

Standard Chartered's first quarter 2023 results presentation

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(Amended in places to improve accuracy and readability)

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

Good morning and good afternoon. Thanks for joining our first quarter results call today. I'll make some opening remarks, and Andy will talk to the numbers before we do the usual Q&A.

Our first quarter results were strong. And despite the challenging external environment, income was up 13% to \$4.4 billion. And underlying profit before tax improved 25% to \$1.7 billion. This is our highest first quarter profit since 2014. Return on tangible equity was up 170 basis points to 11.9%. We've also made really good strong progress on each of our strategic initiatives, growing our Network business, our Affluent client segment, and Sustainable Finance income while accelerating the growth of our Mass Market Retail business. This has led to growth in non-interest-rate-sensitive Financial Markets and Wealth businesses from the dip we experienced through the middle of last year, allowing us to fully capitalise on our interest rate exposures while positioning us for strong growth for the remainder of the year and beyond.

And we had a particularly strong quarter in our Financial Markets business, approximately matching our record performance from last year's first quarter. We've capitalised on investments we've been making to broaden our capabilities and serve clients with the broadest range of risk management and financing options across our markets. As Andy will describe in more detail, we think this bodes well for ongoing growth in that business line. During March I was in Bahrain, Singapore, China and Hong Kong, and the key takeaway from this trip is that activity in Asia and the Middle East remains robust despite the recent banking sector concerns in the U.S. and Europe. The recent reopening of China is pushing activity levels higher. And this is continuing to show in our numbers with China offshore income up 67% so far this year.

Leading indicators of China reopening, such as new client acquisition, support our optimism for performance over the rest of the year. We expect the China recovery to continue, which should help offset the impact of a Western slowdown on Asian economies should that occur. We've not seen any material impact on the Asian financial system from events in the west, nor do we expect to do so. The recent banking sector turmoil feels different to the global financial crisis. Post-GFC regulation means banks are carrying much higher capital and liquidity levels. The bank failures we saw suggest this was a crisis of confidence in a few institutions, not a broader solvency issue.

Regulators acted swiftly and decisively in providing liquidity support where needed. And this appears to have prevented broader contagion. Going forward, we believe central bank objectives will be best met through more consistent regulation across banks and between banks and non-banks, as well as by providing further clarity to the market on the availability of central bank funding to address liquidity challenges in otherwise solvent banks. We see no indication that our business model is challenged and nor are there any gaps in the way that we're regulated or in our access to central bank funding should we ever need it. Our balance sheet and liquidity profile are very robust. We've provided more disclosure on those topics, which Andy will cover in some detail.

We've navigated the market turbulence well but we're not complacent and we're watching closely for any signs of further pressure that may emerge. Following the strong first quarter performance, positive momentum and encouraging leading indicators across our businesses and markets, we're firming up our guidance on income growth to be around 10% for this year. The top end of our 8% to 10% range previously mentioned. We think we'll accomplish this as we expect higher other income due to increased confidence in the outlook despite lowering the NIM guidance by 5 basis points to around 170 basis points

in 2023. This revised NIM outlook comes in part as we have deliberately chosen to run with strong liquidity positions in these challenging times.

So to summarise, we're delivering on our strategy and commitments. We're optimistic on the outlook for our footprint markets. We're mindful of the external macro headwinds and recent challenges in the banking sector. But our balance sheet is robust and we remain confident in the ability of our franchise to deliver our RoTE targets.

So with that, I will hand over to Andy and we will both be back at the end for some Q&A.

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>

Thank you, Bill. Good morning, and good afternoon to everybody joining today.

Before going through the numbers, I wanted to reinforce Bill's comments. Having spent time recently with the Board and with our Management Team in Asia, whilst there remain broader challenges in the global economy, our footprint markets feel to be in a different place to the west. We continue to expect higher levels of GDP growth in Asia versus the west in both 2023 and 2024. Footprint activity levels are picking up in part due to the recent recovery in China. We also expect business sentiment and activity in our footprint to be less impacted by the fallout from recent banking sector challenges seen in the west.

Before I get into the numbers, can I remind you that we recently published the re-presentation of our financials, reflecting the move of the Africa and Middle East exit markets, the aviation finance business, and DVA movements into restructuring and other items. Comparisons in my remarks are unless otherwise stated to the re-presented financials and on a constant currency basis.

So to the numbers on slide 6. As Bill has already mentioned, income of \$4.4 billion was up 13%, ahead of our 8% to 10% guidance range, representing the Group's best first quarter income performance since 2015. On a statutory basis, net interest income was up 18% year-on-year, to \$2 billion as liability-led businesses of Transaction Banking Cash and Retail Deposits benefited from rising rates. Other income was up 9% to \$2.4 billion. Expenses of \$2.7 billion were up 10%, reflecting the impact of inflation and staff cost increases, supporting business initiatives. Income-to-cost jaws were 3% positive in the first quarter, and we remain confident in our ability to deliver 3% positive jaws in 2023. Loan impairments of \$26 million were significantly lower year-on-year. In the Associates line, the profit from Bohai was down, but this was already anticipated in the impairment charge we took in relation to Bohai at the end of 2022.

Together, these movements generated an underlying profit before tax of \$1.7 billion, up 25%, our best quarterly profit performance since 2014. We therefore delivered an underlying return on tangible equity of 11.9%. The balance sheet is strong, liquid and well-diversified. CET1 of 13.7% is towards the top end of the 13% to 14% target range after the full impact of the \$1 billion buyback announced at the full year 2022 results. Our liquidity coverage ratio was up 14 percentage points in the quarter to 161%, the highest level we have reported.

Looking at income in more detail on slide 7. As I mentioned earlier, total income grew 13% in the quarter. Transaction Banking, Cash continued to benefit from higher rates, supported by pricing discipline and pass-through rate management with income almost tripling year-on-year. Trade, on the other hand, was down 3%, impacted by lower global trade flows, challenging credit conditions in major markets and margin compression.

Retail Deposit income more than tripled year-on-year, supported by rising rates and well-managed pass-through rates. Mortgage income was down 52% as market dynamics, including the prime cap in Hong Kong led to margin compression and lower volumes. CCPL income was up 2% on higher credit card balances and fee income. Negative income in treasury reflected the \$298 million loss on our structural and short-term hedging positions in a higher rate environment, as well as higher external funding costs and lower realisation opportunities given higher market yields. Lending and Portfolio Management was broadly flat as higher fee income was partly offset by low volumes and a higher cost of funds on undrawn commitments.

Lastly, through the markets lens, we saw some strong performances with Hong Kong and Singapore, our two largest markets, being particular standouts with income growing 33% and 40% respectively. I'll talk more about the opportunities we see in Financial Markets and Wealth Management later.

Now looking at net interest income in more detail on slide 8. First quarter net interest income after adjusting for the trading book funding costs was \$2.3 billion, up 36% year-on-year as the average adjusted net interest margin increased 34 basis points to 163 basis points. Quarter-on-quarter, the net interest margin was up 5 basis points, as a 14 basis point benefit from higher rates was offset by a 3 basis point impact from net hedging positions, 3 basis points from CASA to TD migration and 3 basis points from higher Treasury balances.

The negative impact on net interest margin from our hedging positions was reduced by the roll off of 60% of our short-term hedges in the quarter. The remainder rolls off by February 2024, which will be a further benefit to NIM. The cost of funding in the trading book in the first quarter increased to \$352 million, primarily reflecting increased cost of funds. And we now expect the trading book funding adjustment in 2023 to be around \$1.7 billion. This increase has no impact on adjusted NII, but enables us to continue to invest into our high-returning Financial Markets business. We are broadly comfortable with the current implied adjusted NII consensus.

We have reduced our NIM outlook by 5 basis points to around 170 basis points in 2023 and then expanding in 2024 to around 175 basis points. This NIM change reflects both updated forecasts and our decision to deliberately operate with higher liquidity levels at this time.

Looking at Financial Markets in more detail on slide 9, Financial Markets made a good start, finishing the quarter strongly on higher trading gains and widening spreads as volatility rose in March. FM income on a headline basis was lower by 5%. But adjusting for the one-off gains on mark-to-market liabilities of \$94 million in the first quarter of 2022, the underlying performance was up 1% compared with a record quarter for FM last year. The recent stress in the banking sector demonstrates that uncertainty and volatility have not gone away. This is expected to support FM flows and performance going forward, increasing our confidence in the overall outlook.

This market uncertainty drove client flows and wider spreads with strong double-digit year-on-year growth rates in Rates and Credit Trading against a strong comparative period. Around 70% of FM income came from more stable flow income generated by client liquidity and exposure management, including the business flows into FM from Transaction Banking. Flow income, which is more sustainable relative to episodic income, was up 15% year-on-year, which will support FM's performance in 2023.

Now focusing on Wealth Management. On slide 10, income of \$511 million was flat year-on-year against a strong prior-year comparator and is recovering well from a slow second half of last year. Treasury products had a strong start offset by lower Managed Investment and Wealth Lending as equity markets remain challenging. Bancassurance was broadly flat against the strong prior period. The post-pandemic reopening in North Asia has laid the foundations for an ongoing recovery in Wealth Management over the coming quarters. In Hong Kong and China, we saw double-digit growth in Bancassurance and Treasury products with overall Wealth income up in both markets year-on-year. We are seeing strong traction in leading indicators such as client onboarding with new-to-bank Affluent clients up four-fold in Hong Kong and doubling in China relative to the first quarter of 2022. Having onboarded new clients, we will focus on monetising these relationships going forward.

We are well-positioned as a top 4 wealth manager in Asia. The post-pandemic reopening in our markets is supportive and the longer-term structural drivers of Asia wealth remain compelling. This gives us confidence that our Wealth Management business will continue to grow going forward.

Now turning to expenses on slide 11. Costs were up 10%, resulting in 3% positive jaws in the quarter, in line with our full year guidance. The cost-to-income ratio improved 2 percentage points to 61%. Inflation of 5% and higher staff costs in support of business initiatives, particularly in China, FM and Retail were

the main drivers of the cost line. We continue to invest in the business with investment spend up \$72 million and a further \$27 million going into Ventures, supporting portfolio growth and Trust Bank in particular.

Investment spend was broadly offset by \$128 million of cost savings. To date, we have delivered \$0.6 billion of our \$1.3 billion cost efficiency programme. We are committed to managing costs tightly to ensure that we meet our full year jaws guidance of 3% in both 2023 and 2024. We expect jaws to widen if income outperforms current guidance.

Moving to credit on slide 12. Impairment of \$26 million was down \$172 million year-on-year, reflecting our disciplined and proactive approach to risk management in a challenging macro environment and volatile markets. In Retail, the \$62 million charge was net of a COVID overlay release of \$12 million. In the sovereign portfolio, there was a net release of \$23 million. We continue to monitor sovereign risks closely in several markets and are taking assertive management actions to reduce our exposure should further defaults occur. Consequently, we think the impact of a Pakistan default on CET1 would not be material.

On China Commercial Real Estate, whilst we have seen favourable policy measures in support of sectoral liquidity, some risks remain until buyer confidence returns more fully and sales materially pick up. In terms of forward-looking indicators, high-risk assets were broadly stable in the quarter. Early Alerts were up \$0.4 billion, reflecting new inflows relating to a select number of clients, while CG12 accounts and Net Stage 3 together reduced by a similar amount.

Switching to the balance sheet, a topic of significant market interest in recent weeks, firstly, on slide 13. Underlying customer loans were down 1% quarter-on-quarter, reflecting lower mortgage balances as market conditions meant writing new business was economically unattractive.

Now to the topic of the moment, deposits. Our customer deposit base was stable throughout the quarter with no unusual trends observed in recent weeks. In the first quarter, we saw \$3 billion of Retail inflows and \$1 billion in Financial Markets, offset by \$4 billion of business-as-usual month-end outflows in Transaction Banking, the majority of which returned shortly after the period end. Given the market focus on deposits and liquidity risk management, we have provided some additional disclosure in the materials. Our deposits are well-diversified by market, segment and industry. And we have not seen any impact from the recent issues in the banking sector.

As you can see on slide 14, no single market contributes more than 30% of our deposits. We have grown deposits at a stable CAGR of around 5% since 2008 through both market and idiosyncratic stresses. As most of our deposits are in Asia, Africa and the Middle East, we did not expect nor did we see significant deposit movements in our markets as a result of the recent banking sector challenges. Our global Transaction Banking franchise provides access to both U.S. dollar liquidity given the U.S. dollar remains the main currency of global trade and high-quality and sticky corporate operating account balances.

Operating accounts were nearly half of all CCIB deposits and around 65% of our Transaction Banking and Securities Services customer balances. In terms of deposit insurance, schemes in our main Retail markets are simply less generous relative to those in the west, where we do not have a significant presence in Retail, SME or local corporates. Our weighted average deposit insurance in footprint markets is one fifth of that in the U.S. and half that in the U.K.

Turning to slide 15. Our deposit migration and beta outcomes remain in line with our expectations and within our prior guidance. The increases in deposit betas and CASA to time deposit migration over recent quarters simply reflect the ongoing rate hiking cycle. Whilst we have seen migration from CASA to TDs, we have broadly maintained overall deposit levels in recent quarters. It's worth remembering that time deposits remain good quality liquidity despite being generally more expensive than CASA. Further disclosures on the balance sheet are in the presentation materials. It is also worth noting that most of our assets are of short duration, which provides a high degree of flexibility, if needed, to navigate periods of dislocation or stress.

Finally, onto capital and RWA on slide 16. Risk-weighted assets were up \$6 billion or 3% in the quarter to \$251 billion. Asset growth and mix changes contributed around \$4 billion of risk-weighted asset growth mainly in Treasury and FM. Credit migration of \$1.8 billion was mainly due to further sovereign downgrades. There were \$1.8 billion of efficiencies delivered in the first quarter, half of which were in CCIB. Market risk weighted assets were up \$1.7 billion, reflecting increased positions in the Rates and Credit businesses. The CET1 ratio of 13.7% declined 25 basis points in the period as first quarter profits were more than offset by the \$1 billion share buyback programme announced at our full year results, other distributions, including the interim dividend accrual and RWA growth. The recent rally in rates in the first quarter also led to a reversal of some prior FVOCI losses in our Treasury portfolio as bond prices increased as yields fell. Our \$1 billion share buyback is progressing well. Including this, we have announced total capital returns of \$2.8 billion since full year 2021 against our full year 2024 target of more than \$5 billion.

So, in summary and looking ahead on slide 17. The Group delivered a strong performance in the first quarter. Our footprint markets are expected to outperform the west in terms of growth and activity levels. Our diverse franchise is underpinned by a robust balance sheet, which is well capitalised, highly liquid and well-positioned to navigate ongoing challenges in the global economy and the financial sector. Income is now expected to grow at around 10% in 2023 with a slightly lower rate of increase in our NIM being more than offset by the momentum in Wealth Management, the progressive benefits of China reopening and increased confidence in the FM business, reflecting the strength of client-driven flow revenues. We expect 2024 income to grow in the 8% to 10% range and the NIM to be around 175 basis points.

We expect to deliver 3% positive income to cost jaws in 2023 and 2024. The estimated impact of FX is presently a \$200 million headwind to income and a \$100 million expense tailwind. Our loan-loss rate will continue to normalise towards our historical through-the-cycle 30 to 35 basis point range. We will continue to operate dynamically within our 13% to 14% CET1 target range. Putting all of this together, we are confident in our RoTE approaching 10% this year, exceeding 11% next year and with further growth thereafter.

So with that, I will hand back to the operator for Q&A.

Question and Answer session

<<Operator>>

Your first question comes from the line of Guy Stebbings from BNP Paribas.

<<Guy Stebbings - Banks Equity Analyst, Exane BNP Paribas>>

The first one was just on sort of jaws guidance and on reflection, given the upbeat commentary on revenue and favourable guidance and revisions there. Just trying to understand why the jaws guidance is still unchanged, also after what was an okay quarter for costs, certainly slightly better than consensus. So, can you just talk through why you aren't upgrading the jaws guidance given the revenue improvement? And how should we think about cost evolution this year? Is it just simply too early to raise that guidance? Or is there some incremental cost pressure versus when you struck the guidance? And should we be mindful perhaps that if it's Financial Markets then Wealth revenues, which are doing more of the heavy lifting then performance-rated pay could be higher than, say, NII-driven? And then the second question was just on RWA, which came in a bit higher. You referenced asset growth and mix and asset quality to drive the increase. But it wasn't meaningful loan growth. And asset quality in general seems to be quite constructive. So perhaps you could just give a bit more detail as to what happened there and how we should think about evolution for RWA for the rest of the year?

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>

Okay. Shall I pick those up. So thanks, Guy. So, on the jaws, as we have said before, the higher we can go on income growth, the more favourable that is for jaws. And you clearly saw that last year where we

had a jaws improvement of 6% off a very high-income print. At the start of this year, we said 8% to 10% on income both this year, next year and around 3% on jaws. We have slightly upped the income guidance, as you know, to the higher end of that, to 10%. So we've moved sort of 1 percentage point, from the middle of that range. And the exact precision of what that will do with jaws to the nearest sort of 0.1% is sort of difficult to forecast. What we have said is we do think the 3% should be there this year. And if we can end up with income higher than what we've guided today, then I think that would be definitely positive to the jaws that we have guided to. So, tight control on cost, we are very focused upon this. And I do think if you step back and look, I think slide 11 shows the 6% jaws we got last year, the 3% this year could be more depending upon income, 3% next year. The collective of all of that is huge operational leverage in this business. I mean, it really is very, very significant. It takes cost income ratio down quite dramatically over a 3-year period. So, I think bottom line is that 3% is something that we should deliver this year. And if we do manage to get income above the range, then hopefully that could be additive to that.

On the risk-weighted assets, lots of moving parts in there as ever. I would not read anything at all ominous into what we've got here. We have got some optimisation efficiency gains in the first quarter. We have got more to come over the balance of the year. We have seen loans in advance a little bit flat partly because mortgage growth has been less. That has got a lower risk-weighted asset density. And hence that doesn't manifest itself so much in the risk-weighted assets. We are confident that low single-digit growth both on loans and advances and RWA is where we should end up at the full year. And therefore, this is well under control. We are monitoring it carefully. And it's very integral to the overall driver to get the RoTE of the business up. So it has huge focus within the business.

<<Operator>>

Your next question comes from the line of Joseph Dickerson from Jefferies.

<<Joseph Dickerson - Head of European Banks Research, Research Division, Jefferies LLC>>

Just a quick question when thinking through the balance sheet here. So, the LCR looks to be an all-time high at 161%. ADR looks like, at least so far as I can see, almost record-low, 56%. Cash up, whatever it is, 28% quarter-on-quarter. I mean how do you think over time, let's say, over the next 18 to 24 months, how do you see that LCR evolving? And kind of how have you thought about that in the NIM guidance? Have you just assumed it's kind of static on where it is today? So the 3 bps drag just annualises through? I guess what would you do if things stabilise in terms of the backdrop, would you be looking to bring that LCR back in? Or is this kind of a permanent reset in the LCR? That's the first one.

And then secondly, just on the HIBOR rate sensitivity. So you said at your full year results, I think something like minus 50 bps in the HKD bucket was something like negative \$20 million of income. So basically kind of broadly in control. Has the HKD bucket over the course of, let's say, in the first quarter, have you become perhaps liability sensitive in HKD terms or not? I'm just trying to think through how movements in HIBOR now impact your business because it's been historically rather significant, but it seems like you're pretty neutral now. So I was just wondering where you are in the first quarter on that.

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>

Okay. Let me pick those up. Obviously what we are seeking to do here is to get the RoTE of the group up, but in a safe manner. And clearly, over the last quarter, we have seen turbulence within the sector. And as I'm sure, with most banks just making sure that we are strong on liquidity metrics is important. And as you've seen today, we printed very strong liquidity metrics, very good deposit metrics, et cetera. So I think the first point is we do feel that we have navigated through that period well. Secondly, as is implied in the NIM guidance or explained in the guidance, we have taken a view that we may run with slightly higher liquidity for a period of time. That is not hugely RoTE dilutive. It is actually something which just provides us a bit more of a cushion as we go through the next period of time. And if there are any other uncertainties, un-predictabilities out there, at least we will sit there well-covered from a liquidity point of view. I think taking a view into 2024 is more tricky. So at the moment, we've sort of said probably let's think that we run a bit more liquidity over the next 15, 18 months. If the market enables us to relax that a little bit, then maybe there is a little bit of sort of RoTE enhancement to come from that. But I think as a

basis for funding the business for us, it feels like the right balance between being safe, being liquid and getting the returns up.

On HIBOR, the answer actually is pretty similar to last time because we are pretty well-matched on both the asset and liability side. We don't have a huge sensitivity to rate changes there. I mean if they're extreme, obviously, that could be more the case. But in the round, it is still relatively balanced and rate insensitive on HIBOR.

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

So let me just comment on the liquidity point. Of course, everything Andy said is absolutely correct. We haven't had to force anything in the first quarter. So we allowed our LCR to move up from the year-end period on the back of sort of natural business flows. And that I think will continue to be the case. So obviously we can redeploy that liquidity assertively, and we chose not to, given the backdrop. I think it's an important distinction to make between having to take overt actions to bolster our liquidity position, which is not the case versus allowing natural business flows to give us the opportunity to strengthen liquidity. Of course, there's a relatively small cost to that. It didn't impact the quarter overall. We don't think it will impact the year overall. But there's some opportunity costs and that's one that we're very happy to bear during a time when the ultimate outcome, both in terms of market assessment, but also in terms of regulator assessment around liquidity requirements is still a bit fluid. So, we're sitting here very comfortable with very strong underlying income momentum with a strong liquidity position, no particular pressures. But as we said right up front, not complacent at all about what could evolve from here.

<<Operator>>

And your next question comes from the line of Alastair Ryan from Bank of America.

<<Alastair William Ryan – Research Analyst, Bank of America>>

So two questions, please. One on loan growth. So absolutely fair in the quarter, the dynamics of Hong Kong mortgage pricing are a bit weird. But structurally, the Chinese market, your biggest single book, how do you find ways of getting back to growth specifically in Hong Kong, but also more broadly, I mean it's a growth business in the end? And secondly, just to press on the LCR and the NIM. I mean, it didn't come across that anyone felt there was a liquidity or funding or deposit issue at Standard Chartered, why would you run with more? I mean, I think to Joseph's comments, I mean you quote an outlier and having had an awful lot of liquidity and a very low loan-to-deposit before. Given the margin, it's quite a sensitive topic for the shareholders, sort of no margin expansion from here over the next two years is not ideal. I appreciate that Other income is growing strongly, but just to press on why so much liquidity.

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

Yes. As Andy said and as we've said for quite a while now, we pick up the Hong Kong question first, we're focusing on returns. And we've been able to generate very strong growth despite the focus on returns, right? Let's be clear. We had 13% growth in the first quarter, and we're forecasting 8% to 10% growth over the next couple of years with 10% this year. So I don't think we're lacking in either growth ambition or actual growth delivered.

When we get to the situation in Hong Kong, as we were in four parts of last year and then early this year, where margins just compressed significantly because of the dynamics really in the Hong Kong money markets, and you've all seen the quite extraordinary movements in HIBOR versus LIBOR. Obviously, the currency has been under a little bit of pressure dealt with perfectly adequately by the HKMA monetary programme. But at a time when putting on additional mortgage assets is not accretive to returns, we don't feel compelled to do that. We've got a strong market share. We've got a very strong position in Hong Kong. Our client profile is very strong and getting stronger from what we can see. So we don't feel the need to participate in a returns anti-accretive or dilutive way in the Hong Kong mortgage market. Now that said, if that were to go on forever, we'd look at the importance of having mortgages as an anchor product, as we always do. And we'd accommodate. We didn't stop approving any mortgages in the first quarter. I think the Hong Kong housing market is also improving markedly. And obviously, after a very difficult time for a couple of years the demand for mortgages is coming back. We've maintained our share, and we'll

continue to maintain our share in that market, and we'll be able to do so profitably and accretively, just not in the first quarter. So I wouldn't read too much into that.

In terms of other areas for growth, we're seeing good early-stage growth in the rest of our consumer credit portfolio. And the various partnerships that you've heard us talk about over the past few years are kicking in. The Nexus programme in Indonesia is active, although not actively marketed as yet but active for the liability side of the balance sheet. For the asset side, we expect to get final regulatory approval very shortly. But our other consumer credit partnerships across ASEAN, including Singapore, Vietnam, Malaysia and Indonesia, are active and performing well. The asset side of our digital banks, Mox and Trust, is kicking in well with good balance sheet growth, and that will support our growth in other assets over the coming quarters.

Maybe I can pick up on the, are we running too much liquidity. That's a very subjective question. And I can tell you, with the benefit of hindsight, when we look back on this year from now, we may say, yes, we could have deployed a little bit more of that liquidity a little bit sooner. But Alastair, when you got, frankly, so many things going well for us right now, the underlying business is really performing at or better than we would have hoped in virtually every single regard. To screw that up by being distracted by some sort of liquidity blip would be really a dumb thing for management to do. So we could be accused, possibly with the benefit of hindsight of being a bit on the cautious side. But if we can be a bit on the cautious side, producing a 11.9% Return on Tangible Equity and then growing above 11% next year, et cetera, et cetera, I feel pretty good about that outcome.

<<Operator>>

Your next phone question comes from the line of Perlie Mong from KBW.

<<Perlie Mong - Research Division, Keefe, Bruyette & Woods Limited>>

Can I just ask two questions. First one is on NIM. So you've moved NIM guidance down based on higher liquidity. Can I just get more colour on what the updated forecast relate to? Presumably, they may be around U.S. rate because obviously the market is assuming something like maybe 1% down over 12 months. So are your targets incorporating that? Because it doesn't sound like you've changed deposit migration or beta assumptions.

And then I guess, secondly, is on Impairment, it's very low this quarter. So obviously, I noted that there are some sovereign releases. But even accounting for that, the underlying is pretty low. So what's driving the charge so low? And why as a result of that are you not changing the guidance that you've given previously?

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>

Yes. Okay. Let me take both of those. So the NIM we have shaved from 175 to 170 current year. I guess one should see that against the backdrop of 140 last year, so still significantly up but just slightly lower. And as you say, really two reasons for that, one, liquidity, which we just talked about and the other is just refining the outlook. I mean, every quarter we will refine the outlook. And there are minor changes in growth rates in individual markets, product mix changes, things like that. The betas as you say, are behaving very much as we had expected them to do. So that is not the feature in there. But at the end of the day, we're talking about very, very small numbers of basis points. But when you put that together, we feel 170 basis points is the area that we will be likely hunting in.

On the Impairment, it is definitely an encouraging start to the year. That is a very low charge, self-evidently, relative to the size of our book and compared with our history as well. I think the two areas where we took charges last year, the China Commercial Real Estate and the sovereigns, we have reassessed both of those, and we actually think where we were marked at the end of last year, give or take, is appropriate still at the end of March. So not seeing by inference a deterioration in that space. And the rest of the book is behaving well, not by chance. I think that's a consequence of a lot of things we've done over several years to really get the book in a better space. It is difficult to forward forecast credit impairment. And therefore, we're just being a little bit cautious for not updating the guidance at this point in time. We will see how the second quarter goes. If we have another second quarter that's as well as the

first quarter, then I suspect we will be changing the words on the guidance, but let's not get ahead of ourselves with that. It's just a good start to the year. And let's keep the fingers crossed that that continues over the remaining quarters of this year.

<<Operator>>

I'd like to now hand over to Gregg to begin our webcast questions.

<<Gregg Powell – Group Head, Investor Relations, Standard Chartered>>

Thank you. First question from the line of Robin Down at HSBC. It's a 3-part question. "First, can you perhaps talk a little bit about how you assess the trading book funding cost? It's quite a substantial uplift for the 2023 estimate. And while I understand it should be revenue-neutral, it does mean a growing gap between adjusted NIM and reported, what's changed?" Second part of the question, "Is there any update on the sale of the aircraft leasing franchise? Is that likely to complete this year?" And the final part of the question, "I'm interested in the growth in new account openings in Wealth Management. But without absolute numbers, it's difficult to know how important that is. Are you flagging it because it's a signal of confidence in the Wealth Management backdrop? Or would those account openings have a meaningful impact on half two revenues?"

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>

Okay. Let me pick up the first of those, the trading book funding cost. So first of all, context, trading book is sitting in the Financial Markets business. Financial Markets business, as you know, has been growing very steadily for us over a period of time. It is a high-returning business. It is a sort of a 17% or thereabouts RoTE business. And what we have seen during the course of the last several months is continuing high demand for the products. From there, the funding cost adjustment is sort of a tricky bit of accounting, if you like. So we had guided to \$1 billion of adjustment in February. We're now saying it's \$1.7 billion. How would I look at that? The best way I think to look at this is how we fund the trading book. We have got different types of funding available to us. Some of those are drawings from our banking book managed by our treasury team. Some of it is repos, structured notes, et cetera, within our Financial Markets business. And the mix of how we fund it between those two depends upon client demand, it depends a little bit on market dynamics. What we are saying is that we see a slightly stronger mix towards treasury and drawings from our banking book and a slightly lower mix coming from the other areas as we now look at the year going forward. That we will monitor. But at the end of the day, it is all about whether the returns overall are justified. And if we are not making the returns on those, then we won't be borrowing that money from the banking side. If we are making those returns, we will be making that money. And consequently, this latest estimate is an updated view, and it is what is in support of what we see as being good growth in our Financial Markets business. Remember, the Financial Markets business in the first quarter is down 5%, but there was a one-off last year. If you normalise for that, it's 1% up, and that is against a record quarter in Financial Markets a year ago. So at the end of the day, it is a change in that number, but it is a mix change. There's nothing more than that, and it is in support of the business that is growing very, very strongly.

On aircraft leasing, your second question, we are mid-process in looking at the options for that. And I would certainly hope by the end of this year, that we will have concluded that process, if not a bit earlier than that. So I can't comment any more on it at this point in time.

On new accounts, we have seen, as I said in my script, quite a significant increase in new account openings. I understand that it's sort of quite difficult to get one's mind around what the financial impact of it is because it is the accumulation of many accounts and the accumulation of the deposits and the assets that go with those. In the half year, I think we'll give more of an update when we've got a fuller set of disclosure as to what is going on in there. But a fourfold increase in Hong Kong, doubling in China is certainly very encouraging as we look to the balance of the year.

<<Gregg Powell – Group Head, Investor Relations, Standard Chartered>>

Okay. Thanks, Andy. The next question comes from Jason Napier at UBS. It's a 2-part question. First part, "With rates down everywhere since the full year result, what accounts for the increased cost of funding the trading book from \$1 billion to \$1.7 billion. Second part of the question, timing for release of

sovereign and China CRE overlays. I appreciate retained guidance for FY'23 loan losses, had wondered why are you retaining those overlays given the environment and stage of the year?"

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>

Okay. So I think maybe I have answered in part the first question. So I would look at the change from the \$1 billion to \$1.7 million about the mix change slightly more that's being borrowed from the banking book and less from structured notes and repos, et cetera. So it is much more about mix than anything else.

Timing of release of sovereign and China CRE overlays, we do an assessment in detail regularly, and we go through looking at each of the exposures and deciding what we need to do with them. So the result at the end of March is an update of that review. We are still carrying about \$170 million of overlay for China Commercial Real Estate in total. We have provisioned of our \$3 billion total exposures to China Commercial Real Estate, just under one third of that in aggregate over the last couple of years. And we still think having done a detailed review account by account that, that is the appropriate space to be. It will obviously be interesting to see over the coming months whether demand in the sector starts to pick up in response to all the policy actions that have been taken. But at this point in time, it is an account-by-account bottom-up review, and we are comfortable we have marked it to the right place.

<<Gregg Powell – Group Head, Investor Relations, Standard Chartered>>

Thanks, Andy. Next question comes from Manus Costello at Autonomous. 2-part question. First part, "Your slides note that you are the sixth largest global U.S. dollar clearer. Do you think this strong market position in dollar clearing makes M&A activity more challenging for Standard Chartered?" And the second part to the question, "Should we interpret Bill's comments on the LCR as meaning that some of the mix shift you implemented in 1Q is a front-loading of expected regulatory changes to the LCR?"

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

Let me take a stab at this. Thanks, Manus, for the question. I think our position as a very strong U.S. dollar clearer and obviously an important component of being a global network bank would net-net be seen as an asset by pretty much anybody that would be interested in doing anything with Standard Chartered starting with clients. Obviously you can't speculate on what would motivate a different buyer or a merger partner, whatever, in an M&A transaction. But I guess implicit in your question is, does the fact that the U.S. dollar has been I think, the term that some people have been using is 'weaponised' in the context of geopolitical tensions, will that impede some buyers from being interested in working with Standard Chartered that might otherwise be interested? I guess the question I'd have to ask is what would motivate those buyers in the first place. And what other obstacles might there be if the fundamental concern is around geopolitical tensions and role of host countries in the world. So I don't know what the answer to that question is. I suspect that there are some people that would not be interested in doing anything with Standard Chartered Bank for geopolitical reasons. And there are other people that would be very interested in doing things with Standard Chartered Bank despite geopolitical tensions. Thankfully, none of that matters because all we're doing is focusing on running our business in the best way that we possibly can. And I'll give ourselves reasonably high marks for the progress that we've made so far. This is not a big preoccupation for us one way or the other. But it's a fair question.

On the regulatory changes, I mean, who knows? So in my upfront comments, I made a bit of an exhortation to regulators to take two steps on the back of the turmoil that we've seen. This is very early stage in this debate. It's going to take years, I think, for this to fully play out. I want us to harmonise regulation between banks. The most obvious example of that is within the United States where different banks are treated differently and obviously had very different outcomes in terms of, in particular, liquidity regulatory requirements. So I assume that those will be harmonised very quickly. And every indication is that they are. One way or another. But second, for the Basel Committee in other words to take a hard look at regulation between markets where there's been divergence between regulators in different markets, and that creates gaps, and it creates gaps and understanding even apart from gaps in reality. And I would encourage regulators to redouble their efforts to the Basel Committee to have a consistent regulatory platform. It becomes quite important for us given the breadth of the markets in which we operate and the different regulatory standards that we experience. The second though is to ask the question, what's the right answer here? Should banks be increasing their LCRs for net stable funding ratio or as an alternative? And I think in some cases that will be the regulatory reaction. Thankfully, we've got

huge buffers above what any kind of a regulatory minimum would be. Today, as Alastair helpfully pointed out earlier, the interesting alternative though is can Central Banks take a different approach in terms of the way they provide liquidity to the market. Unfortunately, the provision of Central Bank liquidity was highly uncertain as we went into the crisis in the U.S. banks and with Credit Suisse. And then some of the actions that Central Banks took were initially leading up to the crisis point, somewhat vague. And then they had to come in with the big gun afterwards, offering very large concessionary funding programme to U.S. banks. And then obviously, orchestrating the sale of Credit Suisse along with the wipeout of AT1 to UBS. Those aren't good outcomes, right? Those are bad regulatory outcomes. And I have to think that the likelihood of a bad regulatory outcome would have been reduced had there been clarity around the liquidity that Central Banks would provide against eligible collateral ahead of the crisis in a relatively non-stigmatised way. So this is an enormous concern about moral hazard. I'm pretty sure as we reflect back on this last couple of months that the concern about moral hazard is higher, not lower because of the lack of preparedness by regulators around the world to deal with a confidence crisis, so. And I have editorial opinions. Your question is, are we running excess liquidity because we think regulators are going to force us to, not really, and certainly not in the short term because we've got these big buffers. But we figure as we add up the pluses and minuses of being ahead of the curve on any changes that could come and being ahead of the curve in terms of what the market might expect and allowing us to be undistracted by our core mission, which is to grow our top line and improve our Return on Tangible Equity to 11% and then beyond, we don't need the incremental distraction of ever finding ourselves behind the curve in terms of liquidity. Sorry for the long answer to the two good questions.

<<Gregg Powell – Group Head, Investor Relations, Standard Chartered>>

Okay. Thanks, Bill. We'll go back to the telephone lines now. Operator?

<<Operator>>

And your next question comes from the line of Aman Rakkar from Barclays.

<<Amandeep Singh Rakkar - European Banks Analyst, Barclays Bank PLC>>

Thanks very much for the new disclosure. Actually it's really interesting and the insights around your approach to liquidity. I had one question around deposit mix in some of your key markets. And again, slide 15, thank you very much for that. I know that you're basically trending in line with the guidance. But I guess an observation that you might make is the liquidity dynamic in Hong Kong and the fact that HIBOR is subdued and has kind of been lower than what we'd expected year-to-date, there might be a scenario where there's a bit of a catch-up and HIBOR gap is higher at some point. If that was the case, is that a risk to any of these TD deposit migrations? And anything you can kind of give us on how that's trending through April? And do you feel comfortable about that? Or should we be thinking about any kind of NII or NIM sensitivity to some kind of potential outcome that's not beyond the realms of reason?

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>

Yes. Good question. Obviously Hong Kong is a big market for us, but it is not the only market for us. So the first thing is that when we give the stack out, we've done the CPBB stack on that side on the core main markets. We have got a lot of other markets there as well. Overall, and we go back to business as we collate this, we get their forward views. We are very comfortable with the guidance range that we have given. There may be some ups, there may be some downs. But I think overall, the sort of range we indicated a while ago is what we have been operating in. And I don't think at this point in time, there's any reason to have a concern that that wouldn't continue to be the case. So a fair point, but not a big concern. We'll keep monitoring it. And we'll sort of see where we get to. I mean, the other point, obviously, is for time deposits, they are not bad liquidity. They just cost a bit more. But in a liquidity sense, that is also a good source of deposits. But simple answer. I think things should operate within that range as far as we can see it at the moment, notwithstanding your comments on HIBOR.

<<Amandeep Singh Rakkar - European Banks Analyst, Barclays Bank PLC>>

Can I just ask one follow-up then? I guess the excess liquidity position that you're operating with that we've probed throughout the conference call, it does also reflect an excess liquidity position of your customers that I guess has built over a very, very long period of time. Maybe some of your target markets have been less affected by things like COVID and the various support schemes as per the west. But you

can see it through every operating metric that you report your ADR, your LCR. You have basically a lot of deposits and your customers have a lot of excess cash. I mean, we're obviously entering into a period of QT and unwinding and what have you, rates being higher. I mean do you have a sense of what happens to this in a long-run view? Like what happens to your customers' long-run excess liquidity position? And what does that mean for kind of your business going forward? Maybe that's a bit too of a long-term question, but any thoughts you've got there, really helpful.

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

I'm sure we could all muse on this question quite a bit. And I think in the short- to medium-term, the bigger impact on liquidity positions, certainly in a market like Hong Kong is much more mundane things like, how much are people gearing up to invest into the China opportunity or into what is expected to be strong growth in the or re-emergence of growth in the IPO market. So Hong Kong is awash in liquidity right now. That's clear. And obviously you see that through the level of HIBOR, but also in bank balances. But it's not to do with quantitative easing at all. It is everything to do with the fact that the people are gearing up to invest, but haven't yet invested. And the money is in the meantime sitting in bank accounts. I think those are the things that are driving liquidity in the short term. The QT versus QE question is just a lot less relevant in our markets even for those currencies that are a little bit more or very closely linked to the dollar. In the long term, I think it's going to be fascinating to see how a structurally higher rate environment together with removal of surplus liquidity is going to play through in the banking system. And obviously, we've seen some challenges over the past couple of quarters as individual companies have reacted in unpredictable ways or they had unpredictable effects on their earnings mix or on their balance sheet, the most obvious one being Silicon Valley Bank, but not limited to that. And are there more unforeseen or at least not yet fully flagged challenges in the banking system somewhere out there that will become clearer as liquidity is normalised? Yes, probably. Are they sitting in Standard Chartered Bank. We really don't think so. But I can tell you we're very, very vigilant about it. And the questions that you've quite appropriately asked about, why we're running the liquidity that we are, are in part because that are things happening that neither we nor others or anybody else in the market has forecast very accurately. And we just want to make sure that we can continue with our core strategy through whatever bits of turmoil the market throws at us. And I will say, so far so good.

<<Operator>>

Your next question is from the line of Andrew Coombs from Citi.

<<Andrew Philip Coombs – Director, Research Division, Citigroup Inc.>>

If I could ask a couple of questions on Wealth, your slide 10 disclosure. And then also a follow-up on impairments. On the Wealth slide that you kindly provide, you state that Wealth Management revenues are flat on a constant currency basis year-on-year, and that's even with Hong Kong up 3% and China up 11%. So perhaps you could just elaborate on where you've seen the decline in other regions? And then the second question would be on that Hong Kong and China development, can you give us any idea how that progressed over the pace of the quarter? Because I imagine it accelerated as you went into March. And so when we're thinking about the Q2 run rate, the additional Bancassurance income, Treasury products income, could it tend to be even higher than you're looking on slide 10?

And then my question on Impairments. Obviously a very good result today. Can you give us an idea of how much the improvement in Stage 1 and 2 versus 3? And the reason I ask that is because you've put through some quite sizable changes to your IFRS 9 assumptions on both Hong Kong and Singapore GDP.

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>

Okay. So Wealth Management, if I sort of just step up to a higher level, our full year Wealth Management income 2021 was about \$2.2 billion. And then last year, dropped to about \$1.8 billion. And we all know the reasons for that. The market was more subdued last year. I think the \$500 million print we've got for the first quarter this year is sort of encouraging, times that by 4 and we're at \$2 billion, not back at 2021 levels but we're certainly back above 2022 levels. Now we will see how individual markets move over the next few quarters. But I think we're definitely there with a better momentum. Clearly, Hong Kong are picking up and China picking up, and we'll see what happens. But hopefully we won't see too much of a

dip in the second, third, fourth quarter as we saw, and as you can see from slide 10, last year. On the Stage 1, Stage 2 impairments, majority of cost is on Stage 3. But bearing in mind that that is a majority of a very small total.

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

Andy, I think we can simply say that the IFRS 9 economic outlook changes are immaterial in terms of our Stage 1 and 2.

<<Operator>>

Your next question comes from the line of Rob Noble from Deutsche Bank.

<<Robert Noble - Research Division, Deutsche Bank AG>>

I just wanted to dig into liquidity detail again. I think your HQLA is actually flat on the quarter, but your LCR is up 20 percentage points. You also mentioned the treasury book, a larger treasury book explains the 3 basis points NIM decline. So I just wonder if you could square all of that off for us. Why is the treasury book larger but HQLA down? And if HQLA is down, what changes happened on the cash outflows liability size that increased the LCR by so much? And then kind of leading to the point of why does it negatively impact the NIM?

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>

Okay. So I mean, you've got a lot of moving parts in here, as you referred to in your question. Some of the LCR calculation is what are the outflows, some of it is what we are actually holding, not all of what treasury holds is in HQLA. So we have got quite a large amount that sits outside of HQLA, which comes into the LCR calculation and is managed by the treasury team. So generally speaking, you can sort of lift this up from the detail of the numbers, we have in total liquidity, not just HQLA terms, but have retained slightly more liquidity over the period of time. The cash outflows, obviously we look at regularly. And when you put that all together, you get to the LCR that's actually the 161 level, not at the lower level. You also can have surpluses that are in some countries that don't come into the calculation. So it is complex. I mean underneath the surface, it is complex. The net impact on NIM there is a little bit less that is being held, but is generating income. Therefore, it does have an impact on the NIM. It is generally not particularly capital-intensive, so the impact on RoTE is negligible, but that's why you get the effect of slightly depressing the NIM, ending up with the LCR slightly higher than the HQLA, as you say, not having moved so much. So total liquidity is a bit greater than the HQLA element on its own.

<<Robert Noble - Research Division, Deutsche Bank AG>>

I think, Bill, I think you mentioned in, earlier in your comments that it wasn't forced higher, it was natural business flows. But 20 percentage points seems like a massive movement to be natural. Is the liability, is it purely current accounts and time deposits reducing the cash outflows? Or have you actively raised unsecured liquidity? What's actually pushed it 20 points higher?

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

No. I should be a little bit clearer about what I mean by not forced. We're not turning clients away. We're not fundamentally changing the pricing of our liabilities, since the deposit beta, the guidance being consistent with what we've said before. So that's what we really mean by not forced. But we've had a good steady flow of deposits. As Andy mentioned, there were some ins and outs, including the very normal sort of over a month end in and out of the corporate deposit flows. And we've done that consistent with the pricing outlook that we gave that was along the lines of our deposit beta guidance. And we've allowed business inflows and asset flows to not be aggressively redeployed into higher-yielding assets in the interest of maintaining a strong LCR assets. So it's not cost us anything, but of course there is on the margin there are opportunity costs to running with higher levels of liquidity.

<<Operator>>

Your next question comes from the line of Tom Rayner from Numis.

<<Thomas Andrew John Rayner - Research Division, Numis Securities Limited>>

Can I have two, please. Just firstly to go back to, I think, Perlie's question on the impairment guidance sort of heading towards the normalised 30 to 35. I mean the only two areas I think you've really flagged in recent periods as being of concern has been China CRE and the sovereign issues. And looking at the presentation today, it looks like you're fairly confident that things are stabilising now in China CRE. And we have seen write-backs against some of the sovereigns. And I think excluding all write-backs, the underlying charge in Q1 was 12 basis points. So there's quite a big move from that sort of 12 run rate back up to sort of 30 to 35. I just wondered if there's any specific areas which are performing well now, which you are concerned might deteriorate, maybe CRE and other economies, more developed economies, perhaps. But I'm just wondering if there's anything that you could point to more specifically to sort of help explain that move. And I have a second one, please, just on guidance.

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

Yes, I'll take a high-level swipe at that one, Tom. I mean there's nothing that we're particularly concerned about. Obviously, we continue to watch the sovereign situation. And we're not immune to further degradation in the creditworthiness in some of the emerging market sovereigns that are distressed. But we manage those exposures pretty actively and have been able to absorb the restructurings that have come through so far quite well. And obviously, the write-back, I mean just to be clear, what causes the write-back at a time when stress levels seem to continue to be high. But as restructuring details settle out and we see what the securities or loans that we own at the end of the day are actually worth compared that to where we provided, expecting as best we could, some kind of outcome on a restructuring process, we have a small write-back. So, it's not that the underlying situation has improved, it's that the clarity has allowed us to reassess the level of prudence that we have had in the first place on the restructuring. Obviously we'll get some of those right or we'll get some of those a little bit wrong, but not by a lot either way. So we will continue to focus on sovereigns. Commercial real estate globally is one to focus on. We're not overweight. We're probably underweight relative to the banking sector. It doesn't mean that we're not very focused on what we got, and we are, but we don't see any acute signs of stress in our portfolio as yet. And obviously watching very carefully for all those recession-sensitive industries where we have exposure, including the whole commodity sector. No signs of stress at all, as you'd imagine, at current price levels. But if we have the much touted decrease in GDP, global GDP growth, in particular in the west, we'll keep a careful eye on that. But, no, short answer is, how do we get from where we are to 30 to 35 basis points through the cycle. Well, we hope we don't get there. And we're very focused on taking steps to avoid getting there. But given the business that we're in, it would be imprudent to assume that somehow this time it's going to be different as we look through the next several years of the economic cycle.

<<Thomas Andrew John Rayner - Research Division, Numis Securities Limited>>

Okay. Just on the second one, probably for Andy. I mean, it's just on the guidance, the sort of revenue guidance of 10% on the constant currency basis. I mean it says I think you're expecting \$200 million of adverse FX impacts this year. So am I right in my math to say that, that would be revenue of about \$17.1 million versus the \$17.3 million, which is your current consensus. And then doing the same adjustment on the cost for FX and taking the 3% jaws, drops you out at somewhere around \$11 billion, which again I think pre-provision level is maybe \$100 million light of where consensus is. Is that the right sort of ballpark? Am I thinking about that correctly?

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>

Yes, Tom, I think trying to forecast to within \$100 million, particularly when it's FX is quite tricky. I mean, generally speaking, we're reasonably happy with sort of where consensus is at the moment, albeit we don't have the full workings of what exactly the FX rates that are sitting behind each of the models that other people have done. So I'd say sort of within a range we're comfortable where consensus is at this point in time.

<<Operator>>

And your final question for today's session comes from the line of Gurpreet Sahi from Goldman Sachs.

<<Gurpreet Singh Sahi - Financials Analyst, Goldman Sachs>>

My question is on slide 10. Can I ask with respect to this increased activity levels around the Hong Kong, China region on Wealth Management, where are we relative to normal levels? And normal levels can be like 2018 or '19. I know, Andy, you did give us some numbers on 2021, but I'm really focused pre-COVID and what we are seeing. And if we see, I mean, in the second half of this year, more Mainland Chinese come and sort of ramp up the activity on the Wealth side, especially in Hong Kong, then how much is the upside risk to the guidance on revenue?

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>

Yes. I mean we're sort of building back to pre-COVID levels. Things like air travel and so on in and out of China obviously is still recovering from those levels. I think I gave you numbers for the previous years. I think Wealth Management back in 2019 was about \$1.7 billion. So while run rate now \$0.5 billion in a quarter is \$2 billion, so it's up ahead of that. So I'd say we're getting back around COVID levels. It's obviously been depressed for a period of time. The account openings are encouraging. \$0.5 billion print in the quarter is encouraging. And we'll see how we go for the balance of this year, but definitely at a higher level than last year, maybe not quite at the peak level of the year before that.

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

Yes. Just some of the leading indicators are still lagging quite a bit. So the one obvious one is just mainland visitors to Hong Kong. Of course, that's not the only reason that they go to Hong Kong, which is to open up their Wealth Management accounts, but there's a correlation. And that travel pattern is not fully restored. We think it will. The second thing that was set back quite a bit during the pandemic was the kind of the relevance of the Greater Bay Area Wealth Connect programme. So we're up and running. We're opening up accounts. The partnerships between our bank in Guangdong Province and in Hong Kong, but also partnerships with other banks are gathering speed. But that effort was very slow during the lockdown period. That's picking up again. And we'll pick up much further as the travel patterns change. So I see that the leading indicators are very good to initially obviously close the gap to the whole pre-pandemic period, but then also generate ongoing growth. We see this as one of our big ongoing opportunities and one for which we're very well-positioned.

So I think we're going to wrap up here. So I'd say thank you all for the time and interest this morning. I will mention our investor meeting. I mean you've all been invited to Hong Kong and Singapore, where we and HSBC will be jointly offering some insights into our businesses, but also the broader economy and markets in Hong Kong, China and Singapore towards the end of May. So I hope to see as many of you there as can possibly make it. I think we've got a good turnout so far. It should be a very interesting programme. And you can all poke a lot of fun at me and Andy and our counterparts from HSBC at how we're locking arms and marching forward – a long march into the future in Asia. So thanks, again, and speak shortly.

<<Operator>>

This now concludes today's conference call. You may now disconnect.