

## Bank of America's 29th Annual Financials CEO Conferences 2024

### In-depth conversation with:

**Diego De Giorgi, Group Chief Financial Officer, Standard Chartered PLC**

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*(Amended in places to improve accuracy and readability)*

**<<Perlie Mong – UK Banks Research Analyst, Bank of America Merrill Lynch>>**

Hello, everyone. I'm Perlie Mong from the Bank's Research Team. It's my pleasure to welcome Diego De Giorgi, CFO of Standard Chartered on stage with me today.

**<<Diego De Giorgi – Group Chief Financial Officer, Standard Chartered>>**

Thank you for having me.

**<<Perlie Mong – UK Banks Research Analyst, Bank of America Merrill Lynch>>**

Diego, thank you so much for joining us. Can I just start with a question on the NII, given that the Fed has just cut rates for the first time last week. On NII development, how do you see the current rates backdrop impacting loan growth, deposit pass-throughs, and how are you progressing relative to your 2024 guidance?

**<<Diego De Giorgi – Group Chief Financial Officer, Standard Chartered>>**

It's clearly been an interesting few weeks. The direction of travel in terms of interest rates has long been clear. What has been different probably from what one could have expected is the path that it has taken. We have stayed higher for longer and now we are experiencing this rather precipitous change in interest rates. It does not change our view in terms of our guidance for this year, in terms of net interest income where we have guided to a \$10 to \$10.25 billion of net interest income, albeit we would expect to be towards the lower end of that, mostly because of what I would call a slightly asynchronous speed of development in NII.

What do I mean with by this? If you think about the negative impact of interest rate reductions, we feel those relatively quickly. We've long said, and it's what will drive our net interest income in the longer term, that one has to look at both sides of the coin. If interest rate decreases hit our margins, they clearly benefit us in terms of credit demand. But that credit demand manifests itself at different speeds depending on the different type of client. There are clients where you can see it immediately. Our Wealth Management customers vote with their feet pretty quickly when their deposits are not yielding what they were yielding before and they go into Wealth Solution products and I'm sure we will find a way of talking about it later.

Corporates are very different. A corporate treasurer that sees interest rates moving very significantly will hold off on doing a large refinancing or on a specific transaction because rightly so, they don't want to be criticised by their bosses for having left 50 basis points on the table for acting too quickly. So that volume which we are seeing, we continue to see green shoots of demand in Q3 like we saw in the first half where our customer loans and advances grew by \$5 billion. We continue to see those green shoots, but they are at a lower level of growth than what would be natural for our footprint, which is a footprint where demand for credit really ought to grow in the 5% region across the cycle.

**<<Perlie Mong – UK Banks Research Analyst, Bank of America Merrill Lynch>>**

Yes, that's very clear. And part of the discussion around NII will always have to come to the structural hedge, which has substantially reduced your interest rate sensitivity and will continue to do so. So could

you talk us through what has changed in your approach to interest rate management? Is there more to do and what are the limitations, if any?

**<<Diego De Giorgi – Group Chief Financial Officer, Standard Chartered>>**

There are limitations. I would love to have an enormous stock of hedge-able assets against an enormous stock of marked-to-market swaps. But no, sadly we have some of that, but not for the entirety of what we want to do. There is plenty of space to go. Our structural hedge now is a structural hedge with a programmatic approach. And while at the beginning of the year, we believe that the natural limitations that we belabor under have to do with the availability of instruments in some of the currencies that we operate and our desire to use a balanced set of instruments. I'll spend a little second on it a little bit later. When we belabor under those limitations at the beginning of the year, we were doubtful that we could roll out the structural hedges to the same extent and at the same speed that we have done in the past. We now are confident that we are going to have this year an increase in the size of the structural hedge, which is absolutely in line with last year.

We finished the first half with \$51 billion of structural hedge. We'll finish the year much closer to \$60 billion. Last year we increased by \$16 billion our structural hedge. This year it would be something along those lines and it's really a hedge. We are putting it in place at this stage in the cycle at a cost, as we do it. We take that negative carry because we are confident that our objective is to manage for stability of NII. We don't guide to NIM anymore. We don't talk about NIM anymore. We've never managed to NIM, but NII, yes, and that is at the heart of what we do with the structural hedge.

The last thing that I would say Perlie on that is on the mix of instruments is that one of the reasons why we have been able to deploy more of the structural hedge than we thought at the beginning of the year is because we have mined a few opportunities that we had in terms of currencies where we had not done enough in the past because we have originated sometimes assets with a keen eye on the ability to use them in effective hedge pairings and because to an extent that we believe it is controllable. We take some hedges through fair value to OCI instruments, which obviously introduce capital volatility, but we do it sparingly in such a way that we don't skew in any way our capital structure.

**<<Perlie Mong – UK Banks Research Analyst, Bank of America Merrill Lynch>>**

That's very clear. One more question on what happens in a falling rate environment that's related to credit. So credit quality has held up incredibly well in this cycle and that has perhaps surprised a lot of people, but the macro environment remains quite challenging in some of your markets. Are there any pockets of risk that you're watching and how do you see that changing now that rates are coming down?

**<<Diego De Giorgi – Group Chief Financial Officer, Standard Chartered>>**

So you are right. Let's divide our businesses always into two components. There is an element of extreme nature, particularly on the Corporate side in terms of the credit cycle. Let's divide it into two. In the Wealth and Retail Banking business, the levels of impairments that we have been running at during the course of the last few quarters at the \$140, \$150, \$160 million per quarter remains the right level that we think is to be expected at this stage of the cycle for our type of business. In Corporates, and trust me, I am paid to worry, so I worry a lot and I worry even more when I don't know what I am worrying about because I'm just worrying, but it is the case. On credit, on Corporate, it's difficult to see where the stress will come from.

Let's use this opportunity maybe to talk about something that I know from the meetings I've had just now before this and in the weeks past has been on the minds of people. Commercial real estate in Hong Kong, for example, has been much discussed. Commercial real estate in Hong Kong for us is, first of all, a limited exposure. Less than 50 basis points of our assets are in commercial real estate in Hong Kong, \$2.6 billion of exposure, very largely investment grade, very low loan-to-value, highly collateralised, and more importantly, benefiting very much from both the nature of Hong Kong as a commercial real estate business and our business in Hong Kong.

What do I mean? Commercial real estate business in Hong Kong is very different from commercial real estate business, for example, in a place that has had troubles just across the border in China, right?

These developers are part of very large conglomerates, therefore they have the backing of their parents. They hold the real estate on their balance sheet that sits on the balance sheet of the conglomerate and you benefit from a rule of law that is the rule of law that we normally associate with repossessions, escrow accounts, mortgages, et cetera, et cetera. So it's more easily handled. And importantly within our business in Hong Kong, our business in Hong Kong benefits, particularly from these approaches because while in Hong Kong, we are a universal bank and we have all type of clients.

Our clients tend to skew toward very large corporates and very large multinationals because those are the clients that we bank in our network across borders, which as you know, has much higher returns for us in terms of return on risk-weighted assets than the local business. And therefore we skew toward those and therefore we benefit in particular in that case from that kind of support. I would say those are the key things in terms of credit quality. The only other thing you will continue to see in our next quarterly results would be along exactly the same lines in the previous quarter in terms of the small software impairments and things like that, but no areas of particular concern. And let's hope it continues like that.

**<<Perlie Mong – UK Banks Research Analyst, Bank of America Merrill Lynch>>**

Thank you very much. That's very clear. Should we look a little further into the medium term? So in February you talked about strategic plans to increase RoTE from 10% to 12% by 2026. So there are a number of moving parts to that strategy across the P&L and the balance sheet. Could you start with recapping some of the main elements for us and talk about the initial progress that you've made so far?

**<<Diego De Giorgi – Group Chief Financial Officer, Standard Chartered>>**

Gladly. And it's great, I have a larger audience so I can indulge myself in it. I always say that one should never think of Standard Chartered as complex because a complex system is a system that is chaotic where you have no control about the outcomes. Standard Chartered can be complicated at times because a complicated system is a system that has many moving parts, but where there are very clear rules that affect the outcome.

So, too often we've heard the term you are complicated, you're complex. So we said let's try to simplify it as much as possible. We've broken it down into our NII, and the defense and improvement in our NII. We've already discussed this. We told you in which direction we're going to go. Going forward from the next quarter, we'll see how the balance of the declining interest rates and the increasing loan demand will end up playing out. And we've always said that this will be largely together, obviously with pass-through rates management and many other things, the battlefield for NII. But very importantly, let's not forget that we are today a bank that has more non-NII than NII. And if you cast your mind forward and you think about the rate environment that will only increase and therefore the investments of the past few years have gone very heavily in the engines of non-NII growth. And within that, towards our Wealth Management for Affluent customers in particular, our Global Markets business that is supported by a strong flow engine of business, and the business that we separated in our reporting at the beginning of this year, our Global Banking business, that is a veritable machine of originate-to-distribute activity that shows there is another way of seeing the growth of credit demand. You don't see it in the NII, but you see it in the fees that we produce through originate-to-distribute in Global Banking. These businesses are doing very well. Maybe we will have a little bit of time to delve deeper into them on an individual basis. But the trends are continuing exactly along the lines of what we have seen in the past few quarters.

Then we said we need to control the controllable, and what's more controllable than cost? And we had different ways that we could have expressed this control of costs. We could have gone the simple way, the one that probably would have made me sleep better at night at times, which is talk about cost-income ratio, which is a place where, given we believe very strongly in our top-line growth at 5 to 7% over the cycle, you get bailed out by the fact that your revenues grow. And instead we said let's set out to address the stock of costs of the bank, not the flow of costs of the bank. And we are implementing the Fit for Growth program, \$1.5 billion of efficiency saves through the transformation of the way that we do business inside the bank so that we can hit a hard cost cap of \$12 billion that we of course reiterate for 2026, and that will create positive jaws every year for all of the years of the plan. And then we said in all of this we hear our shareholders and we know that the returns of capital are important, we set out to return capital to our shareholders. We set out a plan that we have been told a few times was not

ambitious enough to return over \$5 billion of capital to our shareholders. We are at \$2.7 billion and that's before the full year dividend comes into effect. So it's very clear that there is space there and maybe again we will have an opportunity to talk about it a little bit more. So we are very focused on doing that and I think that our balance sheet optimisation activities that during the last quarter, just to give you a reminder, we have reduced our risk-weighted assets by \$10 billion. We increase the size of our balance sheet meaningfully, particularly in our market activity, without having to increase our risk-weighted assets through our optimisation activity. And we have implemented the largest share buyback in our history at \$1.5 billion. That package, to us, it's really important and these four things lead to our guidance for a 12% RoTE in 2026 that we are well on the way to achieve and to increase further thereafter.

**<<Perlie Mong – UK Banks Research Analyst, Bank of America Merrill Lynch>>**

That's very clear. And my questions from here are basically going into each of the areas that you've just talked about. So should we start with Wealth Management? So recent performance has been very strong, as you said. How much do you think that reflects the market conditions? Because obviously there's the context of Hong Kong and China rate differentials, and with US rates, and by default Hong Kong rates, coming down. How do you see that coming along and developing from here?

**<<Diego De Giorgi – Group Chief Financial Officer, Standard Chartered>>**

Yes, and there is pent-up demand to deploy in investments after rates start declining and everything. So Wealth Management is probably the area in which of all the areas we have invested and changed our Wealth Management business more than any of the other businesses. It's an area in which we have invested in Relationship Managers, where they've grown by 9% last year. We've invested in technology, we've invested in platforms, and very importantly we've invested with a very clear target in mind, which is our Affluent customers, two and a half million customers, \$300 billion of assets under management growing in the last 18 months by \$50 billion and 400,000 new-to-bank clients. Think of that business as a business that ticks at north of 60,000 new-to-bank customers per quarter and about or north of \$10 billion net new money per quarter.

That's a fantastic business. It's very obvious that the 25% rate of growth that we have experienced in the past few quarters, and the indications for Q3 is that Q3 has the same type of new-to-bank and net new money flows that we have been seeing. So it continues strongly. It's clear that 25% rate of growth benefit from some of the contingent characteristics that you have. But this is a business that we will give you a lot more visibility very soon because shortly after our Q3 results we will hold a Wealth Management, with a particular focus on our Affluent customers, seminar in December.

And we think that the rate of growth will be in the years to come meaningfully higher than the very high single digits that it had been in the past. It's a gem of a business with a recurrent ability, and with an accelerating ability to monetise, because think about it, if you think about what are the differences between other businesses that you will have heard, Mr. Ermotti presented, including on other things, I'm sure he talked something about Asia because I was talking to him before the meeting. Our business is fundamentally different. Those two and a half million customers give us between \$250,000 and \$1 million or \$2 million. These are low cost to acquire, lower cost to serve, and fundamentally loyal customers that are Wealth Management customers, are fundamentally savers. It's a great niche for us to be in.

**<<Perlie Mong – UK Banks Research Analyst, Bank of America Merrill Lynch>>**

And staying on this topic, obviously the China macro environment has been quite challenged and there's a lot of talk about, we have prices leading to the middle class feeling quite squeezed, etc. And I think if you look at data like luxury sales in China, that has not been super encouraging either. So how do you think about that context and do you think that is going to become a drag to your growth ambitions in your Wealth business?

**<<Diego De Giorgi – Group Chief Financial Officer, Standard Chartered>>**

So we are very diversified in our Wealth business. It's clear that our Wealth business in Hong Kong, which partly relies on mainland Chinese coming out of China, is an important component of it. But it's far from the be all and end all. When you think about, we benefit from four big trends. We benefit from the growth of the middle class in Asia, Africa and the Middle East in a broad sense. We benefit from the

mainland Chinese activities which are increasingly directed away from Hong Kong, but also towards Singapore and towards the Middle East. We benefit from things like the Global Indians dynamics, which with the kind of business we have in India, and with the increased focus on wealth management to Affluent that we have across our footprint, is a great opportunity, that is definitely one of those that we have mined less than others in the past.

And last and definitely not least, when you think about why do we compete very well for these Affluent customers across our footprint, is because the other great constituency for us is what I would call broadly, and we will give you more visibility in December when we have this seminar, International clients, whether they are expatriates, people with an international lifestyle, people very simply, like me, with kids on another continent studying at college. These are natural clients for us and our clients associate us with being international. Of course we compete with the domestic banks and with very few other banks, because at this point the number of global banks is more limited, but those are great customers for us.

So Perlie to that I would say it's the diversification that will help us there. By the way, we didn't time it for the event, I'm sure you didn't talk to the PBOC, but they did put out quite a few announcements overnight that I would say stop definitely short of a bazooka announcement, as I have heard it referred by some people. But it's a very broad spectrum of measures for the first time. It's broad and it cuts across monetary policy, and government policy, we as a bank see it as prodromic to then fiscal policy also coming into the picture, and directionally it's clearly positive.

**<<Perlie Mong – UK Banks Research Analyst, Bank of America Merrill Lynch>>**

Okay, that's very clear. Should we move on to the CIB? So what are the main growth areas within the CIB space? And like you said, you've managed to grow revenue while keeping capital and costs relatively stable. So how are you achieving that in terms of exactly what you're doing on the ground?

**<<Diego De Giorgi – Group Chief Financial Officer, Standard Chartered>>**

So there is a lot of, as I said before, balance sheet optimisation. There's a couple of things that never end for a CFO. Optimising the balance sheet, and cutting costs. Every day, you got to ask yourself these two questions when you wake up and when you go to bed. In the CIB, both of them play a part. Balance sheet optimisation is a vital one and it's at the heart of being able to produce. You might remember, in the first quarter, we had grown market risk-weighted assets and there was a big debate, do you need to grow market risk-weighted assets in order to grow your [Global] Market business? When you think about our CIB, it's really our Transaction Banking business defends and enhances NII. Our great engines of non-NII are our Global Markets and our Global Banking.

Global Banking is doing fine, grew at 10% first half of the year. The pipeline continues to be healthy. It's not at record levels, but it's doing well. And in general, yes, it's one of those situations in which the geographical regions that we touch probably are a bit less ebullient in terms of banking activity than some of the West. And so from that point of view, maybe that is a little bit of a difference. The flip side of the coin is that that difference in terms of exposure plays to our strength in Global Markets. Global Markets has been doing very well during this quarter. The reason has to do with the fact that it's fundamentally a Fixed Income, Currency and Commodities business that is active in areas that are, if not individual to us, but quite peculiar to us and benefits from the fact that as we pointed out in our first half results, it's largely a flow business. And I have seen including in this house that hosts us today in your inaugural FIG conference and may you have many of these as I had many of these when I worked here with great pleasure in this great house, but the house of Bank of America is a house of flow business in markets. Well, we are that but on steroids, we are that on steroids because 50% of our Global Markets business come from Corporates, 30% of our Global Markets business come from financial institutions and banks and broker dealers and 20% come from investors. It's clear that they have different rates of return and different rates of growth. But the one constant is that debt flow business grows at 9% year in year out for the past five years. And it grew at 7% first half of the year. We see it growing in the right direction and then it will be complemented by the episodic business at times. That is obviously very helpful, but we don't need to rely on it because over 70% of our market business is really flow.

**<<Perlie Mong – UK Banks Research Analyst, Bank of America Merrill Lynch>>**



And speaking of the episodic revenues, what's that like on the front end?

**<<Diego De Giorgi – Group Chief Financial Officer, Standard Chartered>>**

From the point of view of Global Markets, as I said, Global Market has been doing well in Q3, including because of that. I am a poacher turned gamekeeper. I used to run a banking business. At the beginning of the year my boss would ask me, "How are you going to make your money?" And you knew you would make money out of these episodic things, but you definitely didn't know where.

And so, that is the nature of it. It's one of the great benefits of our network effect, of our broad exposure. And it's a great beneficiary of a trend together with many other of our businesses frankly, including Global Banking and including Transaction Banking. One of the trends, and you will forgive me for taking three seconds to talk about this, which is much maligned and sometimes misunderstood.

People talk about de-globalisation. People talk about fragmentation of supply chain. People talk about China plus one and they say it's bad for banks. It's bad for trade and therefore it's bad for banks. It's not, it's bad for banks if you are a single country bank. But if you are Standard Chartered and trade fragments, it gives you more opportunities.

A ship that goes from Zanzibar to Shanghai with no stops is one opportunity to do business. If it stops on the way in Pakistan and Malaysia, it's three ways of doing business, three currencies, three sets of customers, three sets of accounts payable, three sets of accounts receivable. Fragmentation and complexity can be our friend and it's at the heart of our network offering.

**<<Perlie Mong – UK Banks Research Analyst, Bank of America Merrill Lynch>>**

That's very good.

**<<Diego De Giorgi – Group Chief Financial Officer, Standard Chartered>>**

Sorry for the plug.

**<<Perlie Mong – UK Banks Research Analyst, Bank of America Merrill Lynch>>**

No, no, that makes a lot of sense.

**<<Diego De Giorgi – Group Chief Financial Officer, Standard Chartered>>**

It was a little bit off-topic, but one that is very close to my heart.

**<<Perlie Mong – UK Banks Research Analyst, Bank of America Merrill Lynch>>**

Of course. And I'll move you back to the third pillar of your strategy, which is cost, the \$1.5 billion cost savings from the Fit for Growth program. How far are you in that? Because I know last time, maybe not last time, a while ago, you're talking about identifying 200 initiatives. How is that shaping up? And another related question is that given that these are all quite grassroots in nature, why would that stop in 2026? Why would you not spend another \$1.5 billion and identify another 200 initiatives to work on?

**<<Diego De Giorgi – Group Chief Financial Officer, Standard Chartered>>**

I'll answer the last question first because I would like you to buy the shares. No, we don't do restructuring programs on tap every three years. The objective of Fit for Growth is a transformation project as opposed to a simple cost-cutting exercise, or perish the thought, headcount cutting exercise. To just redeploy the money into your ordinary costs is about as far from conceiving Fit for Growth as we have considered. Fit for Growth needs to rebase what is the natural rate of growth of our cost base. Our cost base, we always grow faster than other banks in Europe. Our revenues grow much faster than other banks in Europe. For those banks who revenues grow actually, because there are many where revenues don't grow actually. From that point of view, Fit for Growth is developing exactly in line with what we thought. We have all of the initiatives that you kindly mentioned, our 200 plus initiatives.

Why it's good to have so many, it's good because of the grassroots effect. It's also good because it de-risks execution. The fact that 80% of them aim to deliver saves that are \$10 million or less means that if three of them fail, we will find another three of them in order to get there. If we had big rocks that

delivered hundreds of millions of dollars of saves and we are late by six months, we have a problem with the \$12 billion cost cap. And that is an important objective for us together with all of the others.

It is developing in exactly the right direction. It has positive implications for revenues growth that are not immediately obvious but will become obvious as they get developed. When you become more efficient at doing something, you reduce your cost, you increase your NPS or your customer satisfaction depending on the type of customer or client that you're talking about. And that will lead to higher revenues. And that is something that we are starting to see together with the fact that once we have delivered a lot of the efficiency saves that we want to deliver, we will have more to invest. Not all of it because we want to rebase the cost base as we have discussed before, but we will have more to invest in growth.

**<<Perlie Mong – UK Banks Research Analyst, Bank of America Merrill Lynch>>**

Okay, that's very clear. And then finally turning to capital. Like you've said, you've already done \$2.7 billion of your greater than \$5 billion capital distribution over three years and you've done that in just six months. Should we expect an increase to that target?

**<<Diego De Giorgi – Group Chief Financial Officer, Standard Chartered>>**

I have been tagged of conservatism a few times in like every meeting since the 23<sup>rd</sup> of February [2024]. But it's good sometimes to under-promise and over-deliver, and we like it like that and we would like to continue doing that. But on a very number-based thing, we said there were three fundamental reasons for our guidance. One was that we know we were coming to an inflection point in terms of the interest rate cycle and that has all sorts of implications, but it was probably a relatively minor impact.

The second was we were awaiting clarity on the Basel 3.1 rules. They have come out. There is no doubt that on the face of them they look positive for the industry broadly. But we will update you more at our Q3 results. We will give you much more detailed guidance there.

And the third was obviously the fact that next year is going to be the peak year of deployment of the cost to achieve for our Fit for Growth program and that is a competing demand for capital. All of that being put together, being at \$2.7 billion and that is before the effect of the full year dividend that we will undoubtedly have, one does think that we will have to give you an update at Q3.

**<<Perlie Mong – UK Banks Research Analyst, Bank of America Merrill Lynch>>**

Well, we look forward to that. I think this is a good time to open the floor up for questions. Obviously I have more, but I'll let the audience have a chance asking questions first.

**<<Perlie Mong – UK Banks Research Analyst, Bank of America Merrill Lynch>>**

If you have a question, please raise your hand.

**<<Diego De Giorgi – Group Chief Financial Officer, Standard Chartered>>**

If not, you will be subject to Perlie continuing to interrogate me.

**<<Speaker 1>>**

Just more thematically, you talk about complexity. If you go into a world of de-dollarisation, different countries taking more of a charge, how do you think Standard Chartered is placed for that? And obviously, recently you've seen India overtake China in the MSCI. Again, I know you touched upon it, but do you feel that balance of power shifting? How does that support or not support Standard Chartered's positions?

**<<Diego De Giorgi – Group Chief Financial Officer, Standard Chartered>>**

As I told you, I am unabashedly positive about those changes. I think that what you will continue to see from us is that we will continue to focus on the things that for the past quite few quarters now we've told you are the things in which we make a difference. We are differentiated. We can win, we can win properly, and we drive sustainably higher returns.

And those are the cross-border Corporate and Investment Bank and our Wealth Management activities with particular focus on the affluent customers. Those benefit from all of those trends that you mentioned, very clearly. Growth of the middle class, increased mobility, increased disposable income, increased the propensity to save and complexity of trade, but trade that continues to grow. Trade this year and next year is projected to grow low single digits by the WTO. Flows of capital continue.

And by the way, never mistake the importance of that directional flow between developing and developed markets for Standard Chartered. The importance is that there is a flow. Whether it's going in one direction or the other, we sit in the middle and we intermediate the flow. So it's good for us. All of those things, the growth of India, we had our board in India in May. The country is ebullient. You've seen the budget. In the budget they had the trade relaxation measures that are clearly designed to improve trade, for example, with China. There isn't a better corridor that I can think of, than something like 2.7 billion of people, which are both fantastic sets of customers for us. I think we're very well positioned.

**<<Speaker 1>>**

A quick tangential one. I think the Middle East you've seen opposing effects. Obviously we've got incursions in the war, but we also have the Saudi's and Dubai and the UAE government spending a lot more. How do you feel positioned for that? Thanks.

**<<Diego De Giorgi – Group Chief Financial Officer, Standard Chartered>>**

Aside from the fact that obviously what's going on in the Middle East and has been going on for a year is nothing short of tragic. From the point of view of business we went from a UAE that four or five years ago, prior to my times, we had signaled as one that we called, I think one of the transformation markets i.e. a place in which we were deeply unhappy with how we were doing to now being one of our top five contributors for the bank. Clearly it's going very well.

And the Middle East and us with them is a great beneficiary of the increasing importance of, I don't particularly like the term, but it is effective, of South-South trade, i.e. Middle East to India, ASEAN, Singapore, and up to China and all the way, by the way to Africa. The recent FOCAC meetings between the Chinese and the Africans have clearly seen a resurgence of the importance of the investments by China in that part of the footprint. So clearly the Middle East is important. I would point out, by the way, very much in line with what you say, we are in the middle of our budgeting meetings for the year. Saudi Arabia is just simply a great growth opportunity, and another one where we seem to have timed it pretty well, for example, is Egypt, where we have opened at the very beginning of the year our presence on the ground and where the Arab world is clearly coming to a bigger degree of direct investments that would benefit that economy.

**<<Perlie Mong – UK Banks Research Analyst, Bank of America Merrill Lynch>>**

Any more questions from the floor? Well, I think you're subject to a bit more me then. So Standard Chartered has made a number of disposal and exits in the last few years. So is that footprint optimisation done or is there more to do?

**<<Diego De Giorgi – Group Chief Financial Officer, Standard Chartered>>**

So we ask ourselves the question on a broader and on a smaller basis, all of the time. We ask ourselves, are we doing the things that we need to do geographically, by division, by product and by client, client type and single client all of the time. That is part of the optimisation, maybe it's not balance sheet optimisation, but it's optimisation. So we will continue to optimise, there is no doubt.

The way to think of it though, is important, is to think of it as a matter of capital allocation. Yes, in some cases, and it was the case three years ago when we implemented Project Crown and exited seven markets between Africa and Middle East. Sometimes it might be an exit, in that case it was an exit. But that is not the way to think of it on a constant basis. The way to think of it on a constant basis is where are you going to put your scarce resources? Which are fundamentally, capital, liquidity and costs, broadly speaking. And that is where we will continue to optimise, with in mind cross-border Corporate and Investment Banking activities and Wealth Management to Affluent customers.



**<<Perlie Mong – UK Banks Research Analyst, Bank of America Merrill Lynch>>**

That's very clear. Any more questions from the floor?

**<<Speaker 3>>**

I want to talk to you about this crazy situation with your perpetual bond that you're going to court about, . Why do you love that security so much that you're going to these extraordinary lengths to keep it alive, when everybody else has buried it?

**<<Diego De Giorgi – Group Chief Financial Officer, Standard Chartered>>**

You will forgive me on this one. I hope I have a good tradition of being extremely open, but we are about to go to court and I'm not commenting on this stuff.

**<<Perlie Mong – UK Banks Research Analyst, Bank of America Merrill Lynch>>**

And I think you have another question?

**<<Speaker 4>>**

Your probably not going to comment on this one either, only because it's probably prior to your time as well. You'd seen interest in the papers from Middle Eastern banks wanting to take over Standard Chartered, it was First Gulf. The question here is has that been a distraction internally or has that been a bit more of internal ambition to come out with your growth targets? What impact has it had to lay out the growth story of Standard Chartered, if any? So just internal and external impacts from what you can comment on. Thanks.

**<<Diego De Giorgi – Group Chief Financial Officer, Standard Chartered>>**

Why wouldn't I comment? This one is eminently commentable about. No, I don't think that that interest has had any impact on what we do, because we do what we do because we think it's the right thing to do. And by the way, among the right things to do, which is an implicit subtext of your question, is if someone wants to come and talk to us, they know where we are. Those particular gentlemen never ended up coming to talk to us. So that's a relatively moot point.

What we do is informed by the two key objectives that we have in terms of our customer groupings, where we can make the most money. It does happen to be, the only inference I will draw from what you say, that the Middle East is a really important area for us and we are very deeply, as we just discussed, you and I, we are deeply committed to it. It has nothing to do with the interest of anyone about it. It has to do with the fact that it's a phenomenally healthily growing and increasingly well integrated within the pattern of the global economy, from which we derive our best possible results. So we will continue to invest there, that's for sure.

**<<Perlie Mong – UK Banks Research Analyst, Bank of America Merrill Lynch>>**

Great. And to end the conversation on a good note, can I ask you a final question on your thinking and your progress on the Ventures business? What's happening with Mox and Trust? That's obviously been something that you've invested a lot in and has had very good initial progress. So can you comment on the progress there?

**<<Diego De Giorgi – Group Chief Financial Officer, Standard Chartered>>**

So the digital banks have been an important investment and historically they have been a big investment at this point. They're coming closer and closer to their very breakeven point and eventually to sustain profitability. Why are they good businesses? Because they are naturally very high RoTE businesses, once they pass over the hump of the investment phase. They are good businesses in and by themselves. And by the way, we learn a lot from them in the way that they operate that we then sometimes deploy in the way that we do digital banking within the mothership, if you wish.

We benefit from a great set of partners both in Hong Kong with Hong Kong Telecom, PCCW, Trip.com, and in Singapore where NTUC has been a phenomenal partner to us and has led to one of the fastest growths ever that I can think of, even though in a small city state if you wish, but a very healthy and wealthy city state. So they continue well on their path. Mox has had a few quarters of difficult credit

results on the basis of us expanding credit in certain cohorts from which we have scaled back. And that has meant that the restarting of the lending machine is just restarting now. So that has delayed a little bit, the implementation of some of our lending plans, but we've learned a lot from it and we continue to grow both businesses.

**<<Perlie Mong – UK Banks Research Analyst, Bank of America Merrill Lynch>>**

Thank you very much for your time. It's been a pleasure to host you.

**<<Diego De Giorgi – Group Chief Financial Officer, Standard Chartered>>**

Good luck for the rest of the conference.

**<<Perlie Mong – UK Banks Research Analyst, Bank of America Merrill Lynch>>**

Thank you very much.