

Goldman Sachs 2022 European Financials Conference

In-depth conversation with:

Andy Halford, Group Chief Financial Officer, Standard Chartered PLC

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(Amended in places to improve accuracy and readability)

<<Martin Leitgeb – Equity Analyst (Goldman Sachs)>>

It's a great pleasure to announce our next speaker, Andy Halford (CFO, Standard Chartered). By way of introduction, Andy was appointed to his current role in 2014 and prior to that was CFO of Vodafone. And he also serves as Senior Independent Director at Marks and Spencer. Andy, welcome to our conference today, and many thanks for making time to be here.

<<Andy Halford – Group CFO (Standard Chartered PLC)>>

Thank you.

<<Martin Leitgeb – Equity Analyst (Goldman Sachs)>>

Let's start with just looking back at the first quarter results, which was a strong beat driven by strong revenues. So in the right place. We've also seen an improved outlook in terms of NII progression from here putting the 10% 2024 return on tangible equity target at reach and potentially even at reach earlier. So, not in 2024, but potentially, a year earlier. And I was just wondering, if you could comment on the kind of rates, tailwinds, you can see at the moment? The 10-year US rate is at 3%, HIBOR is lagging a little bit. How do you think about interest rates helping you to that 10% progression?

<<Andy Halford – Group CFO (Standard Chartered PLC)>>

Well, first of all, thank you for the invite and thank you for being here. I think the rates effect for us is really quite profound. Pre-COVID, we had a \$8 billion interest rate business. It represented at that time, a net interest margin for us of about 1.6%. And that was when US rates were about 2.25%. We then ran the clock forward two years. At the end of last year, US rates had dropped from 2.25% to 0.25%. And our net interest margin had dropped from 1.6% to 1.2%, i.e. a one quarter reduction, at a one quarter reduction of \$8 billion essentially was \$2 billion of income top line, and essentially largely bottom line that just evaporated through our fingers.

Now you might say "Fine, you know, it is what happened, get over it." But, for the fact that the forward curves are now saying that 2.25% we could be seeing before long, and indeed to your question, we could even be seeing a 3% number. So that raises, I think, two fundamental questions for us. One is, what's the confidence that the forward rate curve will actually manifest itself in reality? And the second is, just as we lost the NIM as we came down the US rate curve, is there reason to believe that as we get the rate curve reversing, that we should see the NIM effect reversing, is that likely or not? Now on the former clearly post the Ukraine situation, if anything, I think the markets have been pricing in slightly higher rates, whether they'll end up at 3%, who knows, but I think a reversion back to the 2.25% seems to me to be a reasonably likely outcome.

The big question, therefore, are we going to see the benefits on the upside just as we saw the detriment on the downside and the work we have done business by business, asset class, liability class, et cetera, is simply put saying, "Yes, we do believe that there is a strong symmetry. It won't be a perfect symmetry, but it should be a pretty strong symmetry." So, with the rates curve coming back up 2.25% it has the potential to put \$2 billion more on our top line and \$2 billion more on the bottom line. Why is that important? Well, last year we printed a \$4 billion operating profit pre-tax and that was a 6% RoTE. If we get a \$2 billion uptick from rates over the next year and a half or so, then the \$4 billion becomes \$6

billion, the 6% RoTE becomes 9%, and we are within touching distance of getting the 10% that we have been trying to get on the RoTE for some period of time.

And frankly, it won't need much underlying business growth to close that further 1% point gap. Or if the rates do end up more at the 3% than the 2%, then the rates would get us there. So either rates or volume growth, one of the two, we don't have to have both, would get us pretty confidently to the 10% number. And if we did get a mixture of both - the reason that we said in April, that it could be 2024 or earlier, it's not beyond demand to think it could be achieved in 2023, but it does depend upon the forward curves holding true. So it is, for me, a huge change in the outlook for us financially. And I think it is within our grasp, notwithstanding some of the concerns there are about a recession, et cetera, around the world, we do not have to have all the rates and all the volume growth to get there. We can have some of both and still we should get across that line.

<<Martin Leitgeb – Equity Analyst (Goldman Sachs)>>

Thank you. Let's move to Wealth Management and Financial Markets. Obviously both differently impacted in the first quarter, Wealth Management adversely impacted by the lockdowns, Financial Markets positively impacted by volatility. How should we think about the progression of those two businesses going forward?

<<Andy Halford – Group CFO (Standard Chartered PLC)>>

Yeah, so let me take them in two parts. Wealth Management was depressed in the first quarter and in very large part that was due to the lockdowns in Hong Kong. A third of our global Wealth Management income comes from that market; lockdowns are not conducive to direct sales and therefore unsurprisingly, it did hold us back during that period. Now, Hong Kong in the second quarter is not affected by COVID in anything like the same way, albeit market sensitivity to quite volatile equity markets clearly has a slightly suppressive impact, but nonetheless, the Hong Kong effect should reduce in the second quarter.

Conversely, not as big, but the lockdowns now in China and, maybe now Shanghai lifting out of lockdowns, is going to be a bit more weight on the second quarter Wealth Management. So I think we will see Wealth Management, which went backwards the first quarter, will go backwards by a lesser amount in the second quarter.

And then hopefully as we go to the third and the fourth quarters and the lockdowns become a thing of the past and hopefully the equity market stabilising, I hope we will be back on an equilibrium later in the year.

Financial Markets on the other hand had an absolute bumper first quarter. It was our highest print that we have ever had in Financial Markets ever. We are not going to see a second quarter that is running as rich as the first quarter. We said that of upfront, but that does not mean to say that we're having a poor second quarter. It is still well up there on comparatives with the prior year. And I think just in the world we live in, it is a brave Treasurer who is basically saying, "I am completely comfortable, not fixing on FX or rates or whatever, because as we all know, there is still a lot of uncertainty out there." And I think as we look forward over the balance of the year, it seems to me that it's reasonably likely that a degree of unpredictability is going to be with us for quite a period of time. And for that reads a good backdrop for a Financial Markets business.

<<Martin Leitgeb – Equity Analyst (Goldman Sachs)>>

And then looking at the supply chain disruption in North Asia and also the conflict in Ukraine. How has that impacted the broader activity levels of your customer base?

<<Andy Halford – Group CFO (Standard Chartered PLC)>>

I would say overall things have held up reasonably well. There's obviously a lot of market chatter about a recession. I think, barring the direct impact of lockdowns in China, that we've still seen a reasonable level of underlying client activity. Now clearly looking forward six months, nine months, it may be that there's some moderation in that as some of the recession we talk does come to fruition. But I think at this point in time, we have seen quite reasonable trade activity across most of our patch with China being the exclusion, or the exception if you like, in that regard. Last year, even in a year it was in fact impacted by

COVID quite a lot, we still saw a 5% loans & advances growth in a COVID-affected year. This year, obviously China has got more challenges, but then this time last year, India had a lot of challenges, which thankfully, it pulled through over a period of time. So I'd say just a slight moderation there, but I think, barring the China bit, things at the moment are going okay.

<<Martin Leitgeb – Equity Analyst (Goldman Sachs)>>

Let's move to costs. So despite the improved guidance on revenues, the cost guidance has remained broadly unchanged. I mean, slightly higher than the \$10.7 billion. Do you see risk here to that cost point going forward, given just where inflation has come out over the recent quarters?

<<Andy Halford – Group CFO (Standard Chartered PLC)>>

As I see it at the moment, I think our guidance on costs is sound. Put this into context, the \$10.7 billion number is about a 4% increase compared with last year. On the average, in the last several years, we've probably been about a 1% a year cost growth. So 4% accepting that it's a slightly higher run rate than previously, but the reason for that very largely to your point - the biggest part of our cost base is labour costs, there are more pressures on wages and salary costs in some parts of the world. And if those are running at, let's say 5%, but we have got our three-year cost takeout programme operating, which should offset some of that. I think something that's around 4% growth for this year feels to me to be pretty reasonably placed. And I don't think there's any particular pressure that I'm seeing now on the cost side that wasn't there four months ago that would cause me to change my view on it.

<<Martin Leitgeb – Equity Analyst (Goldman Sachs)>>

Thank you. Let's move to asset quality. Over the last two quarters, you've taken impairment charges for China commercial real estate exposures, and I was just wondering, how do you see the outlook in that segment?

<<Andy Halford – Group CFO (Standard Chartered PLC)>>

So let's start with the broader picture. I think the overall quality of our book is good. And I think the way that we have got through the COVID period with relatively modest credit impairment charges is testimony to that.

Where we have taken some charges, they tend to be quite idiosyncratic, and clearly the one area that is more the standout is commercial real estate in China. Again, context, of the total group-wide loan book of \$300 billion, total exposure to commercial real estate in the Northern Asia region is \$4 billion. One of that is in China, three of that is in Hong Kong. So as an overall proportion of the book, if you take those two together, it's 1.25% of our total book.

Have there been some ups and downs in that sector? Clearly there have. There's been a government intervention, which was not envisaged by many, and I think it is fair to say that parts of that sector still remains quite fragile. Generally the client exposures we've got are with better-quality clients, but we have taken some provision against some of that and put a bit of an overlay in. Whether there's a little bit more provisioning to go - maybe there will be. I do not think it will be big in the overall scheme of things for us, and I suspect that we've got two or three quarters where that still needs to work its way through the system.

Generally, I take comfort from the fact that I think Chinese authorities, on the one hand, do want the correction in the sector, but on the other hand, do not want the sector to be becoming the thing that is waving the tail of the overall GDP growth of the country as a whole. So I'm sure that there will be quite a degree of thoughtful guidance over a period of time. So, bottom line, it is a small issue for us. It is not a big problem, it is part of the portfolio and we monitor it carefully.

<<Martin Leitgeb – Equity Analyst (Goldman Sachs)>>

And maybe more broader in terms of credit quality, not now, but going forward: rising rates, strengthening of the US dollar, also strengthening of the commodity market, how do you see essentially the risk here for your EM client base?

And also in that regard, during your tenure at Standard Chartered during the last eight years, the balance sheet of Standard Chartered, how much has it changed? How is the stress, how is your resilience, if you like?

<<Andy Halford – Group CFO (Standard Chartered PLC)>>

Taking the last first, I think the quality of the balance sheet has really changed out of all recognition. And I won't bore you with the data, but on many, many reference points, investment, grade proportion, et cetera, concentration risk, it really is a very, very different book to the one now. It takes some time to get there. You can't change the exposures as fast as that, but I think we are in a better space. And the fact that we'll have gone through the whole of the COVID era with our average credit impairment having been not dissimilar to that we had immediately before COVID.

In terms of susceptibilities going forwards, maybe I'll live to regret saying this, I don't think the interest rate levels that we're talking about at the moment are going to cause a significant change in the credit impairment profile. If interest rates are 2% or 3%, that's one thing. If they're 8%, 10%, 12%, it's absolutely a different answer to the question, but I think at the margin there will be some businesses who will find a move to the 3% level painful. And maybe there will be a little bit of exposure because of that, but I do think it should be relatively modest in the overall scheme of things.

We do look at countries particularly that are going to be more exposed in the event we go into a recession, where some of those have already had to extend their country balance sheets to deal with COVID, to look at those that have got more overseas denominated borrowings, just to see on the refinancing of those, where they will leave them. And I think it is fair to say looking more at specific countries, Sri Lanka, obviously, has been in a difficult economic phase recently, and we've taken some impairment on that. So, monitoring very much our markets, which markets will benefit from high oil prices, which ones will suffer as a consequence of it. So I think there will be a little bit of that in the background, but I'm not seeing something that's going to be a massive worry, particularly on the credit impairment side at 2% to 3% interest rates.

<<Martin Leitgeb – Equity Analyst (Goldman Sachs)>>

Thank you. Let's move to capital utilisation and the commitment to keep RWAs in CCIB flat over a three-year period, and also the strong progress made in the RWA optimisation in the first quarter. Obviously there were positive surprises to the market as evidenced in the share price reaction. Going forward, is there more to come in terms of this optimisation?

<<Andy Halford – Group CFO (Standard Chartered PLC)>>

So in February we majored on two or three pretty key things. One was the opportunity that is China, which is a bit separate. The second was the observation that for our Corporates business, the standout issue we have when you benchmark is that our returns on our risk-weighted assets are low by sector standards, and in the Consumer business, that our cost to income ratio is high. So we essentially majored on those two and we specifically said, and we put numbers on it in the corporates business, we need to get the return on the risk-weighted assets up. We put quite a big list together of things that we could do to enable that to happen, and I think it is fair to say, probably, that of that list, when I first saw that I thought, well, two-thirds of this may happen, a third of it looks a little bit more tricky. And in reality, we probably did 80% or 85% of it in the quarter alone. And hence, we came in with a surprisingly, or encouragingly, good performance on the RWAs.

I think it is important to note that none of the actions we took in that first quarter were just temporary. They're not going to pop back and reverse. They were things that I think are enduring. Now, what we said for the remainder of this year is that we see the exit RWA number being fairly similar to the entry number that we had at the start of the year. So by inference, having gone down on the RWAs in the first quarter, we would expect to see some growth in the RWAs over the balance of the year. Most of that will be activity-based. A little bit of it will be Sri Lanka, country risk-weighting related, not a big part of it. But I think over the balance of this year, I would hope, that we'll see some RWA increase, modest, but some increase, because that would be there as a consequence of client activity. That will obviously mean the

second quarter CET1 print might be lower than the first quarter, but all within the range that we are working to.

Now, we are also doing other things. The return we make on our risk-weighted assets when we are involved with other Financial Institutions tends to be slightly higher than in Corporates. And therefore just generally changing the mix, changing the business from a 40% Financial Institutions, 60% Corporates to a more 50/50 is another part of the jigsaw that we are pursuing. But as you say, Martin, I think it was a very encouraging first quarter and the guys are keeping well focused on it.

<<Martin Leitgeb – Equity Analyst (Goldman Sachs)>>

And then, if we add everything together in terms of profitability, better profitability outlook, potentially earlier, 10% return on tangible equity target. If you have a target to deliver on \$5 billion of capital return, 2022 to 2024, is the principle risk that you could exceed this number? Or am I trying to square up too much here?

And then also related to that, the previous buyback has finished, has completed. Capital print in the first quarter was way ahead of consensus and towards the upper end of your target range. How to think about capital return from here?

<<Andy Halford – Group CFO (Standard Chartered PLC)>>

Yeah. So we set three-year out targets late February. It was a week ahead of the Russia situation unfolding. And I guess a number of people have said, "Gosh, if you'd known a week later, what you knew at the time, would you have said what you said?"

I think there are puts and takes here, but I think overall it would not cause me to go back on what we've set as our three-year ambition. Just as a brief reminder, we said that we thought on underlying top-line growth, 5% to 7%, and we'd get another 3% points of benefit from rate increases. Sitting here today, the 3% is probably more 4% or 4.5%, but that does assume that the forward rate curve does become a reality. The 5% to 7% of underlying, I guess if one was a little bit quizzical, one could say, if the world does go into recession next year, maybe there's a little bit of fragility in part of that. But net, if I put it together, maybe a little more rates, a little bit less underlying, but I'd still have it in the same zone. And therefore, something that is in the 9% or so top line growth as a CAGR for the next three years, feels still as possible today as it did in February.

Cost-wise, we've said that we would open up jaws on average 2% points a year off our income growth, excluding rates. So the income growth excluding rates is about 6%, so an implied 4% growth in costs. So 9% top line, 4% costs. Impairment, hopefully per the previous, not too adversely impacted by the rate increases and the continued focus upon capital and the tax rate.

I do think that actually that 10% RoTE number, if everything went well, we could be above that. We could be 11% in the 2024 year if we got everything going really well. The 10% in the 2023 year, it's probably a little ambitious, but it's not completely out of the ballpark. So, that's only a year away. And I do think that will be a huge milestone for the group, because after eight or nine years of being at much lower levels, it will be really good to get there.

The capital returns is clearly part of the story. Mathematically, obviously having the capital part of the RoTE calculation, low is helpful. We've said \$5 billion is the returns we are targeting over the three years, if we did see the rates holding up at the 3% level and the impact of the recession, alleged recession were not too severe.

It is possible that we could do better than that. But I think just at the moment, a \$5 billion number, which is quite high proportional to our market capitalisation would be a good outcome. We will look at shareholder return opportunities from time to time. And as we have shown recently, we are not unafraid of doing that. We have closed out the \$750 million programme. And again, nice to see that we bought those back at 15% to 20% below where we're currently trading today. So, that was quite well timed. So we will do

updates on that, as and when we think it is appropriate, but it's just a balance. We want to get the returns up, but we don't want to leave ourselves exposed in the event that recession becomes a bigger problem.

<<Martin Leitgeb – Equity Analyst (Goldman Sachs)>>

Then maybe a little bit related to that. Obviously, China is a core pillar of your growth strategy and also of the delivery on the financial targets. Do you see a risk that if this COVID related lockdowns continue, that this could be a headwind for the delivery?

<<Andy Halford – Group CFO (Standard Chartered PLC)>>

Well, I think it depends really on the time scale we're looking at. Our assessment is that if you take certainly a 10-year view, that the opportunity that is the Greater Bay Area, including Hong Kong, but not solely Hong Kong, is still considerable. China is very keen to make it the financial center for China. And we think it has got many of the aspects that it needs to do that. So our business, we've operated continuously in both Hong Kong and the non-Hong Kong part of the Greater Bay Area for 160 to 170 years. We are very well ingrained there. We have a CEO for the Greater Bay Area. We have a regional office there. We think we are actually pretty well positioned and therefore it is absolutely a place that we should continue to focus upon.

Now, having a period just recently where Shanghai has been locked down for a number of weeks, where COVID is still proving quite difficult to get on top of, it clearly does cause one on a very near-term basis to say, hey, does this all hold true? My answer to that was, I think it does over that longer term period. The Chinese government already has announced Shanghai lockdowns being alleviated. And you think back to this time last year, not necessarily a direct corollary, but India was going through a very difficult time, this time last year, with COVID and yet over successive months with a huge focus upon vaccines, et cetera, they actually ended last year in a pretty good shape. Our business overall for last year in India did really well, and I think that the Chinese authorities will get on top of this. They have a determination to do that. And I think in two or three quarters from now we'll hopefully be looking at the period where they have got COVID fully under control, lockdowns are no longer a feature. And then we will have a very big economy that we are very centrally positioned in as an international bank, firing again on all cylinders.

<<Martin Leitgeb – Equity Analyst (Goldman Sachs)>>

And then you've recently announced the exit of several countries in Africa. And there was just wondering if you could share a bit of colour, what drove this decision and could we see a further streamlining of your footprint from here?

<<Andy Halford – Group CFO (Standard Chartered PLC)>>

Yeah, so we announced a few weeks ago that we would essentially withdraw from seven of the smaller markets in Africa. What we also observed was that over the last period, we have gained new licenses in two very big countries, Saudi Arabia and Egypt. And I think what one should do is look at those two together. The GDP of Saudi Arabia and Egypt together is three times that of the GDP of the seven countries that we will be exiting. And if you do it on trade flows, those two countries are four times the trade flow of the countries we are exiting. So I think this should be seen in the context of being in a slightly lesser number of bigger markets over a period of time. And I think if you look at where our corporate client base is, we have got more and more demand for support in countries like Saudi Arabia and Egypt. And we have had not so much demand in some of the smaller countries that we're exiting in Africa.

So by a long way, the primary focus has been to just reposition to where the client demand will be over the longer period of time. We'll share a bit more of this at the half year, but the markets that we are retaining in Africa are doing really well. And the return on equity we've got from those, the growth we've got from them recently has been very strong. And that has been in a period prior to interest rate increases. So we are genuinely very positive about the markets we're retaining.

This was something which might not have been that visible in Q1, but if you took the profitability of our Africa Middle East region and our Europe and Americas region together in Q1, the profitability was quite similar to that of our big Asia region. And I think that plays to the dispersion of geographic presence, as

well as product presence we've got, and shows that when times are a bit tougher, as was the case in Q1 in Hong Kong, that actually other parts of the world, UAE, et cetera, have actually been very strong. And those counterbalances, I think, are really important for us as we run portfolio businesses across quite different geographies.

<<Martin Leitgeb – Equity Analyst (Goldman Sachs)>>

Perfect. Last question from my side before opening up to the audience for questions. At your recent AGM, shareholders approved your plan to transition to net zero by 2050. I was just wondering, what are the potential revenue implications, both in terms of opportunities or potentially pitfalls from this transition?

<<Andy Halford – Group CFO (Standard Chartered PLC)>>

Yeah, I think like many banks, we are going through a lot of work to try to answer that question more explicitly. What I'd say is this, that we operate in a large number of countries where the opportunity to upgrade infrastructure in a more environmentally friendly way is very significant. And I think in a lot of those countries, often a dollar spent there will almost be a two-generational change rather than necessarily the same dollar being spent in more mature markets where we'll make a one-generational change. So I think there is a nice commonality of where we actually are present and where there are big opportunities. Now, the naysayers may say because of that, we have actually got a start point that's more tricky, that we have got more clients involved in more carbon intensive things, and that may well be the case, but we've got to start somewhere.

And where we do start is where we start. And what we think we need to do is to work with those clients over a period of time, to help them. There will be a huge financing need to enable everything that is going to happen. And obviously, we think our credentials in that space are pretty good. So at this point in time, I would not say that I look at that as being a downside economic threat to the business. I think there is a lot of opportunity out there, but it will take time, not just for us as a bank, but for clients, governments, et cetera, to start to firm up on specific views, specifically what they're going to do. And we want to be there at the table, as much as we can do, to advise and be involved.

<<Martin Leitgeb – Equity Analyst (Goldman Sachs)>>

Perfect. With that, let's open up to the audience for questions. I think we have a microphone?

Speaker:

Thanks, Andy, for taking the time and the question. Financial Markets has been one of the bright spots, especially last few years where market share has been gained versus competitors. Into the first quarter, quite strong performance.

Can you highlight how in this volatility seems to be a bit lower now, especially in some of the commodities and FX space, how that has translated into the run rate in the second quarter?

<<Andy Halford – Group CFO (Standard Chartered PLC)>>

Yeah. So as I said earlier, the first quarter was a very special quarter for us, and it was a very high print. As I said in April, the second quarter won't be at first quarter levels. And that isn't a bad thing, it's just an observation that trying to match up to such a high first quarter is tricky.

The second quarter, we are not in a certain world, there is still a lot of uncertainty out there. And there is definitely a lot of demand from corporates, treasurers, et cetera, to say, in an uncertain world what should I be doing and how much can I fix and particularly on rates, et cetera? And we're not fully through the quarter yet, but we should have an okay print for the second quarter.

We are doing an update, which will be on the web next week on our Financial Markets business for people who do want to see it. And we'll have Roberto and the team there talking about the journey they've been on. And they've taken a, probably, sub \$4 billion business to \$4 billion to \$5 billion. And hopefully, not too far into the future of a \$6 billion business.

And I think the product set we've got there is now well set, its delivery is more consistent across regions. A while ago we were much better at selling into certain parts of the world than others. And I think we have evened that out now. So I'm not going to steal the thunder of our first half results, but I think we'll have an okay print for Financial Markets, not at first quarter levels, but still a good print.

Speaker:

Thanks. If I can have a quick follow-up, this time a bit more longer-term question on Wealth. We had the digital bank launch in Hong Kong a couple of years ago, and then a Singapore digital bank to be launched. With the prospect of wealth management as an offering in Hong Kong, so what's the opportunity in these two markets that you see versus some of the bigger players who are, let's say, HSBC in Hong Kong, DBS in Singapore, having a lot of Wealth market shares? So can these digital banks get, and do you have a quantification of what can be the upside? I see a lot of buzz, especially in Hong Kong with respect to Mox, the credit card, et cetera, but then the Wealth offering is yet to come, right? Thank you.

<<Andy Halford – Group CFO (Standard Chartered PLC)>>

Yeah. The decision to actually build the capability to have a digital only bank, we took probably three years ago, now, when Hong Kong announced that licenses were going to be made available. And there was a bit of a debate about whether we should do that because potentially we could cannibalise our pre-existing business. Whether we should do it because it would be potentially rich in learning. So we obviously decided to go with it.

We have been very pleased with the way that has gone. And I think we have learned a lot about how to interface with customers in a much more customer-centric way, not just the way banks have done it historically. One of the things we were keen to do in Hong Kong was to actually explore, whether through a different brand name we could actually extend the customer base maybe in two age ranges that we had not habitually being focused upon.

And I do think that that is an opportunity, actually, a way outside of Hong Kong for us. A lot of our consumer customers are 50 year olds plus, a lot of the corporates interface with the 50 plus. But there's an awful lot of people out there, 40, whatever, who should, I think, be a Standard Chartered customer.

And I forget the difference, it's something like a 15 year age gap difference between the average customer of core banks vs the digital bank. We are adding to the product set almost every quarter as we go along. We started off with a basic set of products and we are adding Wealth Management products and so on over a period of time.

It has been helpful then when the Singaporean authorities said there will be the opportunity to do similar in Singapore and the joint venture there, which is brand named under the Trust title. That is going to be up and running, I would say, 15 to 18 months earlier than it would otherwise be if we haven't already had the stack up and running, proven in another market.

And again, the product set there will be a little bit different, market dynamics are a bit different, but the intent is that we will move that over a period of time as well into the Wealth Management space. So our belief is with the mixture of the core client group, the core systems we've got, and the Wealth Management products sitting there, over a period of time aligned with what we're going to be doing in the digital banks. That we actually cover all bases and have the ability to extend into customer groupings that have not been habitually our main target audience.

Speaker:

Just following up on that, I've listened to quite a few of the neo-banks in the last couple of days and I was trying to figure out, where do these two worlds come together? And it seems like you have experimented with this.

So you've got your digital bank on one side and you've got your traditional bank on the other. If you fast forward, maybe think 10 years down the road, what does this look like? Do you eventually see a way to

port your old business into the new stack? Because the neo-banks think that's the future, but I'm skeptical a bit.

<<Andy Halford – Group CFO (Standard Chartered PLC)>>

If I'm being honest, I'm not sure that there is a clear answer yet to that question. I think the question is a good one, but I think that there's been ebbs and flows, where having physical presence and no digital many years ago is a really good thing. And they've apparently been digital only and having no physical was absolutely the way one should go.

And yet I think a lot of the research today says, no, it's not as black and white as either of those. Customers do in different degrees for different reasons like to have physical contact, sometimes they don't like it to be never. But equally they do love the ease of use of things on a mobile that can be done. So I think we can have the two coexist without it being a problem. As over a period of time, it becomes clearer exactly how things evolve.

I think from a customer point of view, we will be trying to make sure that the experience that our historic platform gives can be educated as much by what the new digital platform does differently. What is the approval time on the new digital platform? What's the approval time on our historic platform? Assuming theoretically there is a delta between the two, what can we do to actually put APIs on the front end of the core platform that will get us closer to what the digital platform can do?

So I think this is a journey that we need to go on. I don't think we have to say completely the best place is there or completely the best place is in the other camp. But I think by having the two coexist, we will learn as we go through it. And if it becomes blindly obvious that there is one answer, not an intermingle answer, then at some point we can go that route. But I think at the moment we can actually have the two coexist and learn on both sides.

<<Martin Leitgeb – Equity Analyst (Goldman Sachs)>>

Perfect. I think we are approaching the end of the session today, Andy. Thank you very much again for making time and joining our conference today, we really appreciate it.

<<Andy Halford – Group CFO (Standard Chartered PLC)>>

Good. Thank you all.