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**Q&A with Andy Halford, Group Chief Financial Officer, Standard Chartered PLC**  
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*(Amended in places to improve accuracy and readability)*

**<<Alastair Ryan – Analyst, Global Research (Bank of America)>>**

Thank you, good morning and welcome back, good afternoon Asia as well. Really pleased to be hosting Andy Halford, Group Finance Director of Standard Chartered. It's rarely dull in Standard Chartered's vast Asian, Africa, Middle Eastern footprint. And so I'm going to launch straight in, Andy please, asking about China commercial real estate.

When one looks back at video recordings, sometimes we are very prescient and sometimes people think, 'oh, what were we worried about'. But this definitely is an issue for the week. It's not just your share price, I guess, as much as it is second and third order contagion risks, mainland spillover into Hong Kong. So how comfortable are you with the current exposure of the Group and how are you managing risks in the commercial real estate space?

**<<Andy Halford – Group Chief Financial Officer (Standard Chartered PLC)>>**

Thank you Alastair, thanks for the chance to cover a number of topics I guess. China, clearly looking at the share price this week, that has been the major event for us. I hope it will prove to be a blip because at the end of the day, whilst there have been ups and downs of a particular company, I would say it would be a company in which we have no direct exposure and negligible indirect exposure at all. But nonetheless, people may be reading a little bit more broadly as to what it could mean. Is this a particular property company, is it a broader one?

Group-wide let's put this in context with our \$300 billion of exposures. We've got \$19 billion in real estate globally, we have about \$6 billion of that in Hong Kong and we have about \$1.25 billion of that in [mainland] China. So in the overall scheme of things, it really is very, very small for us.

China will always have some degree of unpredictability, any country does. Maybe China more so than some, but I think that the trick here is to spread the exposures across sectors, which we have done, is to be very attuned with what is happening on the ground in China. Our Management Team is a local team, very largely, and I think have shown that they are over the last three or four years, well able to navigate through sometimes difficult sectors and sometimes difficult times.

I would still hypothesize that even if one sector is a little bit under the cosh at the moment, the generality of the growth of the Chinese economy is still very strong, certainly compared with most other parts of the world. And I think as we look forwards, it does not dent our enthusiasm for the country whatsoever. It is a little whatever in the week, it will level itself out. But when we look at things like the ever-increasing standard of living, the increased number of people who are now at a point where they might define themselves as being wealthy; we, like I know a lot of our competitors, do see considerable opportunity on that front.

So, I think we just need to be careful that we don't overreact. We don't on this particular instance have any significant exposure. The overall sectoral exposure I think is very modest and we have spread our wings, we monitor it carefully; and I think we are much, much less concerned by this than maybe the initial market reaction was. And hopefully the initial market reaction will settle and then we'll get back to where we were previously.

**<<Alastair Ryan – Analyst, Global Research (Bank of America)>>**

Thank you. And then just drawing that out a little, what is the business you're running in mainland China? How do we think about what customers you aim at? Not just the risk profile, but the opportunity? You've got \$1.25 billion, it's not developers, right, fundamentally?

**<<Andy Halford – Group Chief Financial Officer (Standard Chartered PLC)>>**

No, and we have got in particularly in the consumer space, the mortgage lending that we do, and Group-wide we are only I think 3% of our total mortgage lending that has a loan to value above 80%. So actually it is incredibly well covered. Northern China and Northern Asia sort of numbers are in a similar sort of space. So, there is a mixture of consumer lending, there is some corporate lending into the sector for sure. But it is done selectively and if you look at the overall credit impairment charges we have actually had in the overall Chinese business generally for past three or four years, have been very low. And I think that was testimony to a lot that we did four or five years ago, to clean up the balance sheet, it's testimony to our local Management Team that has been exceptionally, in my view, well-tuned to what is going on in the country.

And it is not a surprise that we've come through a period like this saying that the book is behaving well, we're not particularly concerned by it. And the most important thing, just to reiterate the point, is spreading one's wings, so there's no over-concentration in any one particular area.

**<<Alastair Ryan – Analyst, Global Research (Bank of America)>>**

Thank you. That's this week's topic, now let's move on to all the other things. The last three days there's been a very strong sense from the European-focused banks that things are better. But in a way that's fairly straightforward because Europe noticed COVID late, then went into lockdown and then it's come out. And your footprint has had a very much more, on average, better but much less V-shaped experience.

So, as we're approaching the last quarter, how would you describe the situation across your markets? Is it economic recovery? Are things good, or are they still mixed?

**<<Andy Halford – Group Chief Financial Officer (Standard Chartered PLC)>>**

I would say as a sweeping generalisation that we are still seeing nice balance sheet momentum. There is still customer demand out there that, the world on the average, is still moving in a good direction. I would caveat it to say that it is patchy within the averages, and we all know that some countries (Bangladesh, et cetera) have had a more difficult time recently. India had a more difficult time a few months ago, but thankfully now seems to be pulling through it. So it definitely is patchy.

But I think what is interesting is we said right at the start of the year, as best we could see it, we thought income levels this year, at constant currency, would be pretty similar to what they were last year. And that remains our view. By the law of averages we are actually still tracking very close to that. And I think that the underlying demand, if you stand back, there's still the same number of people, roughly, living on the planet with the same aspirations, with the same needs to consume.

And our sense is that the world is gently bit by bit coming back. We all know it's bumpy in some parts of the world, but the overall average we're seeing is good and that's why we're comfortable, particularly for next year when our comps in terms of interest rates et cetera, normalize, that actually is more self-evident in our numbers that actually we are making progress; at the moment it's a bit masked by the interest rate effect.

**<<Alastair Ryan – Analyst, Global Research (Bank of America)>>**

Thank you. You've anticipated my next question there. So the net interest margin, which was the story of the back-end of 2020. Just some specifics, I'm an analyst so forgive me, so in Q2 the margin was fairly stable but there was a positive interest rate adjustment in there. And it would've been about 117 basis points in Q2 excluding that. You've said there could be another positive adjustment in Q3, but kind of looking through, what's the stable number for the NIM? Is it stable, and when can you hope to start growing the margin?

**<<Andy Halford – Group Chief Financial Officer (Standard Chartered PLC)>>**

We had the benefit, as you say, factored into the last quarter numbers. There is some more to come on that. Whether it be Q3 or Q4, we're just working through at the moment. So it will be one of those two, but we said over the balance of the year; everyone is hoping it will be Q3, but we're just working through whether it be Q3 or Q4, or maybe some in both. But essentially that's an exercise that we're just working our way through.

I think stripping that out, probably HIBOR a little bit weaker but not massively so, so a fraction of downward pressure maybe from that. But I'd say other than that, what we are seeing in the underlying the last quarter is pretty much what we're seeing now. So I think the big issue will actually be the longer term interest rate trends rather than the near term ones, but we do seem to be bumbling along roughly at the low point at this time.

**<<Alastair Ryan – Analyst, Global Research (Bank of America)>>**

I suppose it must be something of a frustration that one of the hallmark for the last five or six years with you and Bill, has been building the current and savings accounts and operating deposits, and improving the liability quality, which has made you more rates sensitive, and you've achieved that. But there's three ways for that to come through to P&L, #1 is better funding (better quality and so on), #2 is rates go up and Mr. Powell is giving us some reason to hope, and #3, is Treasury.

I mean I'd invite you to tell me whether Mr. Powell is going to deliver those rate hikes or not. But more specifically, you've talked about Treasury being under-invested, because deposits have grown so much and you didn't put it all to work because rates were so low. Is that an opportunity for the margin heading into next year? Is that something we can hope for soon or you're actually quite cautious because you don't want it to be too lumpy?

**<<Andy Halford – Group Chief Financial Officer (Standard Chartered PLC)>>**

Well, I think it is self-evident that we are going to benefit disproportionately to other forms of income growth, if rates do increase. We put a rates sensitivity first year indicator of about \$1 billion per 100 basis points, and that is the first year effect, so there's a roll forward effect on top of that on exposures that will reprice beyond the first year.

If you look back over the COVID period, we have maybe \$1.5 billion of income loss from about 1.5 percentage points of rates decrease during that period. So the sensitivity numbers we have got on the upside are very much mirroring the recent experience on the downside. I think it's fair to say that the vast majority on that pickup should flow through to the bottom line. It's a computer with a different number in the field rather than a lot of extra activity that's going on in the business, and therefore, the benefit when it does start to pick up will be bigger.

The question of how much it will increase and when it will increase obviously is the billion dollar question. If it were to start to pick up some based upon some of the recent wording from the FED in the next sort of six to nine months, that obviously would be helpful for next year. Self-evidently, if it is a slightly longer term pickup than that, then it will be on next year, but that is pretty much table stakes.

Just to narrow down your question, we do sit on a fair amount of funds that are sitting in Treasury. We have been rich on gathering deposits. Those have actually been good deposits because they are low cost and they are sticky. And although we have had customer [loan] growth and have satisfied that growth, we have still got some left over. So the real issue for us is with the surplus we have got there, when we start to see rates, particularly on medium and longer term, start to come up, at what point do we invest in those and that is a balance...

We want to get in higher rates than we're at at the moment, but we don't want to get in so much that if they go up further after that then we've missed out on the further upside. And that's as ever, that's running a bank. I think it's fair to say that the medium term rates eight weeks ago versus today are higher

and it's moderated a little bit. So we're not going to go rush to do that just at this particular point in time. But if we feel the general sentiment is towards higher rates, I think that that will be helpful.

And I would say on the average, at the moment, that we would be a little bit more optimistic on the medium-term rates front than was the case in February when we did talk about the outlook for the next two or three years. So I think on the journey that we've got to get into a 10% ROTE, the rates will definitely play a part in that. Today the share price is obviously very horrible and we know that, but we are at a point where the rates are very, very low rates. COVID hasn't yet fully flushed its way through the economic system, as it were.

And I think a lot of the things we're focusing on, in terms of actually getting that momentum, which we're clearly seeing the business with clients and the push on the consumer side with MOX in Hong Kong, and the announcement in Singapore, et cetera, plus a bit of rates assistance, I do actually think the next three years will prove to be very interesting for the Group.

**<<Alastair Ryan – Analyst, Global Research (Bank of America)>>**

Thank you. Before we get to the long term, I'm going to drag you back into the present. So Financial Markets, again, Trading is volatile, numbers are hard to predict. But building Financial Markets as an income stream has been one of the key targets; and very strong evidence over the last 18 months that's been working well.

Looking at what some other banks have said about Q3 trading and fixed income, for example, but they said it's quite subdued. Is that any use for us thinking about your Financial Markets business or are you different enough that you could be doing better than some of the peers?

**<<Andy Halford – Group Chief Financial Officer (Standard Chartered PLC)>>**

So what I'll say is this, we're now through summer and obviously summers tend to be a little bit light on activity generally. So we've seen a slight lightness in summer, but not more than we would have expected or in previous years. A little bit of that in Wealth Management, not massive, but just slightly so. And a little bit of that on the corporate side.

However, it is only a little bit. And the corporate side actually in terms of forward order book is looking very strong. So our sense is actually if you look out over the balance of this year, we're not changing our views on what we think is the outlook for the full year. And we have to be careful as ever, just not to judge the longer term on the basis of a single month or something like that.

So yes we've seen a little bit of softness in that space over the August period, but not to a level that is of concern and as I say, the order book is looking strong and the momentum in the business is actually looking good. So overall, put it together, not changing our views as to the full year outturn.

**<<Alastair Ryan – Analyst, Global Research (Bank of America)>>**

Thank you and now Wealth Management. And that's been an area that I mean long before your time I remember being very skeptical that Standard Chartered could ever fix that. And I was right for ages, but I'm definitely wrong because your Wealth Management has been quite the story. I mean it was 20% growth in the first half. You mention, as always, seasonality. It's quite hard for us to get a handle on because Hong Kong is your biggest single market, although it's a diverse income stream for you, and Hong Kong has been quite strong domestic activity, but you can't go to Hong Kong, and 40% of the market historically was inbound from the mainland. Could you talk us through how Wealth Management is looking at present?

**<<Andy Halford – Group Chief Financial Officer (Standard Chartered PLC)>>**

Yes. It's okay analysts can be wrong occasionally, it's not a problem. I have to say, you look back over several years now, actually the CAGR we've had on the income from Wealth Management has been pretty good. Part of putting our consumer businesses together at the start of the year, integrating Private Bank in there was actually saying 'we can probably do more in this space'.

We're stronger in some markets than we are in others. We'd like to actually get to more equivalents across markets. What are we doing in the markets where we're bigger, how can we do more of that in the other markets? And that's what Judy and the Consumer team are very focused upon.

I think a couple of things. This quarter, the Wealth Management income bobbles around a bit with these bonuses that we get on the insurance side. And they were higher than the average in the third quarter last year. So as a point in comparison, that's probably a little bit more tricky. But that having been said, we're not at the 20% growth levels but we are still growing nicely.

August a fraction soft, you just never know whether that's just sort of holidays and things like that or whether that will go through, not massively, but just slightly at the margin and it may well be that as people get back and so on, in the remainder of the year, that picks up again.

So I'd say Wealth Management we're still very pleased with the performance there. And we are, as I said earlier, we're sort of on track with where we'd expect it to be at this point in the year.

**<<Alastair Ryan – Analyst, Global Research (Bank of America)>>**

Thank you. As an analyst I'm always challenging people not just look at loan growth as a proxy for how a company is doing, but in some ways it also is. So you guys had very strong loans in the first half. It seems to be quite broadly spread, there seems to be some IPO lending in Hong Kong, but in general, the key drivers seem to be for both businesses, Mortgage lending and Trade. Can you maintain that sort of 8% pace? That's quite a nice number and that's probably a little heavy on your original expectations. Is that representative or again, is there noise in there?

**<<Andy Halford – Group Chief Financial Officer (Standard Chartered PLC)>>**

I don't know whether we will be as high as the 8%, but it's not noise in the sense that there were obvious one-offs. I mean we seem to get off to quite a clip and as you imply in your question probably, we were quite surprised by that. Being realistic, we don't have to be growing at that sort of rate through all of this year. I mean if we can do it, fantastic. But I suspect it will be a little bit lower than that.

That having been said, it is pretty broad-based. We have been seeing it both on the Consumer and on the Corporate side; and although I think on the Corporate side it's spread across a lot of different countries, the momentum that we have had in a number of markets has been encouraging. And I think earlier this year maybe when Europe was a little bit more stuck with COVID, people were surprised at the upside, but there seems to be more pick up going on in Asia.

To my earlier point, this is self-evident, it will be patchy. There's some Asian countries that they are still having quite a tough time and there one or two that were having a bit of a tough time four or five months ago that have actually now pulled through it. So not worried if the growth isn't quite as high as that. But as long as we're seeing that growth, we are seeing customer demand, which is the case, then I do think, and this goes back to my previous point, there's still a lot of demand out there. There's still people living who want to feed themselves, and aspire to do better. And I think that this will self-level over a period of time, particularly when the vaccine, et cetera, gets to have real effect in some of the countries that are unfortunately still struggling.

**<<Alastair Ryan – Analyst, Global Research (Bank of America)>>**

Thank you. And then just to drill down, Hong Kong mortgages, the market is growing at 8 or 9%. Is that representative, can you maintain market share? And then secondly Trade. Trade's a mess globally as everyone in the UK noticed, although that might also be Brexit. But in a way, there seems to be quite a lot of Trade Finance to be done, all these ships floating around, all this LNG that needs shipping and commodity prices generally are quite high. Is that a favorable backdrop for a partner of companies who do logistics, the people who are doing the trade?

**<<Andy Halford – Group Chief Financial Officer (Standard Chartered PLC)>>**

Yeah, I mean two parts there. Obviously, the mortgage market in Hong Kong, we will absolutely aim to be holding share there. If we can do better, we'll do better. Who knows what exactly the market growth rate will be, but certainly it seems to be strong at this point in time.

On trade, you're absolutely right. There is a lot of stuff that's still moving around the world. And most of that needs someone behind it to do financing. Some of it is moving around the world a little bit more slowly than it used to be. But that's not exactly within the remit of the banks.

So I'd say the Cash side of our Transaction Banking is obviously impacted by rates, for obvious reasons. The Trade side has actually I think has done okay. But it is an area where as confidence does lift, you sort of need all parts of the world to get confident, because that's when things really flow. And when you've got some parts of the world confident, some parts that are not, it still feels like a bit of a bumpy journey.

**<<Alastair Ryan – Analyst, Global Research (Bank of America)>>**

Thank you. And shifting down the P&L then, on expenses. Putting you on the spot. Can you deliver your expenses number this year and then secondly, you are hoping to grow your expenses around the rate of inflation, which is a tricky number now what inflation will be. But let's say 3 or 4%. Does that remain an appropriate target if you'd run your revenues faster than that, or can you flex that down if the revenues fall short? And does it move up if the revenues outperform?

**<<Andy Halford – Group Chief Financial Officer (Standard Chartered PLC)>>**

Current year, yes, we're absolutely confident with what we've said we will do. And just to reiterate, we said \$10 billion on a constant currency basis. Obviously if the FX move, which is \$300 [million] or thereabouts, as we speak at the moment, and that there could be a little bit extra on variable compensation performance related pay. All in, maybe it's a 10.4 [billion] number. That is absolutely where I think we would be at this point in the year or three months to go. So yes, that is behaving.

I think on the longer term outlook that there will be some sort of interesting pressures there. Poaching within the sectors has obviously become more prevalent in parts of the world than was the case before. I think generally, not just our sector, but other sectors starting to feel a little bit more pressure on labor rates maybe going forwards.

And obviously what we want to do is to make sure that we are both being as efficient in our core business as we possibly can be, but not starving new businesses like MOX and the venture which we'll have shortly in Singapore, from the startup investment that they need so they gain momentum and those businesses typically lose money in the early days, whatever.

So just thinking about how we make sure that we don't starve the new ventures from of funding the operating costs that they need to really take a footing, is one of the things that we are focused upon. Now that having been said, those new business clearly, we're clearly going into those with an eye to the fact that they are opening up income opportunities for us. They are opening up new sort of categories within the market, particularly, MOX been focused upon slightly younger audiences, et cetera, which we haven't sort of previously dipped into.

And so it will remain a period of tight cost control, but it's also going to be one of being thoughtful about where are we investing for the longer term, making sure that we are not constraining that growth if there is a genuine economic value to be created.

**<<Alastair Ryan – Analyst, Global Research (Bank of America)>>**

Just on MOX and Singapore, which is a JV with NTUC, I think. How do you judge how MOX is doing? I mean we see the App Store ratings, et cetera and so on, but in terms of what are the metrics you're looking at for judging how it's doing? And then how transferrable are the skills, they're separately structured entities, but can you take what you learned from one to the other?

**<<Andy Halford – Group Chief Financial Officer (Standard Chartered PLC)>>**

Yes, so wind back the clock, why did we get into sort of MOX type entry in the first place? It was because the license was coming available and the requirement was for it to be a digital-only bank. We thought it to be a really interesting learning to do a ground-up build of a digital-only bank and to build it essentially from the eye of the customers from what they would want from a simple, easy, intuitive, useful system to do, rather than necessarily the historic systems the bank had grown up with over many, many years.

And we thought that would be just rich in learnings. And we also thought that if it were done in Hong Kong, that maybe other countries might be minded to go the digital-only license route, and that therefore, having a learning experience the first time around could put us in good stead the second time around. That has now happened and Singapore is doing the same. And hence, we are going to deploy a version of MOX in the Singapore market in conjunction, as you say, with NTUC. And for us, second time around experience, a lot of learnings the first time around. We find that very exciting.

The metrics we're using here are absolute number of customers. We are very focused upon whether they bring their deposits with them or whether they are just borrowing from us. We are looking at the speed with which they can register because we are very interested to see how much with that we can learn from and retrofit into our core business. We are looking at the age profile of those customers to see whether actually we are addressing a slightly different audience, and hence, reducing the cannibalization effect. We are looking at a lot of the digital marketing readouts and how much cut through we're getting on that front.

The actual technology stack is independent of our core banking system and hence we literally can copy and paste into other countries. So today we're over 160,000 customers, \$700 million deposits. We are very happy with the way that it is going. It's still early, it's still young, but the fact that we're going to be doing the same in Singapore in pretty short order should give a pretty strong indication that we are enthused by what we see.

**<<Alastair Ryan – Analyst, Global Research (Bank of America)>>**

Thank you. Bad debts. First half a bit of a release. You've still got management overlay and certainly I'm not aware of any notable corporate failures, Consumer credit looks generally quite good. So consensus still has a decent charge for the year. Any possibility we might get a net release? And I guess that's in two parts. One before the management overlay and two, when do we get management overlay back?

**<<Andy Halford – Group Chief Financial Officer (Standard Chartered PLC)>>**

Let me address it from the back end of your question going the other way. The management overlay I think at the peak we had \$450 [million], we've got 300 [million] as we speak today. So relative maybe to some banks in the US, it's not like we went and topped this up massively in the first place, we put a chunk in there and so far, fortunately, as you alluded to in your question, the experience we've been having overall has certainly compared with some of the expectations in the early stages of COVID has been much, much preferable.

I'm not going to go rush to release the management overlay. The day that someone tells me that the whole COVID effects is formally over, then absolutely it'll be off the books. But I just think we need to be thoughtful, we're not going to go and dump it just to get numbers up in the quarter. We will have a look at where we still think we have pockets of exposure, we'll continue to hold some reserve just to make sure that we don't catch a cold on those. So I think you'll see that plays over a few quarters.

I think on the underlying, the story continues to be the one that we talked about at the half year, that as you say, there's not been at this point in time, there's not been any particularly big corporate exposures. The Evergrande one is not consequential at all. So I would hope that the balance of the year as we see it now is going to be on the modest end.

And I think there's always going to be some element of charge in the Consumer business just because of the nature of just building up reserves for new customers on unsecured lending. It doesn't necessarily go

down to a zero number. But it's certainly looks to be on the way, way, way on better end of the range as we'd see it at this point in time.

**<<Alastair Ryan – Analyst, Global Research (Bank of America)>>**

Okay, thank you. So that brings me to capital, one of our favorite debates over the years. You have a 13 to 14% range. You're at the top with that, you've been doing a buyback in Q3, which I think has been very welcome. If impairments are low, as you say, what are the capital dynamics in the back end of the year and how do you think about spending it? Can we have it back in short? Or is it going back into the business to grow it faster?

**<<Andy Halford – Group Chief Financial Officer (Standard Chartered PLC)>>**

Well, I'm glad you were clear around the key part of the question. And what would I say? I'd say this: we guided at the start of the year that we saw mid-single digit percentage growth in RWAs over the course of the year. And I think that's still roughly where we'll end up. That was going to be a mixture of client growth, in increasing numbers, but also some model changes and some optimisation actions that we've been taking, that will go the other way and sort of mute the overall impact.

I'd say as I look at it at the moment, actually, model change and optimisation actions in the third quarter will be disproportionately high, relative to the other quarters in the year. Which will for that quarter, give us a bit of a boost on the CET1. But, I think that's actually is just a little bit of sort of phasing within the year, as in it's difficult to know which quarter those would occur. So the third quarter, RWAs a little bit lower, probably CET1 a little bit higher.

In terms of capital returns, however, we've got to not just judge it on the quarter, per se. We've obviously got to look forward two or three quarters. And as I say in the fourth quarter, we won't have so much benefit from the model change, we'll have the client growth and therefore it will normalise to some extent.

We said that 13-14% range, we don't intend to be sitting above that unnecessarily, we'll try to operate within it and we'll be dynamic within that range. There are inorganic opportunities on the Retail front at the moment, as we all know, and don't know where that will all end up, but obviously we want to retain the fire power in the event that there was an opportunity there that we felt was economically compelling. And I think once we are clear on outcomes on things like that, then I'm sure at the end of the year the Board will be deliberating exactly where we sit and whether some further returns are appropriate.

I hope they'll be doing it when the share price isn't quite as bombed out as where it is today, but time will tell.

**<<Alastair Ryan – Analyst, Global Research (Bank of America)>>**

Thank you and just on that inorganic piece. I mean I'll call it Citi but it may be something else, I don't know. But what's the patience for that? Because you're generating capital as you go. So in a way, if you're waiting for that, you're building more and more buffer. And any acquisition is then delayed. It takes 12 months to close or however long. So what's the stress point there? How long do you wait to see if that's worth doing before handing back the residual? Because obviously, as you say, on a half tangible book value, the capital is quite expensive from a shareholder perspective.

**<<Andy Halford – Group Chief Financial Officer (Standard Chartered PLC)>>**

You're narrowing it down to a specific. I will keep it broader. But listen, we don't want to be sitting with cash in our pocket that's just burning a hole unnecessarily. We think we're not too far away from knowing an outcome on something that we probably would be minded just to wait the period of time, just to understand exactly what that outcome is. So don't worry, we're not going to sit on it. We have shown the propensity to do returns when we can afford to do it and when we've got the spare there.

So if we get to that point, we'll be doing that. I'm just saying that as you would expect, I'm sure, we want to just do it in the round and make sure we're taking everything into account so that we don't go and return it and then later on have a cause to say gosh, that was bad. That stopped us from doing something else that would have been more value enhancing.



**<<Alastair Ryan – Analyst, Global Research (Bank of America)>>**

Thank you. In the last five minutes, I guess just to come back to the digital piece. I think you mentioned at the second quarter results that the annual cost of running your kind of investment projects, as much as \$400 million, is that the right number? I know you have an investor day coming up on this, so I don't want people to not show up because you've told it all now, but it's a pretty significant investment. How do we think about what returns the bank gets from that?

**<<Andy Halford – Group Chief Financial Officer (Standard Chartered PLC)>>**

Yes, we are going to talk more about this shortly. The Investor Day, obviously intent of that is actually more about what is the product, what is the ambition, et cetera, rather than purely about numbers. I'd say that the cost base today is maybe more than \$200 [million] in and is rising, so maybe \$400 [million] or so next year, maybe not out of the ballpark. Now what we need to do to be careful, like I said earlier, we're going to have to think through the sort of cost guidance going forwards, because we do not want to starve the rest of the business and actually, if you like, slow down the rest of the business for the push that we're making onto the digital front. But we'll provide more detail on that.

In terms of the value creation, certainly we would not be making these investments unless we felt that they were investments for the future. The MOX type technology stack and the rule of thumb I have on that, which my technology guys tell me is broadly right, is that [on] the second instance you sort of halve the cost from the first time round, and the third time you'll half it again. So the cost efficiency of the actual platform becomes quite significant the more of these that one does roll out clearly over a period of time.

Whilst the absolute cost feels like a lot of money, the revenue pool opportunity for this sitting out there is also very big. And as with any of these ventures the early days is loss making, then you pick up, you pick up. So we are very clear that the size of the prize there is well worth that sort of investment. We see the digital type bank being the future of Consumer Banking and therefore feel that it is absolutely consistent with the general way that the markets will go over a period of time.

And as I said earlier, to have an early-mover advantage with MOX and our replicate in Singapore, et cetera, we also, of course, feel that that will be an exciting one to go forward.

**<<Alastair Ryan – Analyst, Global Research (Bank of America)>>**

Thank you. And then the last thing, on sustainability. It's been a thing that Standard Chartered has talked about I think more than most of the banks. I mean the commitment to being a part of the solution in the energy transitioning is very clear. But again, is that an income stream for you now or it's a health factor? Something that is necessary for the banks to do well in the future, but we shouldn't think about it as an income stream, per se?

**<<Andy Halford – Group Chief Financial Officer (Standard Chartered PLC)>>**

It's very multifaceted question. If you look at...

**<<Alastair Ryan – Analyst, Global Research (Bank of America)>>**

You've got two minutes...

**<<Andy Halford – Group Chief Financial Officer (Standard Chartered PLC)>>**

Yeah, I know. I'm just giving you the 60 second version. I mean if you look at what the world needs to do to become more sustainable, the proportion of the sort of upgrade activity that needs to take place in the world, that happens to be in countries which we operate, is high. The amount of funding that will be required to enable that to happen is high. We are a facilitator of funding, and therefore, we absolutely see that as being an opportunity.

It's not something that's going to change overnight, but we do think now it is something that is going to be aggressively changing. We operate in some sectors which have got more challenges and then some. And therefore this will take a period of time to move from the past to the future. But overall, the reason we do want to be very clearly associated with this is we believe it's a good thing to do. We believe that the

largest opportunities do occur in the markets in which we operate and we do believe that our persona, if you like, of the bank, our brand promise to be here for good, is very proximate to this.

And therefore, if there is a bank that should make a significant impact here, we should be one of those banks.

**<<Alastair Ryan – Analyst, Global Research (Bank of America)>>**

No, that was very unfair of me, but you've overachieved there. I'm going to have to call it quits, exactly on time. Almost Swiss. Andy, that's been excellent. Thank you very much and we hope to see you again this time next year.

**<<Andy Halford – Group Chief Financial Officer (Standard Chartered PLC)>>**

A pleasure. Thanks Alastair.

**<<Alastair Ryan – Analyst, Global Research (Bank of America)>>**

Thank you.