

Bank of America's 28th Annual Financial CEO Conferences 2023

In-depth conversation with:

Bill Winters, Group Chief Executive, Standard Chartered PLC

September 19, 2023

(Amended in places to improve accuracy and readability)

<<Alastair Ryan – Managing Director, Equity Research, Bank of America>>

So welcome back here to the banks. I'm really, really pleased to be hosting Bill Winters, Standard Chartered's CEO for the last eight years. And he's seen everything I think in that time, one way or the other. Some of the things he might have chosen not to see. But Bill, thank you for joining us.

So, I understand you're just back from China. And reading the paper, looking at the media here, I assume everyone's sat around doing nothing when you got there.

<<Bill Winters – Group Chief Executive, Standard Chartered PLC>>

I've been to China a few times this year. And it was in Beijing and Shanghai and saw the establishment as it were. And then this trip was actually in Guangzhou and Shenzhen. And actually, my first meeting on Monday morning in Guangzhou was at Guangzhou Automotive.

They'll put out a million electric vehicles this year. If you're a banker like me or maybe an investor like you, you're easily impressed by robotics and things like that because we don't see too much of that in our business.

But this, I was seriously impressed. And of course, we know the company extremely well. And we know their strategy from the nickel and cobalt mines in Indonesia and the Congo through to the batteries through to manufacturing, obviously then assembling and highly automated. I got to hop in the back of one of these little things. Nice four-door sedan. Drives a little bit better than my Tesla, a little bit better UI, totally automated if you choose and if you're allowed. Retail price, like \$24,000. I said, OK, well... The next day, of course, the Europeans put up the barriers. And I understand why, the onslaught. And Guangzhou Automotive is only the third biggest EV manufacturer. We also went to BYD, which is the biggest, at about three million vehicles a year.

So the Greater Bay Area, Guangdong Province is a hive of activity. I haven't seen anything like it since I was there last time, which was before the pandemic. So what are they doing? They're investing massively. They obviously have a particular investment model, which is not like Silicon Valley or Old Street. It's much more state-directed capital.

For example, I had dinner with the guys that run Shenzhen Capital. They've made 1,700 private equity investments. The managers, they carry. I mean, they're professional investors. Many of them have worked in purely private sector companies. Others have spent their careers there. But they fund companies. They're measured by their returns. If they don't get decent returns, they get fired. If they get decent returns, they get paid. Is it capitalism? Sounds like capitalism to me. Is it state money? Yeah, it's state money. But then obviously, they bring private money in, typically a 25% investor. So that ecosystem of funding innovation is phenomenal, and it's going full bore. And these companies are obviously benefiting from an industrial policy in China.

And you can love it or hate it, but it's clear, and EVs certainly are at the heart of that together with a handful of other things, AI and quantum computing and electronics more broadly. Maybe I take a step back, because the real question is, is China hitting the wall?

And my short answer would be it's possible that China hits the wall. But I think it's very unlikely. I think as far as I can understand the psyche of the leadership of China, they're very keen to have sustainable economic growth that serves their population. Serves, obviously, for continuity of leadership in China. And they're very keen to avoid the mistakes of the West as they see them.

And the mistakes that they see are inequality, which is obviously quite a big problem. And we've seen the political and economic manifestations of that in the West. They're keen to avoid that. And they're keen to avoid the reinforcing doom loop between the conventional credit cycle, which nobody has figured out how to do away with yet, and the financial cycle.

So make sure that as we hit the downturn in credit markets, it doesn't affect the financial system. Because we know that the severity of economic downturn is multiplied by 5, 10, 15 times when credit spills over to banks or the finance system more broadly.

So they more or less extinguish the shadow banking sector. They've obviously kept their banks reasonably well-capitalised and low-risk. And they're keeping the commercial property market from collapsing. Had this been the US or Europe, commercial property prices would have dropped suddenly by 50% to 60%. You would have had a washout, you would have had a bunch of banks go bankrupt. You would have had a massive recession. It's not like we haven't been through this a few times. In my 40 years in banking, I can probably count globally three or four times, and locally another thirty times that this has happened.

Now is China going to succeed in bleeding the pain out over a longer period of time to avoid the worst of that sort of accelerated recession? We'll see. I'd say jury's out, but I'd be pretty optimistic. My sense talking to the leadership in China, who I've met with, I would say doors were wide open for Standard Chartered Bank in China, that's for sure. And whether it's in Guangzhou or in Shanghai or Beijing, we're meeting with the senior most officials in the country, and they are not panicking. They're not agitated. They're not deeply concerned about what they read in the Financial Times should they choose to read it, or The Wall Street Journal or The New York Times or whatever.

So that's not to say that it's going to be easy, but that is to say that the challenge will probably extend for some period of time as they push things through. But at some point, and I guess it's going to be 12 to 18 months from now, confidence will have bottomed, FDI will have picked up, house and commercial real estate prices will have shown signs of increase, demand will have picked up and there's a big building demand for housing that's being held back by the concern that prices could fall further, and like has always happened in markets, you'll see a bounce back and we'll be back to normal at some point in time. Probably still eking out a 5% growth rate GDP this year, which is not bad in the overall scheme of things, although it's obviously less than we might have liked in the year after the COVID reopening.

So, I'm OK with China structurally. I'm OK with China economically, but I'm not naive to think that there aren't risks. At some point you'll ask about commercial real estate and our exposures, but I'll let you I'll let you put that one to me.

<<Alastair Ryan – Managing Director, Equity Research, Bank of America>>

Perhaps a broader piece. So you know you've over \$1 billion of domestic China revenues. It's obviously one leg of an awful lot of your Network business, which is the essence of Standard Chartered. So it's really important for you. But there's credit risk in China and that's manifesting in the CRE portfolio. But just how do those play out for you?

<<Bill Winters – Group Chief Executive, Standard Chartered PLC>>

Yeah, look we have certainly in terms of market share an infinitesimal domestic business. But when you get to key areas like in Wealth Management, for clients that are inclined to invest in international product, we have a very meaningful market share and a super brand.

Now that's a tiny market right now because Chinese investors have been precluded from putting material savings into non-RMB product. It'll ease slowly. But it is easing and starting with the Greater Bay Area Wealth Connect which is very early stages. But we are extremely well positioned for that. And the bulk of our onshore growth, half of our onshore growth has come from that client segment and that product line. We've also had some really interesting forays into things like consumer credit and business banking, small business, which are areas that have been relatively neglected by banks.

And we've got our most successful partnerships globally have been with Chinese e-commerce platforms, including Ant Financial, who have highly sophisticated credit scoring mechanisms that we've come to understand quite well and we've extended that model into JD.com and WeBank. WeBank more on small businesses.

So, we have had some good credit growth in China, and it's performing quite well. So I think as we indicated at the half year, there's been a small increase in delinquencies on some of those portfolios. But still well within our expected loss ranges and returns are still very attractive. So, we have an onshore business, which is good, where there's tremendous growth opportunities. But that's only one third of our China franchise.

Two-thirds of our China franchise is everything related to cross-border transactions. So the China opening up story, and that's the internationalisation of the RMB. It's obvious why China wants to internationalise the RMB. They want to reduce the cost of funds for Chinese corporations operating internationally. They want to make sure that they've got platforms in place to continue trading if tensions with the US or others become more acute. And it's been a deliberate program for many years and it's continuing at pace.

When it comes to all things cross-border China, we are a leading portal and maybe the leading portal regularly recognised as the leading RMB Bank globally, I think third year running by a number of the different surveys, a leading participant in the various Connect programs. So, Stock and Bond Connect money into China, Greater Bay Area Wealth Connect money out of China, savers money obviously. This is what we do. We provide the plumbing. We're the only bank that has a license to operate the China interbank payment system both from our Chinese bank and also our Hong Kong bank. Bank of China does as well. We're the only foreign bank. But even in CIPS, I think we're a top three or four participant in the China interbank payment system. So that grew 60% in the first half of the year. Grew 36% last year and it's two-thirds of our China franchise. It's not a small number. These are big percentages not a big number for us. And I'd say the outlook is very bright. It's not GDP growth related. It's related to the willingness of the Chinese leadership to open up their capital markets and at a time when they're stressed by geopolitical tensions and stressed by call it a cyclical, but also possibly structural downturn in FDI, the need to open up your capital markets is ever greater, and we are a prime beneficiary of that. So, all in all, I'm quite excited about our China franchise.

<<Alastair Ryan – Managing Director, Equity Research, Bank of America>>

Thank you. And then just rounding out then on Hong Kong, is 25% of revenues for you, so you're probably the most diversified bank in this way, geographically, but it's a big market. It's hard to tell whether it's a growth market anymore because all the pieces have shifted. It's one of the characteristics of Hong Kong, it's different from when you looked last time. So onshore loan growth looks weak, offshore loan growth looks very poor but signs are that Wealth Management is more robust, is that a fair?

<<Bill Winters – Group Chief Executive, Standard Chartered PLC>>

Yeah. I wouldn't say very poor, but Wealth is absolutely kicking back in and we know why it was suppressed, civil disturbances, COVID, and well and more COVID, lack of Chinese visitors, et cetera. And clearly there was a subdued period.

But I'd say we're fully back both in terms of new clients signing up, both Hong Kong locals and mainlanders. AuM, which has gone disproportionately into deposits in a slightly risk-off environment, and obviously, the actual Wealth income, which is growing extremely nicely.

So, I think that's a long-term growth story, especially with the GBA Wealth Connect program, which over time will solidify Hong Kong's position as the wealth management hub for China. Certainly for international products, if not for pure RMB products. And as Chinese savers seek to diversify as every group of savers does, as they become more wealthy, that will be a business that I think will grow for years to come.

Hong Kong is also becoming a little bit less distinguishable from China in terms of our Financial Markets business. I think part of the reason that we have the leading RMB business well in the world is because we operate our Hong Kong and China business as a single business.

We have one guy, he sits in, well, I never know where he sits, in Hong Kong, Shanghai, Shenzhen, Beijing, I mean he's all around; but he's got a team that is, and I just love this team, they are one team, which means that they can facilitate the onshore-offshore flows absolutely seamlessly. I don't know why nobody else does it, I hope nobody is listening. But it's actually not easy to do and especially during the civil disturbances in Hong Kong, keeping everybody together as one happy team was always a challenge. But this team, they had no issue at all. So my point is that it's hard to tell what's Hong Kong and what's China these days because they're growing together.

But there's a pure Hong Kong Retail business for sure. And it's dominated in our case by Wealth, and it's doing quite well. The business community in Hong Kong is coming back to speed. It's still a fraction of the international traveller visitors that there were at the peak, but that will come back. It's a fabulous city and it is unique, and you've all been there or most of you I suppose have been there, it's just a fabulous place to visit.

And there will be a lot more back and forth with mainlanders. People from Hong Kong are going to Shenzhen almost as frequently as people from Shenzhen are going to Hong Kong. That's a good thing because it makes both of them wealthier. So I'm very optimistic about Hong Kong and I'm very optimistic about our position in Hong Kong.

And we've had this little digital bank in the form of Mox that is a pure Hong Kong play. Because it's pure mass market retail. Although, interestingly, the demographic of the people who have signed up for this digital bank, it's not a bunch of 25-year-olds who are looking for coffee money. There are some of those. In fact, there's a couple 100,000 of those. But it's people who like an easy banking product and maybe who want to feel hip. I succumb to that myself from time to time. I know it's hard to believe, but time to time I try to feel hip and I take out my Mox card and I tell you, I can get served by any barista in Hong Kong with a flair that I wouldn't get with my Standard Chartered card.

<<Alastair Ryan – Managing Director, Equity Research, Bank of America>>

Thank you. So we're not writing off China or Hong Kong just yet. I like that. Thank you. Let's just step back at a group level, the net interest margin. And this has been quite the story of the last few years as with many banks and with a loan to deposit ratio of 60%, of course, low rates were a key constraint. So much improved. We get to Q2, but there's still a couple of big drags on the margin. One is some hedges that you put on which you've talked about come off fairly quickly, and the second is you've been holding a very high liquidity coverage ratio in a period of crisis, which is now past. So, can you dial those things down? Can you keep the margin moving from here?

<<Bill Winters – Group Chief Executive, Standard Chartered PLC>>

Yeah. I think there's a few moving pieces. Clearly, we've had a substantial increase in NIM and we'll have the final effects of rate increases passing through with or without a 25 basis point further increase from the Fed. I guess there will be a further 25, but that's not in the quarter, it's not in the market, even though people are expecting it, I think.

We do have the second of our two short-term hedges rolling off in March 2024, and that will support the NIM from here. But the bigger story is as Standard Chartered is that we actually had a relatively weak deposit franchise, if you went back six or seven years.

We had a relatively low CASA proportion, and a relatively low Treasury operating account proportion, and a relatively high corporate time deposit and other wholesale funding proportion. And there was a time when we were a low-cost funder in many of our markets, a low-cost funder in dollars in many of our markets.

But that time passed. And obviously, local banks became strong, funding markets became deeper and Standard Chartered, we went through our own problems eight years ago. So we've had a very deliberate effort to build up our current account and savings account business. The way to do that is through customer service. You can get somewhere with marketing. You can't get there with promotions. You can have some reward points and things, but basically you have to have a good customer service or else the deposits don't flow into your bank. Having earned those deposits, we are very reluctant to send them away.

So we are sitting with very high liquidity right now, and through the Credit Suisse and other challenges we had deposit inflows and that's good for us to see. So yeah, we're running with very high LCR right now. And in part because we want to hold on to that quality deposit base that we've got.

Second, it's not clear what the regulators are going to do in terms of the definition of what is a Treasury operating account. So, I think everyone is reasonably comfortable that a real retail deposit is sticky. You get into questions of whether Wealth Management or Affluent or ultra-high net worth deposits are as sticky. And obviously that was part of the Credit Suisse problem, a big part. Although I haven't seen regulators zeroing in too much on that one.

But on the Corporate side, it's always been an unattractive source of sticky deposits, but more attractive than wholesale funding. It's not clear yet what the OPAC rules will be. So, we want to make sure that we remain very, very liquid going into any redefinition that could come through that.

And then, the third leg is loan growth has been subdued. And part of that is our focus on returns. And that's been a key platform for us to increase our return on risk weighted assets, in particular for our Corporate business. And we've done that. And we've been quite successful in getting that up to a RoTE level that's well above cost of capital.

But we continue to maintain a strong level of discipline and the lending market has been relatively subdued. So those things all lead to a high liquidity ratio, which of course, you could do the math, that does flow through to a drag on RoTE at some point. The alternative of just running right at the bone or right at the line as we get into this period of uncertainty, possibly some credit stress is coming, although I can tell you, we haven't seen any signs of it outside of commercial real estate in China, I'm OK being relatively cautious, but we can definitely re-tune that at the right time and in the right circumstances.

And we don't need to run with [around] 170% LCR. We don't need to run with the volume of HQLA that we're running with today. And the markets aren't demanding it, credit ratings are fine. And at the right time with the right opportunities, we will tighten that up.

<<Alastair Ryan – Managing Director, Equity Research, Bank of America>>

Thank you, very clear. So let's touch on Financial Markets. So, this has been one of the standout stories of the last two or three years, revenues were running about \$5 billion in 2020. Annualising the first half of 2023, so the trailing 12 months is about 30% higher, about \$6.5 billion. So a really meaningful step up now, oftentimes at other places in the past that's been risk. What's the driver of that step up in that business, which is now one of the leading revenue pools at the bank?

<<Bill Winters – Group Chief Executive, Standard Chartered PLC>>

It's really important business for us, and it's right at the heart of what we have always referred to as our Network business. Network is cross border, and obviously cross border frequently has an FX dimension to it. So again, if we went back seven or eight years, we had a world class foreign exchange dealing operation, foreign exchange spot and forwards, absolutely world class.

We had an almost non-existent credit trading platform. We were relatively underdeveloped in the whole range of option products. And we had a commodity business that wasn't generating very much in terms of returns. We've done a few things organisationally and then in terms of investment.

We now have a first-rate credit markets product. So we've taken what was always a leading capital markets and syndicated loan operation in our markets regularly in the top three in the markets in which we operate, Asia, Middle East, and Africa, and have built out a trading operation to support that.

The Credit Trading is tough. I mean, I've been around that business for probably 30 years. It's always been tough. I'd say Standard Chartered does it as well as anybody. It's still quite volatile. But volatile in a cyclical way, not in a lose money from time-to-time way. You don't have to lose money. The Capital Markets franchise is strong. The Structural Finance and Sustainable Finance franchise is extremely strong, and that all feeds into a collective. We're also managing the bank's loan credit portfolio much more actively with a dedicated credit portfolio management group, which feeds flow into that Credit Trading desk. And it's a symbiotic relationship.

So, we now have a really strong Credit leg, has not been wondrous this year or last year for the obvious reasons. We're in the down part of a credit cycle. Issuance volume has been low, et cetera. But we're there and we're ready. We're poised for growth and we've not lost money during this very difficult time.

We built out a very strong rates business to complement the FX business. That's been a stellar success. Obviously, the right time for that with markets being very volatile. And I ran a business called credit and rates in JP Morgan in 1996, and it's hard to imagine having a business that isn't credit and rates. But at Standard Chartered, we didn't have credit and rates. We had FX – it's a very, very different business. We now have Credit, Rates and FX. It's really good. The Rates business is super. The options business is super. FX business and FX option business are super. And we've got a small, but nice, strong contributing Commodity business that can take advantage of the flows when they come.

So there's a much better diversified business. So it's not just the five to six and half billion dollar revenue, it's a much higher quality six and half than was the case. Much more internalisation of flows. So the big chunk of the driver has been capitalising on the flows coming out of our Trade and Cash business that we were only partially capitalising on before by, capturing the flows coming out of our Wealth Management business and our Cards business.

Some of you may say, "surely, you always internalised all of your flows", but we didn't. We have made quite substantial systems investments to be able to do that in an automated way. And it's going quite well now. We've invested in people. And we've got a very strong trading team, but we also have built out our sales team in quite a high calibre way.

And the final component, I think of the big growth is the focus on Financial Institutions. So if you've been watching what we've been saying for the past couple of years, we've talked about the proportion of our CCIB business that is derived from Financial Institution clients as opposed to Corporations and Governments.

It's now just about 50%. It was down closer to 30% six years ago. The Corporate business is also growing, but the Financial Institution business is growing faster. So who are these people? Well, we've always been a big correspondent bank and we're capturing more of the flows from that correspondent bank rather than just doing the payments and running the sanctions risk. But it's also asset managers. We had a small asset management business five, six years ago. It's quite large and growing very fast today. The new economy, so payment platforms and the like. And then called the parastatal financial institutions that are in banks, MDBs and things like that.

So, we just had a good set of growth across client segments, across products. As you graciously point out, did not come as a result of high risk. Of course our VAR has gone up, but that's a function of market volatility. Normalising for the volatility, our VAR is unchanged and it's a relatively small proportion of our

capital, which is not to say, we don't take risk. I mean, we have to take risk to facilitate client flows, but we're not a big prop shop.

<<Alastair Ryan – Managing Director, Equity Research, Bank of America>>

Thank you. So you should be able to grow net interest income, you should be able to grow Wealth, you should be able to grow Financial Markets. I mean, it feels like you can grow the bank over time.

<<Bill Winters – Group Chief Executive, Standard Chartered PLC>>

Yeah. We can grow the bank in 10% to 12% this year and 8% to 10% next year. And our guidance before we got into the craziness of this war was 5% to 7% and 2% plus jaws. I don't see any reason why our structural growth rate should be less than the 5% to 7%.

And as we've shown, we can produce higher jaws during these higher growth period. As we get back to a more normal level of growth, jaws will also normalize, perhaps not all the way down to 2%, but we'll see. But obviously, that's the equation. You guys know how it works.

That is, consistently decent growth and positive jaws, is higher operating profit and a higher RoTE and should be a higher share price. But I'm sure we'll find a way to get de-rated again down to three times forward earnings.

<<Alastair Ryan – Managing Director, Equity Research, Bank of America>>

The funny thing is, the people in the room they're with you. It's all the people outside the room we've to convince. So this was not true a year ago, but I can say you are a distance from the lowest rated bank that's presented in here today.

<<Bill Winters – Group Chief Executive, Standard Chartered PLC>>

I'm going to pat myself on the back.

<<Alastair Ryan – Managing Director, Equity Research, Bank of America>>

The shares are, as we said this morning, your stock's up. So don't beat yourself up too much, just a little. But now that you've introduced the costs thing though Bill, and the market has been fascinated by this with Standard Chartered.

In a way, you've kept your costs to \$10 billion a year, which must be really hard to do in your high inflation markets. But there wasn't any reward for that because your revenues kept going down, and then now revenues are going up, people just ask what's the investment drag to keep that moving? So you mentioned the jaws. Is that the best framework for it and how comfortable are you?

<<Bill Winters – Group Chief Executive, Standard Chartered PLC>>

I mean jaws is obviously an imperfect measure, a very imperfect from quarter-to-quarter. Even year-to-year, it can be a bit imperfect. But it tells you something. You're right, when I joined the bank, we had roughly a \$10 billion expense base, we were investing about \$600 million in our business, almost all of that was compliance.

Until last year, we had a \$10 plus a little bit billion expense base investing \$1.9 billion of cash, obviously some of that gets capitalised, but through time that normalises out, and having absorbed seven years of inflation at four or so percent per annum and obviously increasing investment from 600 million dollars to 1.9 billion dollars structurally. So that's a lot of productivity that came out of the system.

We did not loosen things up last year, and we didn't actually increase our cash investments, we did have a significantly higher performance related pay. And obviously, we had significantly higher wages. And that's on the back of the inflation spike that we've had, and that's obviously carried through to this year, where we had a meaningful expense growth in the first half of the year.

But we're on track to maintain a flat level of expenses from the second quarter level, roughly flat. We will have another expense increase next year that comes with the salary increases that will come in next

year. Inflation is still running high, and we will do everything we can to mitigate as much of that as possible.

We will not cut back our investment program, but nor will we increase it. Our expectation would be that we'd maintain a flat level of investment. The nature of investments is shifting. So, we're getting into a slightly healthier balance of investments and growth, investments and productivity, and defense. The big increase on the defense side obviously is cyber which is something you will hear from everybody that sits on this stage. We will accelerate our addressing of obsolescence in our tech stack, which I mean, everybody's got it. Whether we're more or less than anybody else, I don't know.

But we're quite keen now to go into what we see as a long-term growth phase with a super solid underlying infrastructure. So, we'll spend that money now to get the data centers, the cloud migrations, the core banking systems; we've migrated 30 of our markets onto a single core banking system. That's the good news.

The bad news is the hard ones are yet to come, which is Hong Kong, Taiwan, Korea, Thailand. They're hard because they're mainframe-based systems. They're separate from the rest of the bank. And certainly, in the case of Hong Kong and Korea, these are big markets for us. You know, lots of customers and we don't want to get it wrong.

So, we've got some investments that aren't immediately accretive, but are very accretive long-term in terms of building a strong foundation. Through a cycle, can we generate income growth that's substantially ahead of cost growth? Yes, we can.

<<Alastair Ryan – Managing Director, Equity Research, Bank of America>>

Thank you. So, you mentioned two things that join up. One, you mentioned Mox, which is one of a number of investments that you've made that to your last point, weren't necessarily accretive in the short-term, but you've argued will be in the long-term. So how does that manifest in itself then?

<<Bill Winters – Group Chief Executive, Standard Chartered PLC>>

I mean, Mox and Trust are the two digital banks that we built ourselves. We can look at two others, where we're a minority shareholder, in Toss bank in Korea and Line bank in Taiwan. Similar models, different partnerships, different markets, of course.

But in each case, obviously in a zero-rate environment with a deposit product, you're not profitable. In a zero-rate environment with a meaningful credit product, you get towards profitability. And in a 5% rate environment with a meaningful credit product, you're profitable.

Obviously, you have to absorb the build of ECL in the early years. As long as you're growing, you have to absorb the ECL, which is a stage that we're in with Mox and Trust right now. And we're layering in other things: Wealth Management products, equity dealing, FX dealing. Eventually cryptocurrencies dealing, if as when we're allowed, et cetera.

So these will be profitable banks. They'll be positive, I think very positive IRR investments. But they're relatively small and they'll be small for some time. We put a small amount of capital of our total capital into these things. But as exciting to me as the profit that will come off these banks is what we've learned from building them.

Ben Hung, my colleague who runs Asia, who many of you have met today or separately. I'm sure he's been talking with investors about this over the past the couple of days. Our bank, Standard Chartered bank in Hong Kong and Standard Chartered bank in Singapore is much better by virtue of having seen their cousin - how do I put it politely - kick their butt. And that kind of competition is really good. There's lots of ideas, and of course, Mox and Trust only exist because of Standard Chartered bank. Those licenses would not have been given to somebody who didn't have our pedigree in those two markets.

The second digital bank in Singapore, I think came almost a year after Trust Bank, because we were able to drop and all the KYC and compliance infrastructure that another digital bank would have to build from scratch.

So, a huge advantage of being part of Standard Chartered Bank, huge advantage from being able to see what's it like to build a bank off of a cloud native platform. And in our case, we chose Thought Machine, which turned out to be absolutely prophetic. They didn't have any customers when we signed up with them. We largely built that bank together. Thought Machine is now very, very present and they're excellent partners. So it's been a great, I think, learning experience all around. I think we're all better as a result and we'll make some money.

<<Alastair Ryan – Managing Director, Equity Research, Bank of America>>

Thank you. Now with five minutes on the clock, I've got more than five minutes of questions. But anybody?

<<Unidentified participant>>

Bill, thanks very much for your comments. I'd like to draw you out a little on the question of who does take the pain of the current situation of both commercial real estate outside the biggest cities, and particularly the overbuilding in apartments in particularly secondary markets in China.

You were quite clear, I thought that the major banks will be protected. Does that then extend to smaller and regional banks, thinking back that some of the provincial development banks in the '90s were not protected, and does it extend beyond to the real estate developer, or do they even go protect the long suffering consumer who has paid a lot in for an apartment but never may be completed?

<<Bill Winters – Group Chief Executive, Standard Chartered PLC>>

Let me be clear, I don't think the banks are going to be protected, I think the banks will be protected from becoming insolvent. And really, the point I was making was this is not a financial crisis in the making. And we had a financial crisis in China in the '90s, and obviously we had a financial crisis right here in 2008, devastating for economies and the human condition.

And China is keen to avoid that doom loop. That said, look, we've taken the better part of \$1 billion of provisions. Now we have a nice healthy overlay. We feel very well provided. I think by observation, we're a lot better provided than our peer banks. Is it because we've got a deeper insight into how bad things are? Maybe. Probably more that we're just cautious.

So, is there more pain for Standard Chartered? I never said we're done. That would be imprudent because the situation isn't materially improving. That said, I do feel very well provided going into this. Banks, broadly, have not taken all the pain they're going to take, including in China, in my opinion.

And of course, the developers themselves have been wiped out. That's been an enormous destruction in value. And some capital markets investors have been severely impacted as well. Most obviously in the big names like Evergrande, Country Garden, Shimao where there were meaningful capital markets issuances.

So, there's a possibility of recovery, but let's assume that money is gone. I do think consumers will be protected. So the stimulus measures that have come in have been very targeted at builders completing buildings for which units are pre-sold. And I think that's part of the 'address the social challenge' and 'prevent this credit cycle issue' or in this case, prevent policy-led real estate compression issue from becoming a social issue.

<<Alastair Ryan – Managing Director, Equity Research, Bank of America>>

Now, we've got two minutes on the clock. And nobody's asked about Bill's \$2 billion of buybacks this year, which is in the history of Standard Chartered, quite a remarkable number. So I'm sure as was the design, you've established a capital return discipline and the market's rewarded you generously well in bank stock though your multiple I'm sure isn't what you'd like, as for any chief executive it's a low number. How

forward-looking can that discipline be then in the model that you're running for Standard Chartered, because it seems to be working right now?

<<Bill Winters – Group Chief Executive, Standard Chartered PLC>>

We think the growth is reasonably well entrenched. We're just in the right markets, in the right client segments with a really good set of product offerings. We're not fully invested, we are fully investing.

So, this \$1.9 billion of cash per annum for our bank with really substantial investments in technology, but also in our Ventures units and in FinTech partners and the like. Of course, we've done nothing purely inorganic because the investment opportunities internally are just so much more compelling, but we don't feel very constrained in terms of our ability to invest. And then we have surplus, which we're returning to shareholders. So, if we were sitting in the boardroom, struggling over whether we give the next 500 [million dollars] to shareholders or do that 18% RoTE acquisition or investment in whatever, I'd be wringing my hands. But we're not.

We have the capital to invest in what we need to invest in. If it turns out that we've got some stupendous opportunity, then we'll go slower on the buybacks. We'll make the case for why we think it's stupendous, because still at 7 pounds and 40 pence or wherever we are at the moment, we think that that's a screaming buy from our perspective. Of course, I can't forecast stock prices or suggest to you what the right stock price is, but from our perspective that's a good buy.

<<Alastair Ryan – Managing Director, Equity Research, Bank of America>>

With that, perfect. Bill, thank you very much for joining us.

<<Bill Winters – Group Chief Executive, Standard Chartered PLC>>

Thank you.