

Morgan Stanley European Financials Conference 2023

In-depth conversation with:

Peter Burrill, Group Head of Central Finance and Deputy CFO, Standard Chartered PLC

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(Amended in places to improve accuracy and readability)

<<Nick Lord - Head of ASEAN Banks Research, Morgan Stanley>>

Okay. Good afternoon, everybody, and thank you very much for attending this session with Standard Chartered.

My name is Nick Lord, and I cover the Hong Kong banks for Morgan Stanley. I'm very happy to be joined by Pete Burrill, who is Standard Chartered's Deputy CFO.

We're going to start off this session with a quick question, just to poll your responses. So, if we could have the question up? The question is, "What should management's key focus over the next 12 months be?" Is it managing RWA growth, capital levels, and returns of capital? Is it managing cost-to-income jaws? Is it focusing on managing credit risk? Is it demonstrating the value of the international network? Or is it demonstrating the long-term value of ventures?

So, I'll give you 10 seconds to poll your answers.

It seems to be RWA growth, capital levels, and returns, which is very common, actually, in terms of the answers we've had so far. Managing credit risk, some of that seems to have also sort of increased a little bit in popularity over the last few days.

So, maybe I can start off – and thanks very much for joining us today – maybe you can start off and just talk a little bit about the events of the last few days, maybe give us some comments on how you're feeling on liquidity, what you're seeing on deposits, etc.

<<Peter Burrill - Group Head of Central Finance and Deputy CFO, Standard Chartered PLC>>

Happy to. First, just to explain, I'm not out of breath or red in the face due to anything going on in the markets; I was trying to get across London during a tube strike and being stuck in a taxi. And so, apologies for being a few minutes late and, therefore, a bit out of breath.

Look, I think the last few days has really brought a focus to balance sheet structures, liquidity, a lot of those things that people that specialise in banks pay a lot of attention to, but people who don't, are starting to pay more attention to. And I think from a Standard Chartered standpoint, we've got a very liquid and well diversified balance sheet geographically, as well as product wise. LCR, which is obviously the primary metric on measuring liquidity for us, around 147% at year-end and maintains at high levels. So, not really seeing any signs of stress from a liquidity standpoint.

On our balance sheet – there's obviously been a lot of focus in the news on the investment securities as opposed to loans. I mean, we've got quite a low ADR ratio and our investment securities, the vast majority marked-to-market through equity and, therefore, already included in our capital ratios as of year-end. And the held-to-collect portfolio really only used to hedge our equity base; so, long term-assets rather than anything short term or structural.

So, really no concerns or read-across from our standpoint in the last couple of days and really happy with our liquidity position and not seeing any direct impact from the events of the last few days.

<<Nick Lord - Head of ASEAN Banks Research, Morgan Stanley>>

Thank you very much. And then if we sort of carry on, on the macro side, I mean, I think a year ago I was sat here with Andy Halford, and we had quite a bit of macro uncertainty. We had the Russia-Ukraine war, and large parts of North Asia were still in COVID lockdown. So, we're a year on; maybe you could just talk a little bit about how you're seeing that macro situation today, especially in the markets you're operating in?

<<Peter Burrill - Group Head of Central Finance and Deputy CFO, Standard Chartered PLC>>

I guess, drawing on the markets that we operate in, I mean, obviously, Russia-Ukraine, for us, not a lot of direct first-order impacts, but the lockdowns in China and the impact on the Chinese economy last year was probably more impactful for us.

So, clearly, with the reopening of China and the exit from COVID restrictions there, we're seeing that as quite a positive impact in Asia; in China, specifically, but also in Hong Kong. A good portion of the business in Hong Kong is based on China economic activity, and the opening of the border between China and Hong Kong we think will be quite positive.

Not going to get into a debate about which may go into technical recession or not. I mean, I think our base outlook for the U.S. was kind of a small recession. And I'm not here to guess whether that's going to happen or not in the U.S. and Europe. But I think for us, the key markets tend to be more in Asia, and we still expect Asia to be a driver of global growth. We think the growth rates across a number of Asian countries, not just China, are quite positive. So, I guess I would still say quite optimistic still on the macros.

Obviously, interest rates, U.S. dollar interest rates and other rates, have probably the most direct impact on our business. Quite a bit of volatility more recently, but I think still a positive trend and still reasons to be optimistic.

<<Nick Lord - Head of ASEAN Banks Research, Morgan Stanley>>

And maybe if we can just dig a little bit more into a couple of those points. Obviously, you spoke about China reopening and the benefits that brings to Hong Kong. So, maybe if you could talk a little bit about the outlook for loan growth in Hong Kong and greater China. Obviously, last year Hong Kong was pretty weak. And then maybe talk a little bit about what you're seeing on the Wealth Management side as well.

<<Peter Burrill - Group Head of Central Finance and Deputy CFO, Standard Chartered PLC>>

So, on the loan growth side, I mean, we've indicated low-single-digit loan growth; that's not Hong Kong-specific, but I think the rate environment, there's a bit of an offset with volumes, and the Hong Kong market has some specific nuances on the mortgage market due to the prime cap, which means that not necessarily the best time to look to grow that and that's part of our largest portfolio. So, I think we're still comfortable with a low-single-digit overall loan growth.

But on our corporate side of the business, we're focused as much on the kind of non-balance sheet and lending-focused side of the business as much as we are on the balance sheet. So, we're comfortable with the low-single-digit loan growth.

I think on the broader Hong Kong and China and on the Wealth Management piece, clearly, the reopening of the border between China and Hong Kong we expect to be benefiting our Wealth Management business. It allows the in-person visits into Hong Kong branches. We're seeing some of that, but it's early days. So, I guess I would say cautious optimism that that will translate through.

But when it comes to Wealth Management, you've got that aspect, but you've also got the kind of market dynamics of assets under management deleveraging and market confidence when it comes to equity indices and other types of things that drive Wealth Management activity. And not all of those are pointing in the same direction.

So, again, overall cautious optimism. We do think that Wealth should rebound this year from what we saw last year. But given how you started the questioning about first quarter last year, the first quarter last year, I need to remind, was actually our strongest quarter for Wealth Management and before a lot of the macro things had really hit. So, if you're looking quarter-on-quarter comparisons, very strong compared to fourth quarter last year but probably a bit weaker than what we saw first quarter last year. But still, optimistic on that and expect to see it rebound this year.

<<Nick Lord - Head of ASEAN Banks Research, Morgan Stanley>>

Okay. Perfect. And are there any other areas you can benefit from Hong Kong reopening?

<<Peter Burrill - Group Head of Central Finance and Deputy CFO, Standard Chartered PLC>>

I mean, Hong Kong is our biggest franchise. So, in general, for us, both on the Retail side as well as on the Corporate side, a better Hong Kong economy is generally better for the business. Wealth directly, but also on the Corporate side and the broader Retail banking.

<<Nick Lord - Head of ASEAN Banks Research, Morgan Stanley>>

That's great. And then, I guess, again, you spoke about Wealth having been strong. I mean, Financial Markets was also very strong this time last year. I just wonder if you could comment a little bit on what you're seeing there at the moment. Hopefully, a little bit more activity. I guess probably a lot in the last few days?

<<Peter Burrill - Group Head of Central Finance and Deputy CFO, Standard Chartered PLC>>

I'm not going to give a day-by-day update on that. But I think we've seen good activity in FM in Q1 of this year. As you mentioned, Q1 last year was also a high watermark for our FM business. We also had about a \$100 million gain last year on some valuation of structured notes that's not going to recur this year. But adjusting for those, we expect it to be flattish in the first quarter. So, that's a good start. Again, last year [first quarter] was a record year for us in Wealth Management, and there was a lot of volatility in the market. So, we're pleased with the start to the year in FM.

<<Nick Lord - Head of ASEAN Banks Research, Morgan Stanley>>

Perfect. We spoke a little bit about sort of the near-term impacts of Asia reopening and Financial Markets and Wealth, etc., but if we think a little bit sort of longer term and maybe we just focus a little bit on Wealth for now, I mean, what are sort of the big structural trends you're seeing that your Wealth Management business should be benefiting from on a three-, four-year view?

<<Peter Burrill - Group Head of Central Finance and Deputy CFO, Standard Chartered PLC>>

And I'll go back even a bit further than that. I guess, first, our Wealth Management business is more kind of on the absolute end of the spectrum, not necessarily the ultra-high net worth kind of traditional private banking. And I think over the last 10 years, if I exclude the last year, we were seeing double-digit growth. And I think we believe that kind of the emerging affluents across our footprint is a sustainable trend and not something that was a one-off or anything special. So, I think we do expect strong growth of the market generally, and I think we were well placed to capture that both from a product and geography as well as the existing client base that we have.

So, I think you asked three, four years forward. I go back 10 years. I think structurally we believe that there is an emerging and rising affluent class in Asia, especially, but also in Africa and Middle East, where we're active, and we plan to participate and benefit in that market uplift.

<<Nick Lord - Head of ASEAN Banks Research, Morgan Stanley>>

And I guess a similar sort of question, if we think about the longer term for CCIB, and I guess when I think about sort of the region that I live in, which is Southeast Asia, a lot of the talk is about supply chains, China Plus One supply chains, about investment in the region, about FDI, about trade. And I guess that should actually play into a bank like Standard Chartered's key strengths. So, I just wonder if you could talk a little bit, again taking a slightly medium-term view, about what sort of things you're seeing there, where you think you can compete not just against local banks but against banks like HSBC or DBS or whatever?

<<Peter Burrill - Group Head of Central Finance and Deputy CFO, Standard Chartered PLC>>

So, you hit on a few of the key points there. I guess, one, our Corporate business, we refer to it as kind of a Network business, and that's our terminology for doing cross-border, serving companies outside of their home market. And we've seen continued growth in that, even as people speculate about deglobalisation or whatever. But I think we believe – and what we've seen is – a perhaps more changing in trade patterns, but not kind of a pullback to all-domestic kind of production or supply chains.

And given the fact that we're present in all the major ASEAN markets in Southeast Asia, as well as the presence we have in China, as well as in Europe and the U.S., regardless of the pivot of those flows so long as those trade flows continue to happen and we don't go back to a pure, everything back onshore. And I guess that is our central view, is that there may be a regionalisation or a change in the patterns of global trade, but we're not expecting to see a major pullback.

So, we're still quite positive in our positioning there. We're still quite positive that there will continue to be growth and cross-border trade and international companies wanting to participate in that. And that's really the client base that we're trying to serve and feel well positioned to serve given our network.

<<Nick Lord - Head of ASEAN Banks Research, Morgan Stanley>>

And are you seeing a surge in that at the moment? Or is it a general trickle? I mean...

<<Peter Burrill - Group Head of Central Finance and Deputy CFO, Standard Chartered PLC>>

I wouldn't call it a surge. I mean, I think we're seeing good activity in that, it's a broader trend, rather than a surge or a sudden shift. I think you mentioned the China Plus One. I guess what we're seeing is Chinese companies are also looking at operations outside of China to somewhat de-risk that situation as well.

So, I think it's an evolving trend that we'll keep an eye on. I was just trying to counter the anti-globalisation theme, and I do think it may be more regional, but I do think that trade flows will continue to exist and supply chains will continue to be global or regional in some way, shape, or form.

<<Nick Lord - Head of ASEAN Banks Research, Morgan Stanley>>

We've explored some of the areas of revenue growth and some of the areas you can benefit from. If we can now sort of start to think a little bit about costs. And I think you said out of the 4Q results, I think, an ambition of 3% jaws, certainly over the next few years. Can you talk a little bit about how you pace investment spend to be able to achieve and maintain those jaws?

<<Peter Burrill - Group Head of Central Finance and Deputy CFO, Standard Chartered PLC>>

So, we're in a position as a bank that we haven't achieved the return on equity that we need to, that we think is appropriate for a bank of our size and scale and what investors expect from us. So, the key focus on us is getting RoTE up. And to do that, we have to drive positive operating leverage. And so, the 3% guidance that we've given on jaws, we do think is achievable and we think is necessary in order to get from where we are today to our approaching 10% RoTE ambition in 2023 and above 11% in 2024.

So, the investments are always a balance about making sure that you're supporting growth but also investing beyond the near term. And if you take a look at some of the things that we've done in Ventures, in some of the digital banking space, I mean, clearly, those are not short-term payoffs, and that was us really trying to look beyond the next couple of years and make sure that we are creating room to invest in things which will support growth kind of beyond the current rate cycle. Because I think that's where the next question goes, is, okay, people can generally see with the higher rate cycle how you can get your returns up, but the question is what comes next. And we're trying to make sure that we're creating space to invest in some of those things that do have a longer term [payoff].

So, it's not an exact science, but we do try to balance both the need to be competitive in the near term as well as to invest in things that may have a longer-term payoff.

<<Nick Lord - Head of ASEAN Banks Research, Morgan Stanley>>

When we look at cost control measures, I mean, there are obviously structural things you can do. And also, there's the re-engineering of banking, and Standard Chartered is obviously focused quite heavily on reducing the number of branches, for example, digitisation. So, where are we on that process? Is that just a process that continually produces operational efficiencies?

<<Peter Burrill - Group Head of Central Finance and Deputy CFO, Standard Chartered PLC>>

So, I don't want to say a natural level, but I do think there's an ongoing ability to continue to get incrementally more efficient, and that's not a one-time thing. I think in our Retail bank, which we call CPBB – so, Retail and Private Banking and Business Banking – we have a more dedicated program. Because I think in CPBB, that's the area where we haven't demonstrated as much of those efficiencies in the past. Branches is one aspect that you mentioned, but there's also a lot that can go on as far as standardisation of Sales and Service models, technology platforms, and the operations in the background and trying to get some economies of scale out of having a Retail bank in a number of different markets, but not having market dominance in any of those.

We've got a dedicated program in CPBB, where we've committed to \$500 million of specific cost savings. And we got off to a very good start last year. So, we expect to be able to continue to deliver that. We expect that, again, there's ongoing efficiencies, I'm not committing to 3% jaws kind of in perpetuity, but I do think that positive operating leverage is something that we will look at to keep the returns, because we said that even after 11%, we want to grow the returns thereafter. So, we don't want to kind of eke above 10% or 11%, declare victory, and then go backwards. And operating leverage and maintaining cost discipline, I guess I would say, and creating ongoing efficiencies is necessary to drive that.

<<Nick Lord - Head of ASEAN Banks Research, Morgan Stanley>>

And I mean, you spoke about a Retail business there. I mean, is this stuff you can do on the Wholesale business as well? Or is that more about capital efficiency?

<<Peter Burrill - Group Head of Central Finance and Deputy CFO, Standard Chartered PLC>>

So, when we set out a bit more details on our strategy, obviously, there's cost efficiencies that can be done anywhere. But when you look at our Corporate franchise, the issue in our Corporate franchise historically wasn't necessarily cost-to-income ratio. Depending on what peers you look at, it wasn't that far out of whack.

But what really stood out was the kind of capital inefficiency, which is why the focus on the Corporate side of the business has been on Return on Risk-Weighted Assets. I think Standard Chartered a number of years ago was more top line-focused and not as sensitive to the capital demands of that, and we've really been trying to shift to make sure that we are only deploying and committing capital where we can get appropriate returns. Now, we look at that on a client level, not on an individual transaction level. But I think that's really been – and if you saw the RWA optimisations that we were able to achieve last year – and that wasn't modeling and other things; it was really just upping the ante when it comes to the return expectations and profile that we wanted – we've made really good progress there. And we think we can continue to make progress.

So, I think that's where you've seen a bit of a shift and a bit more emphasis in our Financial Markets business, which is more capital efficient than some of the Lending that we've done in the past, as well as looking at the cross-border business, where a lot of those clients aren't necessarily using us for the balance sheet, but rather for the cross-border services and products that we can offer them.

So, yes, you're right, I think on the Corporate side – the Wholesale side, more broadly, the focus has definitely been on capital efficiency, but they don't get a clear pass on the cost side either. But the key area of focus for them is return on capital.

<<Nick Lord - Head of ASEAN Banks Research, Morgan Stanley>>

And I mean, you mentioned Ventures and you mentioned creating space for future investments. You've obviously got Mox, which seems to be building up a nice customer base in Hong Kong. You've got Trust

Bank in Singapore. I just wonder if you can talk a little bit about how those are going, synergies between the two, and what is your timetable for profitability on those, if you can comment on that?

<<Peter Burrill - Group Head of Central Finance and Deputy CFO, Standard Chartered PLC>>

So, I guess, breaking up our Ventures, there's three main components to what we have in our Ventures segment, which we newly broke out last year.

The first is Mox, as you mentioned. So, we launched a standalone, built-from-scratch, native digital-only, if you will, bank in Hong Kong with a couple of partners. It's grown quite rapidly, but some of the offerings that we had hoped to offer were related to travel and FX. And obviously, with Hong Kong and China having the COVID challenges, those products weren't launched as much. But customer take-up has been great. Reviews on the App Store have been great. And so, we're quite positive on the developments of Mox and hope to achieve breakeven on that in 2024. There may be some IFRS-9 noise, because as you're building up a loan book you take more than normal impairments, but there or thereabouts, we expect breakeven on Mox in 2024.

Trust is an interesting one. Because you talk about learnings. And essentially, we used a lot of learnings from Mox in Hong Kong to stand up Trust Bank in Singapore. So, again, entered into a partnership with FairPrice Group, one of the biggest grocery store chains and a government-related entity in Singapore. And had extremely fast customer growth, over 400,000 customers by the end of last year, still growing into this year. We used a lot of the tech that was kind of stood up for Mox in order to do that in a faster fashion. So, we did take the learnings from what we had done on Mox, which again was not building off of legacy Standard Chartered architecture, but really a new tech stack. And I think that accelerated our ability to do that in Singapore.

I am not going to put out a time frame on profitability yet on Trust, but I'm sure we will be updating and monitoring it closely.

But those are kind of the two, I would say, bigger bets, if you will. And it's quite an undertaking to launch a brand-new digital bank with partners in a market. But so far, so good. Quite pleased with that.

The third component other than Mox and Trust is SC Ventures, which is a bit more of a sandbox for more creative, not necessarily digital banks, but kind of banking-related or other businesses that we think are interesting. And we've had good take-up in some interesting ideas there. We've got two of cryptocurrency: one on the market side, one on the custody side, for institutional players. We all may have our own opinions on cryptocurrency, but I think, as a bank, we feel that it's an asset class which is going to remain and there should be institutional-grade services available for that asset class. So, that's one of the interesting ones.

We've got some in the payments space. We've got Solv, which is a big SME platform in India, and I think it'll be launching in Kenya as well, which is more of being a middleman and a marketplace for SME businesses.

So, quite a lot of interesting things. And we continue to experiment and launch new ventures on an ongoing basis and shut down ventures that don't show as much promise. So, it's kind of a manageable size and something that we think is worth investing in, even if there's not the immediate payoff.

We also take within our Ventures some minority stakes in banks. So, in some of the markets where the regulators have decided to launch digital banks or digital challenger banks, they don't want traditional banks to run those. They want new entrants into the market. So, in Korea and Taiwan, we've taken minority stakes in some banks there.

So, we're trying to participate in ventures in a variety of different things, from minority stakes to majority-owned ventures and associates. And we think that's important. And actually, for us as a bank, because we don't have a dominant position in any one market from a Retail standpoint, I think we're open to experimenting without necessarily fear of cannibalising our own business.

<<Nick Lord - Head of ASEAN Banks Research, Morgan Stanley>>

And then if we could just change topic again and talk a little bit about credit risk. So, I guess there was a couple of things that came up last year in terms of China commercial real estate and some of the sovereign exposures. I wonder if you could talk a little bit about where we are with those at the moment? And then, given we've got an evolving macro situation, any other areas you're particularly focused on or worried about at the moment?

<<Peter Burrill - Group Head of Central Finance and Deputy CFO, Standard Chartered PLC>>

You called out the main ones. If you look back at our book and our results last year, first of all, on the Consumer side, for those not as familiar, we don't have a large Consumer unsecured book. So, most of our Consumer book is very secured. So, we don't see a lot of volatility or a lot of direct read-across from macro uncertainty or inflation on the Consumer side of the book. So, that's reasonably stable from a run rate standpoint, and I don't expect any big surprises to come out from our Consumer side.

On the Wholesale side, as you mentioned, we had two major impacts on our impairments last year, and one was China real estate. On China real estate, the kind of policy direction is positive, but the underlying economic activity and sales activity of the real estate projects is not yet back to where it was. And I think while I would like to think we've drawn a line under our China CRE, we'd really like to see that underlying activity improve. But that being said, we feel we're prudently provisioned on our China CRE and hope to have drawn a line under that one.

Sovereigns is another one, where last year, obviously, we dealt with the default of Sri Lanka and Ghana, two footprint markets. I think if you look at the exposures that we had, we were quite proactive at reducing exposures to the extent that we could in those markets to make sure that the impact was manageable, but it was still reasonably significant. We also dealt with the downgrade of – not default, but the downgrade of – Pakistan. So, we had a little bit less than \$100 million of provisions on that.

We're not out of the woods on those yet. Pakistan is the one that we're watching most closely. I think beyond Pakistan, there's not a lot of individual regions or geographies that would, I think, be the same type of risk that we saw last year.

Other than those two, however – the sovereign defaults and the China CRE – there's not really an industry or geography which is concerning us at this point. I think the management team – Bill and the others – have really done a lot over the last number of years to take away some of the previous concentration risks. But we have really looked at diversification on geography, on industry, on client type. And so, there's not really any one area at this point that I would point out beyond the two that we mentioned.

<<Nick Lord - Head of ASEAN Banks Research, Morgan Stanley>>

One final one for me, and I guess that's about capital. You do return a decent amount of capital nowadays. You have a share buyback and, obviously, the increased dividend in Q4. Can you talk a little bit about how you think about opportunities to reinvest, which are obviously quite big in the markets that you're operating in, versus that capital return?

<<Peter Burrill - Group Head of Central Finance and Deputy CFO, Standard Chartered PLC>>

So, look, I think I'll take it back to the RoTE discussion. I mean, that's the lens on which we're looking at this. And where we have opportunities to deploy the capital and generate, I would say, above our RoTE targets, then we will do that internally.

Now, given what I mentioned earlier on the challenges we've had on the Corporate side of the business and making sure that we're getting appropriate Return on RWA, we're more focused on efficiency on that side, rather than putting more capital in, unless we can get the returns. But we don't want to starve that. To the extent we find those opportunities, we will do that.

On the Consumer side of the business, it's not a capital-intensive business. So, it's not something that we need to put more capital into.

But when it comes to any other opportunities, be that a kind of acquisition or anything else, the measure that we're going to look at is, is it accretive to returns. And with a share price – I'm not looking at it today – which has been trading at quite a significant discount to book value, we'll continue to look at returns as a lever that we can pull when we are generating capital and we don't need it to grow the business profitably.

So, that's the dynamics that we go through. We don't have a dividend payout ratio. We have the \$5 billion-plus target on distributions, more broadly. And we've demonstrated a willingness to use buybacks when we think that they're attractive. We're in the market right now with a buyback. So, I would expect us to continue to balance those things.

<<Nick Lord - Head of ASEAN Banks Research, Morgan Stanley>>

I'm going to open it up to the audience for Q&A. So, if we have any questions, please raise your hand.

<<Peter Burrill - Group Head of Central Finance and Deputy CFO, Standard Chartered PLC>>

I guess one thing on the questions that I should have clarified when you asked me about the positive jaws was that it's not a quarter-by-quarter thing. We look at jaws on an annual basis, but we're not guaranteeing that every quarter you're going to see that. So, just thinking about first quarter, what I mentioned on FM and Wealth, we are seeing positive momentum on the interest rates flowing through. And we're still quite comfortable with our full-year guidance, both around income as well as jaws. But I don't want to create an expectation that quarter-after-quarter after quarter you're going to see the exact same print.

<<Nick Lord - Head of ASEAN Banks Research, Morgan Stanley>>

Okay. It's a good point. Maybe we can talk, I mean, we were on that capital point, and we were talking about how you think about reinvesting capital. Obviously, you've announced the exit last year from some of the smaller footprints in Africa on the Retail side. Obviously, you've announced that you are looking to sell your aircraft leasing business. What else is out there that's peripheral to the business that you could sort of release capital from?

<<Peter Burrill - Group Head of Central Finance and Deputy CFO, Standard Chartered PLC>>

I think if you look at both of those examples, when it comes to the markets, you mentioned the exits but we also entered and expanded in Saudi Arabia and Egypt. So, when it comes to markets, we're a bank that's been in most of these markets for 150 years-plus. We don't take exiting a market lightly, and we're very thoughtful before we do that.

But really, the decision was not so much about financial or capital. Just it was more strategic. Is it something which is critical to our network business? Is it something where we think we can compete on the Retail side effectively? And if the answer to those questions is no, then we're probably not the best owner for that business. So, it's not that they were a drag on returns, so much as it wasn't such a strategic fit.

And I think you could say the same for the aircraft business. It was a good business, it's profitable. It was decent. But it's a business that you either have to kind of lean into and grow or you're probably not the best owner.

So, I think although we have a very broad and diversified network, I don't think that the kind of geographical exits is the strategy that we're looking at, nor is it necessarily the solution to the challenges from a returns standpoint. So, I think we'll look at things that are a product in a country that might not make sense, where we don't have the scale to compete, and we can't do it profitably. So, I think you'll see more minor portfolio changes rather than wholesale fundamental exits, but always with that return profile, is there something better we could do with this capital? Could we utilise this in a way which generates more returns?

<<Nick Lord - Head of ASEAN Banks Research, Morgan Stanley>>

And I guess the counter to that or the other side of the coin to that, when you mentioned Saudi and Egypt, I mean, what are the gaps that you still see, either in terms of geographies or in terms of products?

<<Peter Burrill - Group Head of Central Finance and Deputy CFO, Standard Chartered PLC>>

You could pull out a map and I'm sure we could find places that we don't operate, but we feel that we're in most of the geographies that we would want to be in. I think Saudi and Egypt, given our footprint of Asia, Africa, Middle East, Europe, and America, was two of the bigger economies that were kind of consistent with our existing footprint. I don't think we feel the need to expand either geographically or from a product standpoint, or that there's big gaps in our portfolio.

Bolt-on acquisitions or things that are consistent with our strategy, that are consistent with the footprint and markets that we know and understand are things that we would take a look at. When Citi announced and looked to exit some of the assets, it's clearly something that we looked at, but we want to make sure that we deliver returns before we start thinking that acquisitions are the way to deliver those. They generally aren't in the near term. So, I think we're more focused on organic growth and meeting the targets that we've set, rather than an inorganic either expansion or contraction.

<<Nick Lord - Head of ASEAN Banks Research, Morgan Stanley>>

Okay. Going back to that growth point – you've got China and there's lots you can do in China. You've got some very, very fast-growing parts of the footprint; so, India, I guess, and Southeast Asia. I mean, how do you see that South and Southeast Asia part doing relative to the rest of the business over time?

<<Peter Burrill - Group Head of Central Finance and Deputy CFO, Standard Chartered PLC>>

We think that some of the economies that you mentioned are going to be the core to growth, going forward. Singapore is another one, which we're quite positive on Singapore and the role that it plays ASEAN and beyond.

China, India, we're also quite large in Korea. We've got a Malaysia business, an Indonesia business. So, it goes back to the earlier point – I think we've got the footprint, the on-the-ground knowledge, and the market presence to be successful. And we do think that in those markets that I think have the most growth potential we are there on the ground, competitive, and quite optimistic.

You mentioned India, China, clearly, two of the biggest economies in the world, with quite good growth potential, where it doesn't take a lot of market share to make a difference. China is one example. We can talk about the GDP and economic challenges that China faced last year, but our China business grew 10% onshore and 20% offshore despite that. So, quite optimistic. We had set out a goal to double the profitability in China. Clearly, the CRE took a hit, but we still feel quite positive about that.

India, the other one you mentioned, quite positive on our opportunities in India. It's something that we've got a quite competitive proposition there. Quite a lot of experience. And I think quite optimistic on the opportunities that that will present.

So, yes, we feel good about the footprint that we're in. We feel good about the opportunities in Southeast Asia as well as Northern Asia, where we've got a competitive market position and a good product offering to take advantage of that.

<<Nick Lord - Head of ASEAN Banks Research, Morgan Stanley>>

Can I just ask if there are any more questions from the audience? We've got a question just down there.

<<Unidentified Audience Member>>

Hello. A question about how the changes in value chain, the potential regionalisation of flows are impacting Standard Chartered.

<<Peter Burrill - Group Head of Central Finance and Deputy CFO, Standard Chartered PLC>>

If you look in our year-end presentation, we actually put some of the network flows as far as where we're seeing growth between regions. And for us, it's been a positive, rather than a negative. So, because we're active in all of the markets in Southeast Asia, as well as Northern Asia, as well as African and the Middle East, so long as they're continuing and repivoting, as opposed to stopping, we feel that we can benefit from that.

And we saw quite a bit of growth in that cross-border business. Now, some of that was flattered by interest rates, because obviously a lot of cross-border business sometimes is Cash Management. Our Cash Management business got a lot of tailwinds from interest rates last year.

But we do think that net-net, so long as it's regionalisation and inter-Asia or Asia-out or Asia-in or even within the regions of Africa and Middle East, that we're well positioned and will benefit from that.

<<Nick Lord - Head of ASEAN Banks Research, Morgan Stanley>>

Any more questions from the audience?

Maybe we could just pick up on that point a little bit. This is the question I always think about Standard Chartered – the returns, obviously, have been suboptimal historically. You've got this regional business, which everybody seems to want to get into, but everybody sorts of challenges the returns on it. So, could you maybe talk a little bit about what is so attractive about the business? Is it an intrinsically high return business? And how do you sort of maintain that 11% or 12% RoTE that you eventually achieve?

<<Peter Burrill - Group Head of Central Finance and Deputy CFO, Standard Chartered PLC>>

So, I think there's a couple of aspects. One is the client profile. Those clients that are active multinationals and operating in multiple jurisdictions tend to need a lot more services than just, if you will, balance sheet and lending. And those services, be they Cash Management, be they FX, rates, some of our FM offerings, tend to be more Fee income, less balance sheet; therefore, more attractive from a return on capital standpoint.

So, yes, I do think that, to a certain extent, the client base that is more active and outside of their home markets tends to have a broader need for services beyond lending, if you will. And I think that's why you see that correlation, to a certain extent, it's the client base that that reflects.

So, that's probably what I would draw as kind of the biggest, which is why I think it is attractive and a lot of people are interested in it. But that goes back to the network and history that we have. I think our presence in Africa is quite unique and quite an offering. Now also across the Middle East as well as all the key markets in Southeast Asia and Northern Asia.

And I think the change for us over the last number of years – I think, historically, we looked a lot at the companies that were based there, outbound, but not necessarily big Western companies that had activities there and really focusing on getting those relationships to get a bit more of the inbound work. So, there's been really a focus on that, as I said, Network or Cross-border business, as we call it, and really trying to capture that as a core strategy.

And a focus probably as well more on Financial Institutions as well. I think we're very focused on the Corporate sector, and as we want to grow FM and those Financial Institutions, be they Investors or Insurance or others want to get active in those markets, we should pay attention to that client base as well and make sure that we're delivering products. And where we're lending, maybe we can structure in a way that it's interesting for other parties to take it off the balance sheet, and we can play more of a structuring role or a facilitator role rather than just keeping those loans on our balance sheet.

So, it's a variety of those types of factors that make it very interesting for us and a key focus for us in our strategy.

<<Nick Lord - Head of ASEAN Banks Research, Morgan Stanley>>

Well, we're over time. One more question? Yes, please. Go ahead.

<<Unidentified Audience Member>>

Could you tell us what the level of engagement was with First Abu Dhabi Bank?

<<Peter Burrill - Group Head of Central Finance and Deputy CFO, Standard Chartered PLC>>

No engagement.

<<Nick Lord - Head of ASEAN Banks Research, Morgan Stanley>>

Okay. Any more questions? In that case, we're over time. Pete, thanks very much for joining us today.

<<Peter Burrill - Group Head of Central Finance and Deputy CFO, Standard Chartered PLC>>

Thank you very much.

<<Nick Lord - Head of ASEAN Banks Research, Morgan Stanley>>

Thanks for your insights.