Exane BNP's 23rd European CEO Conference

Q&A with Bill Winters, Group Chief Executive, Standard Chartered PLC
June 11, 2021

(Amended in places to improve accuracy and readability)

<<Guy Stebbings – Analyst, Banks (Exane BNP Paribas)>>
Hello and welcome to our Exane BNP Paribas 23rd CEO Conference and today's presentation with Standard Chartered. During the call, all participants will be in listen-only mode for the duration of the meeting and I encourage you to ask questions by posting them on the question box in the left-hand side of your screen. Let me start with my introductory questions.

I am delighted to introduce Bill Winters, who is the CEO of Standard Chartered. And perhaps, firstly if I could start by asking you to talk about latest operating trends in some of your key markets such as Hong Kong, Singapore and China which performed very well in 1Q and also perhaps you could talk about what impact lockdown restrictions are currently having in Hong Kong. We read about low vaccine take-up, are there any implications there as the economy unlocks on your own performance?

<<Bill Winters, Group Chief Executive, Standard Chartered PLC>>
Yeah great. Thanks very much for having me. Pleasure to be here.

We finished the end of last year with very clear signs of strength. In particular, in those economies that had recovered well or contained the pandemic. Most notably China and the rest of Asia. Obviously, things have continued to evolve in 1Q, I would say Hong Kong has continued to contain the pandemic quite well. It is well under control right now, although your point on relatively low vaccine rollout is correct, but nevertheless the case count is extremely low in Hong Kong.

Mobility, on the other hand still remains almost non-existent. It is very hard to get into Hong Kong. But much bigger issue for the economy because of the historic dependence on visitors from mainland China, who for the most part are unable or unwilling to come into Hong Kong.

But despite that, there has been a good economic recovery in the first part of the year in Hong Kong. I think that the triple adverse set of events, firstly the riots, second COVID, thirdly the national security law, which has created a lot of anxiety in the semi-autonomous region, seems to have left behind, so the underlying economy is getting some traction, retail sales are beginning to pick-up, property prices are quite strong. And, I think generally there is a positive sense in Hong Kong.

As we move around the globe, for us, beginning in Singapore and ASEAN, the effects of the stepped up restrictions or semi-lockdowns or out-right lockdowns in some markets like parts of India and Malaysia are truly having an effect. What had been a budding increase in consumer spending and consumer confidence has been held back. Not in any sense what we seen is structural or particularly severe. Even in India, where the health effects have been quite dramatic, and quite devastating in fact. The economy is carrying on, people are finding ways to carry on with their lives but for a period of 3 or 4 weeks where things were particularly acute. We think the worst is behind us in India, unfortunately and tragically, the worst in terms of deaths probably isn't because of the lag effect but the new infection rates are coming down quite substantially, on the back of the mobility restrictions and increasingly on the back of an improved vaccine picture.

In terms of our operations, we had an extremely strong start to the year, in particular in Financial Markets and Wealth Management. We know that those are seasonal businesses in most cases - in any case 1Q is typically the strongest quarter. We and I think everybody else called that out quite clearly in our 1Q earnings announcements.

As we come into 2Q, some of the underlying trends, I will say have gone from being extremely supportive to just good / neutral. Market volatility has reduced for sure, the outright strength in risky asset markets in 1Q has gone to something that is more stable.

So we would expect normal seasonal patterns to play out with a tapering down in 2Q. But the underlying trends that we see in terms of things that drive our business through the cycle or through the year, which, are we increasing the number of clients that we have on the affluent side? Yes, a continued very strong customer increase with the associated AUM. Are we seeing a return to something closer to normal in terms of global trade with associated cross-border payments flows and trade financing? Yes, we are. Are we seeing a confidence manifest itself in CAPEX, cross-border, structured financing, structured trade finance, sustainable finance? With all these things the pipeline and the actual look strong and they continue to grow.

We are as comfortable as we have been with the outlook for our business in terms of our ability to generate 5-7% top line growth. Obviously, having flagged that the first half of this year will be quite a bit weaker for the very simple reason we got the base effect on interest rates. Normalising for that, to the extent that you can, we grew 6% on the top line in 1Q excluding the interest rate impact and continue to think that 5-7% is the right range for us for the year and beyond.

<<Guy Stebbings – Analyst, Banks (Exane BNP Paribas)>>
Okay, very helpful. Thank you. Can we turn to inflation because it is getting some air time in the press at the moment, we had some interesting prints in China for CPI and in the US more recently.

Just wondered how are you positioned for potential inflationary pressures? What might that mean for interest rates, then on account of that, cost pressures, credit impairments? How do you think about the trade-off there?

<<Bill Winters, Group Chief Executive, Standard Chartered PLC>>
For Standard Chartered and other shops, this is probably the most actively discussed underlying trend. Of course, the same data you saw in these elevated CPI prints, you saw 10 year notes go from 164bps to 145bps. There is a bit of a disconnect between the increasing inflation concerns, in fact the increasing inflation break-evens in markets like TIPS and the actual performance in the market. That's an active debate within Standard Chartered.

How are we positioned? Well, we have a relatively short duration of our assets in our treasury portfolio. Treasury portfolio is very large. We took some gains in 1Q of this year and we guided that these gains are unlikely to be repeated, obviously we got value in the portfolio, but we are unlikely to have additional material realisations in the very near term.

You can say 'great, we are relatively short duration in an environment where there has been a rally in the past few days. But if you are really concerned about the inflation then we are well positioned for that. At the same time we said we are going to sweat our treasury balance sheet, in fact our balance sheet more broadly, in particular our treasury balance sheet, we are going to sweat it much more actively, including the possibility of extending duration of assets, increasing our structural hedge. As we recognise and are further analysing, the stickiness of our deposit franchise, and in fact as we are increasing our deposit franchise by volume. How are we positioned? I would say neutrally. If we have increasing rates and a steeper yield curve, that is a good thing for us if it doesn't have the material economic impact, of course if it does then there is a different question around economic growth and the vibrancy of some of our markets.

But I would say we are neutral to positively positioned. We are not particularly concerned about inflation in the short term, we bide with that line.

It's hard for me personally to imagine, that we come out the back of this exercise without a period of super-normal inflation. But even that is heavily contested in the market. And I don't pretend to have a better view or more informed view than anyone else. Clearly a return to normal interest rates is going to be a very good thing for Standard Chartered and many other banks. I think we paid a somewhat disproportionate price on the downside for the reasons we explained at the full year and 1Q.

We expect to have a meaningful recovery if we had a return to normalisation but we are not expecting that in the next couple of years.

<<Guy Stebbings – Analyst, Banks (Exane BNP Paribas)>>
Okay, very clear. And, turning to Other Income and Wealth in particular, a very strong engine of growth in recent quarters, of course in 1Q in particular. Just want to know how do you assess the

outlook here given that continued good quarters and a helpful demographic and at the same time we hear a lot about competition and a lot of people investing in this market. How do you think about the outlook as a consequence of those factors?

<<Bill Winters, Group Chief Executive, Standard Chartered PLC>>
I feel as good about it as I ever have, we have been growing in high single digits or low double digits in our Wealth Management income for the better part of a decade. We have stepped up our investment in that area both in terms of customer service and client outreach in terms of products and clearly in terms of digitisation. All those things are paying off. We know that Wealth income, in particular that market-sensitive component of Wealth income, is around two-thirds of our portfolio.

We know that that is quite seasonal and vulnerable to swings in market sentiment. But the growth has been very consistent for us from year to year, if not from quarter to quarter. 1Q was super strong, 2Q probably a lit bit less strong but the underlying growth in the number of customers and the AUM they are bringing in is very good. It is not a coincidence we have been able to hold our own, we have invested pretty heavily, in particular in customer service.

So both preventing errors or mistakes in the first place, but also and most importantly in responding very quickly to something that comes up. One of the measures we use, I think they are commonly used in the market, are Net Promoter Score surveys. Where for our Affluent client population, we have gone from being reasonably poor 5-6 years ago to number one in 6 of our top nine markets and top tier in all of our top nine markets. This is the best indicator for the investments that we are making are resonating with our clients.

They are happy to use us and they are using us more and more. They are also happy to recommend us to their friends and their family. When I joined Standard Chartered 6 years ago, I got a lot of questions about the problems that we had, but in terms of the way forwards, exactly the question that you Guy had was, “it has become super competitive. Why can Standard Chartered hold its own?” Well, it was super competitive 10 years ago, it was super competitive 5 years ago and it is super competitive today and we have just done better and better and better, because it’s been an area of focus for us.

Am I concerned about the next wave of competition? Yeah, of course I am because CEOs have to worry. Our competitors are good, they are clever and they are becoming more focused. But we are extremely well positioned to take advantage of what is fundamentally a super attractive market opportunity and which we have done very well in the past couple of years.

<<Guy Stebbings – Analyst, Banks (Exane BNP Paribas)>>
On Financial Markets, you talked about it a bit in the opening comments, but perhaps you could expand. You talked to a slight normalisation in terms of activity but equally it’s been a good underlying growth area one might say. So, how do you think about that looking forward, are you confident you can still deliver year-over-year growth against some quite tough benchmarks?

<<Bill Winters, Group Chief Executive, Standard Chartered PLC>>
2Q was the high water mark last year. It was an extraordinary quarter, obviously it was the quarter when the pandemic kicked in and there was a massive interest rate adjustment and all that. So that year-on-year will be very hard to sustain as a growth rate quarter-to-quarter. But, from year to year to year, can we continue to grow this business? Absolutely. I would say our business was underperforming 4 years ago, and it has steadily improved since then. I do not know whether we are ahead of market, on market, or little a bit behind it.

The opportunity for us comes from these key positions of strength that we have. Very strong positions in local markets across our Emerging Markets, the most important of those is China, where by any measure, we are the leading international bank in cross-border dealings in China and hold our own against the Chinese banks as well, and that has come on the back of a long period of substantial investment, very good profitability, excellent research, clear commitment to the opening up of China and all the complementary services around Financial Markets are an element of RMB dealings. We are the leading bank in Bond Connect, which is the mechanism through which many of your clients, many people on this call, are investing in China into the fixed income markets.

We are the only bank that has got a well-established local funds custody business, on the ground. We are the leading bank in CIPS, which is the SWIFT of China, the cross-border payment system. The leading international bank, number 4 overall ahead of a couple of the big Chinese banks.

This is all about Standard Chartered positioning itself, and when I say China, it is China and Hong Kong, it is one market. We run them as one market. The value that we get comes disproportionately from the flows and capital into and out of mainland China and Hong Kong. And, I think we have had that right for some time and that opportunity will only grow as China continues to open up as it is, it most certainly is.

So, that Financial Markets business is local markets focused for sure. We were historically very FX heavy in our Financial Markets business. We have added a very good rates trading capability, also just in time, because last year and I think for the next couple of years, rates will present us many opportunities or more as FX given the volatility we are seeing in rates.

We have had a very indifferent credit trading business. We have both revamped the business and growing it profitability. But also we are much more actively managing our own balance sheet, so that we got much less 'buy and hold' static credit positions on our portfolio, increasingly liquifying that portfolio, which also means trading more actively, dealing in securitised products and structured credit products and things of that nature. So that in addition to revamping our credit business is putting us in, having a more meaningful leg in the Financial Markets portfolio.

In commodities, we are not the biggest player in commodities, but we have got a very good business that is very accretive year in and year out, and it's growing nicely. So in each of these areas, as we continue to transform our bank, continue to focus on delivering our corporate clients the full range of capabilities of our bank together with the improvements we have made in our underlying products and services, I think our Financial Markets business has a long period of growth ahead of itself, recognising as we always caveat that it is going to be bumpy from quarter-to-quarter.

<<Guy Stebbings – Analyst, Banks (Exane BNP Paribas)>>
And turning onto cost, in some of the regions you operate in, typically have higher wage inflation, certainly in some Western markets, and as we talked before at the global level there is certainly some inflationary pressures potentially coming through. So do you see a risk to be able to contain costs below revenue growth and if so, what are the incremental actions you can take on the cost side to offset those pressures?

<<Bill Winters, Group Chief Executive, Standard Chartered PLC>>
That's always a challenge. And I'm happy to say that we met that challenge certainly every year since I have been in the bank. I think the cost discipline is very well instilled. We have managed to absorb all of the inflation. And absorbed significant increase in our investment budget whilst keeping expenses flat for 5 years. We do not intend to keep our expenses flat forever; we certainly will keep our expenses at or below inflation, which should leave a significant positive jaw gap to the 5-7% income growth that we are talking about.

How do we do that? Initially there was fat that we could cut, but we also began our investment programme in earnest. A lot of the initial investment programme was defensive, so investments in financial crime compliance and things of that nature. There's still a meaningful defensive component, it shifted away from compliance to much more cyber and data protection for all the obvious reasons. Lower magnitude certainly than the compliance investments that we made but nevertheless meaningful.

But we shifted more and more of our investments sequentially from year to year into hard-core productivity opportunities, so digitising everything from end-to-end for example, creating a single core banking system which we have now rolled out at first in a handful of markets and will have it rolled out across most of the our markets by the end of next year and then some of them like the more difficult ones, like Hong Kong which is on a completely different core banking system today, it will take a little while longer. But we got a deliberate programme to standardise the core infrastructure across the bank, we made big investments in removing obsolescence across our systems. We are never done with that because new stuff is always becoming obsolete. But if we look at the stability statistics for our underlying systems, there's been a dramatic improvement, a 90% improvement in the stability and the uptime of our systems. We are now at a place where I would say we are good, having been in the place where we were bad.

These are all by way of saying where are the cost opportunities…to complete the drive on the productivity side, to continue to create a more efficient environment, generating savings in every turn, and then taking those savings and then ploughing them back into increasingly revenue focused opportunities, whether that's new digital banks or digital assets, custody businesses, or through customer service, etc, etc…

Bottom line we think that is a well engrained mind-set in the bank now, and one that we expect to continue improving further.

<<Guy Stebbings – Analyst, Banks (Exane BNP Paribas)>>
Thanks. I wanted to move onto capital which is increasingly a hot topic as we await an update from the Bank of England in the next few weeks around whether you can restart distributions post-H1. Clearly you've got a healthy capital position and are above your target range, but not enormously. How do you think about the trade-off between giving capital back to shareholders, clearly with the current share price buy-backs must be quite appealing but then equally funding the growth in the balance sheet alongside some regulatory RWA headwinds coming through?

<<Bill Winters, Group Chief Executive, Standard Chartered PLC>>
I think we have flagged on our RWA headwinds that it is very manageable for us as we have a different portfolio than some of the others, I think it will be harder for them in particular the European banks, possibly UK and domestic banks perhaps. In any case, we think that it is manageable. But you are right the bias on us is probably rather the other way around.

The very good news from our perspective, and I would think it is shared by the PRA, is that we went through a pretty nasty stress environment without ever having our CET1 ratio go into our range, we stayed above or at the top-end of our range throughout.

And I don't think we are unique in having had a "good" crisis from a capital perspective but it certainly goes to helping the Bank of England believe that the industry they regulate, let's just focus on Standard Chartered, is in pretty good shape. So, we are hopeful that we will get the incremental allowance to return capital, whether by dividend or buy-back. We are also improving our profitability, obviously as profitability improves from the low-level last year through to a normalised and then growing level, we will be continuing to accumulate capital. We have had RWA growth, but our growth has been driven substantially by less capital-intensive parts of our business line, so we will be getting a fair amount of capital that can be reinvested into our business. As we mentioned before, we have got a pretty full investment programme today, we have not left a lot of our highly desirable investment projects on the cutting room floor because of some sort of constraint. It is not to say you could not spend another dollar, but of course we could, but we feel like we are investing at the level that we should be.

But the question is, will there be things that are more important or more attractive strategically that are more incremental to our investment spend that we should be investing in rather than returning money to our shareholders. As we said it in February and then in April, we have a very keen eye to the alternative uses of capital, not least returns to shareholders via buy-back with incremental capital that is available. You will ask at some point about the Citibank portfolio and there are some interesting assets in there, and we and I'm sure a lot of people are looking at them, we will look at them, and if the price is right and the price needs to be right in the context that I just mentioned, which is what the alternate use of capital is, then there is could be something we could do, and if the price is not right then we don't need to. We don't need to buy further business in India, we have got a good business in India today and it is improving dramatically, and we don't need to buy another business in Thailand, in fact we sold our business in Thailand, or in Taiwan.

But there would be interesting opportunities for an acquisition if the price is right and the terms and conditions are right and obviously as we are reviewing those assets, and if it looks like the fit is as good as it appears as it might be from what you can see from the outside. But we are sitting here with a share price of below five pounds and we recognise that there are other uses for our capital that our shareholders might prefer.

<<Guy Stebbings – Analyst, Banks (Exane BNP Paribas)>>
Last question from me before opening up to the audience, just wanted to turn to ESG, given your geographic footprint, the business mix, one could say that Standard Chartered is particularly exposed to climate change and managing that transition risk for the businesses that bank with you, so just keen to understand what you view as the key competitive strength for Standard Chartered to mitigate this risk and turn it into an opportunity?

<<Bill Winters, Group Chief Executive, Standard Chartered PLC>>
I think you are right Guy. I think it is one of the bigger risks for a bank like ours, it is also one of the bigger opportunities. The risk is obvious. Many of the markets where we operate, start with Sub-Saharan Africa, big chunks of South Asia, parts of ASEAN don't have the financial resources to protect against the 2% or much less than 3% increase in temperatures. In terms of flood defences, you look at the number of coastal cities in Africa, that are more than a million people that will be severely impacted by that kind of temperature increase; the inability to survive in parts of India or Sub-Saharan Africa from a temperature perspective. So the risk to our portfolios and our clients is real from climate change and we have all seen that it could materialise sooner rather than later even though the worst of the effects would certainly come later.

The flip side is that is the opportunity within our markets. We have some of the biggest emitters in the world and the biggest financing gap between what they have available to them and what they will need to effect their own versions of a net-zero transition. So we have been very upfront on this, we have been quite vocal both publicly and privately for four years now about both the risks and the opportunities. We got clear guidance in terms of what we do with companies that are reliant on coal and we set aside significant amount of capital to help those companies transition away from coal and other fossil fuels into renewable resources of power and the like.

The indications we have had so far are that our clients are absolutely intent on making that transition themselves not because we told them to, although that probably helps on the margin, but because they realise they don't really have a choice and I will just quickly reference a piece of research that Standard Chartered came out in the last couple of week. It is called "Carbon Dated" and we looked pretty extensively at the supply chains of suppliers of global MNCs. Global MNCs we know, including Standard Chartered, and many of you have committed to a net-zero transition. 75% of the emissions of those global MNCs are coming from their supply chains disproportionately in developing countries.

These people that we surveyed have said we have already begun to discriminate against people that do not have good transition plans, we are not going to buy stuff from people who themselves are not on a transition pathway because if we continue to, then we can't hit our own transition plans. So it is not a matter of whether the sovereign in a local developing economy is pushing their companies to a transition to net-zero, it's about whether their customers are pushing them and of course whether their financiers are pushing them. And in each of those cases, they are and we are. But it is not just saying 'you do it or you die', it is saying 'let us help you'.

So, we have a leading structured finance capability, we have a leading project finance capability across our markets. We are the world leader in blended finance so, many of these transition programmes will involve money from multi-laterals or from expert credit agencies, local governments and this is our expertise, it is packaging these things together, many of these projects will be viable on the margin because they incorporate some form of carbon offset or carbon credits. I am chairing a taskforce with 250 companies and 400 people to create a really big robust, viable, credible, legitimate carbon offset market. It is nice today, but it is not big and it is not credible. If we get that right, it is a further source of income and also a mechanism to get real dollars into the hands of people in markets, so the risk is there, yes. I do think that as a planet we can avoid this more than the one and a half degree increase in temperatures, which will avoid the worst of the risk for our markets and we can actually generate decent returns for our shareholders and the planet if we play the part that we very naturally play given our capabilities.

<<Guy Stebbings – Analyst, Banks (Exane BNP Paribas)>>
We got a question from audience. Question around your digital strategy and explicitly for Retail and what are the implications are for the investments on cost to serve customers and does that mean that

in some of the regions which you struggle to make adequate returns, does that hurdle become easier in the future?

<<Bill Winters, Group Chief Executive, Standard Chartered PLC>>
That is right. It is already making a huge difference. We called out four markets two and a bit years ago most in need of remediation, we called out Indonesia, Korea, UAE and India. But the challenges were overwhelmingly on the Retail side, and in each case because we were, to varying degrees, sub-scale in the market but with a full-scale fixed cost base. And each of those markets have returned to profitability, Indonesia is different as we sold the bulk of that business in the form of Permata.

But each of those businesses have returned to profitability as has China, which wasn't in our trouble country list but the momentum in China just has been fantastic on the Retail side. Why? Part of it is shift from conventional mass market banking products to Affluent and Wealth, that's helped in each of those cases, but much more importantly is the cost improvement that has come from digitisation that we have rolled-out almost 3 years ago now. We set up digital facilities in India that allowed us to on-board a customer in typically under 7 minutes, no human contact and end-to-end. Cost of acquisition went from somewhere around $100 per account to something like initially $17 per account, now down to $7 per account. What we are finding is that the average balance coming in on these digitally initiated accounts is higher than the average balance on the accounts that have been historically opened through branches or through third party sales agents. So lower cost of acquisition, much lower cost to serve. The entire service menu now for all of our core digital banking offerings, mobile banking or whatever, the marginal cost is close to zero and virtually every service is able to be obtained on the mobile phone, that has also led to a dramatic increase in the Net Promoter Score. Customers say 'you really are much easier to deal with, we like you much more not just on an absolute basis, but on a relative basis'.

We have now rolled out 9 digital banks in Africa, each is now well established with the most recent a year ago. We continue to add accounts almost exclusively through the digital channel. The percentage of new clients visiting branches is under 2%, and that will approach zero. That's allowing us to reduce the branch footprint and also to transform the branches that we do have and the ones that we retain into much more advice and Wealth Management centres, which obviously is positioning us to capture that more affluent population and to service the existing affluent population better. So, everything is going in the right direction and is visible on the bottom line in terms of the improvement in profitability of that business. I would say it was masked to some degree last year because we took a very large provision in the midst of COVID and that's the bad news, it's not surprising news but it is the bad news. But the good news is that we took a material management overlay against the Retail portfolio, so particularly in places like India and whilst it is too early to say that we are over-provided, and we would not say that and we have not said that, the indicators are actually pretty good in terms of the actual loss rates coming through relative to what we feared could be the case as we got into the early stages of the pandemic.

So normalise for the loan impairments and that business is really going from strength to strength and is a substantial true cost of capital returner. But then, that is obviously not the beginning nor the end of our digital ventures. Take a market like Indonesia, where we are absolutely sub-scale and we got a nice little Wealth Management business, a very small Mass Market business. And we could build that out the way we have with some of our Retail businesses but that is going against the entrenched competition with a disadvantage in terms of number of branches and a relatively high cost of acquisition.

So let's take a different approach, and the approach that we have taken is in the first instance partner with the largest e-commerce platform in Indonesia, Bukalapak. They have got 100 million customers, growing super-fast and we built a technology platform which is now live, and we are now dealing with customers. It is still in the test phase, but it is live. And we are delivering a full range of banking products through the Bukalapak platform with perfect customer convenience. A customer knows he is dealing with Standard Chartered but it is as if they are just dealing with Bukalapak on their platform seamlessly. It is a major technical investment and we think it is unique in the world in terms of its scale, we are obviously starting with basic deposit savings and payment products, we will be adding credit products, then cards and then wealth through time. The opportunity is to in some ways replicate, obviously very different environment to what people like Ant Financial have done in China but in the perfectly regulated market in Indonesia. By perfectly regulated I mean, these assets and liabilities are going onto Standard Chartered's balance sheet, we are regulated. We have all the approvals that we need.

There is no question that the regulators are going to look at this afterwards, as is obviously happening to some degree in China. The model is evidentially powerful, customers want the convenience of being able to deal with the full range of their transaction lives on a single platform, that is what we are delivering. Early indications are very good, but we are at the earliest possible stage in terms of number of test clients that we have got right now. Technology is working, the idea resonates. And we have got other ventures as well. We built a couple of platforms, one in particular which is the standalone digital bank MOX in Hong Kong. We did that in partnership with Hong Kong Telecom and Trip.com and we built it, we are co-owning it and now co-managing it with our other partners, we are controlling it. It's been a huge success.

We've got 3.5% of the HK population signed up. About 80-85% of customers are active on the platform, we are the first of the virtual bank in Hong Kong to offer a credit card. The credit card by the way is the same as the debit card, it is the same numberless card and you get to choose whether a transaction is credit or debit. The customer satisfaction is super high. The app store rating is still 4.8 or 4.9. We have not marketed until the last month and in the last month we have been marketing so we have had an acceleration in customer acquisition. This is very exciting, and it will be a little while before we get to break-even and beyond. In a zero rate environment we need to ramp up the credit products and we need to introduce wealth and we need mobility to come back because a big source of income was always going to be FX and associated things like insurance, coming from people's travels which is approximately zero in Hong Kong right now. But that will change, we all know that.

So, I feel very good about that. So good in fact, we are going to take that tech stack and put it into our digital bank in Singapore, assuming we get the regulatory approval, we have every indication that we will. We have not announced our partner in Singapore, but it is as impressive as Hong Kong Telecom and Trip.com in our opinion. So, we are feeling good about the opportunities there. Very different market so it will be different proposition but off the same basic tech stack.

And we are doing other things in fact, we just got the approval this week in Korea. There is a bank in Korea with which we have been co-developing with Toss, which is the ubiquitous payments platform in Korea. Toss controls it, we are a minority investor. We have been involved in the building all the way through, it has got the final permissions now, that launches now, a standalone digital bank. Obviously, we are leveraging that payments platform. In Taiwan, we have gone live with a similar standalone digital bank with LINE, a ubiquitous messaging platform. So these are all very exciting, you could say that any one of them is an experiment but there are clearly different ways to skin the same cat, to get access to some of the fastest growing markets in the world with good returns while addressing our scale advantage, either by saying we will take a smaller stake in somebody else's large scale platform or, with the case in Hong Kong, we can create a disrupter ourselves that can be a challenger to people who have a larger mass market exposure today.

<<Guy Stebbings – Analyst, Banks (Exane BNP Paribas)>>
Thanks. A lot of initiatives going on. Had another question back on cost and specifically on pay and performance related pay, given quite a few banks around Q1 and subsequently during conferences have talked about some pressures there and whether you see this as a risk, do you see this as a transitory issue given the pace of recovery coming through, or could this be a sustained pressure on your cost line?

<<Bill Winters, Group Chief Executive, Standard Chartered PLC>>
I think there is few ways to look at this. We really get it in 1Q, if performance remains very strong then obviously, we will have an uptick in performance related pay and that would cause us to grow our expenses a little bit faster than would otherwise have been the case. I don't think it is a surprise to anybody. I will also say that our pay to profit ratios start relatively low and we are relatively insensitive, not non-insensitive, but relatively insensitive, given the nature of our business. The bulk of our business is not investment banking where the linkage is much stronger. That is number one. Number two is, there clearly is a stepping up in the competition for talent. A couple of our competitors have made announcements about adding thousands of people from Hong Kong to Singapore to focus on wealth, and things like that. I think that's great, we welcome those to the party, we have been in that party for five years now and we are very happy to continue to compete with people and we are able to

attract and retain very strong talent on the Wealth Management side because we have got a really good offering. At the end of the day, if you are a relationship manager, you do the math, how much can I sell from that platform and how much they will they pay me for those sales. And you really have to have both. We do really well on the first point. Our platform is a desirable platform for relationship managers to come and deliver off of because we have got a very broad range of services with evidence in investments and we got a top customer satisfaction rating in most of our markets. How much do I get paid for it? Well, we are going to pay like everybody else does, a little more sometimes and a little less others, we are always going to be competitive. If that goes up then our costs are going to go up, and we will fund it elsewhere. We have made a commitment to keep our cost growth to below inflation, and that's what we intend to do. We have levers we can pull. If competitive pressure drives up wages in one of our business, which is not the case yet, but if it does to the point where we need to address it, then we will always defend our core strength, but thankfully we don't always need to do that with money, we can do that with the offering we offer our colleagues in the first place.

<<Guy Stebbings – Analyst, Banks (Exane BNP Paribas)>>
Brilliant. I think we have run out of time now for today's main room presentation. So, I just have to say thank you very much, Bill for the very interesting comments today and the rest of the Standard Chartered team for joining us in Exane BNP's 23rd European CEO Conference.

<<Bill Winters, Group Chief Executive, Standard Chartered PLC>>
Thank you, Guy.