



# Strategic review

3 November 2015

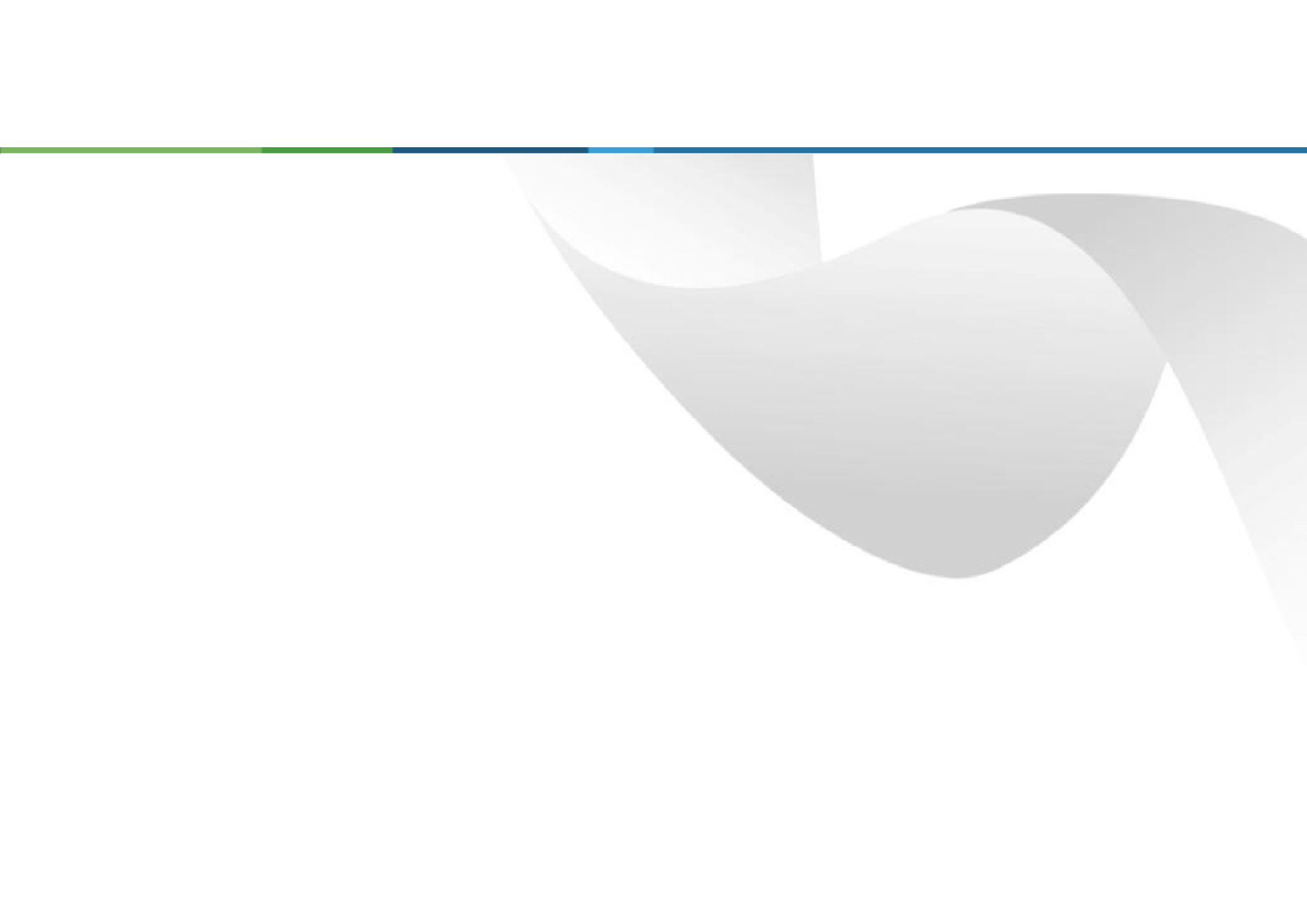
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# What we will cover today

<b>Welcome</b>	<b>Bill Winters</b>	
<b>Strategic plan</b>	<b>Bill Winters – Group Chief Executive Officer</b>	
Plans to establish a strong, lean, focused and profitable bank		
A clear need for change		
Powerful underlying trends and opportunities		
Guiding principles in developing the strategy		
Outline of strategic plan and programme of actions		
Summary		
<b>Strategic plan – Financial summary</b>	<b>Andy Halford – Group Chief Financial Officer</b>	
Actions to reverse recent performance trajectory		
Our financial priorities and key strategic actions		
Risk Weighted Assets management		
Cost reduction and investment programme		
Tightening risk profile		
Generating improved Returns on Equity		
Metrics to measure our progress		
<b>Summary</b>	<b>Bill Winters – Group Chief Executive Officer</b>	
<b>Q&amp;A</b>	<b>Bill Winters and Andy Halford</b>	

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

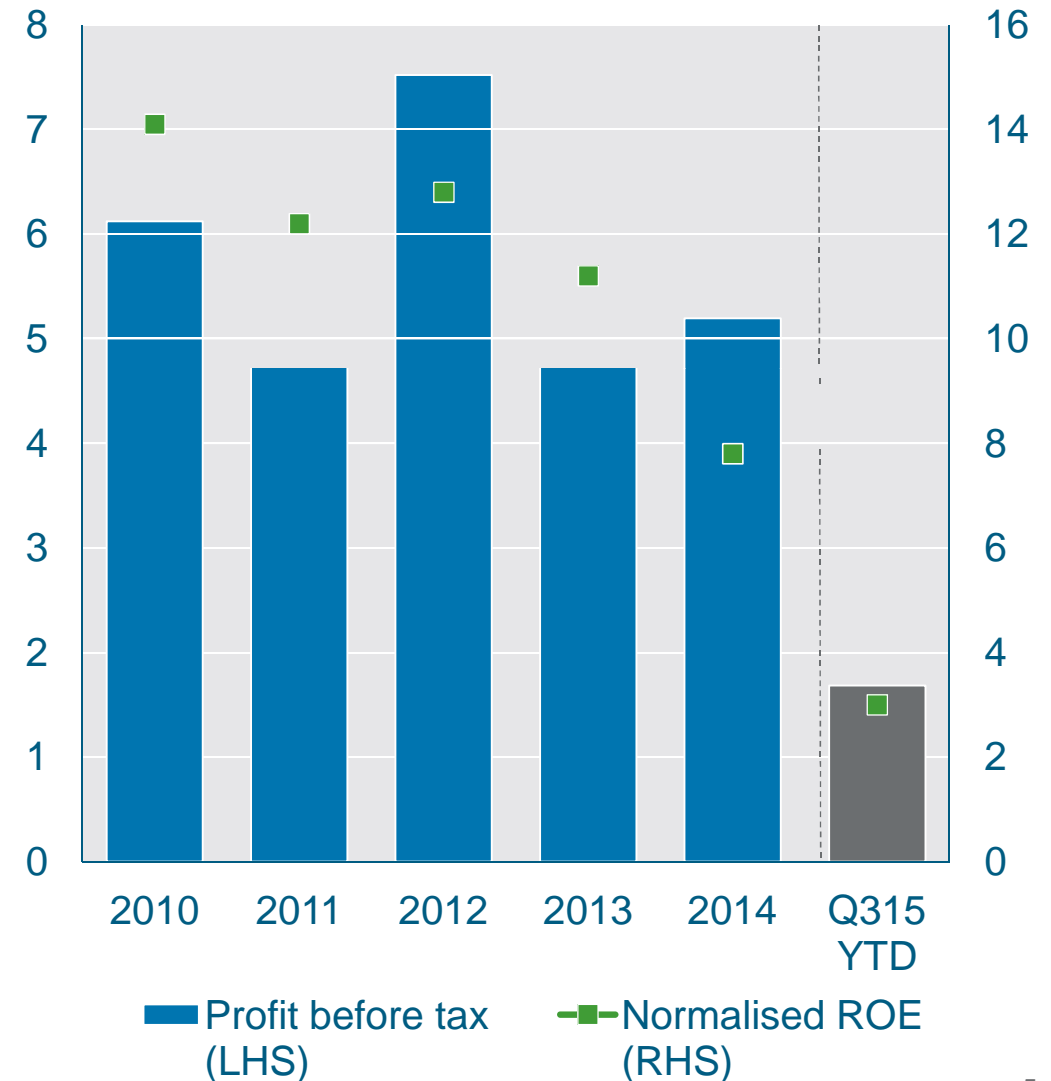
- GB£3.3bn Rights Issue and no final 2015 dividend to strengthen capital position and accelerate execution
- Businesses and assets representing over US\$100bn, approximately one third, of Group Risk Weighted Assets to be restructured
- Gross cost reduction target increased to US\$2.9bn to improve efficiency 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

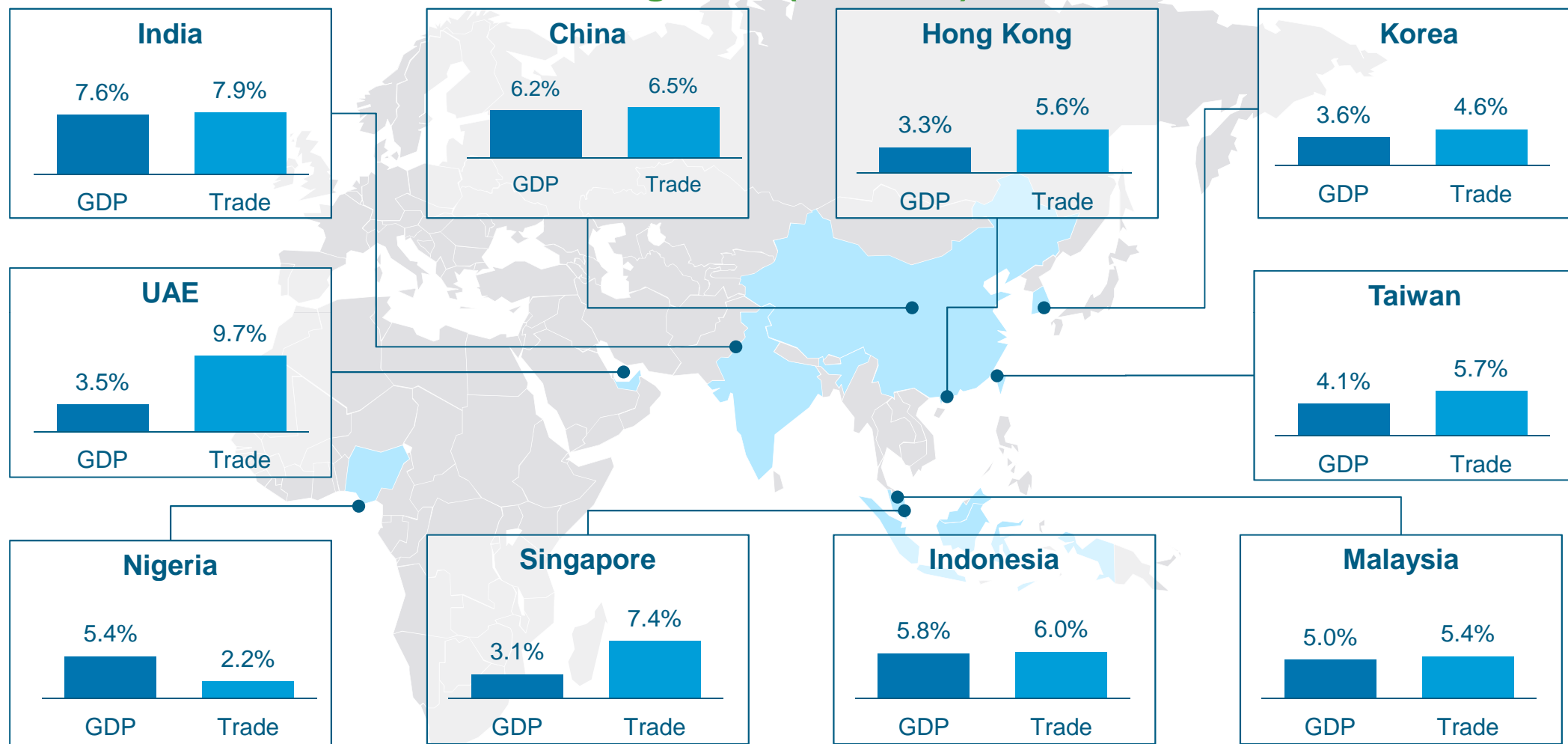
- Economic uncertainty in many markets
- Heightened near term risks
- Unacceptable performance trajectory
- Performance lags local and global peers
- Underinvested systems
- Tighter capital and liquidity requirements
- Competition intensifying

## Profit before tax (US\$bn) and RoE (%)



# 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<sup>1</sup>%)



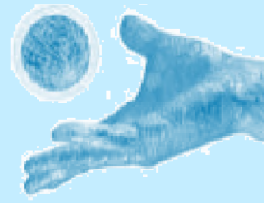



Source: International Monetary Fund and World Trade Organisation

1) Compound annual growth rate



# Powerful underlying trends offer exciting long-term opportunities

<b>Rise of Urban Middle Class</b>		<ul style="list-style-type: none"> <li>• Asia ex-Japan is expected to drive global private financial wealth growth</li> <li>• 29 of the 41 global mega-cities are expected to be in Asia, Africa and the Middle East by 2030</li> <li>• Markets such as China, India and Africa are becoming more consumption led</li> <li>• <b><i>This is the natural and existing client base of Standard Chartered</i></b></li> </ul>
<b>Increasing Global Connectivity</b>		<ul style="list-style-type: none"> <li>• EM Corporates are 'internationalising' with 40% of revenues from overseas</li> <li>• Commercial clients comprise 30-60% of GDP in our footprint markets and are internationalising</li> <li>• China opening and renminbi likely to become a reserve currency</li> <li>• <b><i>Standard Chartered is a trade and commerce bank; these trends play to core strengths</i></b></li> </ul>
<b>Digital Revolution</b>		<ul style="list-style-type: none"> <li>• Leverage strong brand with improved customer experience</li> <li>• Digitisation provides efficiency and productivity gains and makes us more convenient for clients</li> <li>• Dynamic landscape with new technologies and new competitors</li> <li>• <b><i>Rolling out our enhanced digital technology will enable us to compete effectively</i></b></li> </ul>
<b>Financial Deepening</b>		<ul style="list-style-type: none"> <li>• Local capital markets deepening and internationalising</li> <li>• Increasing need for local hedging instruments for client risk management</li> <li>• Growing sophistication of financial services companies in local markets</li> <li>• <b><i>We are at the leading edge of the developments in many of our markets</i></b></li> </ul>

**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

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



# 1 Rights Issue expected to strengthen the balance sheet materially

- Raising net proceeds of GB£3.3bn or approximately US\$5.1bn equivalent<sup>1</sup> 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

# 1 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

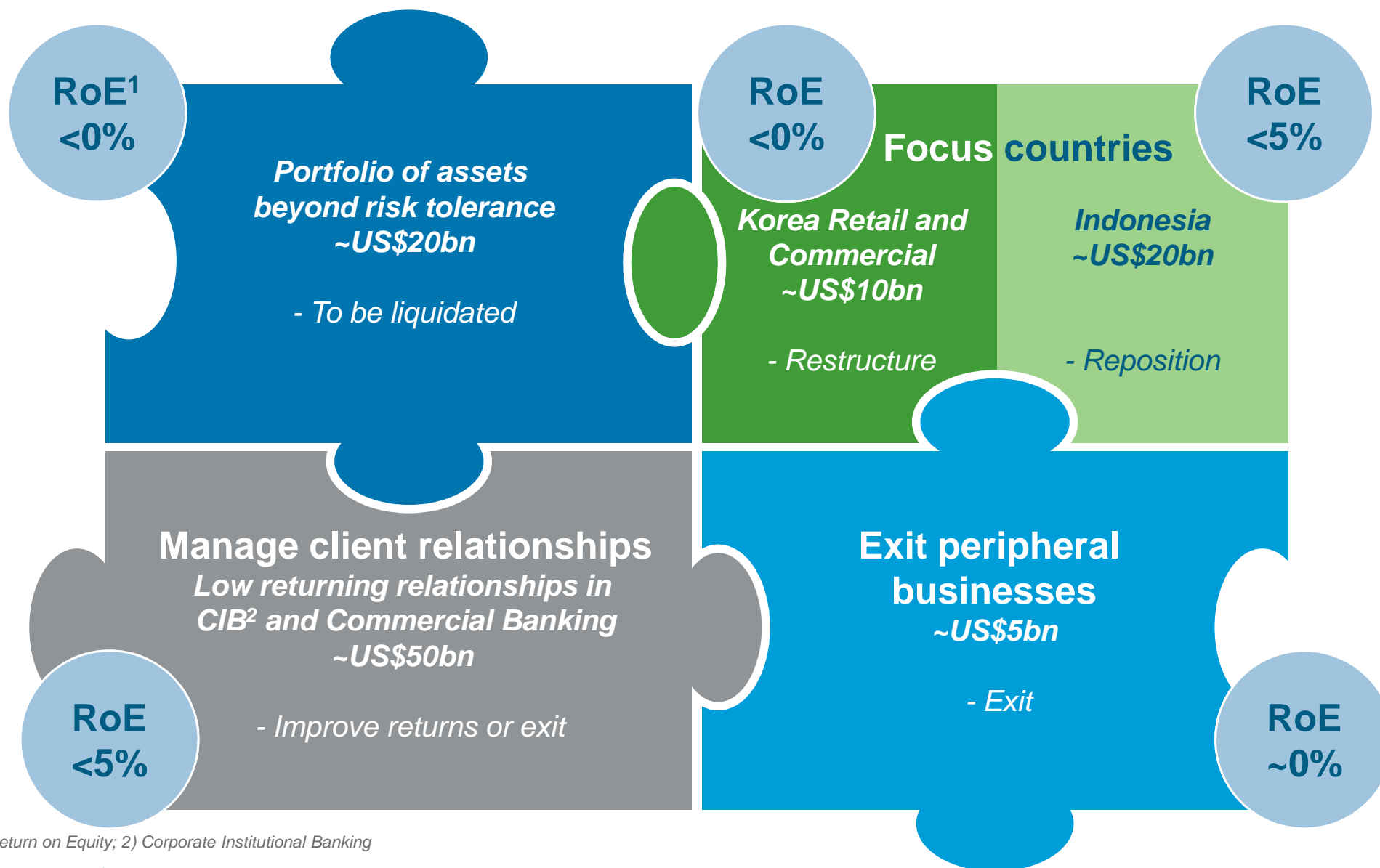
**Active portfolio management reduces tail risks**

6

**Operational Risk Framework cleared with  
focus on conduct**

**The future business is governed by more granular risk tolerance limits with  
Board level oversight**

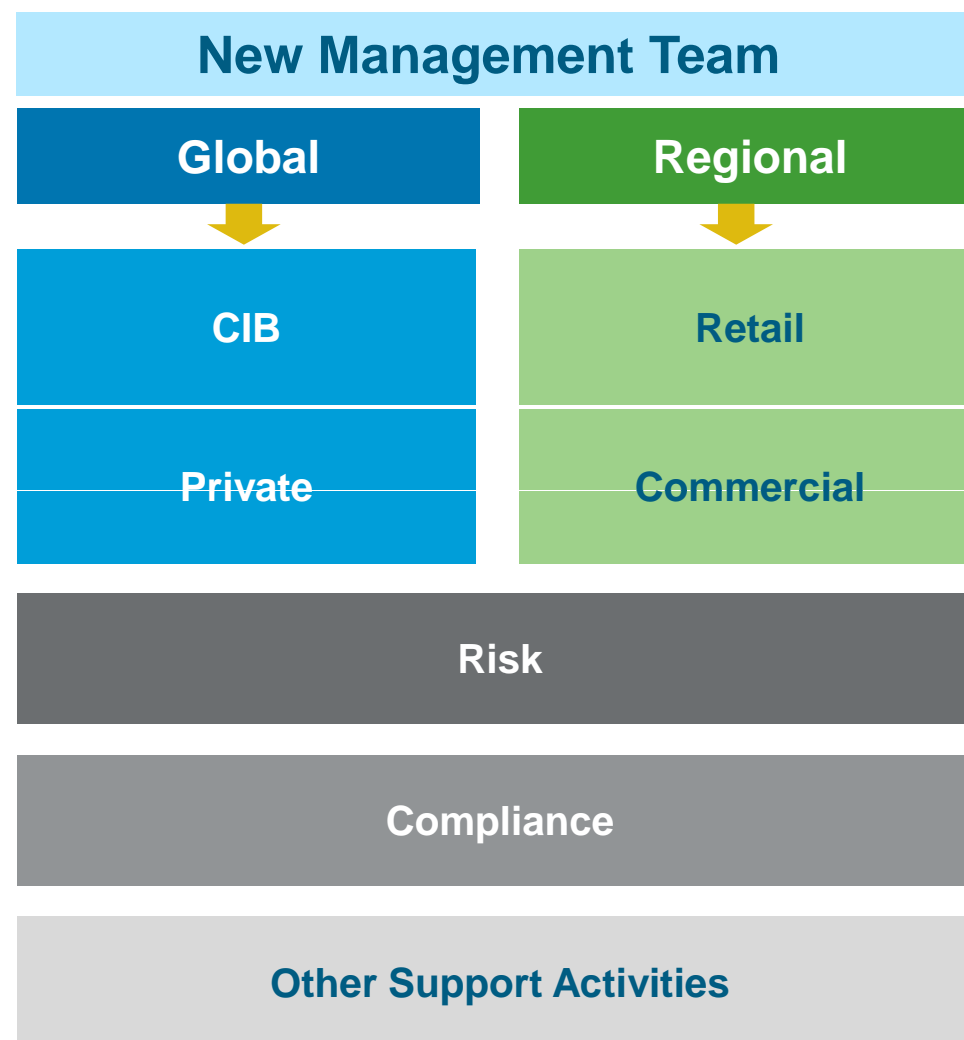
# 1 Businesses and assets comprising approximately one third of Group RWA to be restructured



1) Return on Equity; 2) Corporate Institutional Banking

# 1 Simplified organisation structure to focus more on geographic execution

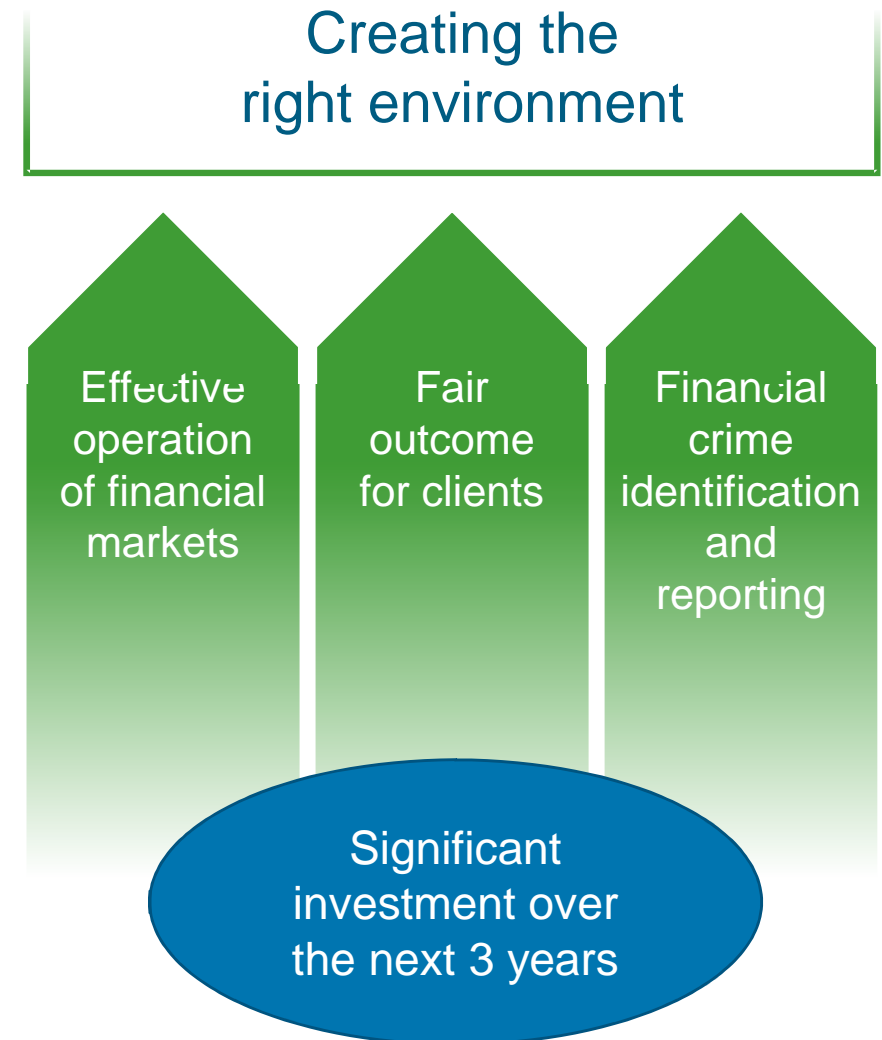
- Rolled out simplified organisation structure in July 2015
- Retail and Commercial businesses managed locally and regionally
- New management team established to deliver and execute strategy
- Simplified regional structure from 8 to 4
- Reduce layers and increase span of managers
- Senior staff exits 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



## 2 Comprehensive programme of actions in pursuit of three core objectives

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## 2 Restructure Corporate and Institutional Banking for higher returns

### Strategic priorities...

Upgrade or exit lower returning clients and RWAs

Favour network businesses (TB and FM)<sup>1</sup>

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

1) Transaction Banking and Financial Markets

## 2 Accelerate Retail transformation

### Strategic priorities

Focus on Priority and emerging urban affluent clients in major cities

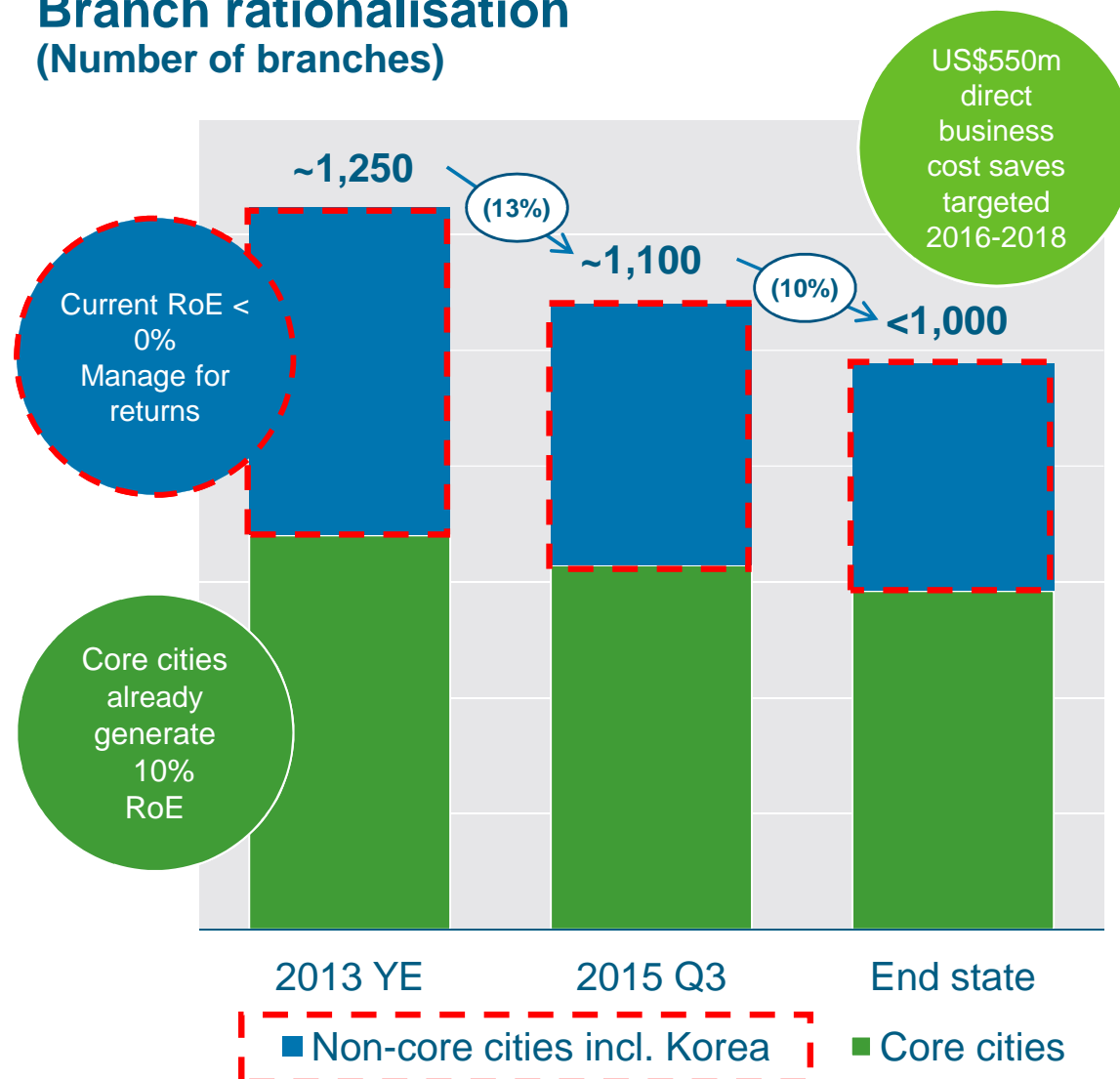
Deliver significant cost efficiency through technology investment

Step up investment in brand and marketing

Turn around Korea performance, but keep options open

Tighten city-focused strategy in China

### Branch rationalisation (Number of branches)



## 2 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

## 2

	RB <sup>1</sup>	PvB <sup>2</sup>	CB <sup>3</sup>	CIB		RB	PvB	CB	CIB		RB	PvB	CB	CIB		RB	PvB	CB	CIB
China					Singapore					Nigeria					UK				
Hong Kong					Malaysia					Kenya					Other Europe				
Taiwan					Indonesia					Ghana									
Korea					Thailand					Zambia					United States				
Japan					Vietnam					South Africa					LatAm				
										Botswana									
					India														
					Bangladesh					UAE									
										Saudi Arabia									
										Bahrain									
										Pakistan									

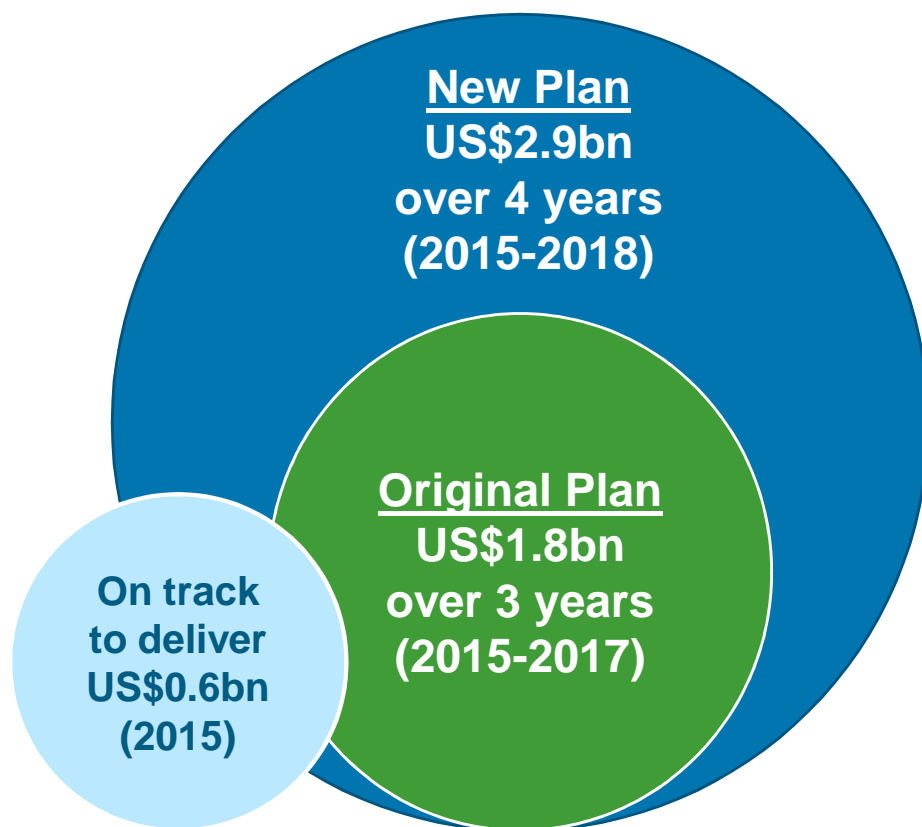
## Current Strategic Positioning

Invest in strength   Operational execution   Reshape / turnaround   No presence

1) Retail Banking; 2) Private Bank; 3) Commercial Banking

## 2 Assertively manage costs to create investment capacity

### Significant step up in gross cost efficiency targets



**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**



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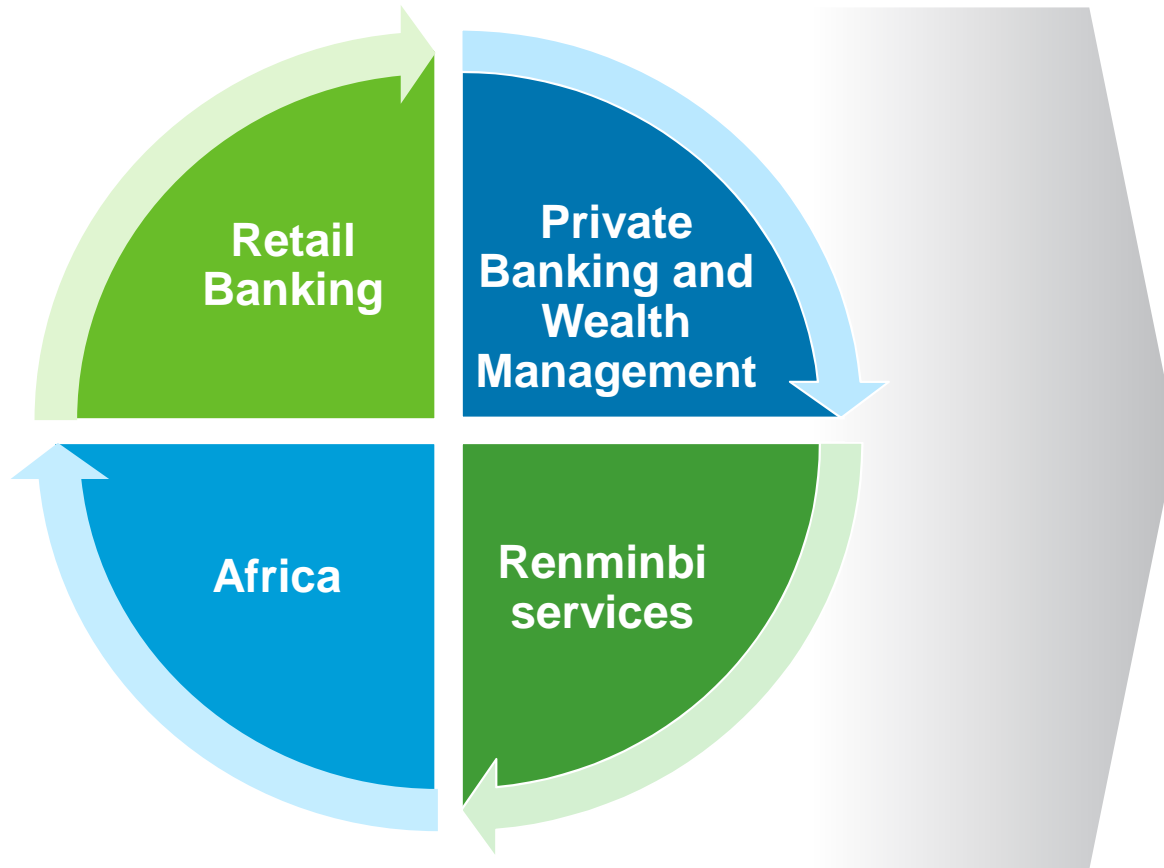
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- Build on a strong foundation and invest to grow safely in Africa
- Leverage opening of China; capture opportunities from renminbi internationalisation
- Roll out enhanced Retail digital capabilities across our footprint

### 3 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

# 3 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

## Build on a strong foundation and invest to grow safely in Africa

### 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

### Unique footprint across 15 sub-Saharan African markets



# 3 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

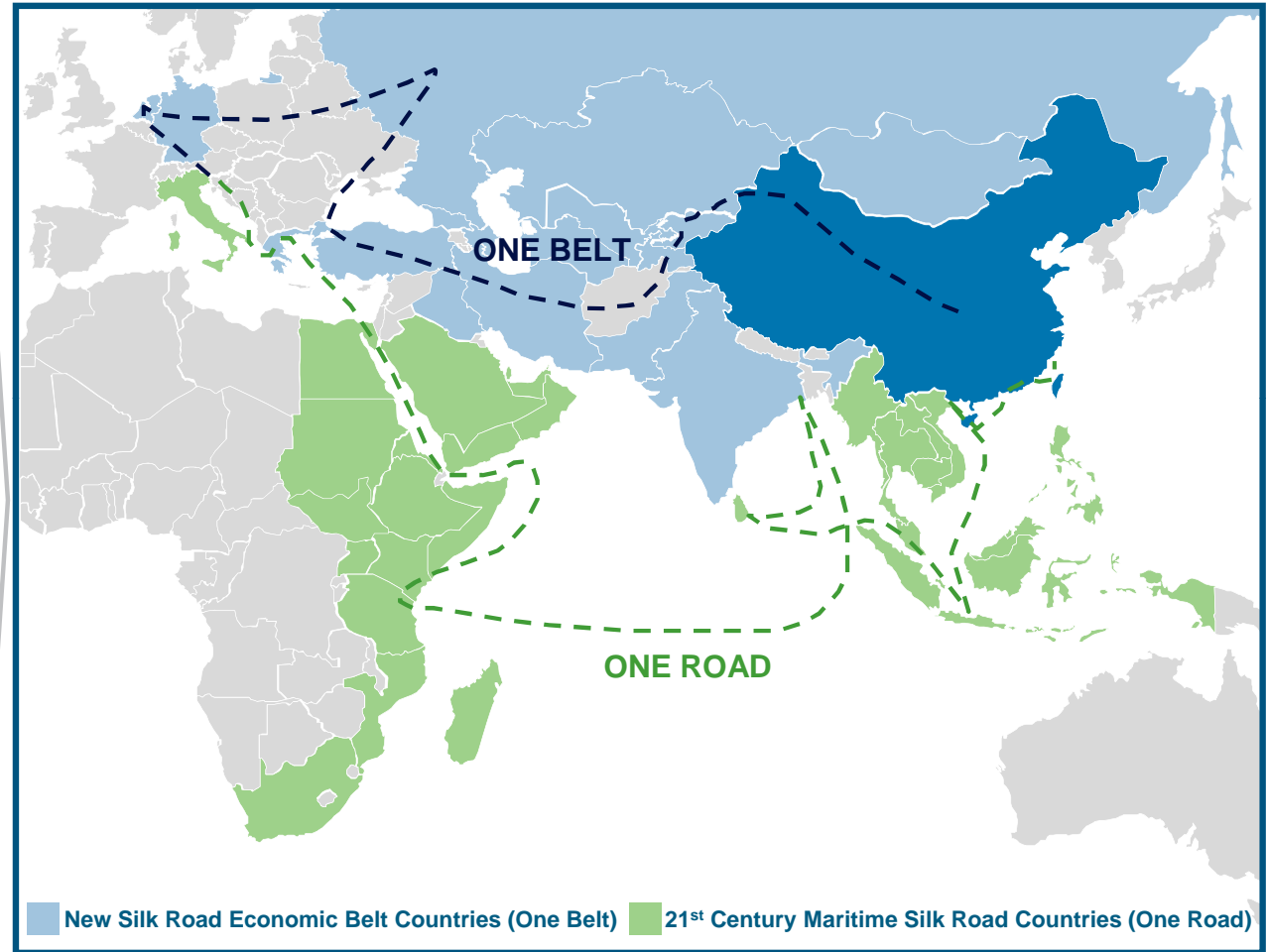
## Strategic priorities

Renminbi's inclusion in SDR<sup>1</sup> basket

Gear up for Capital Markets opening

Leverage One Belt, One Road

Capture 'mainland wealth' flows

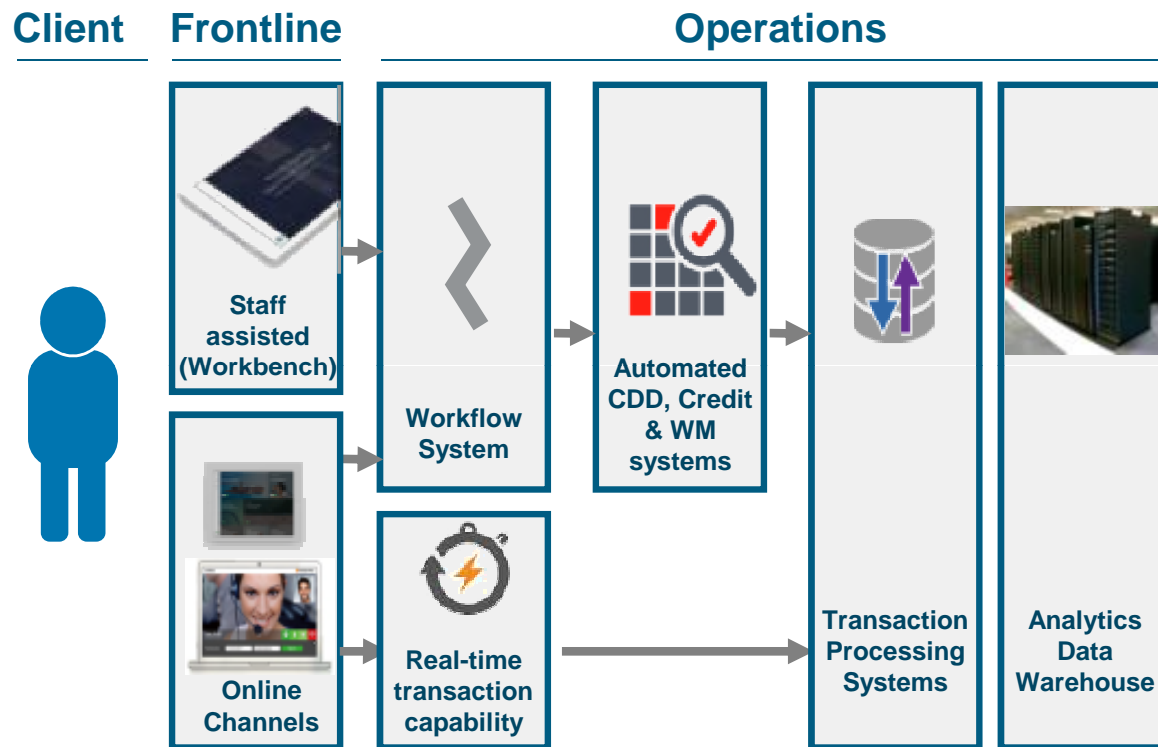


Source: SWITCH watch; Bloomberg; Euromoney survey; 1) Special Drawing Rights

## 3

# Roll out enhanced retail digital capabilities across our footprint

## Tomorrow – End to end Digital



### Today

### Target

Paper based on-boarding

90%

10%

Turn around time

5days

<1hour

Online Sales

10%

30%

Branch Transactions

80M

40M

Staff productivity

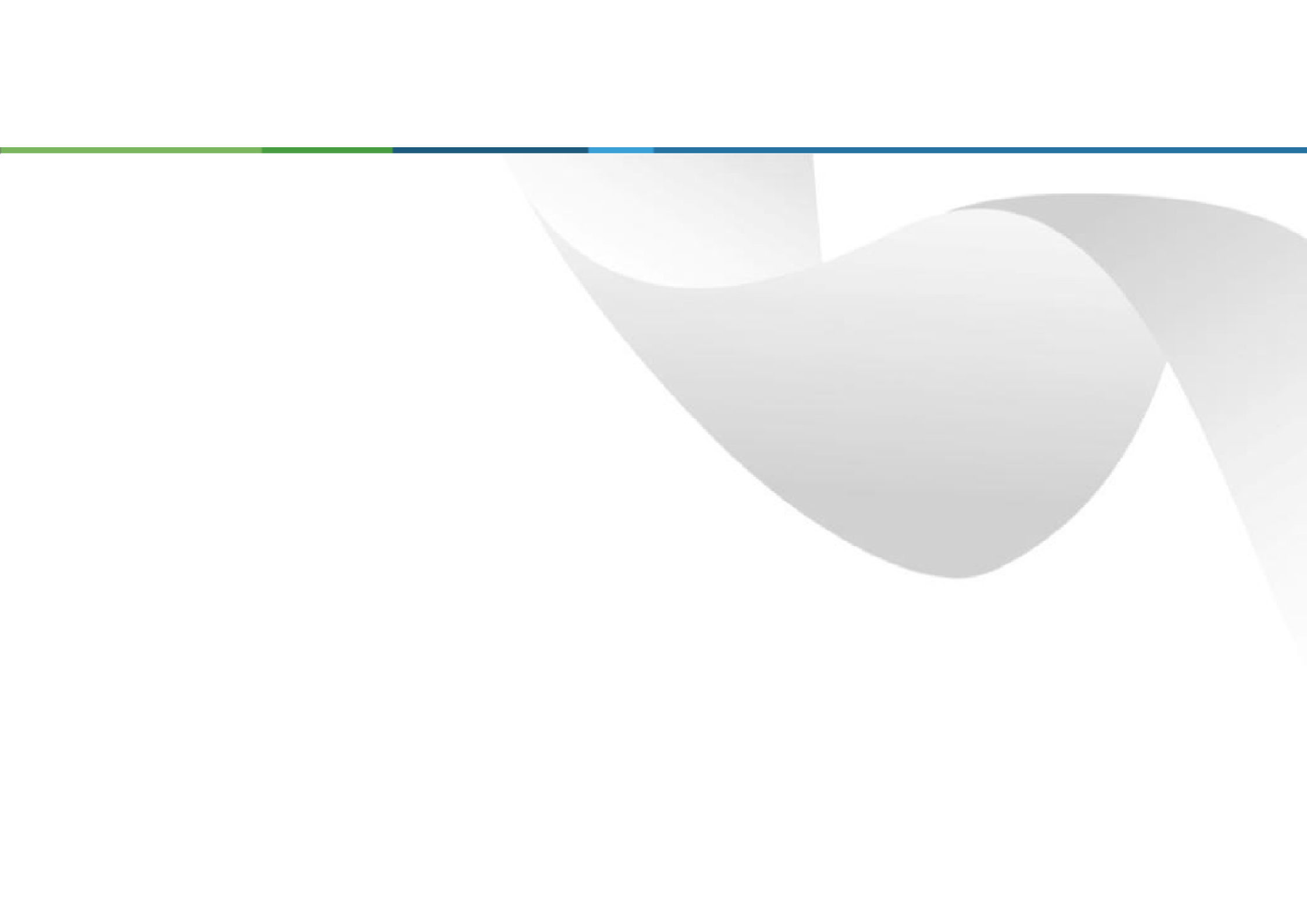
25%

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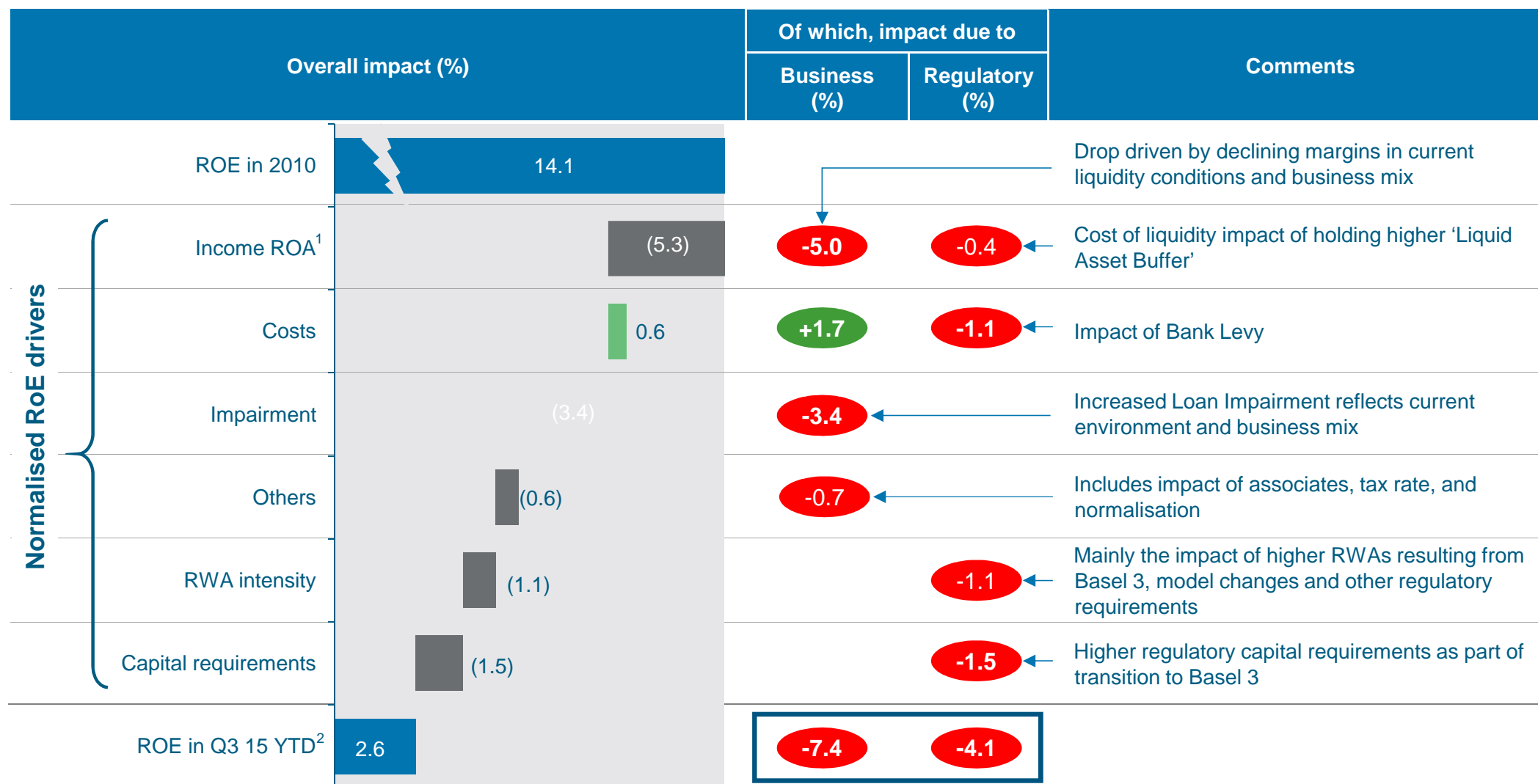
# Q3 performance further highlights the need for change

US\$m	Q3 14	Q3 15	Better/ (Worse)%
<b>Income</b>	<b>4,514</b>	<b>3,682</b>	<b>(18)</b>
Expenses	(2,314)	(2,238)	3
Restructuring costs	(11)	(25)	nm
Regulatory spend	(198)	(237)	(20)
<b>Pre-provision operating profit</b>	<b>1,991</b>	<b>1,183</b>	<b>(41)</b>
Loan impairment	(536)	(1,230)	(130)
Other impairment	(3)	(161)	nm
Profit from associates	78	70	(11)
<b>Profit before tax (adjusted)<sup>1</sup></b>	<b>1,530</b>	<b>(139)</b>	<b>(109)</b>
	<b>30 Jun 2015</b>	<b>30 Sep 2015</b>	<b>Better/ (Worse)%</b>
<b>Non performing loans (US\$bn)</b>	<b>8,747</b>	<b>9,511</b>	<b>(9)</b>
<b>CET1 ratio (%)</b>	<b>11.5</b>	<b>11.4</b>	

- 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

<sup>1</sup>) 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



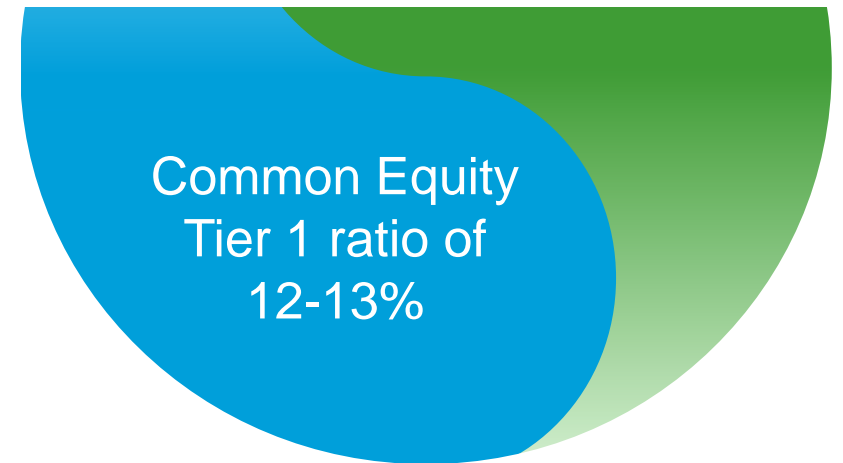
1) Return on Assets; 2) Q3 15 YTD annualised and adjusted to include an estimate of the UK bank levy

# 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
- 3 programme over 4 years from 2015 to 2018
- 4 Step-up cash investments by over US\$1bn
- 5 Improve risk profile

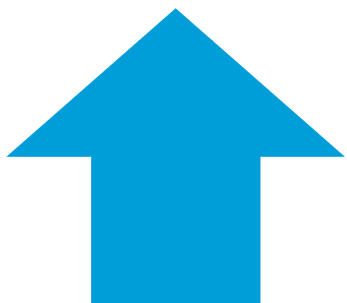
## Goals



# 1 Rights Issue expected to strengthen the balance sheet materially

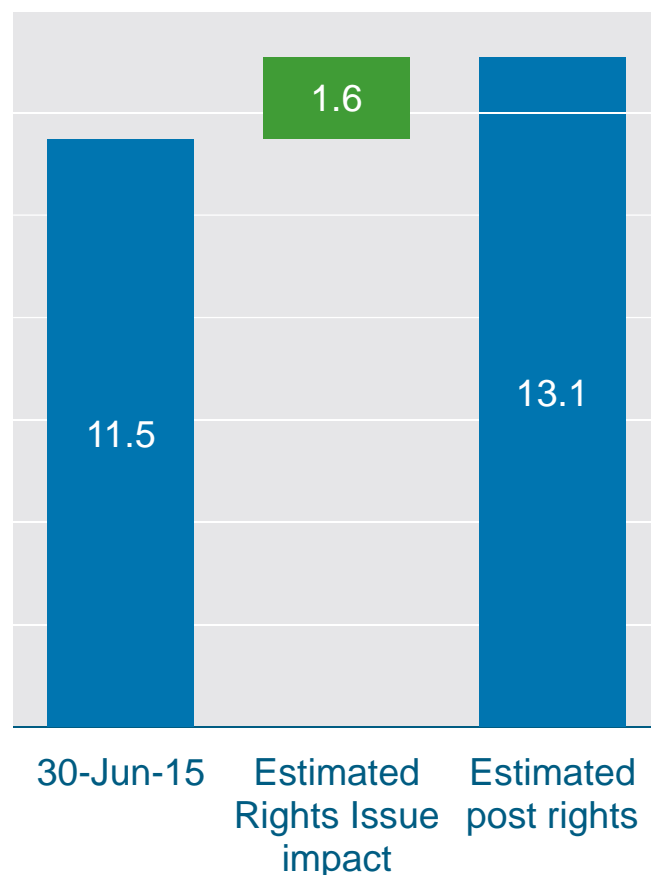
Increased CET1  
target ranges

12-13%



11-12%

CET1 ratio (%) at the top  
of the range



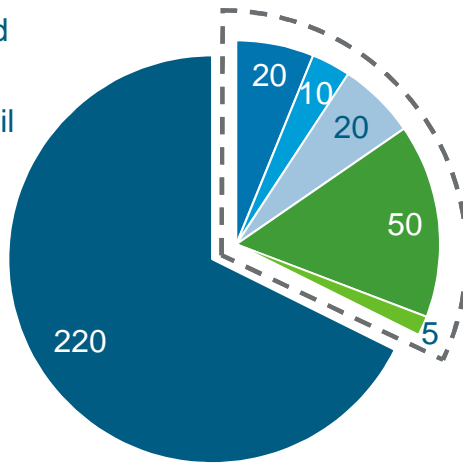
Restructuring charges of  
around US\$3bn

- 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

## 2 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

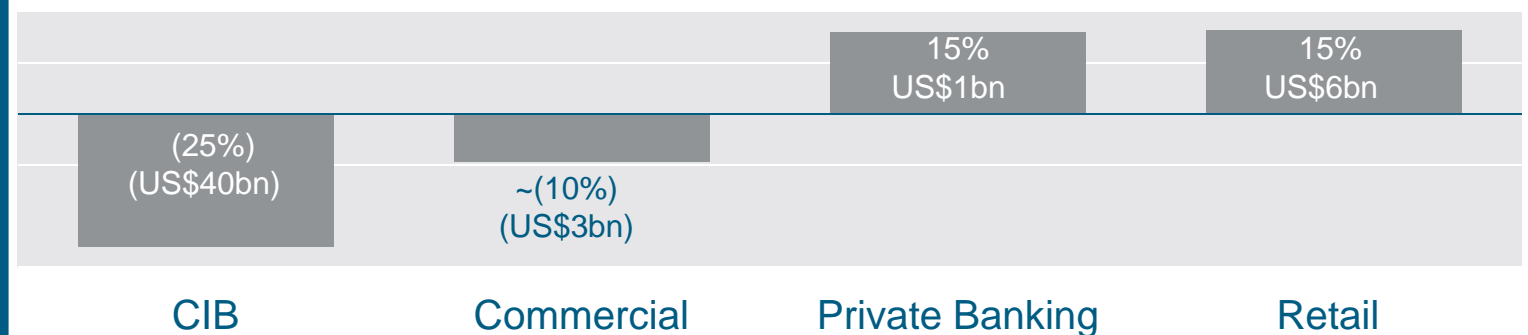


RWA managed up, out, or restructured by 2018

### Creates capacity to invest RWA into our higher returning businesses

- ~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

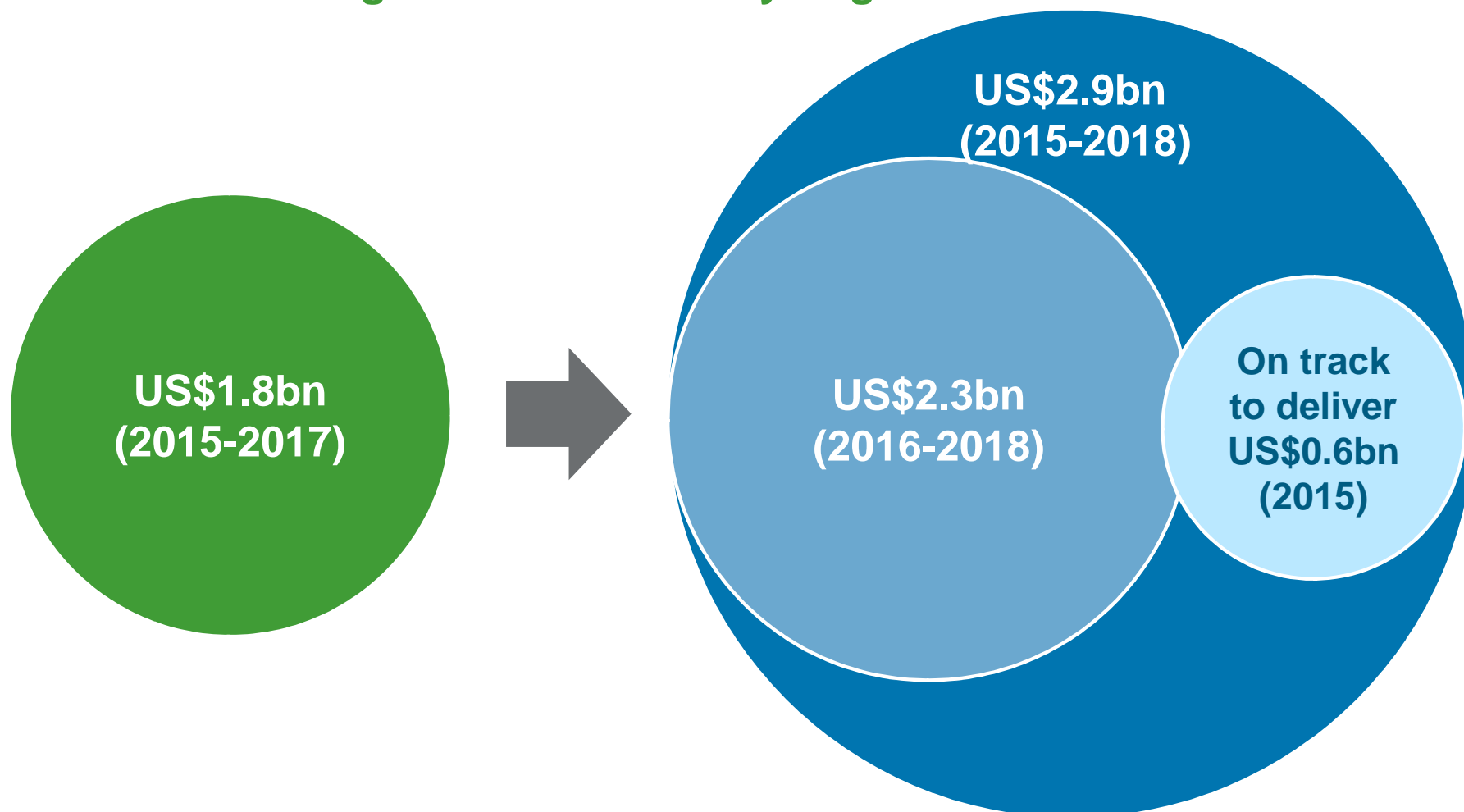
### Net change in Credit RWA 2015-18<sup>1</sup>



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

### 3 Assertively manage the cost base to create investment capacity by stepping up cost reductions to US\$2.9bn over 4 years

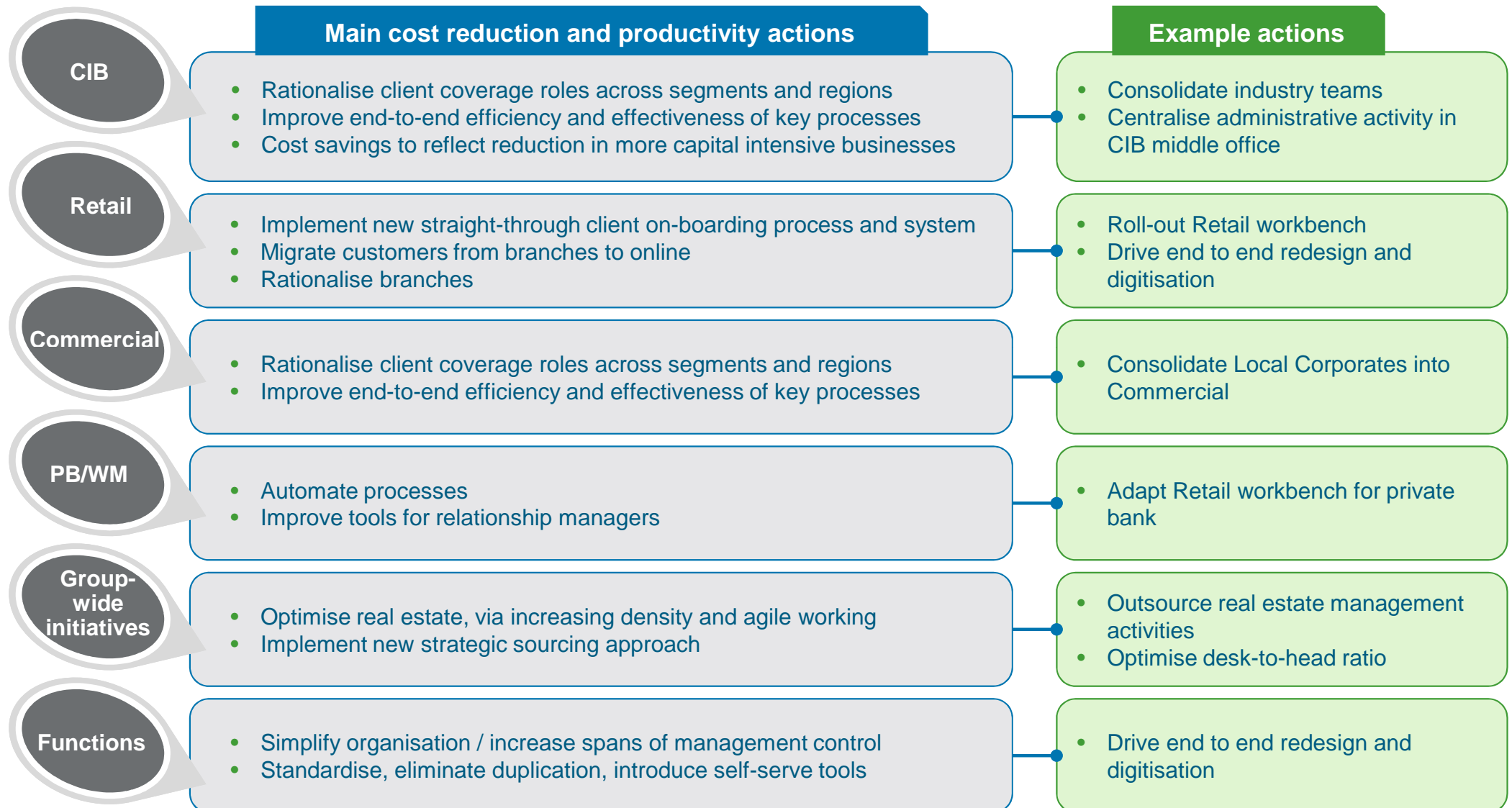
We have increased our gross cost efficiency targets...



...and are committed to lower total costs by 2018



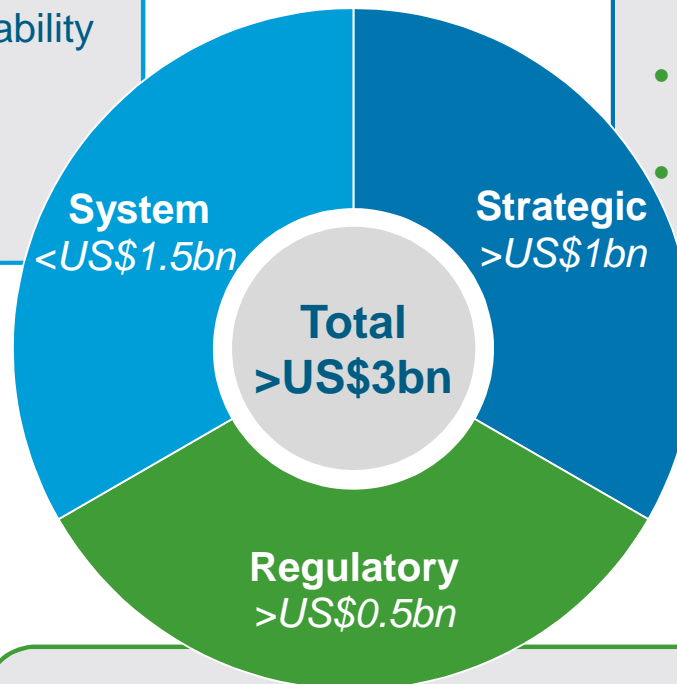
### 3 Productivity actions identified for businesses and functions totalling US\$2.9bn over 4 years



4

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”

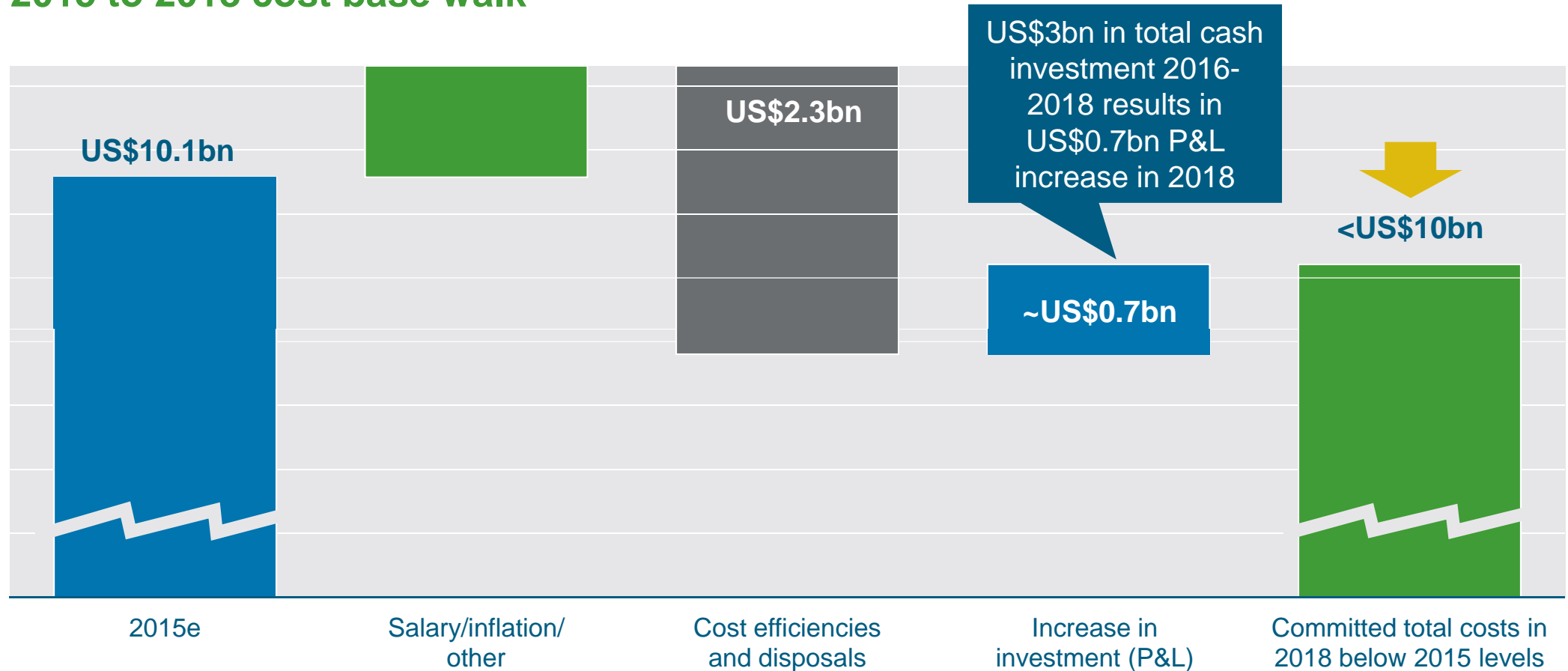


- **Retail Banking** – systems and digital capability across our footprint
- **Private Banking and Wealth Management** – Upgrade platforms
- **Build Africa business** – invest in Retail and regional CIB
- **Renminbi** – Invest to sustain renminbi leadership

- **Regulatory compliance investment** (e.g. BCBS, IFRS 9)
- Invest to ensure our business is supported by a leading compliance programme

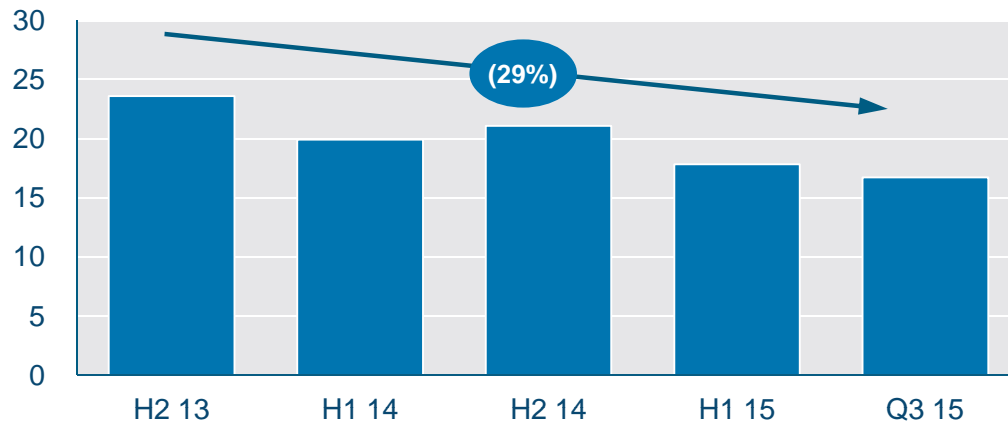
# Planned cost reduction from 2015 to 2018 including significant investment spend

## 2015 to 2018 cost base walk

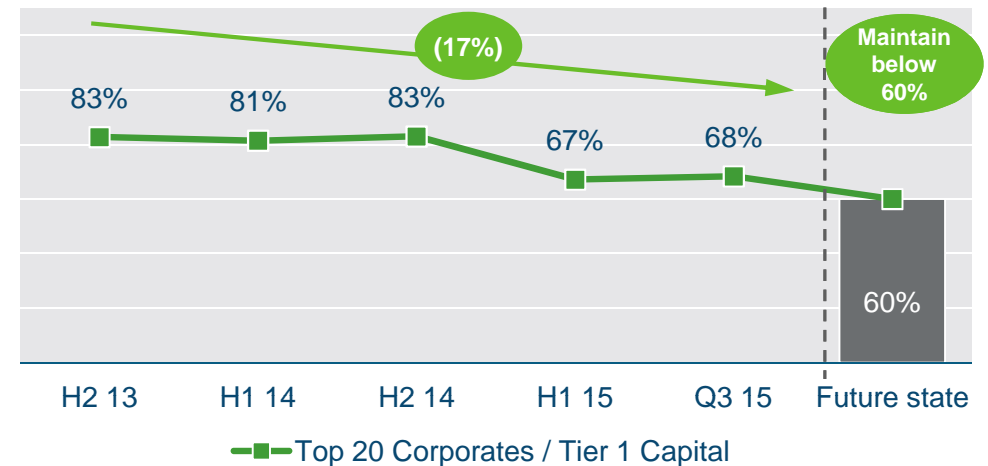


# 5 Taking significant action to improve our risk profile

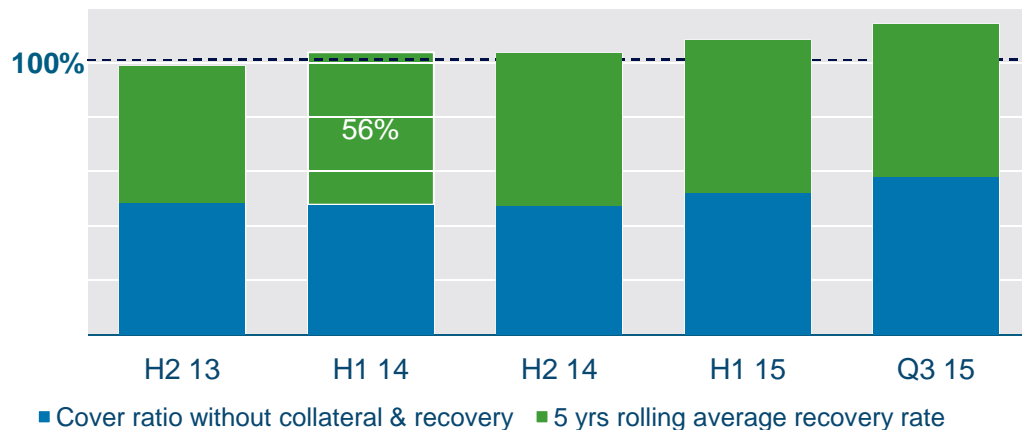
## Reduced Retail unsecured (US\$bn)<sup>1</sup>



## Reduced single name concentration



## Increased CIB and CB cover ratio



- Continued action to reduce corporate concentrations
- Strategy to reduce the high risk CCPL<sup>2</sup> business is driving lower Retail loan impairment
- Coverage has remained at above 100% including recoveries and collateral

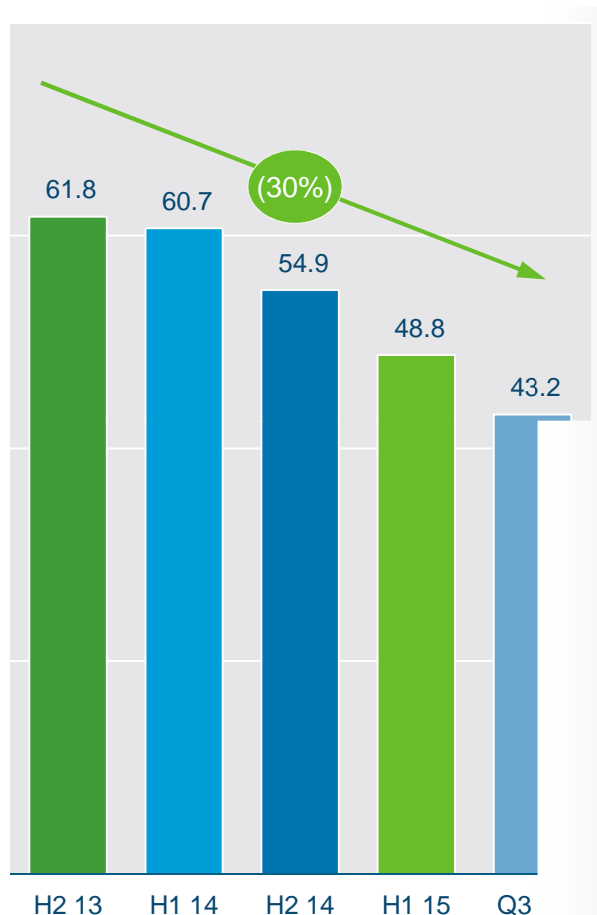
1) Net nominal 2) Credit Cards and Personal Loans

# 5 Continue to reduce our Commodities exposures actively

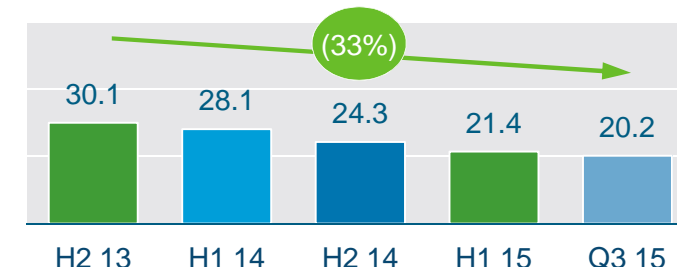
## Commodity portfolio overview (Sep 2015)

- 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

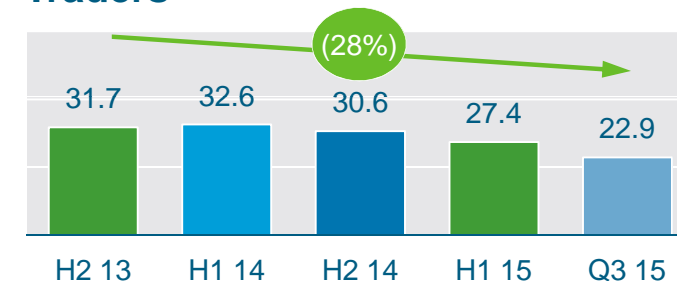
## Commodities<sup>1</sup> (US\$bn)



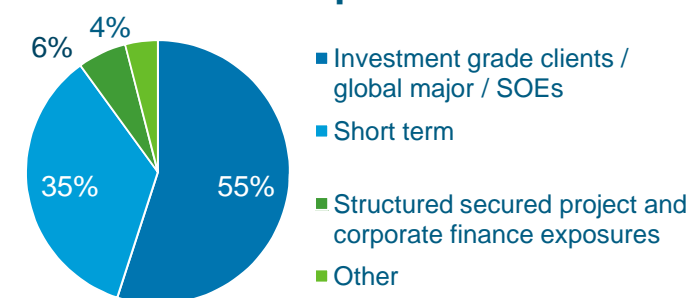
## Producers<sup>1</sup>



## Traders<sup>1</sup>



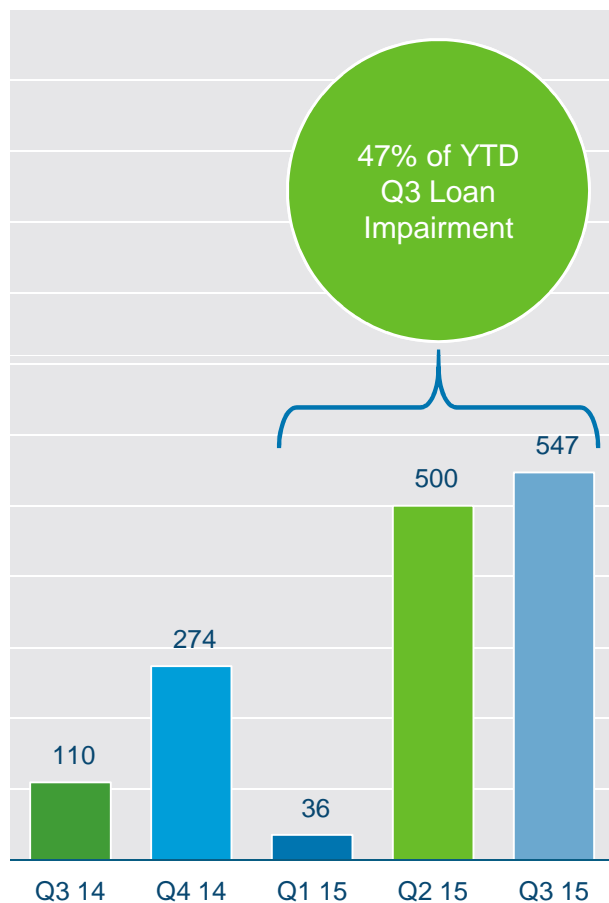
## Commodities exposure



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

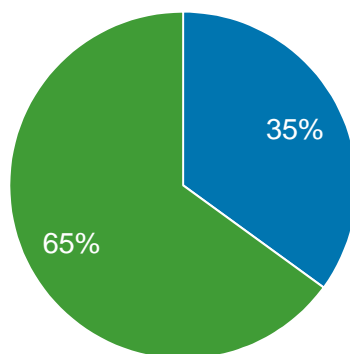
# 5 Commodity exposures are a significant proportion of the CIB and Commercial loan impairment and Non Performing Loans

## Commodity related loan impairment trend<sup>1</sup> (US\$m)

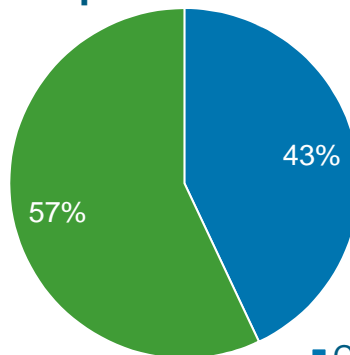


## Commodities increasing proportion of NPLs<sup>1</sup> (%)

30 Sep 2014



30 Sep 2015



■ Commodity NPLs  
■ Other NPLs

## 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

<sup>1</sup> 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

# 5 Actively managing our China Corporate and Institutional and Commercial clients exposures

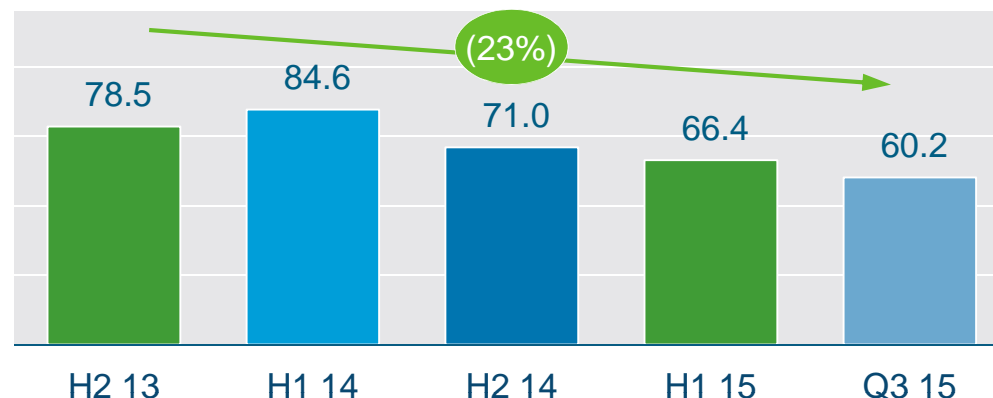
## Portfolio Overview<sup>1</sup> (Sep 2015)

- 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<sup>1</sup> (US\$bn)



## 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

<sup>1</sup>) 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

# 5 Continuing to reduce selected more vulnerable exposures in India

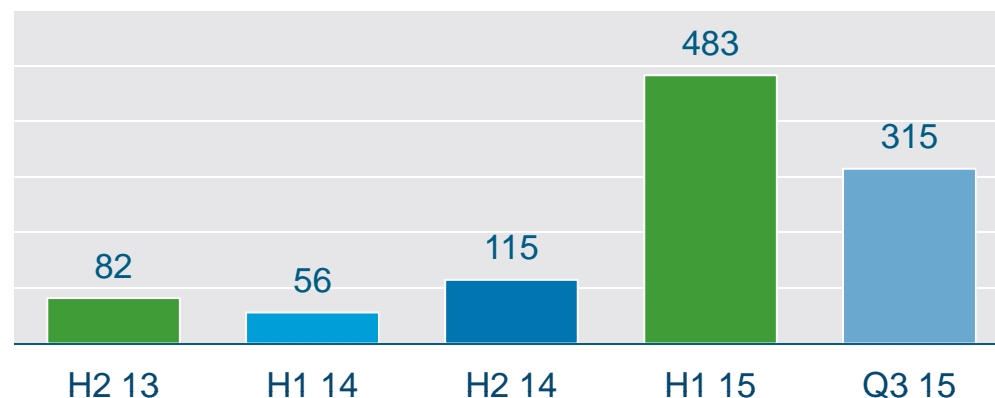
## Challenging macro environment

- 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

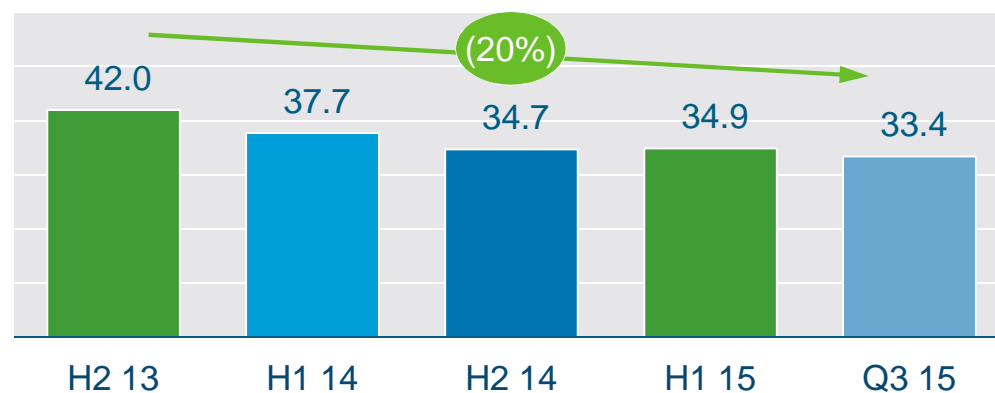
## Portfolio overview<sup>1</sup> (Sep 2015)

- 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

## India loan impairment (US\$m)



## India CIB/CB exposure<sup>1</sup> (US\$bn)



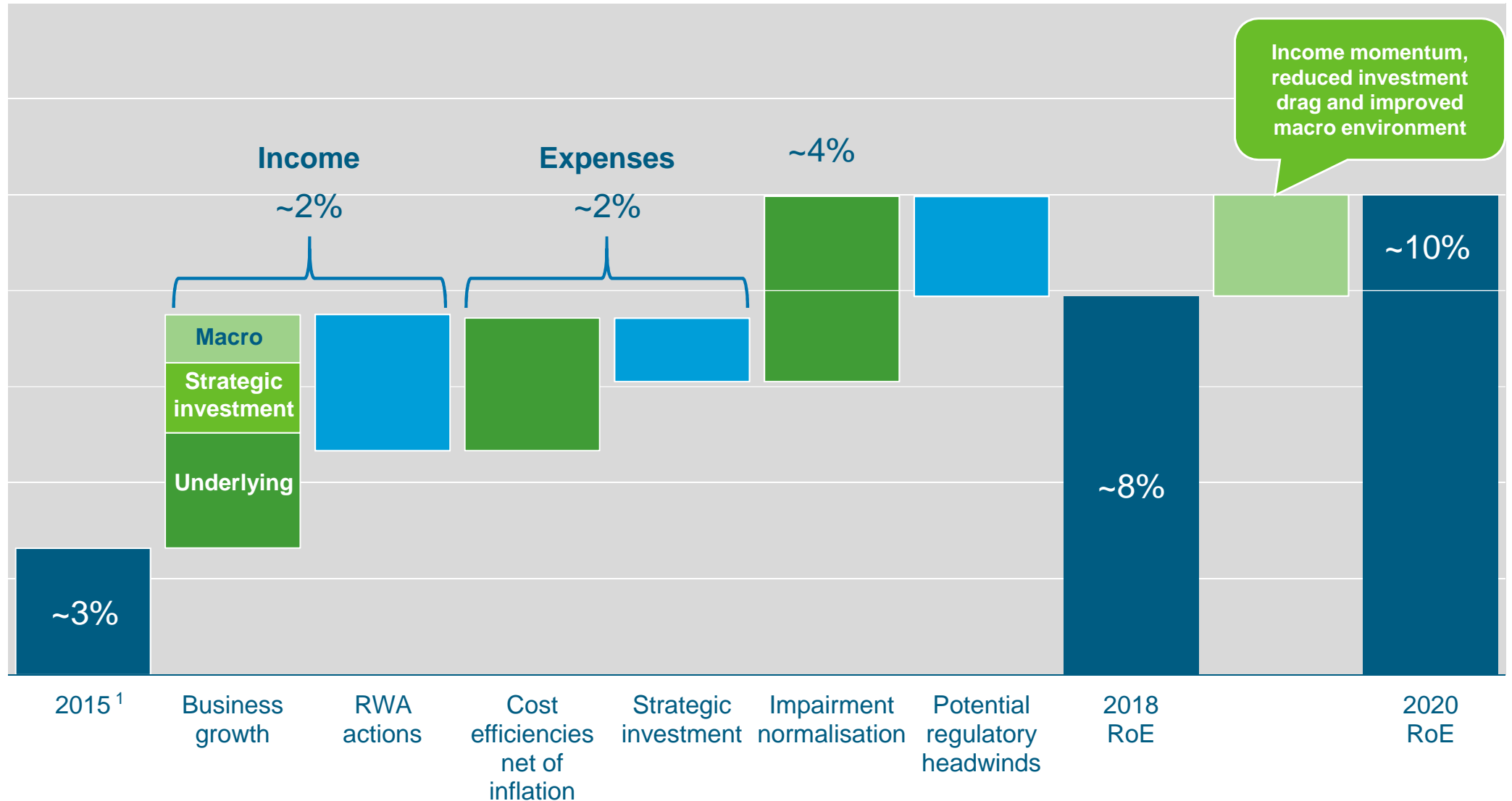
1) CIB and Commercial exposures are presented on a Country of Credit Responsibility ("CCR") and on a net exposure basis. Net exposures comprise of loans and advances to banks and customers, investment securities, derivative exposures after master netting agreements, other assets, contingent liabilities,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



# Re-building Return on Equity – Key assumptions to 2020

MACRO	<ul style="list-style-type: none"><li>• Base case assumes an estimate for economic and regulatory headwinds</li><li>• Conservative GDP estimates (lower than market forecasts)*</li><li>• US interest rates increase to 1.25% by 2017 and remain at that level (lower than market expectations)</li><li>• Sentiment to emerging markets improves gradually over time</li><li>• No major new regulatory changes beyond those already known (e.g. estimate of Basel IV included)</li></ul>	GDP growth assumptions			
		Real GDP (%)	2015	2016	2018
		US	2.2	1.9	1.5
		Hong Kong	2.4	2.3	2.8
		China	6.9	6.3	6.1
		South Korea	2.8	2.7	2.8
		Singapore	2.1	2.5	2.8
		India	7.3	7.3	7.5
BUSINESS MIX	<ul style="list-style-type: none"><li>• Asset liquidation, de-risking and cyclical improvements return impairment costs to 2013 levels</li><li>• Reduced UK Bank Levy costs over time (significant benefit only after 2021 i.e. after projected period)</li><li>• Korea restructuring and Indonesia repositioning</li></ul>				
MANAGEMENT ACTIONS	<ul style="list-style-type: none"><li>• Delivered significant cost efficiencies while stepping up investment</li><li>• Targeted investment in improving Private Banking, Africa, renminbi services and digital Retail platforms</li><li>• Corporate and Institutional Banking and Commercial Banking restructuring plans delivered</li></ul>				

# Plan drives RoE to ~8% by 2018, ~10% in 2020 and CET1 of 12-13%



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

# Metrics to measure progress

Financial Framework	<ul style="list-style-type: none"> <li>• <b>RoE of 10% in the medium term</b></li> <li>• <b>CET 1 of 12-13%</b></li> </ul>
Secure the Foundation	<ul style="list-style-type: none"> <li>• <b>Risk tolerance discipline:</b> Reduce / exit exposures to within the refreshed Group risk tolerance by 2017</li> <li>• <b>Liquidate and exit identified non strategic assets:</b> c.US\$25bn RWA to nil by end 2018</li> <li>• <b>Cost Discipline:</b> 2018 total costs below 2015</li> </ul>
Get lean and focused	<ul style="list-style-type: none"> <li>• <b>Corporate and Institutional Banking / Commercial Banking:</b> c.US\$50bn RWA optimisation by 2018</li> <li>• <b>Retail:</b> Target cost income ratio of c.55% by 2020</li> </ul>
Invest and innovate	<ul style="list-style-type: none"> <li>• <b>Private Banking and Wealth Mgt:</b> US\$25bn Asset under Management growth by 2018</li> <li>• <b>Retail Banking:</b> Over 40 per cent of income from Priority Clients by 2018</li> <li>• <b>Africa:</b> Market share gains across the Africa region</li> <li>• <b>Renminbi:</b> Maintain leadership position in renminbi cross border payments, offshore renminbi bond issuance and FX solutions</li> </ul>

