Africa & Middle East

Goldman Sachs European Financials Conference

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Regional CEO, Africa & Middle East
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Standard Chartered Overview

Over 150 years in some of the World's most dynamic markets

- 70 markets
- c.90% income from Asia, Africa & Middle East
- 4 client segments and 4 regions

2016 performance highlights

- Operating income: $13.8bn
- Profit before taxation: $1.1bn
- Common Equity Tier 1 ratio: 13.6%
- Earnings per share: 3.4c

Group income by region

- GCNA
- ASA
- AME
- EA
- C&OI

AME income by segment

- CIB
- CB
- RB
- PB
- C&OI

CIB = Corporate & Institutional Banking; CB = Commercial Banking; RB = Retail Banking; PB = Private Banking; C&OI = Central & Other Items

All financial information in this presentation is on an underlying basis
Africa & Middle East Region (AME)

- Key profit and network contributor
- Long-term opportunity is material and the Group is well positioned to capitalise
- Driving efficiencies while investing to capture the opportunity
- Focused on execution – early progress encouraging
### Macro Overview

#### Sub-Saharan Africa macro forecasts

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017F</th>
<th>2018F</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP growth (%)</td>
<td>3.0</td>
<td>0.7</td>
<td>3.1</td>
<td>4.1</td>
</tr>
<tr>
<td>Inflation (% YoY)</td>
<td>7.1</td>
<td>12.5</td>
<td>10.5</td>
<td>7.5</td>
</tr>
<tr>
<td>Current account (% GDP)</td>
<td>-4.3</td>
<td>-3.9</td>
<td>-4.4</td>
<td>-4.5</td>
</tr>
</tbody>
</table>

#### Middle East macro forecasts

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017F</th>
<th>2018F</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP growth (%)</td>
<td>3.4</td>
<td>2.2</td>
<td>1.6</td>
<td>2.4</td>
</tr>
<tr>
<td>Inflation (% YoY)</td>
<td>4.4</td>
<td>3.6</td>
<td>5.6</td>
<td>6.0</td>
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<td>-3.2</td>
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<td>1.5</td>
<td>2.6</td>
</tr>
</tbody>
</table>

#### Key Points

- **High inflation**
- **Higher currency volatility**
- **Youngest* population in the World / Fastest urbanisation rate**
- **Significant share of global commodities reserves**
- **Growing trade corridors with China / Japan / India**

- **Muted economic growth**
- **Lower oil prices driving current and fiscal deficits**
- **Largest share of World oil reserves (55%)**
- **Home to some of the World’s richest countries**
- **UAE developing as a trade and logistics hub, gateway to Africa**

*Source: Standard Chartered Research*
Near-term Headwinds But Growth Drivers Remain Intact

Region faces headwinds...

- Lower oil and commodity prices
- Credit profile stressed but stabilising
- Slow corporate activity
- Currency depreciation and volatility
- Geopolitical tensions

...but pockets of opportunities exist

- Demand for capital remains strong
- Rising infrastructure needs; China’s Belt & Road; India / Japan focus
- Private sector participation on the rise
- Rising urbanisation, growing affluent population
- Increasing role for international banks
Geographic Reach Provides Diversity and Resilience

- **15 markets.** Nigeria and Kenya are major income contributors; other key markets are Ghana, Zambia, Uganda and South Africa
- Strong market share: double digit retail market shares in 4 markets
- Services over 1 million Retail customers
- Differentiated and valuable brand – launched ‘Here for Africa’ campaign in July 2016 and ‘Number 1’ campaign across AME in April 2017

![Snapshot of region](image)

- **FY 2016 income (US$m)**
  - Africa: 1,429
  - Middle East: 1,313

- **Employees (#)***
  - Africa: ~7,600
  - Middle East: ~6,800

- **Branches (#)***
  - Africa: ~200
  - Middle East: ~120

*as of April 2017

- **25 countries**
- **150 years presence**

- **10 markets.** UAE and Pakistan are major income contributors; other key markets are Bahrain, Saudi Arabia, Qatar and Jordan
- UAE is a regional hub for trade, finance and logistics
- Strong client network; leading position in Islamic banking and capital markets
- An important part of our franchise; core business has significant potential
Our Strategy Remains Clear

Accelerate Retail Banking in core markets through next phase of digital rollout, focus on CASA growth and wealth, alliances and optimisation of network

Reshape Corporate & Institutional Banking for better income and returns by linking to economic fundamentals, leveraging flow and network opportunities within Group’s revised risk tolerance

Rebuild Commercial Banking via a low-cost, low-risk supply chain driven model in chosen trade corridors under tightened underwriting standards

Tightly manage risk and invest for the long term improving the risk profile of the region, investing through the cycle in Africa and tightly managing costs through branch network optimisation, team right sizing and hubbing

Secure the foundations including by developing best practice financial crime compliance capabilities and improving service and delivery
Positive Progress On Strategic Priorities...

**Accelerate Retail Banking in core markets**

**Good progress on digitisation; CASA growth; wealth; and efficiencies**
- 34 branch\(^1\) closures and 74 being optimised. 70 new generation CDMs and ~120 ATMs deployed
- Next phase of digital roll out in key markets delivering enhanced capabilities on mobile and online
- Inroads made on network reconfiguration and enhanced product capabilities
- Growing share in deposits driven by growth in CASA

**Reshape CIB for better income and returns**

**Focused on connecting pools of capital to demand; Belt & Road; Investment in Financial Markets and Transaction Banking infrastructure**
- Operationalising targeted strategic themes to drive CIB growth
- Focus on “Next 100” and “New 90” client initiatives to drive origination
- Investing in Transaction Banking and Financial Markets platforms to drive efficiencies

**Rebuild CB via a low-cost, low-risk supply chain driven model**

**Tighter underwriting; focus on corridors, and supply chain financing; positive performance in Q1 17**
- Portfolio standards aligned with revised strategy - lower loan impairment and increased recoveries
- Selectively driving new origination along trade corridors
- Dedicated Relationship Managers in UAE, Kenya, Tanzania, Ghana, Uganda, Botswana and Zambia
- On boarding of suppliers and buyers of key CIB clients to drive eco-system banking

**Tightly manage risk and invest for the long term**

**Improving the risk profile of the region; investing through the cycle; and tightly managing costs**
- Coverage ratio significantly increased.
- Relentless focus on conduct, FCC and Controls to ensure that segments and countries are fit for growth
- Significant progress on branch network optimisation, efficiencies, and hubbing
- Delivered on investment projects across segments, with a focus on key African markets

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\(^{1}\)34 branch closures of which 17 are completed and the balance is underway
Starting To Be Visible In Key Performance Metrics

**Stabilised income momentum...**

<table>
<thead>
<tr>
<th>Income ($m)</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,858</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2,742</td>
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</tbody>
</table>

>US$(150)m currency impact

**Secured foundations...**

<table>
<thead>
<tr>
<th>Headcount</th>
<th>Expenses</th>
<th>Branches</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td>-2%</td>
<td>-3%</td>
<td>-4%</td>
</tr>
</tbody>
</table>

**...and improved quality and mix of portfolio**

<table>
<thead>
<tr>
<th>Gross NPL ($m)</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,058</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2,739</td>
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</table>

-10%

<table>
<thead>
<tr>
<th>Impairment ($m)</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>880</td>
<td></td>
<td>581</td>
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</table>

-34%

<table>
<thead>
<tr>
<th>Cover ratio (%)</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>62</td>
<td></td>
<td>72</td>
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</tbody>
</table>

10%

De-risking

- Reduced risk concentration
- Compliance related exits
- Tighter underwriting standards

~US$(50)m Income impact

**Enhanced Digital and Product Capabilities**

- SC mobile, refreshed web and payments capabilities
- Workbench, online sales, ATMs + CDMs
- New product launches (credit cards, mortgages, wealth management)
## AME Financial Performance Improving

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>Q1 17</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td>2,858</td>
<td>2,742</td>
<td>686</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td>(1,790)</td>
<td>(1,730)</td>
<td></td>
</tr>
<tr>
<td><strong>Impairments</strong></td>
<td>(880)</td>
<td>(581)</td>
<td></td>
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<tr>
<td><strong>Underlying operating profit</strong></td>
<td>188</td>
<td>431</td>
<td></td>
</tr>
<tr>
<td><strong>P/E RWA</strong></td>
<td>58</td>
<td>53</td>
<td></td>
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</tbody>
</table>

- We continue to be watchful as risk environment remains challenging
- Encouraging start to 2017
- FY 2016:
  - Resilient performance in Africa with stabilisation of business in Retail and Transaction Banking
  - Middle East benefited from market volatility / dislocation
Connecting Pools of Capital with Demand in AME

United States
- US trade with AME is est. at US$27bn in 2016

Europe
- Europe trade with AME is est. at US$96bn in 2016
- ~US$1tn investment need over the next 10 years in Africa

China Pakistan economic corridor alone est. at US$54bn

TIDAC Japan pledged US$30bn in support with a focus on infrastructure development, education and healthcare to Africa

China trade with Middle East US$209bn and with Africa US$97bn in 2016
- China FDI to Africa US$32bn

India trade with Middle East US$111bn and with Africa US$47bn in 2016
- India is UAE’s 2nd largest trading partner

~US$3tn projects underway in GCC

~US$3tn

Source: Standard Chartered Global Research, MEED IMF and World Bank reports, UNCTAD, HKTDC; 1US$94bn funding gap annually; 2Sub-Saharan Africa; 3as of 2014
Summary

1. Material long-term opportunity despite current headwinds

2. The Group has a long and deep rooted presence

3. Clear actionable strategy focused on execution; noticeable progress on the ground