Standard Chartered's Half Year 2022 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, everybody, and thank you for joining us for today's results presentation.

We posted a strong set of results for the first half of the year, with income up 10% on a normalised constant currency basis, supported by continued positive momentum in the second quarter, which is up 11% and generating a 10.1% return on tangible equity.

We're also announcing today a new share buyback of $500 million to start imminently, as we actively manage our capital with the aim of returning in the region of $5 billion to shareholders over the next three years. We've achieved all this by actively supporting our clients and communities in what continues to be challenging conditions.

The external environment is likely to remain difficult to predict in light of the ongoing Russia-Ukraine war, the continuing impacts of COVID-19 and widespread supply chain disruptions. Recession risks are rising in the U.S. and Europe and central banks are compelled to raise interest rates to address rapid and sizable increases in inflation. However, in the East, many of the markets in which we operate are showing early stages of a post-pandemic recovery. China is deploying strong policy stimulus that should kick-start the economy, boosting domestic and regional activity. We are well equipped to navigate this complex macroeconomic picture with the solid risk management foundations that the Group has built over-time and the resilience of our diversified business model.

So with this backdrop, we remain confident in achieving the financial and strategic targets laid out back in February, to deliver at least a 10% return on tangible equity by 2024 or earlier if the rates and operational stars align. I'll come back and provide a more detailed update on the encouraging progress we're making against the 5 strategic actions that we set-out as well as our strategic priorities after Andy has talked us through our first half results.

We will both then be available for Q&A as usual. Andy, over to you.

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>
Thank you, Bill, and good morning and good afternoon everybody. I'll start with the first half highlights before providing more colour on what has been a strong financial performance for the first 6 months of the year.

First half operating income of $8.1 billion excluding DVA was up 10% on a constant currency basis and after normalising for the 2021 IFRS 9 interest income adjustment. This growth was largely driven by a 12% increase in net interest income and a record half for Financial Markets, partially offset by a more subdued Wealth Management performance. Expenses were up 6% at constant currency and excluding higher performance related pay accruals with cost efficiency savings more than offsetting increased investment spend. This resulted in 2% positive income-to-cost jaws for the first half.

Credit impairment for the first six months of the year was $267 million. This compares to a net release of $47 million for the same period last year. The resultant in underlying operating profit for the half year was therefore $2.8 billion, up 7% when compared to last year on a constant currency basis. All of these led to a return on tangible equity of 10.1%. Loans and advances were down 1% in the second quarter on a headline level, but when you adjust currency translation and excluding the impact of RWA optimisation actions, there was underlying growth of 2%. Risk-weighted assets reduced by further $6 billion in the second quarter to $255 billion, driven mainly by currency translation and further optimisation actions. And our CET1 ratio was 13.9%, which remains towards the top of our 13% to 14% target range. And as Bill said, we have just announced a new $500 million share buyback, leaving us with a strong capital position to fund future business growth and have capacity for more shareholder returns over time.

Looking at income now in more detail. Income overall was up 9% excluding DVA and on a constant currency basis and was up 10% after normalising for the IFRS 9 interest income adjustment in the second quarter of 2021. Income growth was driven by record half in Financial Markets, up 18% excluding DVA, with a strong performance in Macro Trading, which benefited from high levels of volatility, increased client flows and elevated commodity prices. FM income also included $212 million mark-to-market gain on liabilities, driven by the current market volatility. Some of this gain may well reverse out over the coming quarters if condition stabilise and spreads narrow. Transaction Banking income was up 14%, reflecting encouraging signs of economic recovery across a number of our markets with the Cash Management business benefiting from the rising rate environment up 25%. Retail Products income was up 11% with deposit margins improving as interest rate rises start to flow through, particularly in the second quarter, driving a 37% increase in Deposit and Other income.

Treasury and other income was up 39% mainly from the structural hedges we put in place earlier in the year and the benefit from rising rates. Lending and Portfolio Management was down 20%, impacted by the execution of the RWA optimisation initiatives in the CCIB segment mainly in the first quarter.

And lastly, Wealth Management was down 16%. 2 main factors at play here; firstly, the extensive COVID-19 measures that were in place across Hong Kong, China and Taiwan for much of the first half, reduced customer and sales activity. Secondly, investor sentiment remained very weak negatively affecting market-sensitive products. Most income growth in the first quarter was driven by FM. In the second quarter, we saw a more balanced picture with Transaction Banking and Retail Products growing strongly, helping to drive the second quarter income growth rate up to 11%. Looking at our top 10 markets which account for around 80% of the Group's income, most showed good income growth, with only 2 markets, Hong Kong and Taiwan down year-on-year, both negatively impacted by COVID and weaker market sentiment.

Looking at the early trading numbers for July. In Financial Markets, we continue to see similar levels of client flow to those we experienced in the second quarter as well as ongoing elevated volatility. In Wealth Management, we are starting to see signs of recovery in Hong Kong. However, we remain cautious, given the challenging market conditions, particularly with varying degrees of COVID lockdowns continuing across China.

Let me now provide little more colour on the 45% of our income that is interest rate dependent. Statutory net interest income was up 13% or around $400 million on a constant currency basis on the first half of 2021. This is driven by two things, a 5% underlying growth in interest earning assets after adjusting for FX and the impact of RWA optimisation actions, which was particularly encouraging to see given the varying economic conditions being faced by our clients across our markets. And it was also driven by an 11% increase in the normalised NIM compared with the same period last year, driven by higher interest rates.

We are already seeing transmission of interest rate increases into our U.S. dollar book. CASA deposit betas have so far been lower than expected and we have seen some early signs of migration from CASA into time deposits. With the margin having bottomed out in the third quarter last year, we have now had 3 quarters of sequential increases with the second quarter margin of 1.35%, increasing by a further 6 basis points compared to the first quarter. This quarter-on-quarter increase in the NIM reflects a 10 basis point expansion from rising rates, partially offset by 3 basis points contraction from changes in product mix and a further 1 basis point from treasury hedging activity. This is a picture we expect to see over the next couple of quarters, rising interest rates driving NIM expansion with some increased dampening effect from our hedging activity, mix changes and increase in deposits betas as we go through the cycle.

Whilst dampening our short-term rate sensitivity, our structural hedge will protect our NIM as and when rates fall. And given the relatively modest size of our overall hedging program, rising rates remain a material tailwind for the Group. And finally on net interest income, we have updated our interest rate sensitivities to reflect the impact of further rate rises, since we've now experienced the first 150 basis points also of increases. The positive impact from the next 100 basis points of rate rise is now $750 million in the first year rising thereafter as fixed duration exposure subsequently reprice. This reduction in sensitivity is due to the impact in Hong Kong with the migration of mortgages to the prime rate cap, and some of the rate rise benefit already being captured by treasury hedges.

In summary, as we previously guided, we expect the NIM to continue to gradually increase through the remainder of 2022 with the full year average NIM likely to be around 140 basis points.

Turning to the other 55% of our group income, fees and other income, which was up 7% at constant currency excluding DVA. This has 2 component parts, which moved in opposite directions. Net trading and other income was up 21% excluding DVA, driven by a record Financial Markets trading performance. Net fees and commissions were down 9% year-on-year due largely to the softer performance in Wealth Management, which I covered earlier.

Moving on to how our client segments performed, I'll keep this reasonably high level. CCIB income which accounts for broadly 60% of group income was up 16% on a constant currency basis, benefiting from the record Financial Markets performance, asset growth and the positive impact of rising rates on Transaction Banking Cash [Management].

CPBB income was broadly flat, reflecting a continuingly subdued Wealth Management performance, but a nice pickup in Retail Products in Q2 with Deposit income being particularly strong.

We continue to invest in the Ventures segment with expenses up 26% as we look to develop interconnected ecosystems across multiple markets. We have included three slides in the appendix of the supporting slide pack available on our website with further details on the various ventures.

Now turning to our geographic regions, where we saw good all-round growth. Our largest region, Asia, delivered a resilient performance with income up 4% on a constant currency basis and the return on tangible equity of 12%. Whilst our largest market, Hong Kong, was understandably, given the COVID challenges down 5%. 8 of the 10 largest markets in the region delivered income growth and 5 of those grew at double-digit. We even experienced growth in China in Q2 despite the lockdowns.

In the Africa and Middle East region, income was up 8% on a constant currency basis. We saw some very strong market performances with the UAE, Pakistan and South Africa, all producing strong double-digit growth. The region's profits increased by 28% to $0.6 billion.

We did say that we would move our AME exit markets into restructuring. However, to keep the comparative analysis as clean as possible, we have decided to leave them as is for this set of results. The markets will be reported in restructuring when we are further advanced in the disposal process.

And finally in Europe and Americas, we saw very strong income growth, up 48% driven by the strong Financial Markets performance and the regions' operating profits more than doubled. Europe and Americas is also a key origination centre with its offshore Network income up 10%. Bill will be talking more about the value of our Network later.

Looking briefly at our top 5 markets. Hong Kong's income was down 5% in the first half, impacted by the resurgence of COVID-19 in the first quarter and generally weak market sentiment. The second quarter was however stronger off the back of higher interest rates and some recovery in business momentum. The Singapore economy has rebounded as the country continues to reopen post COVID. Our businesses has performed well with income up 10% with Financial Markets, Cash and Deposits being notably bright spots. Profits were up by 7% and returns up by one percentage point.

It's a similar story in India with a healthy post-COVID recovery reflected in good economic growth. Income in India was up strongly with 14% growth for the first six months of the year, driving profit up by 9%.

The Korean economy has navigated the pandemic well, maintaining low single digit GDP growth and our Korea franchise continues to go from strength to strength. Income was up 14% and expenses were down 3% reflecting the restructuring actions we took last year. This helped drive a 27% increase in operating profits and a mid-teens RoTE.

Our China business grew income 6% year-on-year to produce its best ever first half income result. This was driven mainly by CCIB more than offsetting a weak Wealth Management performance as a result of the ongoing COVID containment measures.

Lastly, our four Optimisation Markets continue to deliver strong bottom-line growth with Operating Profits up in aggregate 24% at three quarters of a billion dollars. Just 7 years ago, they lost more than a billion dollars.

Now turning to expenses, total operating expenses were $5.3 billion for the first 6 months of the year, up 6% at constant currency, and after normalising for relatively higher accruals this year, reflecting our currently improved trading outlook. Investment related spend was up $100 million, including a $39 million increase in our Ventures segment. This was more than offset by the delivery of around $200 million expense efficiency savings in the first 6 months of the year, including the closure of an additional 31 branches in CPBB.

Looking now a credit impairment. Charges for the first half totaled $267 million. This compares to a net release of $47 million for the same period last year. This represents a loan loss rate of 15 basis points, still low, but starting to move gradually towards the medium-term range of 30 to 35 basis points.

There were three major items driving this charge, mostly arising in the first quarter, $237 million on Stage 3 assets relating to China commercial real estate exposures, $70 million relating to the sovereign downgrade of Sri Lanka, offset by a $129 million release from our management overlays. This included releasing $160 million from our COVID overlay, but increasing our overlay in relation to the China Commercial Real Estate sector by $31 million to $126 million. We continue to monitor the situation very closely and remain alert to the challenges this sector is facing given the current external market conditions.

Turning now to RWAs which were down a net $16 billion or 6% in the first six months of the year. There were many moving parts. Starting with the $14 billion of increases, $6 billion from regulatory changes that were effective from January 1 this year and $8 billion of asset growth and mix. This increase was offset by around $30 billion of RWA reductions, including $14 billion from efficiency actions primarily in the first quarter, positive credit migration of $6 billion and an $8 billion favourable impact from FX movements.

Lastly, looking at the capital position. We closed 2021 with a CET1 at 14.1% and are ending the first half at 13.9% towards the top of our target range. Profit generation and the benefit of reduced RWAs added a combined 150 basis points to the CET1 ratio during the first half. This has been offset by a number of items, primarily 100 basis points from regulatory changes and the $750 million share buyback in addition to 50 basis points from instruments fair valued through other comprehensive income on the treasury portfolio.

And finally, looking ahead for the rest of this year. As I mentioned in my opening comments, our financial performance in the first six months of the year has been very strong. And as Bill said, we are making encouraging early progress against the strategic priorities that we highlighted in February. However, external conditions remain difficult to predict, particularly in the West.

Taking account of our current performance and the external environment, we have updated our guidance. We now expect 2022 income growth excluding DVA of around 10% on a constant currency basis, significantly ahead of our earlier expectations for the year. We have also updated the currency translation impact, which we were currently forecasting to be around a $0.4 billion headwind. As previously guided, we expect further NIM progression in the second half of the year, taking the outlook for the full year average to be around 140 basis points and around 160 basis points for 2023.

We now expect operating expenses excluding the UK bank levy of around $10.6 billion for 2022, this is net of around $0.3 billion of foreign exchange translation benefits based on the current outlook for exchange rates but includes increased performance related pay. As a result we now expect the currency translation impact to be a net drag of around $100 million to pre-provision operating profit as a result of the scale of the dollar strengthening across multiple currencies impacting our income more than our expenses.

We're also adjusting our risk weighted asset growth expectations for the impact of currency translation, and now expect it to be broadly similar to 2021 on a constant currency basis.

As previously guided, credit impairment is expected to normalise over-time towards the medium-term loan loss rate of 30 to 35 basis points. And we fully intend to operate dynamically within the 13% to 14% [CET1] range, taking account of business opportunities and the macro-outlook.

We remain fully focused and confident in delivering on our 10% RoTE target by 2024, if not earlier dependent on interest rates and the broader operating environment.

So with that, I will hand back to Bill to update on our strategic progress.

<<Bill Winters – Group Chief Executive, Standard Chartered>>
Thank you, Andy. Back in February, we highlighted five key strategic actions to help us achieve our 2024 targets. Since then, geopolitical and macroeconomic volatility has adversely impacted the global economy. It appears at this stage that the Asian markets have been less affected than those in the West and as Andy mentioned several are rebounding well from the COVID-19 pandemic. And as you can see, this is coming through in our results. Against this backdrop, our strategic actions remain highly appropriate and serve as catalysts for the whole organisation. I'm extremely pleased with the progress we've made since we set out these commitments. I've already talked about our latest action on shareholder returns and I will now run through the other strategic actions.

Firstly, in CCIB we are going to drive improved returns targeting an improvement in income return on risk-weighted assets by 160 basis points. In the first 6 months of the year, income return on risk-weighted assets was 6.0%, already 110 basis point improvement from 2021. And that was driven by strong growth in income from Financial Institution clients, up 11%, which now accounts for 44% of CCIB income. In addition, the CCIB team successfully delivered around a third of their $22 billion 3-year RWA optimisation target in the first half of this year, enabling the business to remain well under their RWA target for 2024.

In CPBB, the team has made steady early progress on their journey to transform profitability with the cost-to-income ratio down 2 percentage points since the end of last year to 72%. Of their $500 million, three-year gross expenses savings target, they have delivered $98 million of that so far, including a further 31 branch closures and are executing plans to deliver the remainder of this year's target of $200 million. The business also continues to add a very healthy number of new clients through partners with over 350,000 partnership clients added so far this year, a key contributor in driving growth in the number of Mass Retail clients. As we go into the second half of 2022, CPBB should see tailwinds from both interest rates and hopefully an improving Wealth Management outlook, which will help improve the cost-income ratio further.

China presents the Group with one of the biggest strategic opportunities over the coming years. And as Andy mentioned, China this year delivered its best ever first half income performance. Our CCIB business made good progress in the first half of the year and China Network income grew strongly along a number of key corridors in ASEAN, up 36% and South Asia of 24%. We saw a strong growth, particularly in Singapore, India and Bangladesh. In addition, there was strong growth in both Sustainable Finance income and income from New Economy clients. Unsurprisingly, our CPBB business in China has faced headwinds with large scale COVID lockdowns and weaker market sentiment impacting Wealth Management. Despite this, we continue to make great progress with our focus on digital partnerships with the launch of a number of new partnerships in the first six months of this year, including JD.com and WeBank. The long-term prospects from the structural shifts relating to China opening its financial and capital markets remain intact.

We believe we are in a unique position to capitalise on the significant opportunities from this opening and are investing $50 million this year in both onshore and offshore capabilities as part of the overall $300 million, three-year investment plan to further strengthen our position.

Expense efficiency is core to enabling us to create positive operating leverage. Whilst creating capacity for us to continue investing into strategic initiatives. And here as Andy mentioned, we have already delivered around $200 million of the $1.3 billion gross structural cost savings target.

Moving on to our strategic priorities and Network. At the start of 2021, we also set out four strategic priorities; continue to grow our Network business, continue to grow our Affluent business, return to growth in Mass Retail and advance on all fronts of our Sustainability agenda. We're making good progress in every area.

Given the changing economic environment, I'd like to drill down a bit on our Network business. The Group's unique and differentiated network continues to be a source of competitive advantage through which we facilitate investment, trade and capital flows for our clients. Network income, that is income booked outside a clients headquarter country is around 55% of CCIB income and is up strongly so far this year, with 14% year-on-year growth with all our main trade corridors showing good growth. Network income is highly attractive for us, it produces higher returns for the Group, with an income return on risk-weighted assets of 7.2%, 120 basis points higher than the CCIB average. Asia is the largest originator of Network income with $1.1 billion of income for the first 6 months of the year, which is up 14%. Intra-Asia corridors account for around three-quarters of this with growth of 10%, China is the largest single Network market. Europe and Americas Network income of $1 billion was up 10% with more than half of that into Asia, with particularly strong growth in the ASEAN and South Asia corridors, up 22%. Lastly, Africa and Middle East generates about $0.3 billion of Network income for the Group and is also an important corridor for Europe and Americas and Asia. And whilst the overall Network picture is a positive for the Group, we are also taking action as we sharpen our focus on the most significant opportunities for growth while simplifying our business.

To that end, back in April, we announced that we are exiting the onshore operations in seven markets in the Africa and Middle East region and focusing solely on the CCIB segment in two additional markets. We will look to refocus resources into new markets like Saudi Arabia and Egypt as well as ongoing investments in the several of our larger markets in sub-Saharan Africa, building on the strong Corporate, Retail and Digital banking operations we have in those markets.

Now turning to Sustainability. We continue to see strong income momentum in our Sustainable Finance business with income up 43% and asset growth of 11% year-on-year. Our pipeline continues to build and we remain confident in delivering our $1 billion income ambition in the medium term. The Russian-Ukraine war is creating some negative sentiment for Sustainable Finance as companies and countries are having to switch supplies just to keep the lights on. Volatility and higher prices in core commodities will also impact supply chain issues at renewable companies. However, this is likely to accelerate the climate transition in the medium term, with energy independence now becoming a security issue.

I'm very excited by the appointment of Marisa Drew as our Chief Sustainability Officer. Marisa is a highly experienced CSO and she will lead the newly created CSO organisation across sustainability strategy, client solutions and our net-zero program. We continue to implement our ambitious net zero pathway including those enhancements we announced in March.

We're also continuing to demonstrate our thought leadership with the release of our Just in Time report that investigated the cost and socio-economic implications of a net zero carbon transition. We know that emerging markets are most in need of capital and require almost $95 trillion to effect their transition. The funding needed is significant and reaching net zero in our markets will therefore be no mean feat and we remain optimistic in our ability to play a pivotal role in supporting this just and sustainable transition.

Lastly, I want to drill down a bit into our Venture segment, we built a diverse portfolio of 20 plus investments and over 30 ventures across 6 high conviction themes, providing optionality for our future and a key catalyst for change in our broader organisation and we're making meaningful progress across a number of areas. We now have around 1.2 million customers across the various ventures including over 350,000 customers in Mox, our Hong Kong virtual bank, up 100,000 in the second quarter alone. The total value of customer assets across the various platforms is now almost $2.5 billion with transaction flows of around $8 billion in the first six months of this year.

Our recently announced partnership with SBI Holdings will help us accelerate growth of Solv, the B2B digital marketplace for micro, small and medium enterprises. We also have in the pipeline some exciting new ventures that are close to launch. Trust, our second separately license digital bank in Asia, in partnership with NTUC is an extensive user testing and plans to go live in the next couple of months. Our plug-and-play banking as a service solution, Nexus, now has regulatory approval for launch in Indonesia, which is planned imminently and we're looking at expanding this to a second market, more to come on that later this year. So as you can see, since its creation, Ventures has come a long way with very promising future potential.

So to sum up what Andy and I have just covered, we delivered a strong financial performance in the first half. We're making very encouraging early progress against the five strategic actions we laid out in February. Looking forward, whilst recession risks are rising in the West, we're seeing the early stages of a post-pandemic recovery in many of the markets in which we operate, underpinning our prospects for growth. We have the right strategy, business model and ambition to deliver our 2024 targets. The management team and I remain focused on delivering these targets while we create exceptional long-term value for the Group.

So with that I'll hand over to our operator, so Andy and I can take your questions.

Questions and Answers

<<Operator>>
Your first question comes from Joseph Dickerson from Jefferies.

<<Joseph Dickerson - Jefferies LLC, Research Division>>
Congrats on a very good set of results. I just have a couple of quick questions on the margin. One, in terms of the current quarter. Can you just discuss the headwind from Treasury effects because that was quite a tailwind last quarter and then I was little surprised you didn't push somewhat higher on the guide for this year given we've got the one month and 3 month HIBOR up about 50 bps since the end of Q2? Is this partially explained by the prime rate cap?

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>
Joseph, thanks very much for your question. So we've seen another pickup in the NIM in the second quarter compared with the first quarter, we reaffirm that 140 number for the full year, we think feels good. In fact if anything we slightly upgraded that because I said previously approaching 140 now probably semantics a little bit but around 140. So we feel direction of travel there is good. We have included in the slides a move of the NIM between first and second quarters and you can see it that there is a basis point or so compression from hedging, but there's underlying growth that is moving strongly obviously in a favourable direction.

For next year, we've said 160 still feels a good number for us. So we've got the flow-through of what's already happened and obviously some of our book reprices at periods of time, not immediately, but over a period. So I think the direction of travel there is good. The HIBOR-Prime effect in Hong Kong we factored into that, there are caps on some of the mortgages, so that does provide the ceiling on some elements of the book, but that is factored into those numbers. And as I say around 140 this year, 160 next year, I think that's the track we're on now.

Back to you, operator.

<<Operator>>
Your next question comes from the line of Omar Keenan from Credit Suisse.

<<Omar Keenan - Crédit Suisse AG, Research Division>>
I was hoping you could give us a bit of an update on the progress around the efficiency measures on the capital ratio, which have been very strong. Just wondered if you could give us an update as to how much optimisation and efficiency might still be yet to be delivered upon? And whether the total targets that was set out could be exceeded? And just related to that, whether you could summarise the movements in RWAs going forward towards the end of the year?

<<Bill Winters – Group Chief Executive, Standard Chartered>>
Great. Thanks, Omar. I take the first stab, I'm sure Andy will add some colour. Bottom line, things are very much on track. So first half, $7 billion reduction in RWA is very much on track in terms of the improvement in the return on risk-weighted assets. That obviously has a number of moving pieces.

But as we break it down, the business is demonstrating very, very strong discipline in terms of our management of risk-weighted assets across the board, but in particular in the CCIB area and that's coming through in the numbers, so well on track to hit our $22 billion optimisation target over the three-year period. And the return on risk-weighted assets, has seen a big jump. Obviously, that's also contributed too by the strong income results. And then as Andy mentioned that begins with very strong Financial Markets results in Q1, continued strong in Q2, but obviously after that torrid pace from earlier in the year but also strong income growth across the rest of the business and it was much more balance in the second quarter, which of course is encouraging.

When we look forward, we look at the deal pipelines, we look at the expectation for ongoing customer activity in Financial Markets associated with what we expect to be an ongoing volatile environment. And we see the opportunity to continue to drive both the RWA optimisation but also the associated income growth that will improve that return on risk-weighted assets.

Andy?

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>
So the RWAs have moved around a lot over the course of the year. So we've had regulatory changes without the efficiency drive. We've had the asset growth. We've had mix changes, et cetera and the FX obviously has played into it as well. What we said is, if you take the start of the year, adjusted for FX, we would expect to be roughly that level at the end of the year, that would imply probably 3% growth in the second half of the year, that will be net of efficiency gains. So obviously assuming some client growth might be a little bit ahead of that offset by some of the efficiency gains and in that zone is where we'd expect to be at the end of the year.

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

<<Thomas Andrew John Rayner - Numis Securities Limited, Research Division>>
Two questions please. First on credit quality, I see you reiterated I think your medium-term guidance on the ECL charge, but we've got used to I think seeing very benign trends on all the indicators as well, and I noticed the Early Alerts gone up now two quarters in a row. I just wonder if there is anything going on

there that we should be concerned about? And just a second question on RWA optimisation, I know you've said that you're comfortable with the $22 billion over three years, the quarterly progress this year I think it was $6 billion in Q1 and then only $1 billion in Q2. I just wondered why that stalled in the second quarter quite the way it has? Thanks.

<<Bill Winters – Group Chief Executive, Standard Chartered>>
Good. I'll take a quick stab and again, I'm sure Andy will add colour. The credit outlook is pretty good, right. So the quality of the portfolio is strong. We've weathered some storms, we continue to be very well provided, well covered in terms of our provisions and we continue to have a small, but meaningful overlays both around the tail-end of the COVID pandemic. Let's hope it's a tail-end and also around China real estate. The early alerts I think reflect the fact that the markets in which we operate are under stress and will come into more stress. And that's stress obviously from slowdown in growth in the West, stress from higher cost of living, higher commodity prices and higher interest rates associated with the strong dollar. We've obviously seen that stress manifest in Sri Lanka in a very acute way. Other markets in which we operate are under pressure as well. And I think we've taken a very prudent approach in terms of identifying the potential problems that could come down the road. And that's with the Early Alerts portfolio is.

But I would say against that backdrop, we've weathered the early stages of the storm very well and we have every reason to think that will continue to. But the guidance back to what we would consider to be a more normal through the cycle credit cost range is the basis on which we're planning, it's the basis on which we plan for the investments that we make and the returns that we expect to achieve. We think it's prudent, cautious and we think that's served us in pretty good stead so far.

I'll turn it over to Andy for any comments on either of the two questions. But obviously, particularly focusing on the RWA question.

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>
Yes, okay. I mean just to supplement that may be on the credit. If you look, not just at the Early Alerts, but the three that we have in our bucket, we are $11 billion also. We've been a little bit below that the last couple of quarters just fractionally above it now. I wouldn't see anything significant in that. I mean obviously there is a little bit more pressure in some countries at the moment. And hence, the slight increase, I think is consistent with that. Our credit impairment charge going through the P&L has been very low. We said over a period of time it will normalise. So I think it's all pretty consistent with that. So it's a modest change at the edges, rather than anything more substantial.

In terms of the RWA efficiencies, they're not going to come in a purely linear way. There is some of those that's a relatively easier to do, there is some of those that will take a bit more time to actually work through. We remain completely committed to getting the overall number out on a three-year basis. So I think on a quarter-by-quarter, you would expect that number to move around a little bit, but nothing ominous there.

And back to the operator.

<<Operator>>
Your next question comes from the line of Fahed Kunwar from Redburn.

<<Fahed Irshad Kunwar - Redburn (Europe) Limited, Research Division>>
Just a couple: the first one, just going back to NIM, thanks for the 160 bps guide in 2023, but I think 160 was kind of where you were pre-COVID when U.S. rates were kind of more like low twos, we were looking at U.S. rates being kind of reasonably above 3%. Is there anything that's changed in the balance sheet structure that would mean that your margin shouldn't be materially higher than that given the U.S. rate environment? It doesn't look like the hedge is really a big enough offset. So is there anything else going on in the balance sheet that would result in your NIM relative to the U.S. rates going being lower than where they were pre-COVID? That's my first question.

And my second question is just, and thanks for the comments on Wealth seeing early signs of recovery. A couple of Wealth Management peers in Asia-Pac have been a bit more constructive seeing Asian clients deleveraging and taking a bit more risk. So what do you see on the outlook for Wealth Management, given the zero COVID policy in China? Are you also seeing signs of more risk taking, better revenue momentum?

<<Bill Winters – Group Chief Executive, Standard Chartered>>
Thanks, Fahed. Andy, why don't you take the NIM question and I can come back on either.

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>
Yes. So you're quite right the NIM immediately pre COVID was about the 160 level. So 2023 being back at that level will be very equivalent to we were immediately pre-COVID. I think the balance sheet has moved a little bit in that period, it will be a total three-year period. So there is some product mix change obviously in our forward forecast as well. We are second guessing what we think will happen over a period of time. So overall, I don't think there's anything that's all ominous in there, I think getting back to 160 is more putting ourselves back on us long-term average interest rate basis where you expect this business to be operating and clearly profitability of the business will be higher by quite a notch as a consequence of that.

Wealth Management side, look, sentiment has been against investment just recently. The first quarter in particular, to some extent in the second quarter, there were lockdowns in our biggest Wealth market of Hong Kong, that obviously doesn't help the face-to-face sales, et cetera. So our view is that over a period of time, particularly lockdowns now fading, sentiment will be what it will be, but typically, after a period of sentiment off things will rebound. The question really is, when will that happen. I think we've taken a reasonably cautious view of that. But I hope at some point in time, we would see actually sentiment change coming and remember that Wealth Management business for us over a multi-year period, the CAGR on our income there has been very, very strong 8% to 10% over a multi-period. It has had periods when it's been lows, it has had periods when it's been higher. But overall, our confidence in that business remains absolutely unchanged through this. It's just a tougher period just at this point in time.

<<Bill Winters – Group Chief Executive, Standard Chartered>>
Yes, I think I'd be even more direct. When we look over ten or fifteen years, there is leading indicators and then there's the outcome. The outcome is income and the income is highly dependent on the market sentiment in any given quarter and in this quarter, apart from the Hong Kong related and China related to COVID lockdowns which of course has a direct impact in terms of our ability to connect with customers, equity markets were very weak in particular early in the period, Chinese equity markets and the tech sector, which has been a higher proportion of our Wealth Management activities than the broader market. So like earlier market disruptions that we've seen that come from time-to-time, we have had a meaningful drop in income that typically stabilises at a period. Perhaps we're in that stabilisation period right now and then we get a gradual return, generating this 8% to 10% compound growth that Andy talked about consistently.

The leading indicators are very encouraging for us in terms of new clients, in terms of the customer satisfaction that we get from those new clients, the amount of money that they're moving into their accounts and we see that in terms of a good CASA growth and time deposit growth as customers are getting ready to invest with Standard Chartered by moving the money into our accounts. It's a leading indicator, because they're not yet putting that money to work in the riskier markets, which of course generate higher Wealth Management income for us. And the other comment I would make is that while the bancassurance distribution has been very disrupted by the COVID related lockdowns, the underlying performance there continues to be very strong as well. So we're happy, satisfied I guess would be the better way to say it, with our current performance given the context, but quite optimistic about the outlook in the Wealth space.

<<Operator>>
Your next question comes from the line of Robin Down from HSBC.

<<Robin Down - Co-Global Sector Head, Research Division, HSBC>>
Just one quick question from me. Well, obviously we tend to focus on what kind of margin numbers, but obviously the average interest earning asset figure is also kind of important for the guidance. If I look at your average balance sheet data on page 170, it looks like you're running down interbank lending and also customer lending. I don't know if you could give us a kind of sense for what you will see in terms of customer loan demand at the moment and where you might expect to see both average interest earning assets going in the second half and perhaps if you got a crystal ball into 2023? Thanks.

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>
Yes, let me pick that up, Robin. So there has been again quite lot of movements in the average interest earning assets over the course of the year. So we've had underlying growth through customer demand. We've had foreign exchange, we have had the consequence of the RWA efficiency metrics. You put all of that together, we probably had underlying about 2% growth in the six months year-to-date. So that I think is a fair indicator of what's happening under the surface of it. As we look forward for the balance of the year, I think we've got a number of factors in play here, one is markets like Hong Kong, which clearly had a more difficult first half hopefully picking up a little bit more momentum.

Secondly, quite a lot of our markets are still in the coming out of COVID phase, which I think still gives some opportunity for growth in that space. FX will obviously play a role as we go forward over the coming months. But I think we are still sitting here saying actually with the way that the economies in which we operate, remember those largely not the Western ones, playing out that actually there is reason to still be quietly confident about the growth that's there. There's obviously a lot of talk about recession in the Western market that's probably for us a slightly lesser issue. Certainly, as we talk about the balance of this year, we all have to see where that goes next year. But at the moment, I'd say, the engine there is still running okay and we'll continue to push hard on that over the balance of this year.

<<Operator>>
Your next question comes from the line of Alastair Ryan, Bank of America.

<<Alastair William Ryan - BofA Securities, Research Division>>
Two related questions, please. Back to the net interest margin guidance. If I go to the year-end of 2021 results, you gave us $1.3 billion for 100 basis points plus 30% to 40% over-time. So, given the 3% move in rate since then, that would mechanically from the start, give you a NIM of about 1.9% and I appreciate that things have changed, but 1.6% to 1.9% is a really big gap. So the question in short is, is 1.6% a low guidance or is something really meaningfully different to what you thought at the beginning of the year.

And the second question is on the current and savings accounts book, down 7%, slide 41, down 7% year-to-date is quite meaningful reversal of what's been a very strong trend. Is there anything in there or just currencies?

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>
Yes. Alastair, let me take the first point, I know we give it is our guidance. The sensitivity analysis the $1.3 billion, but it's an incredibly difficult number I think to work from. It is an assumption of simultaneous change in FX rates across all markets at the same time, it is a full year effect. And obviously the big ramp-up we've seen has been at mid-year. We have then got FX that comes into play and we have got, as you observed in your question, the fact that after the first year which is the first year number, we then get more assets rollovers, et cetera that need repricing. So it is genuinely really difficult to do that correlation.

I think that I would place personally more stall on what we've said on the 140 and the 160 [bps] because that takes account or difference in timing of rate changes across the many, many markets, which we operate. It takes account of when during the current year, particularly those rates started to move, it takes accounts at the very latest view that we've got on betas, et cetera. So I would say the 140 to 160 [bps] is the real life number whereas the $1.3 [billion] number is more on a particular set of assumptions.

And on the savings, I think what we've seen in the first part of this year is a slight movement not surprisingly between current account, savings account and the term deposits. Obviously as rates increase, any gap between what you can get my current accounts and what you get on the time deposit, more people will start to look at that and I think by memory, the mix between the current accounts of the term deposits in our consumer business has changed by 2 percentage points. I think it is on the year-to-date basis and probably we will see that continue over the balance of the year. Time deposits fraction more expensive for us, but overall it's very good quality deposit, so I look at the two as a collective, but I'm very happy with the overall liquidity position at the moment. So it's not at all troublesome.

<<Bill Winters – Group Chief Executive, Standard Chartered>>
And then maybe just at a big picture level. As we reflect on the guidance that we gave in the beginning of the year, we obviously made assumptions market by market about the pass-through rates of the deposit beta, and we made assumptions about the migration from current accounts, savings accounts into time deposits, and that was the basis of our $1.3 billion guidance. As we see how things have played out so far, it's basically perfectly in line with our guidance. So the market behaviours are exactly what we expected.

We're obviously not done with the rate hike cycle, but the behaviours are the same, or the behaviours are in line. As you put it out when you asked the question Alastair, the FX impact on the current account, and savings account in time deposit numbers is material. So when you normalise for the currency effect, we are going to take a constant currency view, it's more or less flat when we get to the savings account. So it is largely down to the FX, but the really important point is it overall we were guiding to 160 basis points of NIM and that's something that we're very happy to standby as we sit here today.

<<Operator>>
Your next question comes from the line of Nick Lord from Morgan Stanley.

<<Nicholas Lord - Head of ASEAN Banks Research and Executive Director, Morgan Stanley>>
Two questions: first is just referring to slide 33, which is your China commercial real estate break down, $3.7 billion. I just wonder if you could remind us in terms of split between let's say enterprises and private enterprises and also the stuff that is booked out of Hong Kong. And is that directly exposed to Mainland China property or is it Hong Kong exposure with Mainland developers. And also I just want to make sure that you captured in this any exposures outside of mainland China. So I'm just trying to get a feel for what's in and what's not in that $3.7 billion.

And then the second question is, one-month HIBOR starts to move up, which I assume it will do over the next few months to closing the gap with one month LIBOR, you're going to have to begin to think about what you do with prime rates in terms of your mortgage spreads. So I just wonder if you could give us a view on what you might think will happen to mortgage pricing in Hong Kong, and then what you incorporated in that margin forecast for mortgage pricing in Hong Kong.

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>
Yes. Okay, thanks, Nick. So slide 33 that you referred to as you say $3.7 billion of Commercial Real Estate relating to China that is slightly down on where we were previously. We've given various data points on that slide. I would say overall, we've been pretty thoughtful about which exposures we've taken on over a period of time. Generally speaking, we've been with the high-quality developers. Roughly, I think three-quarters of that exposure is investment grade portion of it. Projects under construction in China is I think less than 1%. So it's a well-constructed portfolio not without its issues. We have said that a big part of the credit impairment charge we took in the first half. Looked at one way, most of the Group's charge overall did relate to the China Commercial Real Estate area. We also show a split on that chart of how much of the exposure is booked in China, how much it is booked in Hong Kong. That depends a lot on where the clients are based, et cetera.

On HIBOR, we are clearly as we always do monitoring the position. We want to grow the mortgage book there, we want to grow the business there. We want to make sure we're competitive on pricing. So we will continue to monitor our pricing on that front and we'll see how things develop over the coming quarters. We have made a set of assumptions on that incoming obviously through our NIM forecast for the Group as a whole, which I referred to earlier on that is embedded within that.

Operator Your next question comes from Perlie Mong from KBW.

<<Perlie Mong - Research Division, Keefe, Bruyette & Woods Limited>>
Just to go back to the prime rate in Hong Kong. So what are the considerations when you think about moving the prime rate, which historically is not a rate that moved too much. I was just wondering what are the considerations or put another way, are there non-commercial reasons that you would have to consider in your decision on whether to move prime or not? And then how much of the deposit in Hong Kong are prime-linked, so if prime goes up on the lending side will some of the benefit be offset by higher deposit rate over and above what you would expect from obviously interest rates going higher, generally. So that's the first one.

And then the second one, the NIM guidance for next year, 160bps. There are already some noises from the Fed last week that the rate of rate hikes might be slower next and et cetera. So if we see that happening and will you still stand by the 160bps or just what assumptions are in that number?

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>
So prime rate, I think as with any rate-setting, we will take a view as to what the market is doing, we'll take a view as to what customers are doing. And if we think it is appropriate, we will make a change there. The prime rate has not historically changed very much at all. So don't hold your breath, but nonetheless, we will keep it under review. Proportion of the deposits that are prime-linked I think by memory, it's just over half or something of that order.

And then in terms of the NIM guidance, we can only give a view based upon our best expectation of what may happen. It may well be clearly that our estimates proved to be inaccurate, but we think as middle course 160bps is around where we will be. The other factor clearly going into not the NIM necessary, but the NII is just what does the recessionary talk do, is there an offset from some of the NIM increase that we will see at the moment recessionary talk is more Western than Eastern, but we'll see over a period of time whether that continues to be the case, but a reasonable estimate at the moment I think would be the 160bps area is where we should be in 2023.

<<Bill Winters – Group Chief Executive, Standard Chartered>>
Maybe just to state the obvious. And I think it's implicit in your question, if rates do move in such a way that it caused the banks in the market including ourselves to increase the prime rate, that would be a partially hedged outcome in terms of the prime rate mortgages versus the prime-linkage on the deposits. But net-net, it would probably be a modest negative, but that expectation or probability is priced into the 160bps.

<<Operator>>
Your next question comes from the line of Aman Rakkar from Barclays.

<<Amandeep Singh Rakkar - Barclays Bank PLC, Research Division>>
One question on capital. Your CET1 ratio is 13.9%, it's at the top end of your target range. Appreciate your RWA is going to drift higher in the second half, but you're likely to be pretty capital generative I would imagine. And I'm just trying to work out why perhaps you didn't look to announce a bigger share buyback than the $500 million that you've announced in Q2. And particularly given the last buyback you did $750 million, I think you executed that well within the quarter, I think it took you 2 months. You are likely to execute this actually in fairly short order. Is there any reason why you did not announce something higher and should we expect that perhaps you could announce another buyback with Q3 results or is this half yearly thing? Thanks.

<<Bill Winters – Group Chief Executive, Standard Chartered>>
Great, thanks a lot for the question. We said that we're going to operate dynamically within the range and we are. We've also said that we want to generate enough excess capital to return in excess of $5 billion to shareholders over a three year period, and we're at $1.4 billion or so as we sit here today. We are very well on track to deliver that. So it feels like we're on the right track. We want to be well capitalised as we

go into a period of uncertainty, we are. We are very comfortable with our asset quality and our provision level. We're comfortable with the earnings momentum that we've got.

We want to have a strong capital position and we do. We think that there will be opportunities both internally to invest, but obviously also externally and we want to be prepared for things that come along. So we're operating dynamically in the range exactly as we said we would. We have got a good healthy return to shareholders and $500 million felt like the right ground to hit at this point.

But I'll turn to Andy. I'm sure you've got some more thoughts on this.

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>
Well, probably not many more thoughts actually. And this is a balance we want some capabilities to grow the business further. We want to make sure we're protected on the downside if the recessionary concerns become any bigger. And our sense is at this point to be on a pro forma of 13.7% [CET1 ratio] feels fine. Will we review it in future? Absolutely. Are we still committed to the $5 billion overall in the three years? Absolutely. Indeed, look at the buybacks plus the interim dividend we declared today $1.35 billion on its own. The share price where it is today makes it pretty attractive to be doing the buybacks as well. So I think it seems a sensible place to be. And over a period of time, as we have before obviously we'll review it, but $5 billion over the three years, remains the objective.

<<Amandeep Singh Rakkar - Barclays Bank PLC, Research Division>>
Would you consider an additional buyback at Q3?

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>
We will review it on a regular basis. Historic pattern has been more one doing it in half years, but there is no absolute reason why that has to be the case. So we will review it at various points in time, if there is anything more that we can do as we have shown I think do not worry. We are very prepared to do buybacks.

<<Operator>>
We will now take the final phone question. The question comes from the line of James Invine from Societe Generale.

<<James Frederick Alexander Invine - Cross Asset Research, Societe Generale >>
I had just one question on the rate sensitivity slide, slide 29 of the deck and it has come down, the overall sensitivity has come down for the reasons you've laid out. But now we see that the ‘other’ currency block, it's pretty much I think half of the overall sensitivity. So I'm just wondering if there's any more colour you can give us maybe on what block if it goes, is there one or two oversized in our currencies in there or perhaps just the geographic flavour of where that sensitivity is coming from.

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>
Yes. Thanks, James. As I said earlier, I think the slide is based upon a set of assumptions, but the real world will be different set of assumptions. So one just needs to be a bit thoughtful about it. The key difference in aggregate, I'll come on to your question specifically is clearly, we are, 1.5 percentage points further up the curve than we were when we did the previous guidance. And therefore, the next 100 basis points is very different to the 100 basis points that was the next one last time round.

The factors that come into that of the prime cap on the Hong Kong mortgages et cetera things we've talked about. So that's why the numbers come down, but it is off a very different start point and start point itself is higher and therefore the increment is lower. The mix between currencies, I guess in part that is because some of the non-U.S. dollar currencies have actually increased rates later than the U.S. dollar movement. So therefore, we've got more of that still to come and that is the largest part of why that block is moving less than some of the other blocks on that chart.

<<James Frederick Alexander Invine - Cross Asset Research, Societe Generale >>
What are the largest say two or three currencies in there?

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>
There is a whole mix. I think on this slide we split out into 5 different currency blocks. I think it is we've not sub split the smaller one out of that, but you know the markets which were, and you can see the broad split of activity. So it's quite a variety.

<<Bill Winters – Group Chief Executive, Standard Chartered>>
So, operator, if there are no more calls online. Do you have any on the phone, do have any questions online?

<<Gregg Powell – Group Head, Investor Relations, Standard Chartered >>
Yes, we've got 3 questions online. First one is from Manus Costello at Autonomous. You referenced the risks from a strong dollar and high inflation, which of your market most concerns you with regards to these risks and what are you doing to mitigate it?

<<Bill Winters – Group Chief Executive, Standard Chartered>>
The best mitigation obviously is prevention and we've, I think, done a quite a good job over the several years in making sure that we don't have significant concentrations. I think we've demonstrated that in the real world with the challenges in Sri Lanka where we absorbed the necessary provisions and increases in risk-weighted assets into what was nevertheless a very strong first quarter. As we look across the characteristics of markets that are under pressure, they tend to be smaller and more open economies that are subject to the economic impact of higher U.S. dollar rates and a stronger U.S. dollar, so higher external debt balances.

And I think there is, if we refer back to some of the work that IMF has done in terms of identifying some of the hotspots is probably correlated with some of our own concerns. There is no good news obviously in periods of financial stress, but we do feel quite comfortable that we're prepared for the adverse outcomes in a number of markets that we face, we don't welcome any of them and we sit very close to our central bank and sovereign clients in many cases we are the ratings advisor for these countries across South Africa, South Asia, ASEAN where we clearly are seeing some pressure.

That leaves us in some position to help influence outcomes. It also certainly puts us in a very good position to understand what we can be doing both to help our clients and the communities in which we operate, but also to protect ourselves which is what we've been doing. So I won't get into much more detail in terms of specific names. But broadly, I think we're as positioned as well as we as we can be. We see the stresses. We think it's going to be manageable. We think the IMF has been very proactive and countries that have soughtt IMF help relatively early on have navigated well so far. Others that if you typically for domestic political reasons then Sri Lanka would be the most obvious case, that only brought the IMF in late have fared less well, but we're optimistic on balance that we can work through this period of stress, but thanks for the question, Manus.

<<Gregg Powell – Group Head, Investor Relations, Standard Chartered >>
Thanks, Bill. Next question from Rob Noble at DB. There is a decline in market interest rates in 2024 in the U.S. Given this shape, should we expect NIM in 2024 below the 160 basis points average or does the rate rise movement build through 2023?

And the second part of the question, is 10% RoTE in 2024 possible with the expected dip in U.S. rates?

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>
So 2024 is still some way out and I think high level probably two effects. One is if as you say the rates start to drop a little bit in that period obviously that would be a bit lower. On the other hand, we do have a lot of our book that reprices beyond the first year and therefore is an under-current that actually flows through into subsequent years. So I'm not going to put a number on 2024. I know you didn't ask for one, but I don't think we should be seeing a significant dip in that period, unless obviously U.S. rates fundamentally change in the other direction.

Consistent with that, I do think 2024 the 10% RoTE is absolutely achievable, it is what we are setting our stall out to achieve, the rates will be one part of how we get there. But let's not forget that the underlying growth with our customers is still good and I think particularly for those based in the Western world where we read a lot of press about the gloom and doom and the recession. In the markets we are operating in, actually, there is more positivity, markets are coming out of COVID. Maybe there will be some undercurrent from recession over a period of time, but I suspect it might be a little bit later. So overall, 2024 for the 10% RoTE, we feel very strongly about.

<<Gregg Powell – Group Head, Investor Relations, Standard Chartered >>
Thank you, Andy. Last question for the day from Guy Stebbings at Exane. It's interesting to hear that you're already seeing some signs of negative deposit mix shift into time deposits at this early stage in the rate cycle. Could you elaborate on what you've seen to-date and what you assume within your NIM guidance for deposit mix shifts as we move further up the curve?

<<Bill Winters – Group Chief Executive, Standard Chartered>>
Andy will take the question. But it's not surprising to us at all, it's exactly what we expected and the profile of the mix shift varies a bit from market to market, but is broadly exactly what we had factored into our $1.3 billion of interest rate sensitivity guidance back in February. So, no big surprise and I would underscore that while of course free current accounts are preferable to time deposits where we pay some interest rates, these are still attractive deposits for us and in aggregate we're growing. And that reflects as much as anything, the strong customer position that we've got, the underlying strength of our cash management business is coming both on the Retail and the Corporate side. So we're not surprised by the evolution and we're happy with the progress of the underlying business.

Andy?

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>
No, I mean to repeat what I said earlier, we are seeing a small movement to time deposit. So I think, 2% or maybe 3% actually so far in the year-to-date. I'd expect that we would see another few percentage points over the balance of the year because obviously rate is still rising. But as I say, for us overall, there is a balance here. It maybe marginally more expensive but not a lot more, but actually it's sticky, it's good quality, it stays there from a regulatory treatment, it's very, very good funding for us. So yes, a little bit, it makes change, not a worry, factored into the NIM thinking and factored into NIM thinking for next year as well.

<<Bill Winters – Group Chief Executive, Standard Chartered>>
Good. So we'll wrap it up here. I'd like to offer a huge thanks to all of you for taking the time on a sunny Friday morning in London if that's where you happen to be and what we know is a very busy day for all of you ahead of what I hope will be a relaxing weekend for those getting a break, a really nice bit of break over the summer. But thanks again and look forward to seeing you next time.