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In conversation with:
Bill Winters, Group Chief Executive, Standard Chartered

(Amended in places to improve accuracy and readability)

Perlie Mong - Bank of America

Good afternoon everyone. It's my pleasure to welcome Bill Winters, CEO of Standard Chartered on stage with me today. I don't think he needs much introduction as this is the 10th year he's been doing the job. So Bill, the bank has just passed halfway through the current three-year plan, taking the bank back towards the 13% RoTE (*return on tangible equity*). When you reflect on this period, what have been the biggest changes that you've implemented as CEO and what are the key challenges and opportunities that you see for the rest of the plan?

Bill Winters:

Well, first of all, thanks for having me. It's very nice to be here. You're quite correct. I've been in the bank for 10 years and think of it in a few buckets. We had some issues for sure when I arrived. That was part of the reason that I came out of non-banking back into banking. So the first chapter was clean-up and repositioning. Thankfully, I had the hope and the view that there was a good franchise underneath a bit of trouble, some rubble. And sure enough, when we cleaned up the rubble and looked at the franchise, it was good. And there were a couple of elements that were key. One was the really very good wealth business, but it was kind of buried inside quite a sprawling retail business. And second was a unique position as a cross-border corporate bank that was also a little bit buried underneath a lot of lending and then lending associated problems.

So we went through the clean-up phase. We then tried to focus, did in fact focus our efforts onto really those two businesses. We still have quite a large mass market retail business, which we have also determined we really needed to focus either into a completely digital model or exit. We subsequently exited quite a few of the smaller subscale mass market retail businesses. We've invested consistently in wealth, invested in this cross-border set of activities where you guys all know there are very few global banks left and there's a reason, it's hard and it's expensive. So we were determined to demonstrate that we could generate a good return and do that in a very cost-effective way.

Things were really going very well. And through 2019, obviously we had the COVID hiatus where we didn't stop progressing, but it was very hard to see with a dramatic drop in NII during that period. And obviously that disrupted trade flows and then later disrupted supply chains. But thankfully we came back out in 2022, 2023, 2024, now into 2025 kind of where we left off. And if you drew a line through the whole thing, it's been 1% to 1.5% RoTE improvement every year, every single year from zero to now approaching 13%. And we've been very clear, we think that continues. So as I reflect over 10 years, what are the big changes? I'll say very simply, nothing, because the franchise was there before and the franchise is there now, we just focused on it. Yeah, but I could pick any number of things along the way that reflect decisions that we took, most of which I'm happy with, some of which I'm not, of course, but it's working out.

Perlie Mong - Bank of America

Of course. I don't want to get ahead of myself because you're still within your current strategy cycle, but beyond 2026, where do you think the natural level of growth and RoTE for the group should be? And what are the biggest risks that you see to those ambitions? And anything that you're particularly excited by?

Bill Winters:

I'm really very encouraged by our prospects for a long time. And so breaking it down into pieces, our wealth business, affluent client business has been growing at 9% or 10% compound for over 10 years. And that reflects the underlying accumulation of wealth and savings and the way that that wealth and savings is being deployed. So we're the third-largest wealth manager in Asia with a growing business as well in the Middle East, having set up a fully-fledged wealth hub in Dubai to complement Hong Kong, Singapore, and Jersey as a booking centre. Our objective, and we're investing into that objective, is to grow at a supernormal rate. So the underlying market should grow around 9%, 10%, 11% I think for the foreseeable future. Now we know that it will be volatile with market sentiment and world events, but it's been extremely resilient through a lot of exogenous shocks over the last 10 years, and I think that will continue for many, many years to come.

And we intend to grow at a rate faster than the market, and we're investing into that. So that one, I think that's a clear growth driver and there are clear economies of scale in that business. We have and are continuing to make the investments in technology, the AI investments where I think we're well ahead of the pack, interestingly. It's not often I can say that in the context of AI, but I can in our wealth business, *(it)* is ahead of the pack. Right now, those are AI tools for sort of RM augmentation rather than models that we're putting in or apps that we're putting into our clients' hands. But that I think is a gift that keeps on giving and it does so with positive jaws in the parlance.

The cross-border business is a little bit harder to put your finger on because you'll see the biggest pieces of that are cash management, very interest rate sensitive, and trade, which is really a facilitation business, tend to be the same buying point, and financial markets. And we know that markets don't like to value financial markets business very highly. I ran financial markets businesses at my old investment bank employer for the better part of 20 years, and I was always frustrated that we didn't get credit for how great that franchise was. I'll keep on trying.

We did something a few years back and said we're going to try to help the market understand our financial markets business a bit better. We split our reported income into flow and episodic. The flow is a 10% *[compound]* growth business. Our market share is good in our markets, but we're far from fully saturated in terms of what we can do. So again, and we've more or less doubled the size of that business in the past six years and it's a much higher quality business. So you're asking about growth prospects from here, I see that financial markets business as one of secular growth in part because trade is continuing to grow, you might not believe it if you read the daily press, and our position is very strong in that context. So I feel very good about that.

There's a second part of our financial markets business which is the episodic, and we said from the beginning, "that's going to be more volatile." Interestingly, it's been volatile above zero, so sometimes it's a meaningful chunk of our income, sometimes it's zero. The first half of the year was very strong episodically, because of the market volatility and the way that clients engaged and because the deal flow was very substantial and some of those deal flows we categorise as episodic. The third quarter is going to be a bit weaker in terms of the episodic for sure, and then fourth quarter may be strong again, when I look at the market trends that play out. But the episodic has tended to be about 30% of our income in FM (*financial markets*).

The flow tends to be 70% on average. Flow continues to be very good, and that's the recurring, I won't say annuity driven because it's not annuity driven, but it's coming directly off the transaction flows in our bank, the ordinary course hedging that our clients do and the episodic is volatile. But when I look at the progression over many years, they're both growing and they're both growing very nicely and there's a bit of volatility in the episodic, not so much volatility in the flow. Both feel good to me even though we had a bit of bifurcation, have had so far in Q3. So when I look at those two growth drivers, wealth and financial markets, it's looking very good I would say in terms of long-term growth.

Sometimes neglected in looking at our results is Banking. So capital markets and associated transactions. Banking's going very well. Despite the market volatility, the investment hesitancy in many of our markets in Asia in particular, we've had a good strong first half of the year in Banking and we've had a good third quarter, quarter-to-date in Banking. This is at the core of our client franchise. But what's been interesting and very well forecast by us and some of you is that the Banking business is also increasingly directly related to our cross-border capabilities. Where we are somewhat unique, of course, we're not the only global bank, but we're the only global bank with our footprint. And that's a huge, huge competitive advantage in where we play. If we go to play in JP Morgan's piece, we don't have the same competitive advantage, but we don't play in JP Morgan's piece and they don't play in ours, for the most part. In our piece, we're kind of best in class and that's continuing to grow. So I look at the drivers of growth and they're all pretty good.

We've made big investments in our underlying infrastructure, so we can do this, the most recent kind of programme that we call that is Fit for Growth, but this is part of a long-term programme of foundation resetting and streamlining and automation digitisation. Once that, as that is done and we are substantially progressed on that evolution, that means expenses are going slower than income. And mathematically, you know what it means when you have income growing faster than expenses for a sustained period of time while staying within your risk boundaries. So loan impairments have been low. I think they'll continue to be low, would be our expectation and hope, perhaps not as low as they have been, but low. That means we've got a long way to go. So we say approaching 13%, at some point we will update our guidance. We'll give some clues, no doubt, in February. We've got a Capital Markets Day next year in May, but we will talk about these things then, give some more colour. But the headlines will certainly be, we got quite a bit to run, having blown through, I hope, approaching 13%.

Perlie Mong - Bank of America

Fantastic. You've taken on many of my questions in one go.

Bill Winters:

You can ask them again, see if you get the same answer.

Perlie Mong - Bank of America

I just wanted to pick up on your comments on Q3 episodic income. I think I was just a little bit surprised when you said it was probably a little bit lower because southbound flows remains very strong and from what I can see, volatility is also strong. So was it just because Q2 was such a high comparator?.

Bill Winters:

No, no. I mean, our episodic income is really driven by two things. It tends to be driven by two things. The first is sharp moves in the market, and evidentially, Q3 to date has been a lot less volatile than earlier periods. And you see that in actual realised volatility. You see that in (*Volatility Index*) VIX. You see that in other volatility indicators. So we didn't have the same big market movements that drove unusual flows from our clients. We're not a big prop shop, so it's not a matter of capturing the big prop trade, but our clients are definitely more active when they're going through a period of uncertainty.

The second is, as we know, we're in the middle of Q3, where the uncertainty related to where tariffs come out and where the economic activity comes out is at a peak. And I say, we're coming off the peak now. There's more clarity how these things are likely to find their way to an end state. So our clients deferred investments during that period, and in particular, they deferred some of the decisions. And we're talking about one quarter in a year when the first half was outstanding. I think the outlook is very good. The Q3 episodic was relatively low; I'm really not concerned about it at all, but it gives the opportunities, and sessions like this are to explain some of these things. So I think our clients deferred a lot of their decisions.

But interestingly, and we reflect on this quite a bit, we had a relatively low episodic, are having a relatively low episodic quarter with a very strong Banking quarter. The Banking decisions, financing decisions, and M&A and cross-border investments tend to have a three to six month lead time. Whereas when we look at what drives our episodic income, it tends to have a much shorter lead time. So perhaps not surprising that we're seeing real time decreases in activity in areas where the uncertainty is high and lead time to decisions is short. So like I said, I'm not worried about it at all, but it is worth noting.

Perlie Mong - Bank of America

Okay. And well, you've mentioned tariffs. I guess more broadly, are you seeing clients really starting to get ready for taking on those investment decisions that they have deferred in the past or still a bit of wait and see?

Bill Winters:

There's a bit of wait and see, but money's moving. So I think the outlines of where tariffs end up are clear at this point. And as you know, it's largely a relative game, not an absolute. So the fact that that Malaysia maybe zeroing in on 15% really only matters relative to the people that they're competing with, are they much higher or lower? So Vietnam's a still bit of an outlier on the high side, and I think you're beginning to see an expectation that Vietnam will be relatively less attractive as an export destination with the US market in mind. But that's not entirely a bad thing because Vietnam was pretty close to capacity already in terms of their ability to absorb. The big shift in expectations at the moment, and still quite uncertain is India. India had been a big beneficiary of China plus one and was seen as a safe haven because India was expected to be at the low end of that infamous league table. At the moment, they're at the high end of the infamous league table.

Now, does anybody think we're going to settle at 50% tariffs in India? No, we don't. But there's enough uncertainty that people are taking a bit of a breath before they complete their investments there. But India has some other big advantages. One is it's relatively under-penetrated with export-led investment. And the track record that India is building up, first with some of the green tech and clean tech companies, second with EVs, all Chinese, and then third with electronics and semiconductors. So Chinese, Koreans, and of course Foxconn and Apple, they built a good foundation. So there's a tariff question, but can you make the logistics work? Can you get the labour? Those issues are being resolved. So I'm quite optimistic about India, but I would say there is some hesitancy in terms of incremental investment given the tariffs at 50%.

Perlie Mong - Bank of America

That makes a lot of sense. Thank you. Should we talk more about wealth? Clearly it's one of the most exciting areas in your business. How much of the growth that you think you've seen in the last few quarters is sustainable? Because you've been growing at high teens, 20% for a few quarters now, and what do you see as your key differentiator in that specific market?

Bill Winters:

I think we have several key differentiators. First is that we've been in this business forever. We're not always associated outside of the markets where we operate as a wealth brand, but in India, in Singapore and Hong Kong, we've always been identified as a wealth brand. And the fact that we're there and had been very consistent, we've been growing consistently in those high single, low double-digits well before I joined Standard Chartered. And then obviously we've continued with that. So the brand and the presence are good and it's recognised, so we're not pushing water uphill on that.

Second is we've invested heavily, although there's more that we can do in technology. So customer service, we all look at net promoter scores (NPS) in our nine largest markets, which includes all of our wealth markets of course, we're number one in eight of them, and we're number two or three in the ninth. And that's not just one year. This

has been going for five years. So how do you get to be number one net promoter score? Well, you need to have a good, solid, reputable brand, and you need to have really good customer service. And obviously you have to have good products. And thankfully, we've got all those and our clients not only telling us, but they're telling the independent NPS compilers, which also means that they're telling their friends. So the word of mouth referrals are very good. So customer service is our second differentiator. And it sounds very cliché, but I can tell you, I mean it had nothing to do with me, of course, but when I arrived in the bank, we were bottom decile in net promoter score in seven of our top nine markets, and we invested with your money to improve our customer service and it worked. And now we're really good at customer service.

Number three, we're open architecture. And that also sounds cliché because if we had our own asset management business and our own insurance business, I'd be telling you how valuable it is to have your own asset managed business and insurance business. But I'm not. We're open architecture. The game that we play, and the reason that we can hire RMs from any place at any time at market wages is that they feel they have the best chance of delivering the best product to their clients at any point in time. And we have hired a lot of RMs, and we've not paid up at all, and we're paying fairly. They want to come work in Standard Chartered because good platform, good customer service, consistent, clear commitment, and don't have to sell the in-house garbage. And sometimes that garbage is great; oftentimes it's not. And there's no pressure. So you'd sell, yourself, you advise your clients, you engage with them, and you deliver what the client wants and needs. We've got it on the shelf someplace.

Fourth, and this is related to the open architecture. We are a highly desirable distributor for the world's best asset managers, and I'll say the world's best insurers. And we have a very special partnership with Prudential, as you know, which is semi exclusive across many of our markets. Rarely, entirely exclusive. But it is just a great partnership that's been going for 25 years. And I think you'll hear the same from Prudential that they think it's highly a highly effective partnership. But in the new areas of private credit, the full range of alts or other new products as they come about the originators, the manufacturers want to distribute through us. One, because we're pretty good, two, because we're good at partnerships and three because we're not competing with the in-house product. Those are the five advantages. They're all very enduring.

Perlie Mong - Bank of America

Yeah, that's really very many of them. Can you comment on the front-end flows because southbound flows remains very strong. So just anything you could comment on in terms of new-to-bank customers, but maybe also in terms of maybe behaviour, because I think at the half year you mentioned that some customers were still a little bit wait and see, waiting for the uncertainty to dissipate. Have you seen a change in that behaviour?

Bill Winters:

We've seen very encouraging trends. So the client numbers, the net new money and net sales continue strong. We had a surge in net new money in the first half of the year, unusually large share of that went into deposits. And very encouraged to see as we progress through the third quarter that exactly as we said, when Diego and I stood up and went through our half-year earnings, we expect this money to find its way into wealth products as they always have in the past, and that's happening. So it is just a very healthy business.

In terms of client composition, clearly have had a good run with both clients and net new money. That is translating through to net sales, net new sales, and I think that's an enduring trend. The bulk of, but not all of the new clients are coming from our global Chinese population and global Indian population. Those are the two leaders. Okay. That's three of the world's 8 billion people. And a large proportion of the world's wealth and growth in wealth is coming from those markets. So that continues to be a big chunk of our business.

But maybe even more important than the ethnic or national origin of the clients is the fact that they are international banking clients. So we almost always, not always, almost always start with a local bank account, a local wealth management account. So a Chinese client of ours will open an account in Shenzhen and then after a period of time, say we can't market into China for offshore business, they'll say, do you have a bank in Hong Kong? You think I might get a referral? Of course, we're well set up to accommodate that. Or Singapore or Dubai, increasingly interesting one. So the requirements of a multinational wealthy client are quite different than either a local wealth client or an offshore wealth client. They want both, and they want those things connected, and we do that. So that's been the bulk of the growth. There's been two subsets with Indian and Chinese, yes, but also multi-market. Those are the investments that we've made to channel that. Of course, we're still seeing good net new money flows from other ASEAN markets, other South Asian markets, and increasingly in the Middle East. As you know, a big chunk of the Middle East is people from South Asia, a lot of the wealth. But there's also local wealth, which we're beginning to tap in to more, i.e., Emiratis in the UAE and Qataris in Qatar, that we're beginning to tap into as well. So overall, it just feels very healthy.

Perlie Mong - Bank of America

Are you in any way concerned by China macro looking little bit weaker than expected in the second half so far? I think, thematically, one of the themes that's starting to read in Chinese press is consumption downgrade, which is maybe a little bit not so in line with rising middle-class picture that some might expect. Is that something that concerns you at all?

Bill Winters:

At a level, up to a point. But our businesses has evidenced no correlation between GDP growth and levels of activity. In fact, it's probably been inverse so far. It's been inverse because, as China is under economic pressure, they tend to accelerate the opening up of their capital markets faster, and they have internationalised the RMB faster. Given that where we make money is certainly in offshore China, and when we say offshore China, we're disproportionately meaning Hong Kong, but it's now beyond Hong Kong as well. So we're the only bank that has an onshore license for CIPs, the China Interbank Payment System, and an offshore license. So our Hong Kong bank and our Chinese bank respectively. We are, I think by some measure, the leading interbank and client operator in all RMB-related transactions, whether it's payments or hedging, associated derivatives. We have a fully integrated Hong Kong and China team.

A meaningful chunk of the outperformance that we've generated in financial markets has come from China, or RMB dealing broadly. We have Mandarin speakers spread around the globe to serve the Chinese diaspora or Chinese expatriates who are operating in markets across South Asia, ASEAN, Africa, et cetera. None of which has anything to do with China GDP growth. So if anything, it's been the other way around. Now, is a weak China economically a good thing for us? No. We do have an onshore business, which has grown closer to GDP than the 30% that we're growing offshore. GDP is still 5%, but it's not driving our top line. We have a little bits and pieces of local credit exposures and taking consumer loans and SME loans off of some of the online lending platforms, which are showing that consumer sentiment and consumer spending is reflecting in slightly higher delinquencies. Not noticeable, I don't think, in terms of bottom line return for Standard Chartered, but it's obviously something if you're a China watcher. You're seeing that stress. And that stress, it's not a good thing.

The property market continues to be very weak. Thankfully, we have no meaningful residual exposure there. And it was small to begin with. And that which we had, we've provided for very fully. Likewise, Hong Kong, just to be clear. So we see it, we feel it. We would like the economy to be robust. I'll make the bet that the Chinese economy has some reasonably good underlying foundations. So the financial system is still healthy. The problems have been

in the smaller regional banks and the non-bank financial markets. The new economy sectors are extremely competitive, maybe too competitive because they're finding themselves shut out of export markets to some extent.

So I think China's going through a really big transition, but I think they're pretty well positioned to do that in a way that doesn't disrupt the underlying business. In the meantime, tremendous wealth continues to be accumulated in China. When you look at the application of AI into industrial processes and into consumer processes in China, it's extremely impressive. It obviously feels somewhat threatening to the rest of the world as well. But along with that, there are dozens and dozens and dozens of unicorns being created every year, and that is wealth that will eventually find its way into Standard Chartered Bank.

Perlie Mong - Bank of America

Well, fantastic. I've just got one more broad question on revenue. What do you see the natural balance of NII and fee income, which we've talked about a lot in the last 25 minutes? And how do you expect lower rates to impact your income profile? Because if I look at Bloomberg screens, it seems to be suggesting quite a lot of US rate cuts next year.

Bill Winters:

Yeah. Well, and we've been very transparent about the... I'm sure everybody who comes in here has been about our sensitivity to lower rates. I am certainly happy that we've put on a substantial structural hedge over the past four or five years. That doesn't mean it's market timed perfectly, but directionally it's addressing exactly your concern. Higher proportion of our position in US dollars is hedged, lower proportion in some of the emerging markets currencies that are harder to put hedges on that don't introduce accounting volatility. So we're not 100% hedged, 75 or so per cent, but that obviously is a big buffer.

But we've gone from... I think when I joined the bank, we were probably 35% of our income was non-NII, 65% NII. We're now 50/50 or slightly over 50%. The non-NII part is growing faster by design. The NII part is growing slower, not by design. That's just the way it is. I think if we fast forward another five or so years, that trend will continue. Not just because of lower interest rates, but because of the nature of our business. Our non-NII, the income, is growing faster than our balance sheet is growing, and that is somewhat by design. So we're extremely return-focused as a bank. It's showed up in the numbers, and this is approaching 13%, and then progressing beyond that. It happened because we have shifted the nature of our business to not putting on assets that aren't generating a cost of capital plus return. We're certainly not going to move away from that, which, in this market where there are many, many non-bank alternatives to bank balance sheets for some things, I think the proportion of our income coming from non-NII will continue to increase.

Perlie Mong - Bank of America

I think I've covered everything on revenues. So just quickly touching on cost, we've talked about it already a little bit, but your transformation programme Fit for Growth ends in 2026, but you've been very clear that that's not the end point. So how do you think about managing the cost base of the bank beyond that?

Bill Winters:

I think when I joined the bank, our expenses were \$10.5 billion. Seven years later, there were \$10.5 billion, but we made huge investments in our business. We've since grown income quite a bit, and expenses have come up as well consistently with positive jaws. We've done that because the cost-related hygiene in the bank is very consistent. So I think we got through the low-hanging fruit quickly. We invested heavily in the transformation layer, and Fit for Growth is really an acceleration of a number of those transformation programmes.

But over the course of this year and next, we will have completed a migration of our entire HR and payroll infrastructure from Oracle to SAP, cloud-based, cloud-native. SAP gives us awards, if you can imagine, for being super creative and ahead of the curve. This year, we'll complete the migration of our whole general ledger and finance infrastructure also into cloud-native infrastructure. These are seven-year programmes. The core banking system in Hong Kong will be the last two of the big markets that we need to migrate. We've migrated 55 already without incident. We will complete Hong Kong without incident in the early part of next year.

The point is that these are major foundational programmes that put us in a position to be much more efficient down the road, but also we don't have to spend that money again. Now, there will be new things that we have to spend on. We've completely reconfigured our data centres for 70% of the bank, in the Eastern, two-thirds. We'll do the same thing in the West over the next couple of years. We have ongoing investments in cybersecurity. We have ongoing investments in data and AI, so it never goes to zero. But we've had a headwind in terms of completing our foundational spend, which over the next year or two becomes a bit of a tailwind. The hygiene will never go away. Part of a Fit for Growth is thinking about how we use some of the new tools, most specifically AI tools, to identify pockets of inefficiency in the infrastructure. And I'll call it hygiene as opposed to fundamental transformation. But the hygiene should allow us to consistently produce these positive jaws that we've done pretty consistently for the past decade.

Perlie Mong - Bank of America

Fantastic. To bring it all together, let's talk about capital. You've already delivered six and a half billion (dollars) of your greater than eight billion (dollars) capital distribution guidance. So how are you thinking about distributions going forward and the balance between capital for growth, dividends, and buybacks?

Bill Winters:

We've had a pretty complete programme of investment. Again, over my 10 years, we've gone from having discretionary investment of 600 or so million dollars to something that's closer to two billion of cash every year. I wouldn't say that we're at capacity. I mean, if we gave the team another \$200 million, could they spend it usefully? Yes, but you get diminishing returns when you push things too hard. So we have never felt that we were compromising our investment in our business in order to maximise distributions. We've invested what we need to invest in the business. That's always the first priority. That continues to be the case. Obviously, the bulk of our capital returns have been through buybacks. We've had a dividend that's been increasing. As we approach and then pass through book value, of course we will reconsider the balance of buybacks versus dividends. That's a decision that we'll take in February as we get to announcing the year-end results. That's on the table, of course. And we're always looking on the margin at the organic opportunities for us to invest versus capital returns. That will also be a function of how we're feeling about the business at a point. But we've never shirked on the in-business investment, and we won't going forward.

Perlie Mong - Bank of America

And what about the out-of-business investment? Touching on M&A, which is obviously a big thing for Standard Chartered.

Bill Winters:

Yeah, we've done virtually nothing that was completely inorganic, although I would note that we've made very substantial investments frequently with partners in particular ventures. But it's not all in ventures. Some of it is inside the retail business or inside WRB or inside CIB. To me that's a form of M&A, but just investing at book rather than paying a premium.

So when Citibank was selling their Asian wealth businesses, we bid on a few of them. We bid in a way that we thought would generate superior returns to our buyback, and surprise, surprise we didn't win because that hurdle was quite high when your stock was trading at 60% of book. If the Citibank pool came up again today, would we bid? Yeah, but we would be as disciplined today as we were five years ago or so, or four years ago when that came up.

The good thing is when I look at our core strategy, which is cross-border and affluent, just to take those one hyphenated word and two words otherwise, we don't need to do anything inorganic to continue to grow at supernormal rates for a long time. But if something came up that gave us a chance to turbocharge that, that was completely consistent with our financial discipline, yeah, we would look at that, but it's not in our plan.

Perlie Mong - Bank of America

But you operate in so many markets with so many exciting opportunities. So if you were to go for an M&A acquisition, where would you focus on?

Bill Winters:

I mean there are a few areas where scale is your friend and where we think we could leverage the scale that we've got. Securities services is one, we're a, or the leading sub-custodian in a number of the markets across Asia, Middle East, South Asia, and Africa. And our clients are the global custodians. Frequently a GIC or an Alliance will direct their global custodian to use us for sub-custody in Botswana or in Korea. But frequently the client is BNY or State Street or J.P. Morgan or usually those three, and that's fine.

So if there's a way for us to scale up by books to business where we already have the infrastructure in place, in a way that meets our financial returns, we would look at that. We would look at pools of wealth business, if there were pools of clients that we could acquire. We've done little deals. Some North American banks exited their small wealth businesses. It tends to have a bit of a white labelling feel to it. So we agreed to take referrals from home base back into our franchise. That's fine. These are small things, but if one that would be noticeable to you came up, we would look at that; but always with a very rigorous financial discipline.

Perlie Mong - Bank of America

Makes sense. And before I open the floor up for questions, I will just take the opportunity to ask you about digital assets. So Standard Chartered has a number of investments and initiatives in this space, can you talk about your strategy here, and how big an opportunity you think it is? And do you see digital assets, being stablecoins of the likes, as a potential source of disintermediation?

Bill Winters:

Yeah. Our approach to digital assets probably goes back seven years before they were called digital assets or stablecoins, at least not broadly. We were the partner for Facebook when they had [their] subsequently aborted attempt to set up what today might be called a stablecoin-based payment system. And really came to understand the power of blockchain technology in settlements. And I and colleagues reached a very clear view at that time that eventually everything that we do will be settled on blockchains. So it'll start with securities, it'll move to FX and payments and eventually we'll get into real assets. And we just started experimenting with things. And the only place that blockchain technology was actually being used seven years ago was cryptocurrencies. And that's still 99.9% of the transactions that get executed in using blockchain technology are cryptocurrencies, obviously led by Bitcoin, Ether and so on, and XRP.

We took a stake in Ripple around that time thinking that XRP, which is the Ripple cryptocurrency, would be an interesting medium of exchange. Ripple had a great run in this crypto spring because they're seen as having

payment-type technology using XRP or other things that could be very useful. We've got a great partnership with, developed a great partnership with a few of the other highly compliant digital asset companies, Circle for example, who has actually invested in our digital asset payment platform called Zodia Markets.

So what's our strategy? It's offence and defence. The offence is to be at the cutting edge of banks, understanding how this technology can be used, incorporating that into our payment and settlement mechanisms so that we can offer our clients a differentiated and highly efficient form of settlement that they otherwise would have to go outside of the banking sector to get. These are already our clients. They already have all of their pipes connected to us. All of their pipes are connected to our portal. Our portal will connect them to all the pipes that might matter outside, and we are way ahead of the pack in that because we've been investing for years. That's offence. We take market share in our core businesses, which off the back of that comes all the FX trading and everything else. But we take market share by offering our clients a better solution earlier than our competition can, and we're very well positioned for that.

There's also defence. It's not just banks that are thinking about this. Circle, our friend who's invested in our payment platform, is also setting up, and we're a partner in the Circle payment network. This is an alternative to Swift. It's a non-fiat currency payment platform. It doesn't exist yet, but it will soon enough. Circle, as you know, is the issuer of USDC, second largest stablecoin and the largest compliant stablecoin, fully compliant. But they're not alone. Many payment platforms will try to compete with the existing rails, and if we're not there at the heart of that process, we could be disintermediated.

So there's offence, which is take market share, and there's defence, which is protect the existing position. We're very well positioned in both, but as I say to my colleagues every day, being a thought and action leader at the early stage of an evolution of where there's no money to be made because nobody's making any money today. You're not seeing it on our bottom line. That's worth nothing if you don't turn that into a profitable business stream down the road. So we're completely focused on monetising the lead that we've got right now, and I'm quite confident we can do that.

Perlie Mong - Bank of America

Fantastic. We've just got a few minutes left for a quick question from the audience. If anybody's got a question for Bill? That lady over there.

Speaker (Audience):

Thank you. Quick question, your new CRO, has he started and if so, has he identified anything to change or improve? And then in terms of asset quality, we could see a bit of a pressure on the grade 12 credit. Any specific concern on your side, please? Thank you.

Bill Winters:

Yeah, well our new CFO, I think two years ago he started so he is not so new and he, sorry? Oh, CRO, sorry, sorry, sorry. Yes, he's still pending approval, Sadia Ricke is our current chief risk officer. She had a personal issue; she'll continue to work for us. She had to move to Boston; there you go. You can't do that job from Boston. She can be in our US risk committee, which our de facto US management team. So we're keeping our hooks in Sadia. She's fantastic. And Jason has been in the bank for five years, working. He was the deputy chief risk officer. He's very familiar with the bank. I expect no change in terms of that transition and certainly no identification of problems. I'll say, "We're clean as a whistle," which is not to say we don't have issues that we face all the time, but there's no issue at all on the risk side.

And the CG12, which did increase in the second quarter, had no particular consequence for the overall quality of our credit book. So you noticed that that wasn't associated with a material increase in ECL and or other provisions. That had to do with the reclassification of some certain, in particular sovereign exposures relating to shifts in ratings. There's a lot of things to worry about with Standard Chartered Bank, at the moment, for the time being, risk and asset quality is not one of them.

Perlie Mong - Bank of America

That's great. Thank you so much, Bill for joining me this afternoon. I think I'll just draw the session to a close now. Thank you very much, and I look forward to seeing you very soon.

Bill Winters:

Thanks for having me.