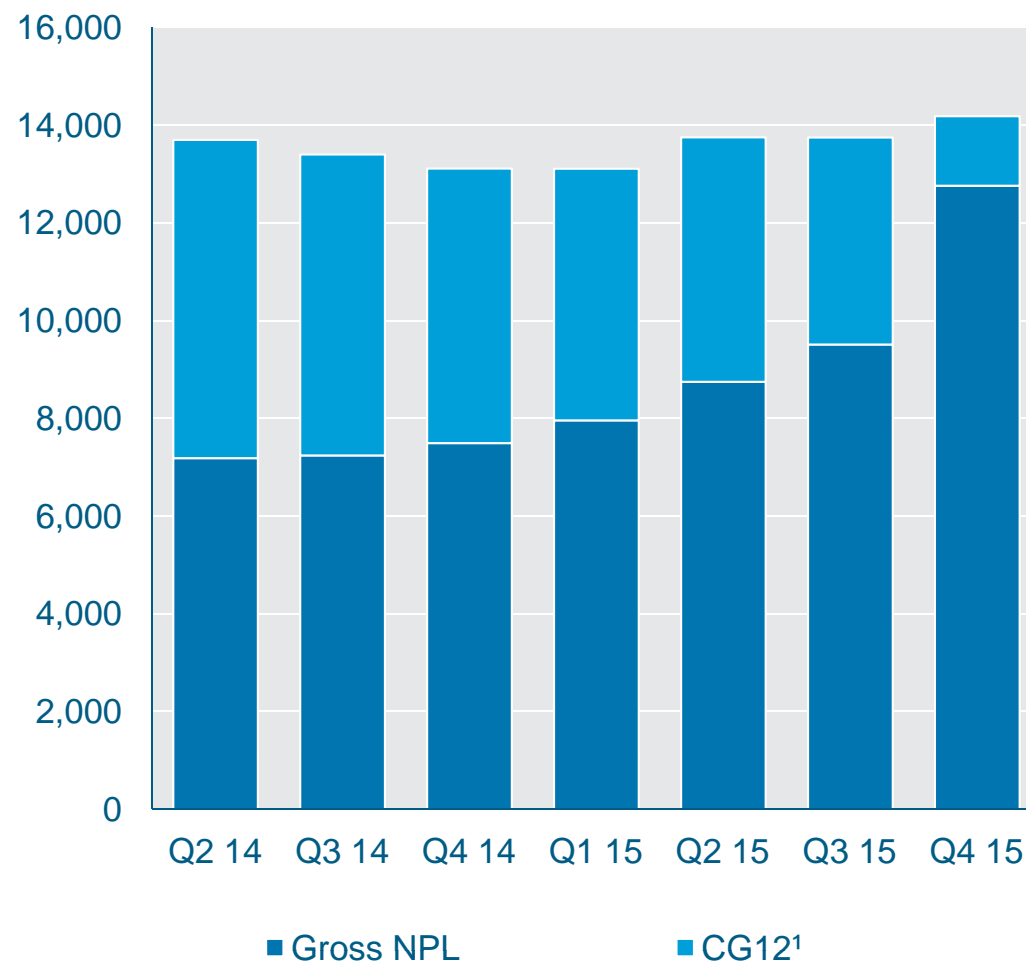
US\$m	Liquidation portfolio	Ongoing business	Total Group
Loan impairment	1,627	2,381	4,008
Loan impairment included in restructuring charge	968	-	968
Total loan impairment	2,595	2,381	4,976

US\$m			
Gross loans and advances to customers	7,940	260,143	268,083
Gross non-performing loans	7,512	5,247	12,759
Net non-performing loans	3,968	2,663	6,631
Cover ratio ¹	47%	62%	53%
Cover ratio (after collateral) ²	64%	71%	67%
Risk-weighted assets	19,627	283,298	302,925

Assertively managing past risk issues

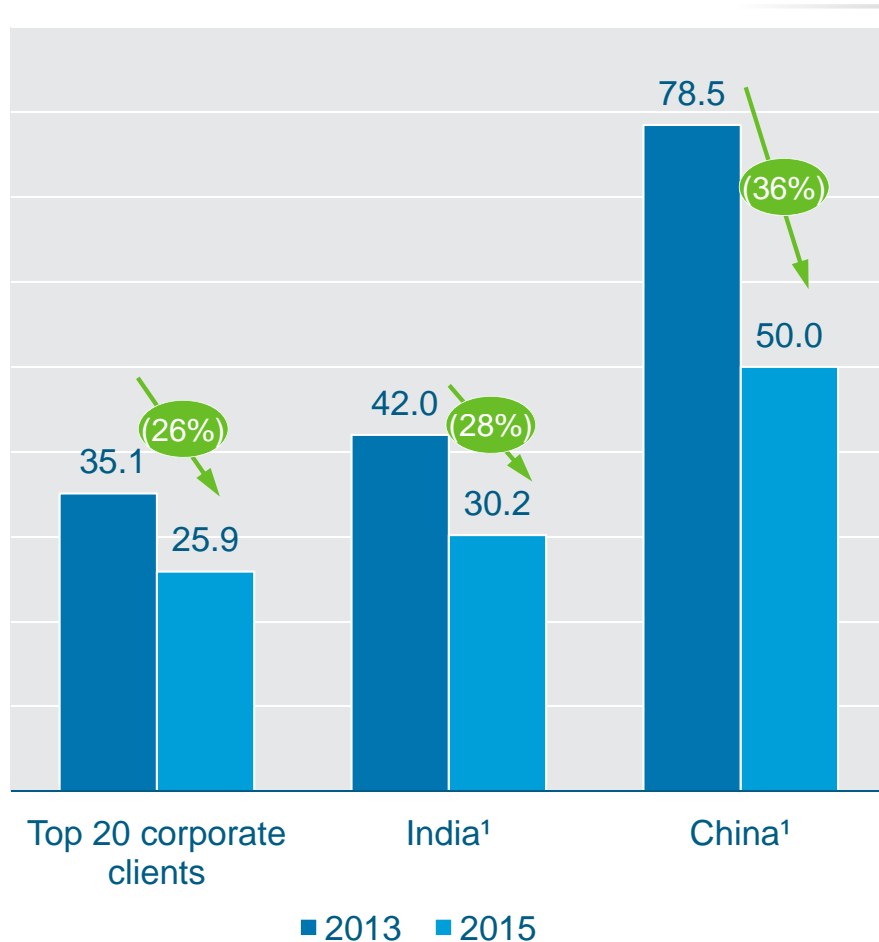
- Broadly stable combined CG12s and NPLs
- Inflow to NPL largely from existing CG12
- Majority of NPL inflow in Q4 2015 from a large connected group from CG12
- NPL inflow for ongoing CIC portfolio slowed in the fourth quarter versus previous two quarters

**Total NPLs and CG12 accounts
(inclusive of the liquidation portfolio)**



We have reduced targeted exposures... and are improving the credit quality of our ongoing business portfolio

Reduced targeted exposures (US\$bn)



- Actions are improving ongoing business portfolio
- Portfolio is more diverse by industry and client
- India and commodities represent a large proportion of the liquidation portfolio

Reduced our commodity exposures and improved the quality of ongoing portfolio

Reducing targeted commodity exposures (US\$bn)



- Actively managing, net exposure down 28% YoY
- Top 5 exposures down 29% YoY
- 68% of portfolio with maturity <1 year
- Oil and Gas producers down 26% YoY to US\$9.6bn:
 - 88% are low cost producers that can sustain an oil price of US\$30pb¹ for one year, or
 - Oil majors or large State Owned Enterprises

Our balance sheet is stronger and well positioned to weather the current volatile external conditions

CET1
12.6%,
in 12-13% target
range

**Increased cover
ratio 53%**

**Leverage ratio
strong
5.5%**

**Minimum
requirement for
own funds and
eligible liabilities
24%**

**Advances to
deposits ratio
72.8%**

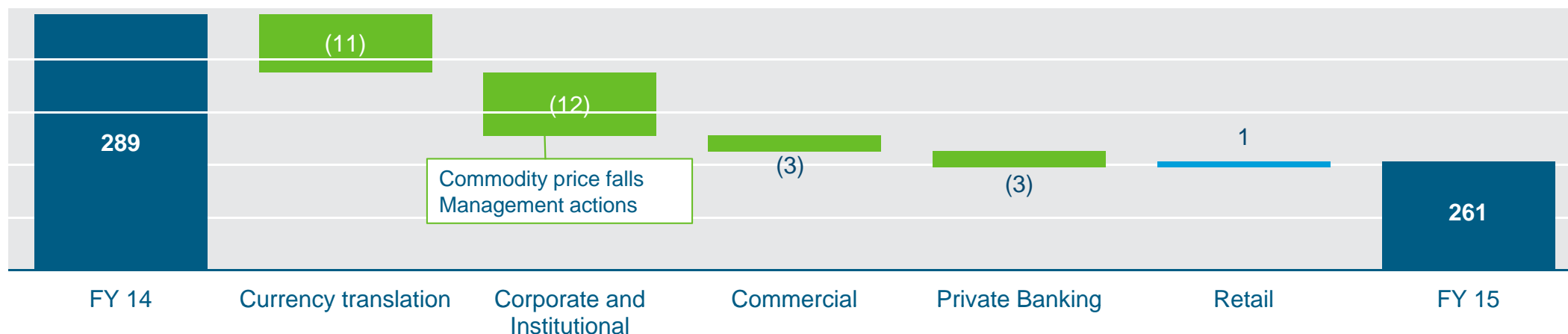
**LCR, NSFR¹
> 100%**

**Liquid Asset
Ratio
>30%**

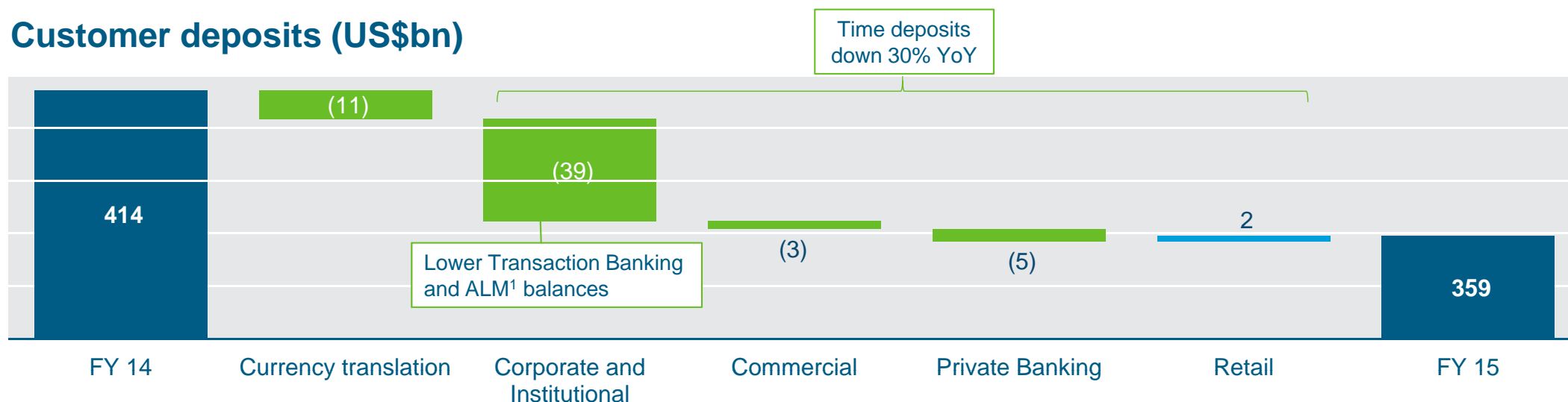
**CIC and CC²
L&A to customers
short tenor
67% < 1 Year**

Disciplined balance sheet management

Customer loans and advances (US\$bn)

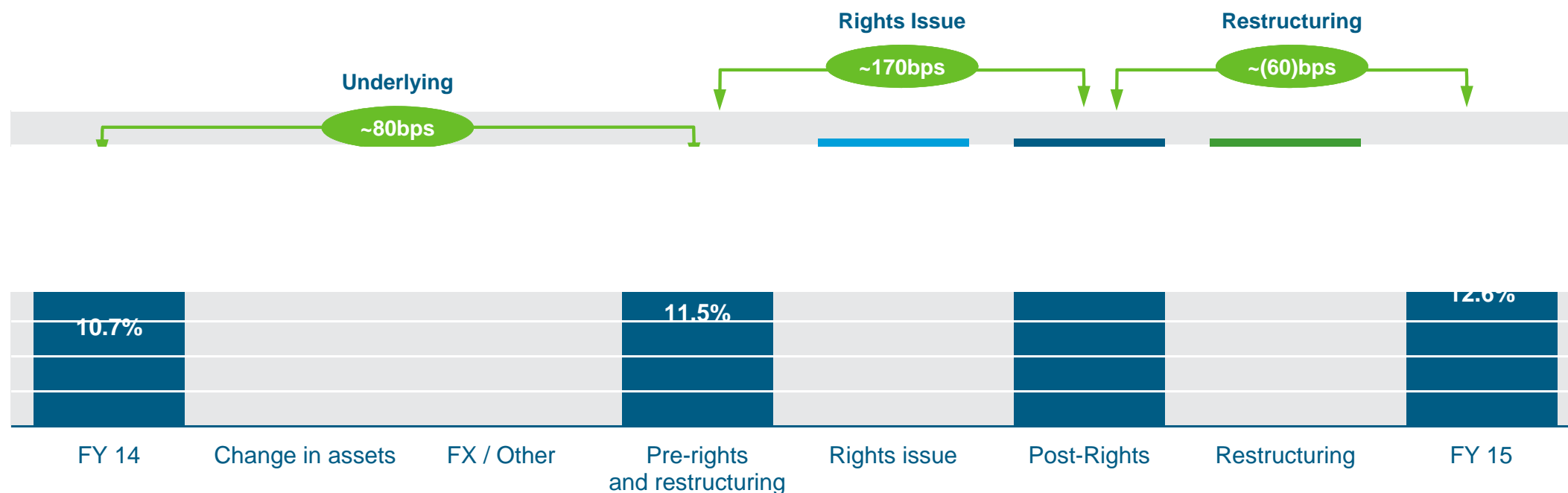


Customer deposits (US\$bn)



The Group is strongly capitalised and is generating further capital from underlying business activity

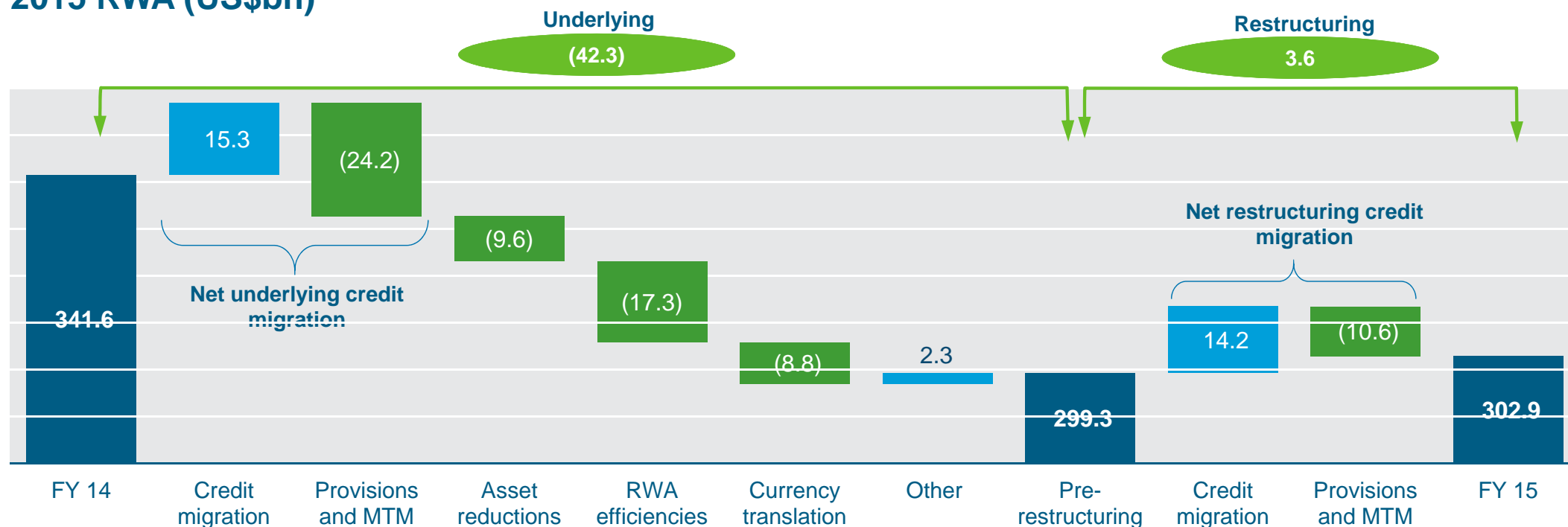
2015 – CET1 %



- The Group is strongly capitalised and significantly ahead of known minimum requirements
- The 2015 rights issue takes Group CET1 to within the target 12-13% range
- The CET1 ratio is expected to be towards the top end of the 12-13% target range upon liquidation of the US\$20 billion RWA beyond our tightened risk tolerance
- The strong capital base facilitates execution of refreshed strategy

Significant reduction in risk-weighted assets

2015 RWA (US\$bn)



- Underlying reduction in Group RWA of US\$42.3 billion
- RWA efficiencies of US\$17.3 billion including loan sales and reductions in low returning client relationships
- Minimal net RWA impact from restructuring
- Expect to release the RWAs in this portfolio as these exposures are liquidated over the next 12 months

Summary of our 2015 financial performance

✓ We have taken action to strengthen the Group's balance sheet

✓ We have tightened our risk tolerance and have reduced concentrations

✓ We have delivered on 2015 committed cost efficiencies and...

✓ ... We will deliver cost saves of US\$2.3bn more by end of 2018

✓ We have taken action but have much more to do to drive stronger returns

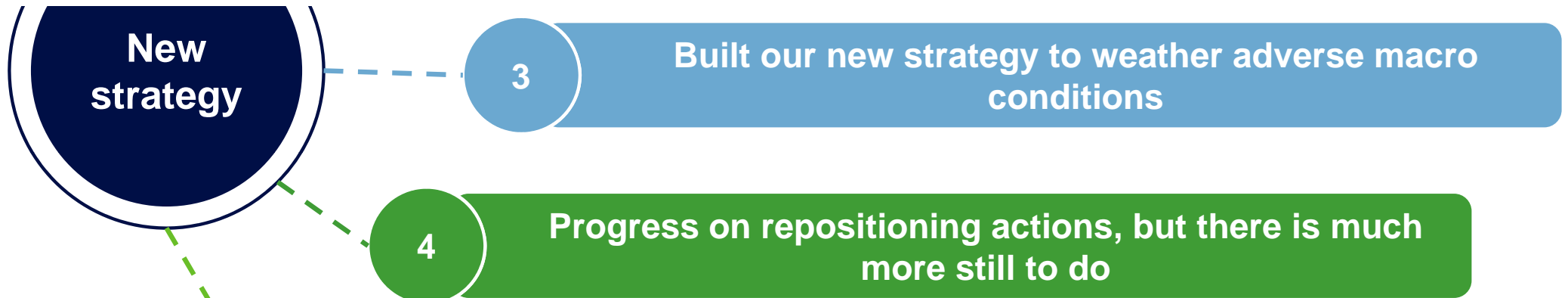


Bill Winters

Chief Executive Officer

We are executing our new strategy which was designed for this challenging environment

We have valuable differentiated franchise relationships



We are delivering on the commitments we have made and executing on the strategy to drive sustainably higher returns

1

Secure the foundations

- **Financial framework:** CET1 of 12-13%, ROE of 10% in medium term
- Reduce / exit exposures to within the refreshed Group risk tolerance by 2017
- Businesses and assets comprising approximately one third of Group RWA to be restructured
- Deliver our conduct and financial crime risk programmes
- Re-focus relentlessly on client satisfaction
- Re-establish a culture of excellence in everything we do
- Simplify the organisation structure to focus more on geographic execution

2

Get lean and focused

- **Cost discipline:** execute US\$2.9bn gross cost reduction programme over 4 years from 2015 to 2018; 2018 total costs below 2015
- Restructure Corporate and Institutional Banking for higher returns
- Accelerate Retail Transformation; target cost income ratio of c.55% by 2020
- Fundamentally overhaul Commercial Banking
- Clear and deliverable strategy for our regions managed locally

3

Invest and innovate

- Step-up cash investments by over US\$1bn. Invest in excess of US\$3bn (cash basis) over three years
- Invest and innovate in Private Banking and Wealth Management to leverage advantages
- 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

We are delivering on the commitments we have made and executing on the strategy to drive sustainably higher returns



Reorganised the Group around a new and simpler organisation structure

1



Completed new management team with Group Chief Risk Officer and CEO of CIB



Strengthened capital including strong shareholder support of our Rights Issue

Secure the foundations



Made progress in identifying and optimising US\$50bn of Group RWA



In discussions regarding presence in Indonesia; made progress in Korea



Achieved >US\$600m of cost efficiency in 2015 and targeting >US\$1bn in 2016



Created clearly defined client segment strategies with geographic execution

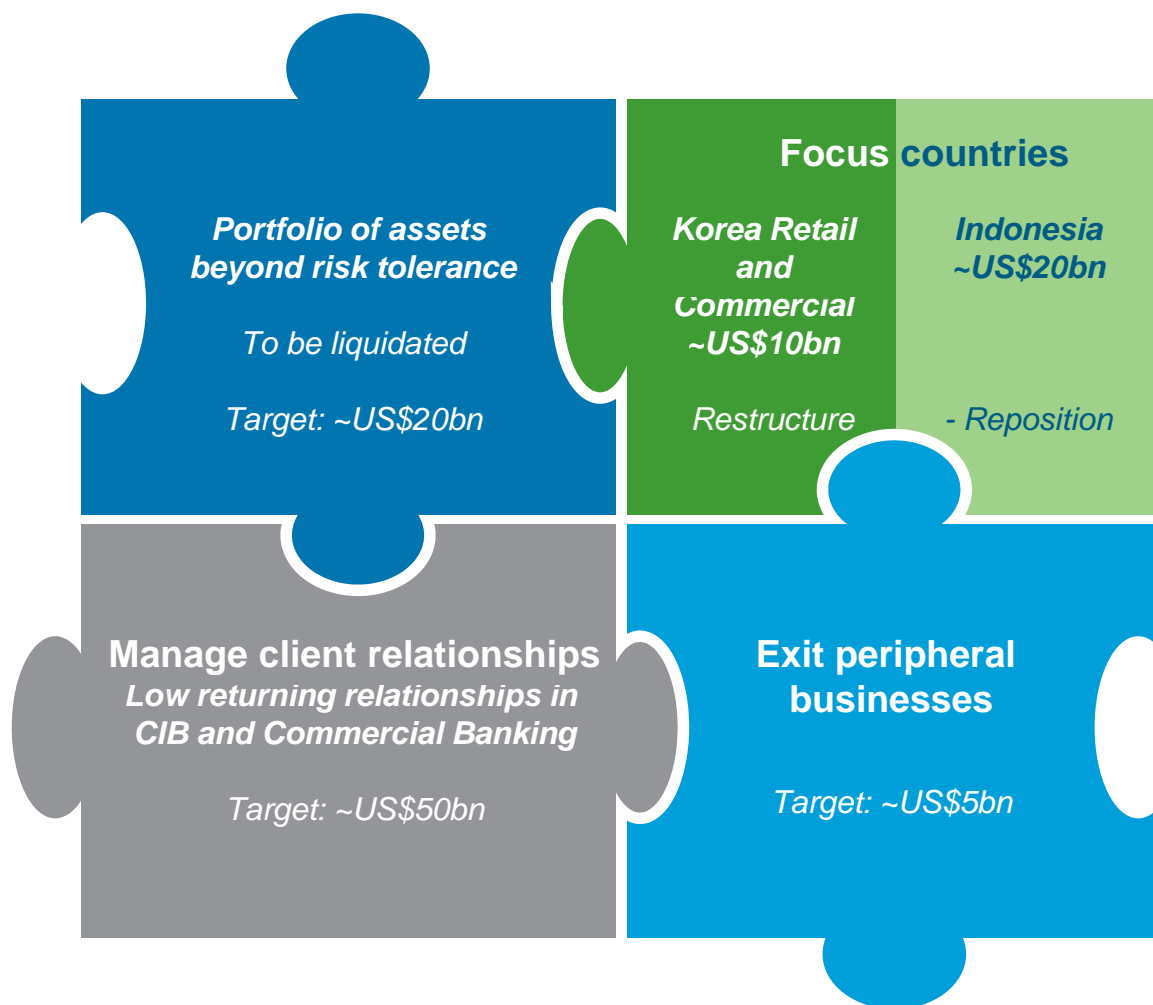
Get lean and focused

3




Significant investments to establish best in class control and conduct capabilities

We have taken early actions to restructure approximately one third of Group RWA



Restructuring progress

- US\$1.8bn restructuring charges taken in Q4 2015 ...
- ... the bulk of the amount indicated last November
- Remain confident in around US\$3bn cost estimate



We have taken assertive action on exposures outside of tightened risk tolerance

- Tightened our risk tolerances
- Concentrated exposures largely in liquidation portfolio
- In 2015, represent 3% of gross loans and advances to customers but 59% of gross non-performing loans and 52% of loan impairment
- Assertively managing out these exposures
- **The remaining portfolio will be:**
 - More diverse
 - Less sensitive to adverse economic and credit cycles



Continuing to actively manage low returning client relationships

We are committed to optimising US\$50bn of RWA across CIB and Commercial

All clients are identified and discussions are ongoing to manage returns up or RWA out

Expect to have completed the process in the next 18-24 months

Early signs suggest we can retain a large proportion of clients at enhanced returns



Focus countries – Korea and Indonesia

Korea



- Significant headcount reduction from SRP¹
- Simplified corporate structure
- De-risked retail unsecured
- In 2016 we will continue to:
 - Improve cost efficiency
 - Leverage Shinsegae alliance
 - Launched Samsung co-brand card
 - Grow network business
 - Drive towards profitability



Indonesia



- Aim to reduce to a single presence
- In active discussions with joint venture partner and local regulators
- Continued focus on driving sustainable improvement in returns





Exiting peripheral businesses

- **Progressing sale of peripheral non-strategic investments**
 - Timing dependent on market conditions
- **Exiting selected sub-scale Retail Banking markets**
 - Sales processes underway or planned
 - Will update on signing
- **Completing exit of equity derivatives business**
 - Running-off RWA from remaining positions

While 2015 performance was poor, we are building underlying momentum across focus areas

Corporate and Institutional Banking

- Maintained leadership position in Asia Transaction Banking
- Increased FX, Cash FX and Rates notional
- Grew share of non-financing revenue

Commercial

- Added ~3,000 new clients
- International Corporate supply chain focus

Positioning for improved returns in Corporate and Institutional Banking

Upgrade or exit lower returning client RWAs

- Delivered ~US\$4bn low returning relationship efficiencies
- Stepping up efficiencies in 2016 from ~US\$40bn portfolio

Favour network businesses

- ~60% of client income now derived from the network
- 23% income return premium for network over domestic

Take costs out ahead of RWAs

- Achieved committed 2015 cost saves
- Stepping up cost saves in 2016

Service clients' supply and ecosystem

- Re-engineering client on-boarding and credit approval process

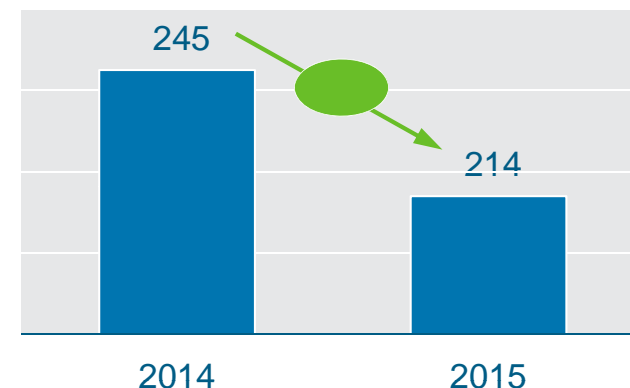
Create leading asset distribution capability

- Driving Investor segment growth (2015 income up 13% YoY)
- Centralised single CIB financing group

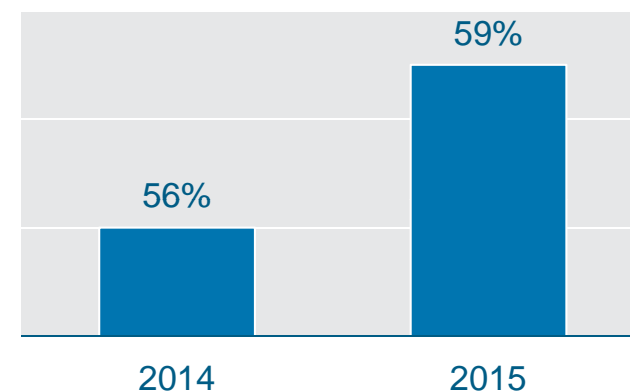
Sustain RMB leadership

- Maintained leadership position in 2015
- Pacing targeted investments for future growth

Risk weighted assets (US\$bn)

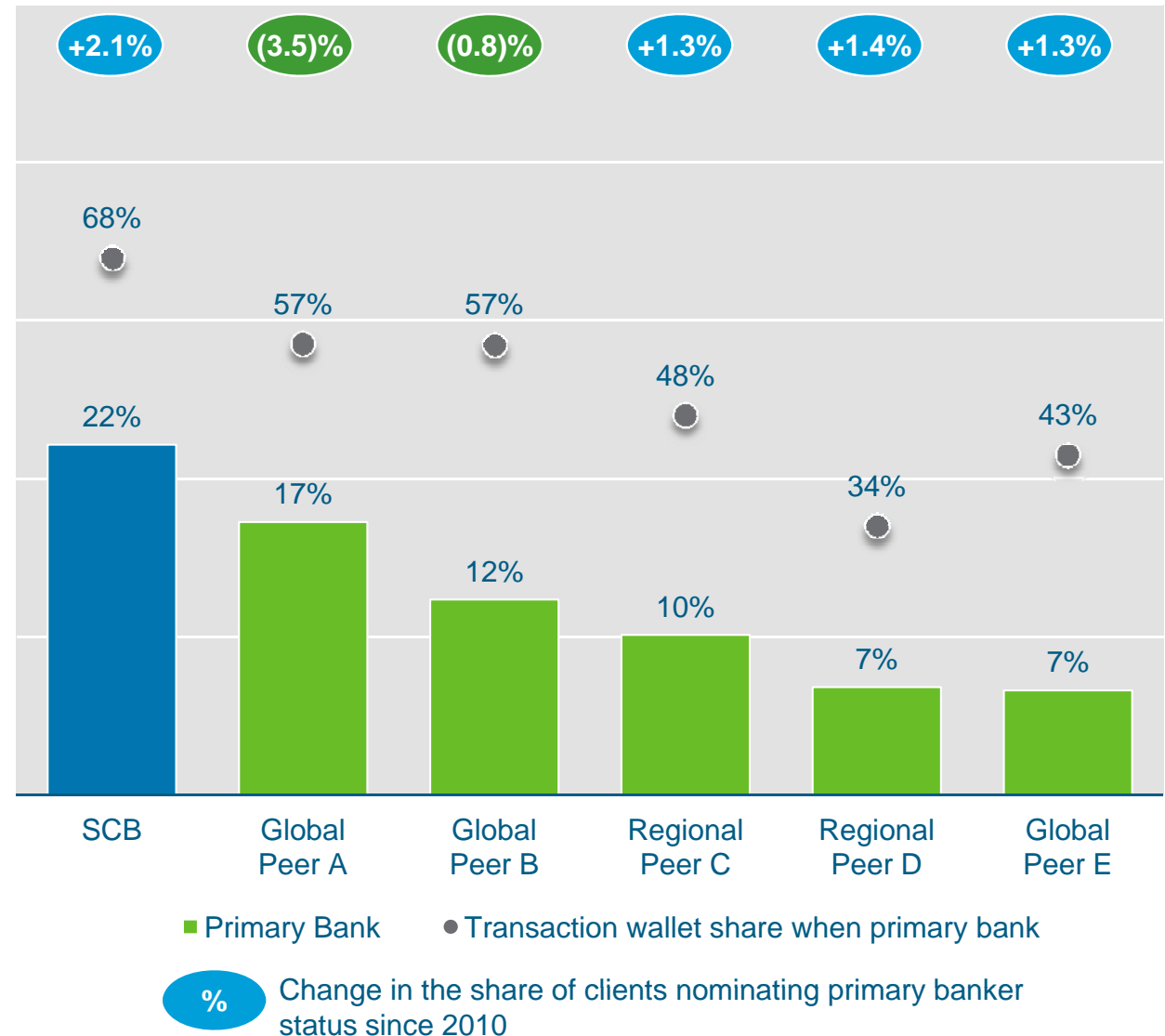


Network income / Client income (%)



The Group has a strong and leading underlying transaction banking franchise

- #1 Transaction Banking provider across Asia¹
- Primary banker to 22% of top Asian institutions
- Extending leadership each year since 2010 with growing share
- Strongest client satisfaction across the survey



Overhauling Commercial Banking

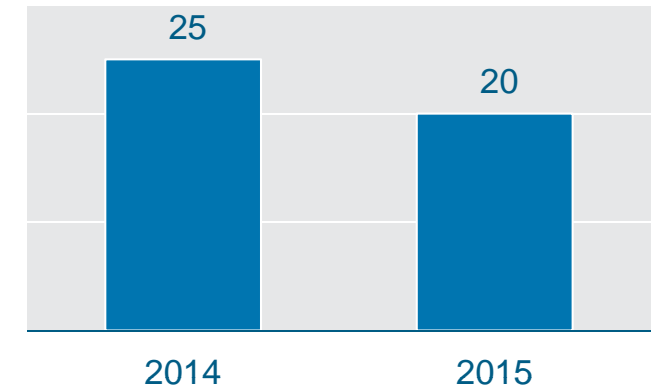
Re-structure and re-cost

- CDD¹ remediation progressing, credit standards tightened
- Drive efficiency and digital channels to achieve structurally lower cost base
- Targeting to up-tier or exit ~US\$10bn of low-returning RWA
- Created scale with transfer in of Local Corporates from CIB

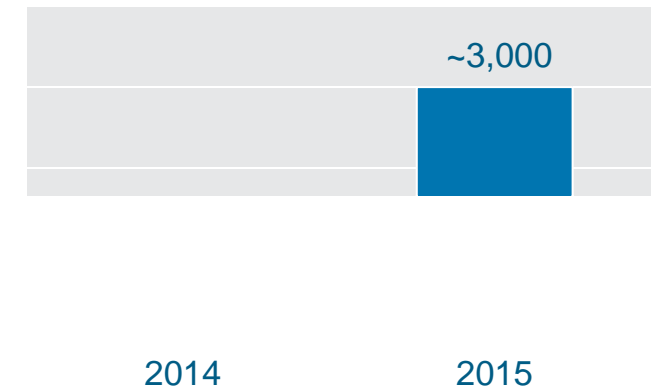
Build on differentiated strengths

- On-boarded ~3,000 new clients in 2015 with international needs
- Focus on International Corporate supply chains
- Provide high quality Transaction Banking, Financial Markets and Corporate Finance products

Risk weighted assets (US\$bn)



New to bank clients (#)

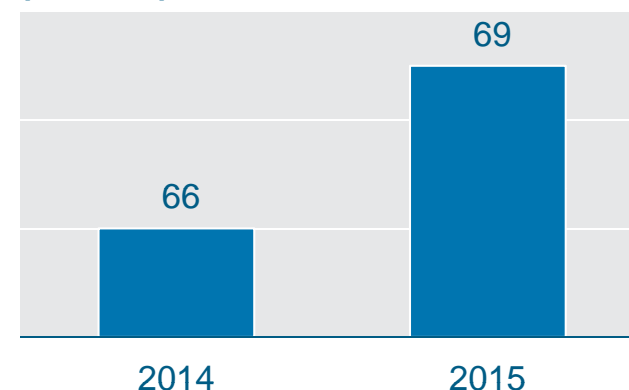


Investing into Private Banking and Wealth Management

Distinctive and digital distribution

- Investment product penetration up from 51% to 57% in 2015
- Hiring high quality Relationship Managers in 2015
- Plan to enhance digital distribution across Private and Retail

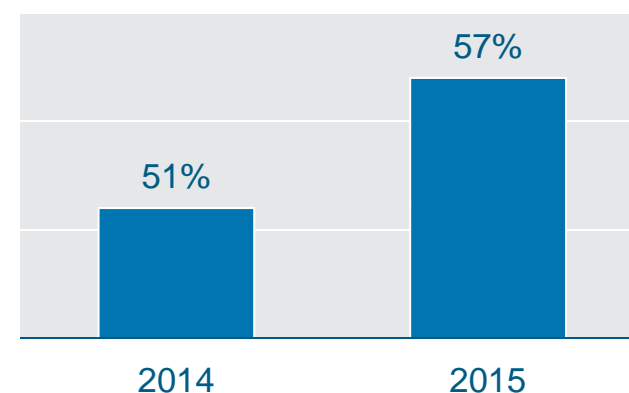
Wealth Management AUM (US\$bn)¹



Focussed client acquisition

- ~1,000 Private Banking clients acquired in 2015
- Aiming for to accelerate client acquisition in 2016

Investment penetration (%)



Transforming Retail Banking

Focus on
Priority and
urban affluent
in major cities

Deliver
significant cost
efficiency
through
technology

Step up
investments in
brand /
marketing

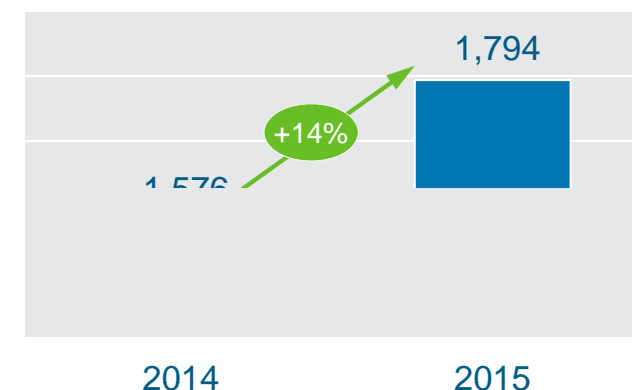
Turn around
Korea

Tighten city-
focused
strategy in

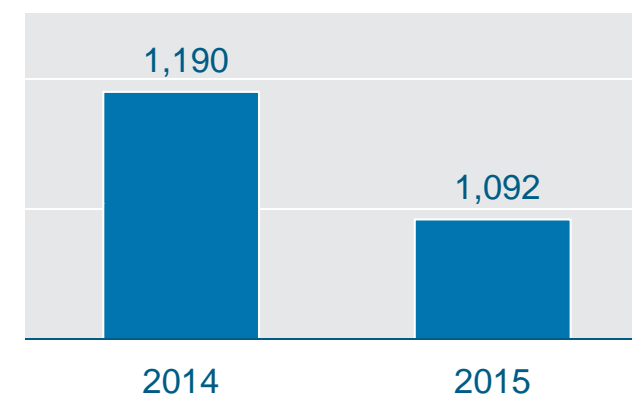
- Completed significant retirement program
- Reduced loan impairment and RWA following prior risk actions
- Good progress on partnerships (e.g. Shinsegae , Samsung)

- Significant resource optimisation, primarily in non-core cities
- Income growth in China driving improved cost income ratio

Priority clients income (US\$m)

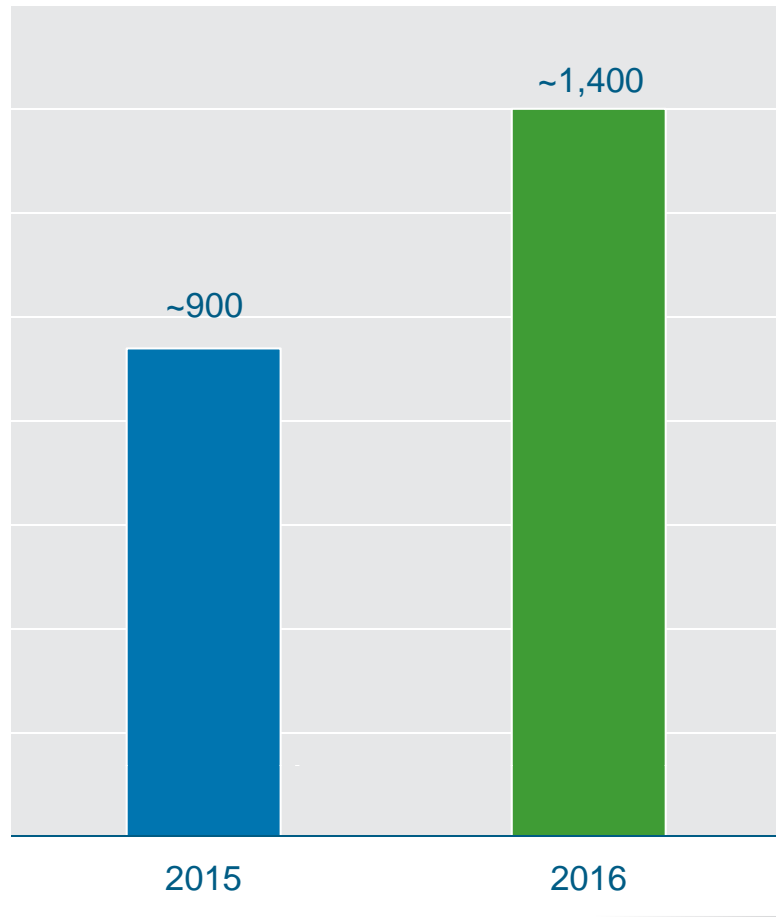


of branches



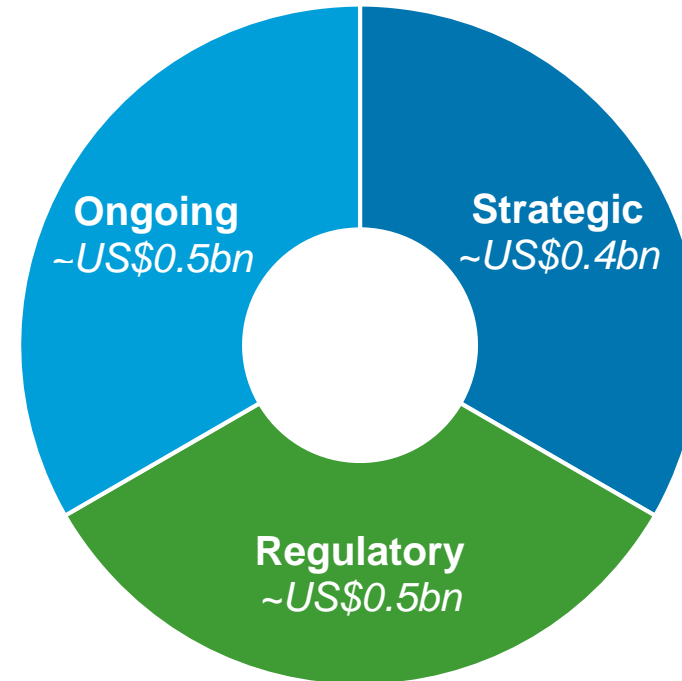
We are stepping up investment despite challenging external conditions in order to deliver our strategic agenda

Cash investment spend (US\$m)



- Upgrade systems
- Improve flexibility
- Deliver process and control efficiencies

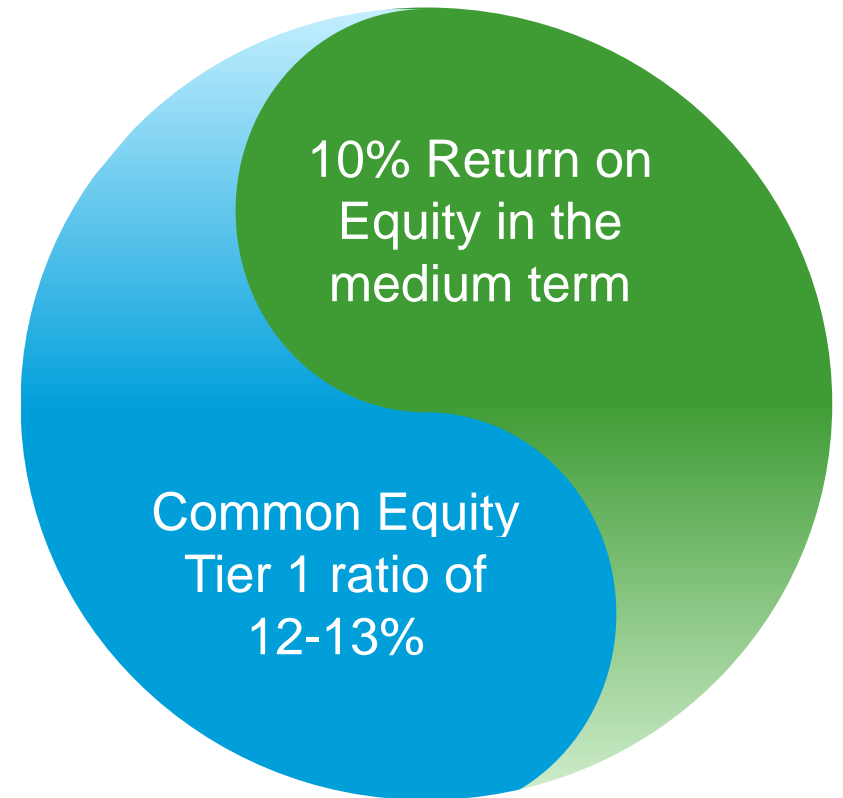
- Enhance Retail Digital capabilities
- Upgrade Private and WM¹ platforms
- Invest in our Africa franchise
- Investment to sustain RMB position



- Deliver on requirements e.g. BCBS, IFRS 9
- Improve compliance and conduct controls

Committed to rebuilding strength and profitability

1 Maintain strong capital position



everything we do

Summary and outlook



Poor performance in 2015 but we have taken action



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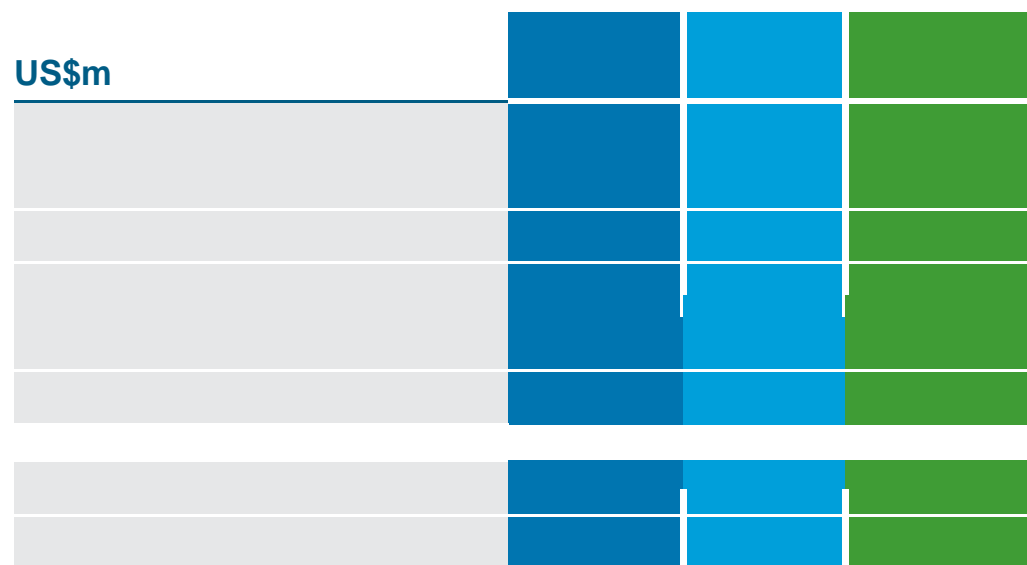
Q&A

Appendix

Group performance summary

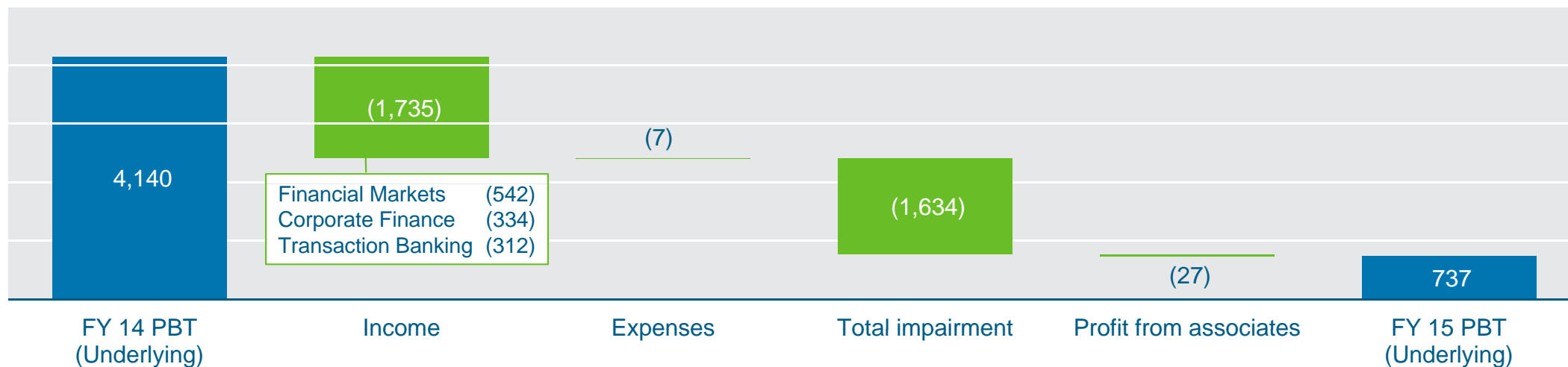
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Other income	1,613	826	(49)	372	169	68	(82)	(60)
Income	18,236	15,439	(15)	4,448	3,682	3,262	(27)	(11)
Operating expenses	(9,662)	(9,032)	7	(2,536)	(2,238)	(2,205)	13	1
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Other impairment	(403)	(311)	23	(215)	(161)	(64)	70	61
Profit from associates	248	192	(23)	57	70	12	(78)	(82)
Profit before tax (underlying)	5,195	834	(84)	392	(114)	(877)	(324)	nm
Restructuring		(1,845)	nm		(25)	(1,820)	nm	nm
Valuation adjustment		(863)	nm			(863)	nm	nm
Own credit adjustment	100	495	nm	95	570	(130)	nm	nm
Other exceptional items ¹	(1,060)	(144)	nm	(755)	(1)	(362)	nm	nm
Profit before tax (reported)	4,235	(1,523)	(136)	(269)	430	(4,051)	nm	nm

Corporate and Institutional Clients – Reshaping for higher returns

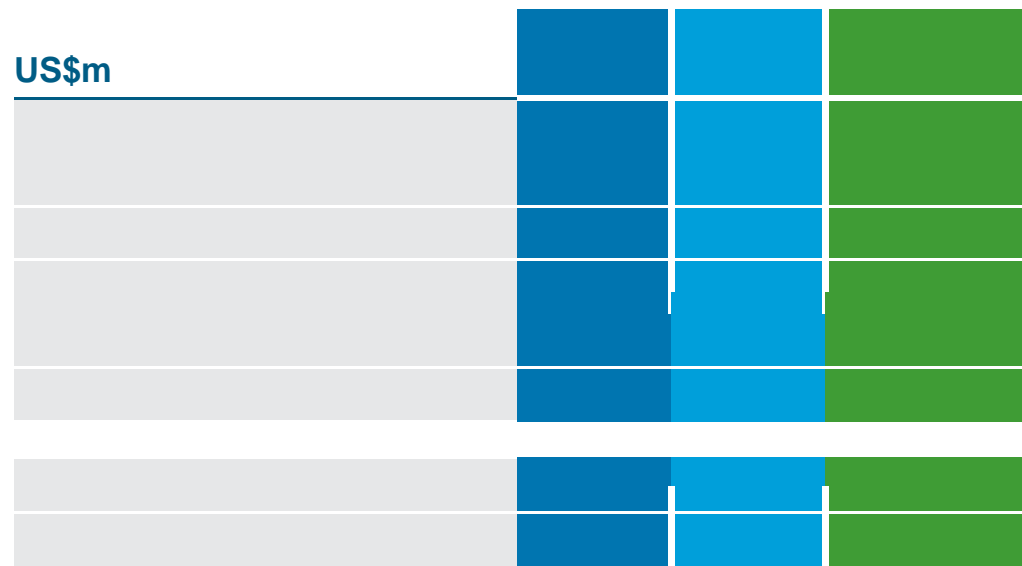


Progress on strategic priorities

- Embarking on significant costs and RWA restructuring
- Multi-year investment program on track
- Non-financing revenue share up from 41% to 47%

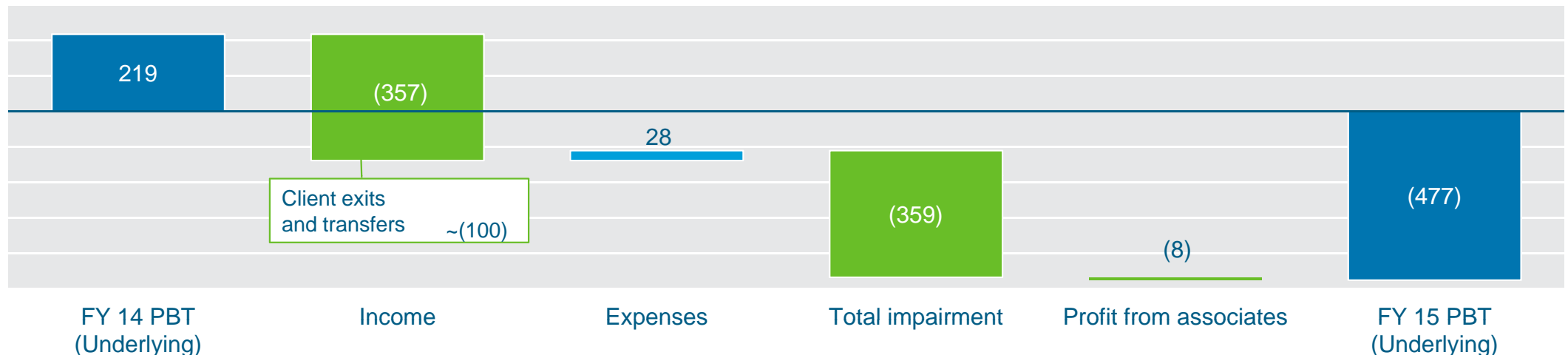


Commercial Clients – Overhauling to build on differentiated strengths



Progress on strategic priorities

- Significant multi-year change programme underway
- De-risking and remediation now largely complete
- Added ~3,000 new to bank clients in 2015
- Building globally consistent, enhanced platform
- Targeting further cost and RWA efficiencies in 2016

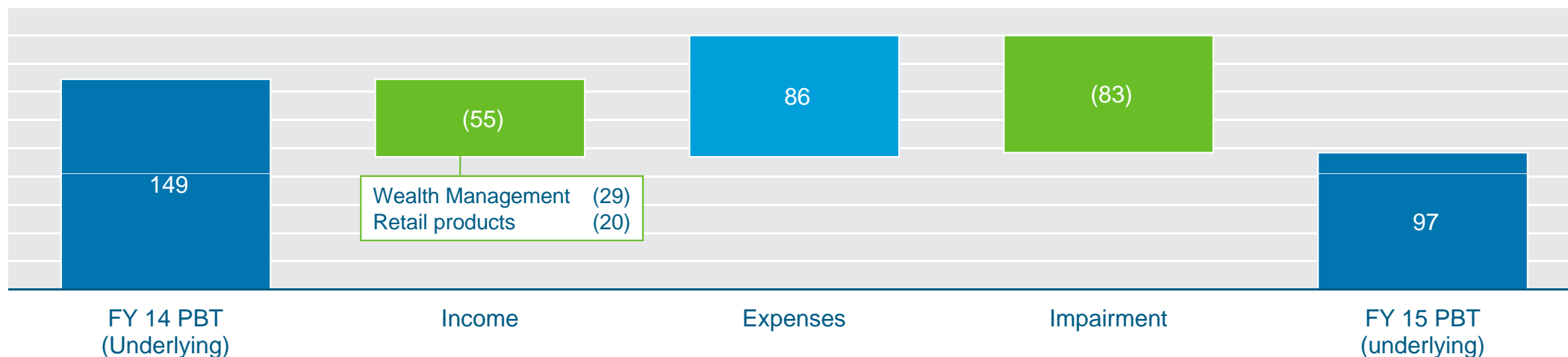


Private Banking Clients – Investing to leverage distinctive platform

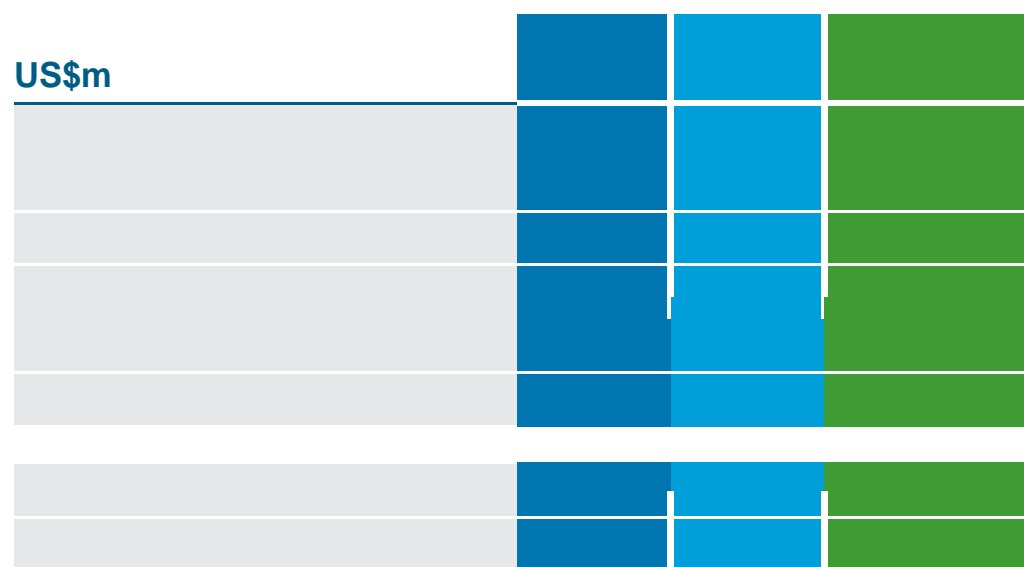
US\$m	FY 14	FY 15 ¹	Better/ (Worse) %
Income	612	557	(9)
Expenses	(447)	(361)	19
Working profit	165	196	19
Total impairment	(16)	(99)	nm
Profit before tax (Underlying)	149	97	(35)
RWA (US\$bn)	7	8	10
OP RoRWA (%)	2.3	1.2	

Progress on strategic priorities

- Added ~1,000 new clients
- Investment penetration to ~57% of AUM (2014: 51%)
- Material improvements to control environment made
- Progress on technology and operations delivery plans

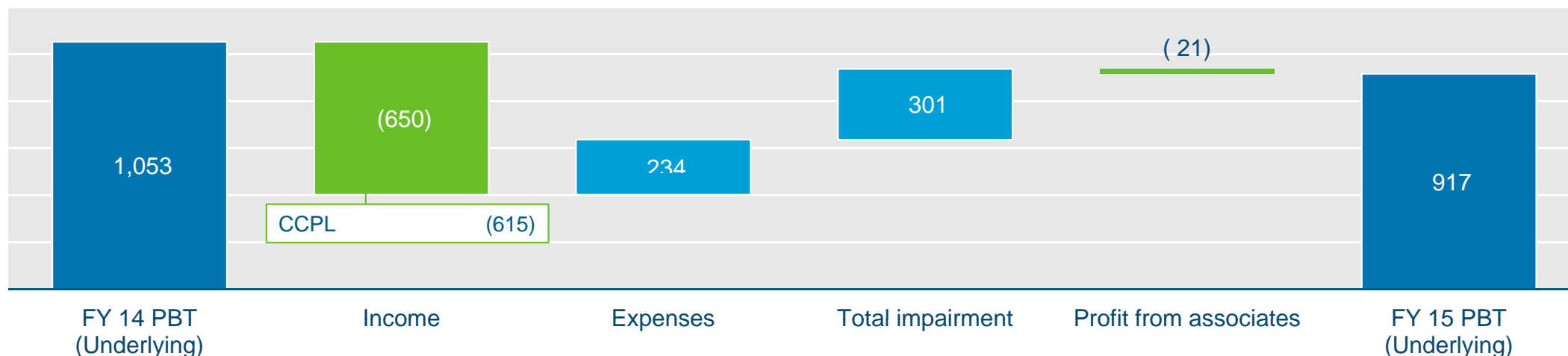


Retail Clients – Accelerating the transformation



Progress on strategic priorities

- Income broadly flat ex. divestments, derisking and FX
- Grew share of Priority income to 35% (2014: 27%)
- Delivered targeted cost efficiencies, notably in Korea
- Reduced branches by ~100, optimised another ~50
- Headcount reduced by over 6,500 (down 17% YoY)
- Implemented enhanced Operational Risk Framework
- Enhanced client experience resulting in fewer complaints

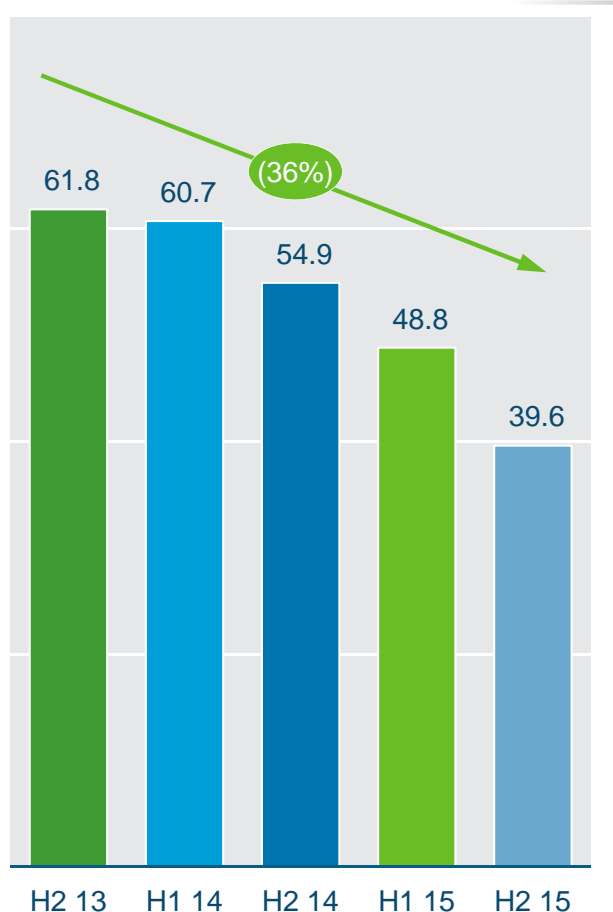


Continue to reduce our Commodities exposures actively

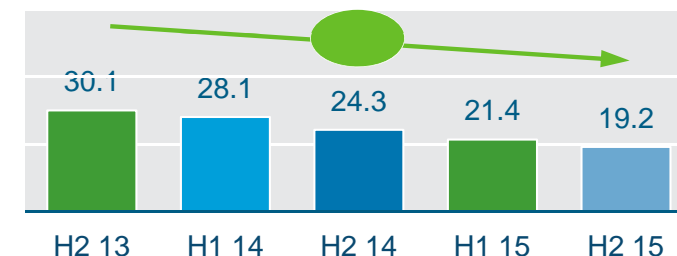
Commodity portfolio overview (FY15)

- Actively managing, net exposure down 28% YoY
- Represents 8% of CIB and CB net exposures (9% at HY15)
- Short tenor – 68% of portfolio with maturity <1 year
- Oil and gas producers - US\$9.6bn down 26% YoY:
 - 88% are low cost producers able to withstand an oil price of US\$30pb for 1 year or
 - Oil majors or large State Owned Enterprises

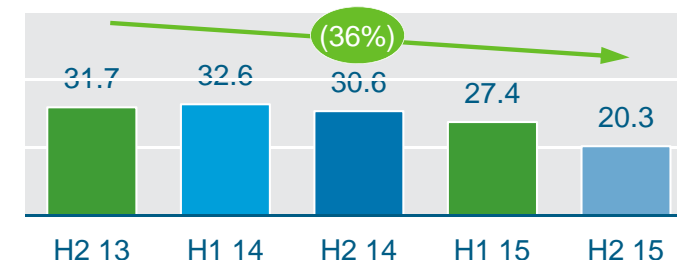
Commodities¹ (US\$bn)



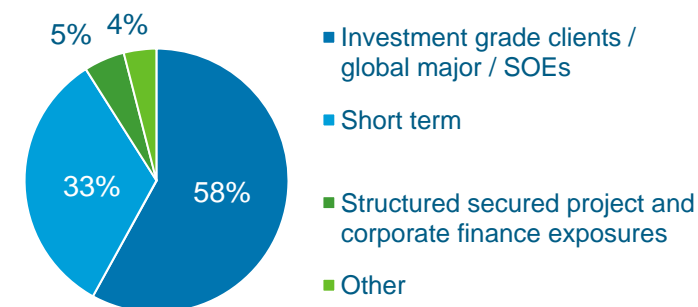
Producers (49% of exposure)¹



Traders (51% of exposure)¹



Commodities exposure



Actively managing our China exposures

Portfolio Overview¹ (FY15)

- Total exposure US\$50bn, down 30% YoY
- 84% <1 year in tenor mainly trade or interbank (ALM)
- Continuing actions reduce concentrations

Bank exposure US\$24bn

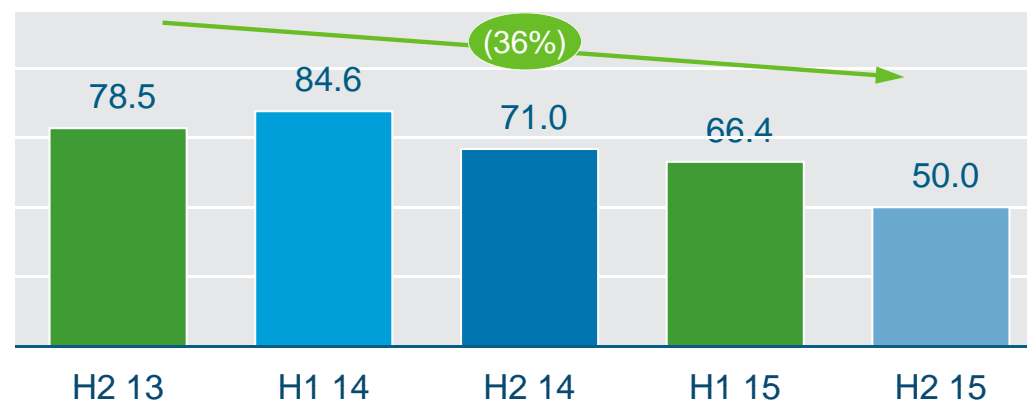
- Exposure down 31% YoY with 81% < 6 months in tenor
- 100% investment grade
- 84% to Top 5 Chinese banks

Corporate exposure US\$16bn

- Exposure down 38% YoY with 73% < 1 year in tenor

Sovereign exposure US\$10bn

China CIB / CB exposure¹ (US\$bn)



Continued to actively manage commodity portfolio

- Total exposures down 55% YoY to US\$4.2bn
- Producer exposure down 58% YoY to US\$1.7bn
- Trader exposure down 52% YoY to US\$2.5bn

Continuing to reduce selected more vulnerable exposures in India

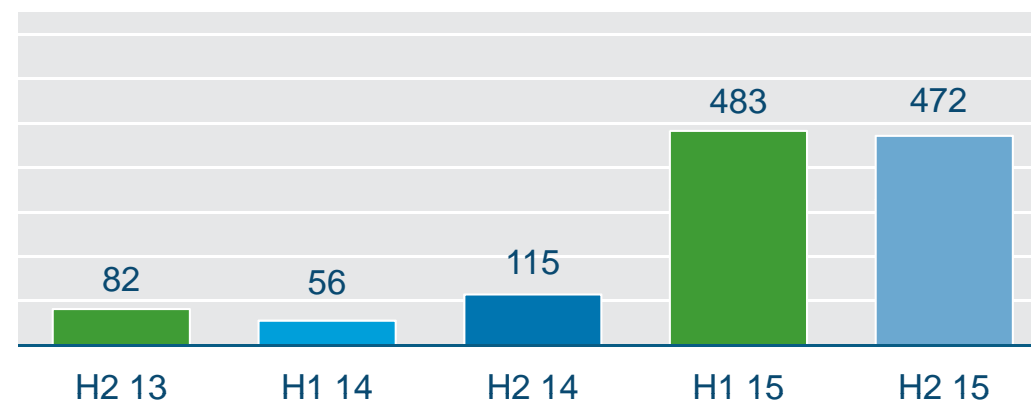
Credit problems remain despite GDP growth

- High level of weak credits throughout banking system
- Corporate stress remains elevated
- Credit growth lowest in last two decades
- Low refinancing appetite from local banks

Portfolio overview¹ (FY15)

- Total exposure US\$30bn, down 13% YoY
- 33% of exposure to investment grade clients
- A further 39% is short term in nature
- Ongoing reviews to actively manage portfolio

India loan impairment² (US\$m)



India CIB/CB exposure¹ (US\$bn)

