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Q&A with Bill Winters, Group Chief Executive, Standard Chartered PLC

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(Amended in places to improve accuracy and readability)

<<Martin Leitgeb, Equity Research Analyst (UK and Nordic Banks), Goldman Sachs>>

Good afternoon. Welcome. It's a great pleasure for us here at Goldman Sachs to welcome our next speaker, Bill Winters, Chief Executive of Standard Chartered. Bill, it's really a great pleasure to welcome you again this year here at the conference, thank you for making time.

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

It's very nice to be with you Martin.

<<Martin Leitgeb, Equity Research Analyst (UK and Nordic Banks), Goldman Sachs>>

And with that, let's move straight to questions. And maybe to start off with broader economic questions just as we're approaching the midpoint of the year, if we look at developments in certain Western countries, particularly the US and the UK are progressing very firmly on the vaccination programs and the debate has now shifted to the pace at which the economies are being reopened.

At the same time, the picture in Asia and certain Asian countries looks a bit different with a number of countries being in the process of containing the pandemic. And I was just wondering, how does this different outlook between certain Western countries, between certain countries in Asia, across the footprint of Standard Chartered impact the outlook for your business growth here, both in the short term, but importantly also, in the longer term?

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

Thanks. Obviously, a very topical question. In the longer-term. I think the short answer is not very much. I think we've already seen in the US and now more recently in the UK and in the rest of Europe, a relatively quick resumption of the patterns of growth, and of course we saw that in China last year. So I think we're all hopeful that the recovery, certainly in the more developed countries, can come pretty quickly.

But when we look at the state of play right now, it probably breaks it into three broad groups. There's the countries that are well vaccinated and well on their way to recovery, the only question is, does it get slowed down a bit by the Indian variants or Delta variants, things like that? But we're very encouraged by what we've seen so far. Second are countries that actually have, and I would say China is in that category, where the Chinese economy is relatively humming. And of course, they are withdrawing some of the fiscal and monetary stimulus, which is taking some of the wind out of the economic sales, but I would say that's a good thing. It's not necessary, and they're recreating some powder should they need it for something else.

The second category are those countries where the health situation is quite under control, certainly relatively, but where the mobility restrictions have kicked in hard. And the most obvious for us in that regard is Singapore where the degree of restriction and a quasi-lockdown right now is quite high despite the fact that while the number of cases is high by Singapore standards, they're not high relative to other populations.

And we just have a few markets in that category. You might include parts of Hong Kong there as well, although Hong Kong is coming out the back-end, but we have seen a little bit of softening of economic activity, in particular consumer spending during the quasi-lockdowns in two of our very important markets.

And then the third of the countries where, unfortunately, the pandemic is not under control and the vaccination rates are relatively lagging. And think the big one for us is India, that's obviously very much in the news, we don't need to talk about the backdrop, but it certainly extends for us into Bangladesh, Sri

Lanka, Nepal and Malaysia, nowhere near as bad from a health perspective, but in a pretty restricted environment right now, Indonesia just a bit behind that.

So the interesting thing to note in that third category is that this wave is nothing like the earlier waves, so the level of economic contraction is actually far less, despite the fact that the level of infection and hospitalisation is, in the case of India, very high, in the case of the other markets, relatively high. And I think that reflects the economies where we operate, the ability to cope and be resilient in this new world of infection.

So we've not seen a significant pickup in loan impairments. In fact, we've not seen any pickup in loan impairments, always with the caution that in a place like India, it's maybe early to declare any victory given how acute the crisis is right now, and we've not seen the collapse in economic activity that we saw in the first wave of nationwide lockdowns in these places as people have learned to cope. So I'd say long-term, no structural concerns, short and medium term, there could be some bumps and some hiccups, clearly a lot to focus on, but nothing for undue concern.

<<Martin Leitgeb, Equity Research Analyst (UK and Nordic Banks), Goldman Sachs>>

Thank you. And then moving to the broader growth opportunities of the Group, and maybe to start on the inorganic side, so the prospects and opportunities for M&A, one of your US peers has announced recently its intention to exit a number of markets in Asia, could there be a scenario where Standard Chartered scoops up some of the assets, some of the portfolio, some of the businesses, or could there be another scenario that even if that was not to happen, that Standard Chartered could benefit from some of the disruption posed by the sales process?

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

I think the answer is yes in both cases. We're looking at the assets that Citi has put up for sale, we operate in a number of those markets, not all of them. So we've exited earlier markets like Thailand and the Philippines, and we've never, at least not for a very long time, had a retail presence in markets like Australia. So there's some things that probably make less sense for us.

But in the other markets, Citi has got some good businesses, and they could be complimentary to ours. Thankfully, we've got pretty good momentum in terms of getting to scale in each of those markets, either through digital channels or otherwise, that give us the opportunity to grow organically if that's where we end up. That's been the plan so far, and if we don't end up buying any of the assets from Citibank or anything else, then that's where we'll be going forward. We feel fine about that.

But if there's an opportunity to do something that is strategically and financially agreeable, we will. And maybe to anticipate one of your other questions, if we would look at any material acquisition through the lens of what else we could be doing with that capital in terms of the rest of our operating businesses or the rest of our investment portfolio, fully recognising that our stock is trading at a deep discount to book. So we would expect to need to make the case to ourselves and then to the world that this is something that is compelling relative to our other opportunities. And if we can get there, fantastic, if we can't, no problem.

<<Martin Leitgeb, Equity Research Analyst (UK and Nordic Banks), Goldman Sachs>>

And then maybe more broader on growth, organic growth opportunity within the Group, just given Standard Chartered's footprint, which growth opportunity are you most excited about? And maybe also to touch up on China, there seems to be more and more peers heading into the Chinese market with partially quite ambitious hiring plans, how is the proposition evolving there for Standard Chartered, and do you see this as an increasingly competitive space?

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

Look, it's actually a slightly tough question to answer because we have a lot of things that I think are very exciting. I would say sustainable finance is very exciting. The amount of money that needs to go into our markets to affect the transition to net zero is staggering, we're talking about trillions of dollars and an area where we're actually very good.

And you may say, "yeah, that's fine, but it's not going to be the priority for Nigeria or for India or Sri Lanka," but the fact is it is. It is the priority, not necessarily because it's a government priority, although I think in many cases it is, but because the businesses are supplying global MNCs who themselves face tremendous pressure from their own shareholders and in some cases their own country. So I think there's a huge wind on our backs on the sustainable finance front.

But when we get down to the most exciting single opportunity, it's got to be what's happening in China. Our China business was on fire last year, that's a good thing by the way, that's a good fire. It's continued into this year with very, very strong growth with the advent and the acceleration really of Wealth Connect in the Greater Bay Area, the opportunity for us to take a very strong and fast growing Wealth business in China already.

So we were generating good growth and Wealth independent of Wealth Connect. Obviously, we've got a super Wealth business in Hong Kong, those two things have been linked for some time. So we have a Head of the Greater Bay Area, he's a country CEO, it's a sub-country obviously, but he's a peer technically of our Head of Hong Kong and our Head of China. Why do we do that? Because we have made the bet quite a while ago that that's a single market, Hong Kong, Guangdong Province, Macau, and that is also obviously a gateway to the broader Chinese market.

So we're set up to capitalise on Wealth Connect offering international asset management products through to Chinese investors who are increasingly able to deploy their resources into non RMB assets, but only through a reasonably well circumscribed and then prescribed scheme like Wealth Connect where you need to have a partner in Hong Kong, a partner in mainland China. Of course, we have those two entities already, but we can also partner with other people in Guangdong Province.

So I see a big opportunity in China broadly, and in Wealth in particular, and then in further particular in the Greater Bay Area, which of course is close to 10% of the Chinese population, more than that in GDP, the fastest growing, and the most private sector dominated and on the doorstep of Hong Kong.

<<Martin Leitgeb, Equity Research Analyst (UK and Nordic Banks), Goldman Sachs>>

Thank you Bill. And to follow up on your earlier comments in terms of how you balance growth and capital return, the Bank of England is expected to provide an update on the final restriction on capital distributions before interim results, so quite shortly. And that obviously puts this kind of question under much more spotlight. Can you just elaborate a bit more how you think about these opposing goals of, on one hand, I mean, you were stopped doing a buyback when the pandemic hit last year and doing a buyback with excess capital now versus growth either organic or inorganically?

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

Obviously, it's a question on all of our minds. And we don't want to try too hard to read tea leaves. I mean, we'll know soon enough what the PRA is comfortable with. I would note that when we were able to return to distributions earlier this year, we activated both our buyback program as well as a dividend at lower levels than had been the case pre-pandemic, but obviously, earnings were at a lower level as well. So I'm not at all discouraged about the PRA's approach to capital return by a buyback. Our position is the same. We would like to actively manage within this 13 to 14% range. Perfectly comfortable going down towards the bottom end of that range if the economic environment suggests that that's the right place to be. And clearly, as things improve, we're getting there.

But we want to operate within that range. We want to be able to grow our dividend with earnings, and we want to be able to return the excess above that to shareholders once we've satisfied our investment appetite for compelling investments. As I just answered earlier, our definition of compelling makes reference to the fact that our stock is trading at a discount to book value.

So what that means we come out with at the half year in terms of interim or the full year, I don't know. Not gotten any more guidance on that from the PRA, but I would say just looking at the environment, things have clearly gotten better. And I think that the PRA, the Bank of England, is very happy with the way the

banking sector generally performed through the pandemic and the way Standard Chartered, in particular, performed through the pandemic. I mean, every indication is that there's confidence built that we're in the right place. And I would hope that that translates through to an ability to manage our capital unfettered along the lines of what we've discussed, and we'll see.

<<Martin Leitgeb, Equity Research Analyst (UK and Nordic Banks), Goldman Sachs>>

Let's move to the trading environment and outlook, maybe starting with how should we think about progression of NII from these levels? Interest rates are low, particularly with discussions around inflation. Have we seen the inflection point now in terms of NII with margins being roughly stable and, from here, loan growth to drive NII expansion?

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

Yeah, I don't know if we've reached the inflection point. I think we've probably reached the bottom. And maybe as we saw in Q1, there was a very, very small reduction, and as we indicated, we thought we could hold that level from here, and that's a combination of some of the underlying drivers of lower NII. And I would note that HIBOR has reduced modestly, for example, but offset by higher quality liabilities from the rest of our activity. And then, obviously, there's asset growth. And asset growth was very strong in the first quarter. I wouldn't expect that we can repeat that in each of the following quarters, but I think when viewed through the year, we continue to believe that we can grow assets at a healthy clip. There are various steps that we're taking in terms of managing our treasury portfolio that should further support NII to some extent. And then there's the ongoing improvement in the quality of our liabilities, improving the treasury operating account balances, high-quality CASA, which should allow us to continue to get some growth back into NII in the quarters to come.

<<Martin Leitgeb, Equity Research Analyst (UK and Nordic Banks), Goldman Sachs>>

Moving to the structural hedge, some of this discussion obviously came up with first-quarter results about potential and scope that had went into structural hedges to defend margin going forward. How meaningful a contribution can such a hedge have over time? And, and could you also talk about the sensitivity of Standard Chartered to higher interest rates?

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

Yeah. Well, the idea of a structural hedge is not new. I think it's been a feature of bank capital strategies for some time. We've assigned historically a pretty low short duration to our underlying liabilities. And that reflected the fact that as much as we'd like to, we don't have the volume of super high-quality deposits that others that have a much bigger home market might have. Now we've improved that quite a bit as we focus not just in Singapore and Hong Kong, where we do have some home market type positions along with a few other markets that are a little bit less economically impactful, but nevertheless, very, very strong positions. We've improved the quality of our liabilities. We've also watched the behaviour and how those deposits act and how they behave in different rate environments. And we'll be increasingly comfortable that we can extend the duration of our assets and the treasury portfolio against those liabilities. We call it structural hedge.

The impact as we ramp that out, and of course, we're perfectly aware that while short-term interest rates are extremely low and the yield curve has steepened a bit, we're at a low point in the rate cycle by almost any measure so we want to be very careful about extending the duration of our assets. But we think this could add tens of millions of dollars to our bottom line as we introduce different types of structural hedging over a period of time all along the lines of better matching our assets to, I would say, an analytically refined understanding of our liabilities.

<<Martin Leitgeb, Equity Research Analyst (UK and Nordic Banks), Goldman Sachs>>

And in terms of rate sensitivity? So for any 100 basis points move, how sensitive is the Group?

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

Yeah, we gave some guidance at Q1. Nothing's really changed since then. What we tried to do was to add to the guidance that we'd given earlier to make clear that there's the direct impact of higher rates, but also the behavioural impacts of higher rates, where we position our book in Financial Markets. So nothing

that I can add specifically to what we said in Q1, other than to say that it's an area of tremendous focus for us, and we certainly haven't seen anything that's driving a change.

<<Martin Leitgeb, Equity Research Analyst (UK and Nordic Banks), Goldman Sachs>>

Let's move to Financial Markets and Wealth, and both off to a very strong start to the year. Given that volatility in emerging markets seems to have levelled off a little bit, should we still expect Financial Markets income potentially to edge higher this year, and maybe similarly on Wealth Management off to a very good start in the first quarter? Do you think this kind of pace can be maintained for the rest of the year?

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

So both of those product lines, as we've always indicated, are very market sentiment affected. And the first quarter was very, very strong in each case. The second quarter has certainly slowed, so we've had much lower volatility in Financial Markets broadly, and also, I would say broadly a plateauing in equity markets with some volatility that has made investors a little bit gun shy. But the good thing from what I'm seeing is that the number of new customers that we're adding and the AUM that we're adding that those customers bring is continuing to grow quite nicely. And so when I look at the ability to sustain this high single digit, low double-digit growth in Wealth Management...Financial Markets it may be a little bit less than that growth rate, but nevertheless, a good, healthy, robust growth drawing through the volatility of market sentiment and the like, I feel very, very positive about the ability for those businesses to continue to grow.

Now from quarter to quarter, much more difficult to forecast. April was quite slow. May has improved substantially. We're getting into June now. It looks okay. And we'll see how this develops. But over the course of the year, there's no reason that we can't match or even exceed last year's levels.

<<Martin Leitgeb, Equity Research Analyst (UK and Nordic Banks), Goldman Sachs>>

Thank you. And then moving to costs. So your guidance suggests that you're managing the whole cost base of the bank very tightly. Just looking in light of the prospect for fast to very fast economic recovery this year, do you see this as the right strategy, or could there be a scenario where there's more opportunity to lean into the recovery and for costs or investments to be temporarily higher in such a scenario?

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

We've got a pretty full investment program already, and we've maintained a strong investment program through the pandemic and into this year. So there's not a lot of projects that are left on the cutting room floor as it relates to the 2021 budget. That's number one. Number two, the cost focus is really very much on driving improved productivity in our business. And this is benefiting from the earlier investments that we've been making. So when I look at our ability to get under this \$10 billion number, and that, keeping in mind, is a constant currency number, and as we noted in the first quarter, there was maybe \$300 million or so of currency related expense increase. As you also know, that's offset by the same amount roughly on the income side. So it's a known factor in operating profit. But I wouldn't want to get too fixated on the \$10 billion number when we know that that's a constant currency number.

But the productivity gains that we're generating from earlier investments and then ongoing activities is the bulk of what's allowing us to fund our investment program. It's a discipline that we've maintain now for five years plus. We're not going to lose it now. We have indicated that if we have a very strong performance, and obviously it would be nice to be able to repeat Q1 three or four times between now and the end of the year, then there could be some performance-related pay that would drive the expenses increase or drive the expenses up. But apart from that, no, I think we can manage without shortcutting or shorting the investment spend, we can manage to maintain the expenses too.

<<Martin Leitgeb, Equity Research Analyst (UK and Nordic Banks), Goldman Sachs>>

Thank you. Let's move to asset quality. I remember last year, the whole discussion was around how severe credit cycle are we going to get and over the last few weeks, or few months, the discussion is

almost completely turned around in terms of how low can risk costs go this year? How quickly can they normalise? What is the scope for write-backs?

What is your latest on asset quality? Are there any particular pockets to be worried about still? Are we through it? And could we enter into a scenario where for a couple of years risk cost would now actually undershoot, just given that we had this stress scenario over the last one and a half years?

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

I think there's two parts of that question, or two answers, both are encouraging. In terms of short-term impact, or impact from the ongoing activities, while we're watching things like the developments in India very closely and looking for possibilities of some dislocation. As I mentioned earlier, so far things seem to be very under control and business is carrying on. Companies are able to fund themselves and we're not seeing any acute signs of stress in the financial markets, plenty of stress in the human market.

So we'll continue to watch that, but that said, we're very well reserved, very well provided for, we continue to have a management overlay that we have not materially released and we feel very good that the ability to run with lower impairments for some time should be in place.

The second way to answer the question though, is, are we comfortable with our underwriting standards? And are we comfortable that we really have changed the nature of our bank in terms of the asset quality of assets that we originate over the past several years? And again, the short answer is yes, we're very comfortable. There have been losses in the broader financial markets. Other banks have had some losses and it may have been offset by other things, but they're losses. And we've not avoided everything, but we've avoided most of it. So I think that the quality of what we have on our book is really very, very, very strong and our underwriting standards are strong as well. And that also gives us some latitude to, I won't say go crazy, because that's not what we're going to do, that's not our focus at all.

But there are some areas where we're relatively light in terms of credit exposure. The most obvious one is unsecured consumer credit. We've got, I would say maybe a dozen pilots going on where we will test, learn and experiment and refine on various forms of consumer credit alone and with partners. And so these are the opportunities that come from having quite a clean book to begin with and a really good set of underwriting standards, from which we will not deviate. We're not throwing that rule book out. We're just going to find ways just to see if we can get some incremental, really strong risk adjusted profits on top of that.

<<Martin Leitgeb, Equity Research Analyst (UK and Nordic Banks), Goldman Sachs>>

That's a great note to move to the next topic, innovation and technology. And firstly, I would like to ask you about some of the platforms you've recently launched. So number one, the Mox Digital Bank in Hong Kong, but also Nexus, the business-as-a-service platform. Could you just give us a bit of colour? How has the evolution here been in terms of both platforms and what could the scope be there within the broader growth opportunity for the bank?

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

Yeah. We're very excited about the way that this is going. Mox has been a huge success, so we have now a bit over 3% of the population of Hong Kong banking with Mox, 70% of the clients that signed are active, average balances are at a very high level relative to other bank balances in Hong Kong. We're the first bank, first of the virtual banks to launch a credit card offering, it sits alongside the debit card offering that we had. We're beginning to roll out incremental credit products, revolving credits off the cards, but then personal loans. And then we'll follow up from there with trading products, wealth products, eventually the world will open up and then travel will resume in addition to making our partnership with Trip.com much more effective, we'll have an additional earning stream coming from FX in particular for people that travel.

But we've got a 4.8, 4.9 score in the app stores, that's on a scale of five. It's the highest of any of the Hong Kong virtual banks and basically the highest in the world. It's the most reviewed of the virtual banks. So thousands of people, literally, are offering their comments and they love it. We had very little

marketing spend early on. In fact, we were prohibited from marketing under the regulatory guidelines, that's opened up in the past month and we're having a full step up in terms of day-to-day account openings, so 800 to 1,000 customers a day. So that looks good.

We're going to drop that bank into Singapore, assuming we can get all the final regulatory approvals, which no doubt we will, actually no doubt, that's presumptuous, I expect we will. And we'll have a partner that we haven't disclosed yet, but that I would say is every bit as compelling as Hong Kong Telecom or Trip.com in Singapore in terms of somebody who is additive to what Standard Chartered would bring in terms of customer access for a digital bank.

Of course the Singapore market's very different and I would say in some ways it's probably already more digital and with a better range of digital offerings from incumbent banks than has been the case in Hong Kong. So we'll have a different set of propositions, but it's no less exciting for us.

Nexus is very, very different. Nexus is a technology platform that we built to deliver a full range of banking products through e-commerce channels. And one that we've announced, the first one that we've announced and we've got our first customers onboard now, is a partnership with Bukalapak. So Bukalapak has a 100 million plus customers in Indonesia and growing very fast. When we started the discussions with them 18 months ago they had 60 million just to put it into perspective. These are people who are buying stuff on e-commerce platforms. So these are people that have some money and some savings and some demand for credit. And we'll offer a full range of banking products. It will have all the convenience of an integrated consumer platform with the ability to... the customer won't really know that they've moved from the Bukalapak platform to a Standard Chartered Bank product, but they'll have all the convenience of a regulated, safe, sound and efficient bank with all the convenience of a consumer platform.

We've got two other e-commerce platforms in Indonesia lined up, which will be next. We're developing those opportunities in different markets. And the technology platform that we built eventually will also suit other banks. So really, it's a platform that can be separated from Standard Chartered should it prove to be effective and in demand so that other banks can originate banking products through other e-commerce channels using our technology platform.

So we're very excited about this and the technical rollout has gone very well. We'll be into something closer to real scale with Bukalapak customers within the next couple of months. And then we'll continue to roll out products and services, including the buy now-pay later and a full range of other credit services towards the end of this year and then into next year.

<<Martin Leitgeb, Equity Research Analyst (UK and Nordic Banks), Goldman Sachs>>

So it seems like these digital platforms, they could be a nucleus, number one to address the comparatively small market share in a number of markets, that Standard Chartered has, maybe in a couple of years in the future, but it could also be a nucleus into developing your consumer lending proposition. Is that right?

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

That's right. Martin, as you and I have discussed before and we've discussed in other earnings sessions, our view of basic transaction banking and I mean at the consumer level, is that you either own the platform, which in the case of the partnership with Bukalapak, of course, Bukalapak owns the platform, no question about that, but we will be an integral part of that platform, not easily segregated.

We'd love to wake up tomorrow and be Ant Financial or be Amazon, but it's not going to happen. So you're either own the platform or you plug into the platform, because customers are going to get the convenience that comes from the platform one way or the other. And in Hong Kong, we're effectively partnering on a platform with Hong Kong Tel and Trip.com. In Indonesia, we're doing that with Bukalapak and others. In Korea, we're doing that with Toss Bank, with a bank that should go live shortly. And in Taiwan we're doing that with LINE.

In each case, we have a minority stake that have contributed to the creation of the bank, but it's not our platform, but we have an ownership stake in the platform and of course, we'll be providing banking services into that platform as well. But in other places, either because regulation is a defence and regulation is a defence in some cases, we have the opportunity to digitise ourselves. So I think we're in the process of creating those platforms in Africa. Our digital banks, across nine markets, have gone from strength to strength and now we're able to offer more and more lifestyle products, obviously a broader range of financial products and we can partner with telcos. We are partnering with telcos. We can partner with e-commerce platforms.

But we have that luxury because of the core digital capabilities that we built and the customer acquisition and the customer satisfaction that's come from that. I feel good about our position in that space. And at a time when some are identifying the mass market as a deathbed for banks in favour of technology companies, non-banks, for us, we're calling, for the first time in a while, a chance to generate some decent growth and profitability from that segment because of the investments that we've made in digital and because of our ability to partner so well.

<<Martin Leitgeb, Equity Research Analyst (UK and Nordic Banks), Goldman Sachs>>

What else are you working on? I think you hinted before there's a number of initiatives you're working on. What other interesting projects are you working on? And also referring, I think there was an announcement earlier, I think last week about a joint venture in the crypto space, crypto exchange and custody. How do those fit into the broader framework?

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

It's definitely part of the framework. We've been building out a digital asset ecosystem that started with a custodian. We built this custodian in-house. We then partnered with Northern Trust. We're getting the final regulatory approvals in place. And that's driven by the observation from a lot of our institutional investor clients. They're active in digital assets. They expect to be much more active and keeping in mind the digital assets it starts with Bitcoin and Ethereum, but it eventually will move much more broadly into a broad range of tokenised assets. And they were uncomfortable dealing with one entity that maybe was a start-up, maybe not so well regulated, that was doing their broking, their exchange, their clearing, their custody, et cetera. And they want some segregation of services. So we built this custodian.

As soon as we're able to get that out into the real world...and it's largely built at this point, it's just a question of getting the approvals in place, and we think there'll be a lot of demand for that custodian. The joint venture that we set up with OSL is, they have a crypto exchange company in Hong Kong and we were creating a European exchange / marketplace, again for starting with cryptocurrencies, but then looking at a broader range of digital assets. That fits very nicely into the custody equation as well, separate entities, complete separation of responsibility, but we'll build the ecosystem. At the same time of course, we're looking at how we can use digital assets broadly, cryptocurrencies in particular, as a means of exchange for cross border payments and for settlement. And whether that means working with the likes of Facebook on their various countries, obviously that Diem project has taken a new turn as they have redomiciled from Switzerland to the US, very interesting change, it certainly suggests that the US is intending to embrace this market rather than try to curtail it, which was some of the speculation before and we'll see just how warm and cuddly that embrace is.

But the number of central banks that are looking at central bank digital currencies now. We're as close to the Chinese CBRC as any foreign bank can be. But that certainly is an area that we think will become important as a mechanism for trade, as well as, a mechanism for the Chinese to roll out their policies say, in particular, in the Greater Bay Area with Wealth Connect, things like that. So allowing currency convertibility, but in a controlled way that you could only do with a programmable currency, like the PBOC's digital currency.

So we see digital assets is an area of focus for us. I'm spending some time on the carbon markets and there's a task force, we got 450 members now who are looking to build a really big, robust, legitimate, credible market for voluntary carbon credits. That's a growth opportunity. It's also the right thing to do, and it's the way to help all of us and our clients to affect their net zero transitions. And it's also a very

important component of the sustainable green finance equation with the companies that don't have access to all the capital they need in the emerging markets in particular, by monetising the greenhouse gas reductions by the sale of carbon credits, they promote the finance-ability of these projects. So these are a few of the innovative areas that we continue to focus on.

<<Martin Leitgeb, Equity Research Analyst (UK and Nordic Banks), Goldman Sachs>>

Okay, thank you. Let's move to sustainable finance and you mentioned it at the beginning. How important is it to maintain the pace in sustainable finance and where you see that the opportunities or threats for Standard Chartered going forward?

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

The threats are medium to long term and the threats are that we fail on this transition to net zero, and we have global temperatures rising above one and a half degrees. And that would be quite bad for a number of our markets. The most obvious one is Bangladesh, which will literally be under water. Yeah that's a thriving economy right now. It's an important market for Standard Chartered, and we have a leading position and they don't have the fiscal resources to relocate people to high land. Not that there's much high land anyway. So that's just the obvious one, but 19 coastal cities in Africa with more than a million people that would be severely affected by climate change. And inland you have India and Sub Saharan Africa, would also be very, very effected by regular temperatures above 50 degrees and would render big parts of India uninhabitable.

So the risk is clear. I think that's well understood. The opportunities are many. So we've done a lot of really good research. And I would point you to research that we've done like "Zeronomics" or more recently just last week, a research piece called "Carbon Dated", which looks at the impact on the supply chains of MNCs who are adopting net zero transmission commitments. And no surprise, three quarters of the greenhouse gas emissions of MNCs broadly come from their supply chains and a very high proportion of those supply chain providers are in developing countries. So the idea that somehow Nigeria or Ghana or Sri Lanka are going to escape, because maybe the governments are a little bit less focused on this, I'm not sure that's the case, that's not going to happen. That's the bad news.

The good news is these companies can all make their transitions with the proper financial support. That financial support is going to come from people like us. There's nobody in a better position to do this. We have the technology, we can deliver the blended finance, so bringing some government money together with multi-lateral money, together with export credit agencies, together with local capital markets. We have the technical skills, we have the client relationships, we have the credibility, and there's tens of billions of dollars of financing opportunity for us, and we should be able to profit from that.

<<Martin Leitgeb, Equity Research Analyst (UK and Nordic Banks), Goldman Sachs>>

Thank you. We are slowly coming to the end of our session today. Just anything you feel we have missed? Anything we should touch on before concluding today?

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

Look, the questions I often get are around operational resilience. I just note that despite the fact that the bulk of our operations are anchored in Chennai and Bangalore we have had no challenges in terms of operational resilience and in our forecasting of the health effects in India suggests that we will not have much of a challenge, probably not dissimilar to others, but that is not to say that my colleagues haven't been heroic in the way that they've dealt with this, they have been. And we're doing everything we possibly can to support them. But I think operationally we're in very good shape.

As for the rest of the world, you haven't asked about US and China. It's always an interesting one to navigate. The good news is our China business, as I mentioned earlier, is going from strength to strength. And while the level of tensions is as high as it's been, and maybe higher, as we hoped the level of predictability around government actions going in each direction is higher as well. So the concern that we're going to be the victims of collateral damage, I would say have, on the margin receded.

<<Martin Leitgeb, Equity Research Analyst (UK and Nordic Banks), Goldman Sachs>>

Perfect. It is a great note to conclude our session today, Bill, thank you very much again for making time and joining us at the conference this year. Really appreciate it.

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

Thanks for having me Martin.

<<Martin Leitgeb, Equity Research Analyst (UK and Nordic Banks), Goldman Sachs>>

Thank you.

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

Bye.