

Morgan Stanley's 18th European Financials Conference, 2022**In-depth conversation with:****Andy Halford, Group Chief Financial Officer, Standard Chartered PLC**

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*(Amended in places to improve accuracy and readability)***<<Nick Lord – Head of ASEAN Banks Research (Morgan Stanley)>>**

Good afternoon, everybody. Welcome to this presentation by Standard Chartered. My name is Nick Lord and I cover the Hong Kong and Southeast Asian banks at Morgan Stanley. I'm very happy today to be joined by Andy Halford, the CFO of Standard Chartered, and we're going to run through some chat for about 20 minutes or so, then we'll open it up for Q&A. Before we do that, there is a survey question to be answered. You can find that on the website, you can find that on the app. The instructions are coming up on the screen now, you can even scan that QR code at the bottom. The question is, what do you think will be the major drivers of Standard Chartered share price over the next 12 months? And it is interest rate outlook, share buybacks and dividends, hitting revenue goals, or the credit quality outlook. We'll come back to that in a while, but Andy, thanks for joining us. Maybe we can start off and talk a little bit about the macro because I think that's what everybody is interested in at the moment. First question, in terms of what's happening in Russia, could you talk about any first order exposures you have? And then talk about what some of the second order exposures might be on your business.

<<Andy Halford – Group CFO (Standard Chartered PLC)>>

Thanks, Nick. I half expected this would probably be the first question for the day. As most people know, our business primarily is in Asia, so we are not particularly present in Russia or the Ukraine. Direct exposure is negligible. Second order effects, I think like a lot of banks looking at the consequences in terms of things like energy prices, for clients who are either trading in energy, trading in commodities, are there any disturbances to prices that would cause any concern? Are there businesses that are more energy consumption dependent and to the extent maybe they are less hedged, are there any fragilities with clients looking, at a sovereign level, at countries that will benefit, or the opposite, more from high oil prices, et cetera, and basically doing a screening of all of those sorts of things. And then I suppose third order to the question which has gotten on a lot of people's minds is with some upward pressure on cost prices, does that fuel inflation even more and does that cause any change in what governments or otherwise are planning to do on interest rates? Which is particularly relevant for us because the gearing effect of interest rates for us is pretty significant. We're screening all of those, but the headline I think is that this is not a big part of our business at all. We are observant of those areas. There is nothing systemic but we are obviously looking at things to make sure that we are comfortable with where we're at.

<<Nick Lord – Head of ASEAN Banks Research (Morgan Stanley)>>

Good. And in terms of everything, I mean obviously, there's a lot of coverage at the moment of the situation in Hong Kong, on COVID and the restrictions there. We've seen obviously new restrictions in Shenzhen over the weekend. Could you just talk a little bit about how your day-to-day operations have been impacted by those?

<<Andy Halford – Group CFO (Standard Chartered PLC)>>

Yes. COVID and its effects are rotating around the world in a slightly unpredictable way. If you think back to the summer of last year, India was having a torrid time with it, and yet, a few months later, India seemed to have pulled through it. The last few weeks, we have had the restrictions in Hong Kong and hopefully that will be a passage-of-time type issue. As of today, a third of our retail branches, are closed. That is not untypical of the banks there, and an encouragement to work from home where that is feasible.

I'd say the primary impact on the business is more in the Wealth Management space where sales tend to be made more face-to-face than they are in the Corporate part of our business. Certainly, the first quarter will be depressed on that front. But if this does hopefully work through the system over the coming weeks, I think we will hopefully look back on this as a phase. And I suppose I'd also reflect on the fact that in 2021, Group-wide, despite the fact that we have pockets of COVID in different places at different times, we still had underlying growth in Loans & Advances of about 6% and that was in a year that was disturbed. So yes, we've got lockdown in some parts of China today, but I think the evidence is, taking our 59-country presence overall, there will be humps, there will be bumps, but we have worked through that for a period of time now. I hope that these will be transitory and that each of these areas will then come through it and we'll get back onto a normal footing.

<<Nick Lord – Head of ASEAN Banks Research (Morgan Stanley)>>

Yes, I hope so. We're going to just take the results about the polling question now just to see what your view is on the drivers of the stock price for the next 12 months. Interest rates for half of the people, no surprise there. And then everything else is reasonably evenly split between share buybacks, revenue goals and credit quality outlook.

That leads us quite nicely into the next question I suppose which really is on those revenue targets. There's a couple of targets out there. There's obviously the 2024 10% RoTE target. And then in terms of revenues, there's a 5% to 7% revenue growth target for 2022. Given what we've just said about inflation outlook potentially down the road, about economic disruption, about what's happening in core markets and COVID, are you still confident on all of those targets?

<<Andy Halford – Group CFO (Standard Chartered PLC)>>

Yes, it's an interesting one. It's hard to believe in some senses that it was just under a month ago that we actually did the update. It seems that a lot has happened in the subsequent period. I'd say of the current year, that in the first quarter the Financial Market activities have been strong, volatility being a good thing for that business. The Wealth Management activity has been weaker, which back to the previous question, you'd sort of expect. So probably, we'd look at the first quarter as being slightly down on the first quarter last year. But that having been said, the near-term interest rates are a little bit higher, and therefore on the full year basis, at this point in time, I wouldn't see any reason to change the 5% to 7% for the full year. The rates will be supportive of that.

In terms of the 3-year outlook, again, probably fairly similar comment. Whilst there are clearly uncertainties and many of those still have got some way to play out, interest rates, which I do agree with the poll, will be hugely influential for us. If you look at the view of the market today on rates, particularly U.S. rates a year out, two years out and three years out from now, they are very similar to what we talked about on the 17th of February. And because those will have a significant impact on our bottom line, we came down the interest rate curve about 2 percentage points between the start of COVID, and the low point of COVID. And the rate forecast is essentially to go back up the 2 percentage points over that period of time. Our view is that 2 percentage point drop was about \$2 billion of income and profit. If you think, last year we printed an underlying profit of just a shade below \$4 billion, if that \$2 billion compression were not there, then it's a 6 number, 50% higher. Our RoTE was 6% last year, at 50% it would be 9%. So actually, the rates impact will be pretty significant. If the market view on rates as of today remains broadly where things end up, then I think that what we talked about a month ago in terms of the 10% in 2024 is absolutely something that is still very much within our sights and still what we are gunning for.

<<Nick Lord – Head of ASEAN Banks Research (Morgan Stanley)>>

Can we talk a little bit about China commercial real estate? Obviously, we have the overlay of \$95 million in 4Q. Total exposure I think is about \$4 billion. Can you talk a little bit about the drivers of that overlay, why you put that in place? And also, should we be thinking of this as a marked-to-market or a sort of end state? What are the drivers we'd look for that could either increase or decrease that?

<<Andy Halford – Group CFO (Standard Chartered PLC)>>

It's interesting when one steps back and looks at our China activity. Over the last 3 or 4 years, the government has created some course corrections in very specific areas of which the commercial real

estate is the most recent. But actually, over probably a 5-year period now, notwithstanding occasional incursions, we have had our business there grow by 10% or very close to 10% each year for the last 5 years. Notwithstanding the fact there have been some slight course modifications, we have had steady growth there.

I think the key learning from that is to make sure that one's exposures are well spread, they're diversified, that one hasn't got all one's eggs in one basket. And with a very strong local management team, I think we have navigated that well. The most recent is on the commercial real estate. And again, as we said at the time, direct exposure is not significant, but when a sector is going through some correction, there will obviously be some ripple effect. And what we did, as you say, at the end of last year was we took a judgmental override and we put just under \$100 million in a provision. And that was in essence saying, this is quite young, the models won't yet pick up all the data, but just as a precaution, let's make sure we have got coverage there.

I think it will probably be another couple of quarters before that sector settles back to the new norm. We're not seeing anything particularly new that is concerning us. The fact we've got that provision sitting on the books we hope should give us appropriate cover there. And then beyond that, we have said that we do believe there is strong growth opportunity in China. We've said that over the next 3 years, we'll invest \$300 million more into the opportunities there. And that will be both on the Corporate front but also on the Consumer Wealth Management side.

<<Nick Lord – Head of ASEAN Banks Research (Morgan Stanley)>>

Okay, that leads us very nicely into the next question. Let's talk a little bit about how we get to 10% RoTE in 2024. One of the areas was growing China. I think if I back out all the numbers, I get to about 11% growth in your China business to deliver that extra percent or so. Which is not out of line with what I would expect in a China business. But I just wonder, can you talk a little bit about what the drivers of that growth are going to be? Which bits of the business, and the investment of \$300 million you are putting in, how is it going to drive that growth?

<<Andy Halford – Group CFO (Standard Chartered PLC)>>

If I start at the high level, we said over the 3-year period, we think we can be getting high single digit growth overall for the Group. 3 percentage points of that we think can come from rates and the 6% that is the remainder will be a mixture of business as usual, the push on China 2% and some of the digital businesses that we have got now going. On the China 2% specifically, we have, as I said earlier, had now 5 years of pretty consistent and pretty strong growth there. If anything, we see the opportunity being bigger going forward. Our China team have been constantly encouraging Bill and I to put our hands in pockets and actually put more resource in there, and I think with justification, saying the track record has been very strong, it's been very consistent, and there is a lot of opportunity there.

The Corporate part of our business is very much focused upon helping clients with imports, exports, Renminbi, etc. The government there are very keen obviously to get Renminbi to play a bigger role in the global currency basket, and therefore, we've got the wind at our backs in that sense and we think there is more opportunity in that space.

On the Consumer side, the proportion of the population that are coming into a level of wealth, where getting some advice on it is needed, is ever-increasing. We are not going to be the advisor to everybody, but for those who actually do like an international flavor where their business has been there for a long period of time, there is a lot of demand for any bank to say that, I know. And hence, just progressively putting more feet on the street and actually, hopefully being able to advise more customers there. We'll put some investment in, partly systems-wise and partly product wise to enable that to happen. But whether it's 11%, whether it's 12% growth, I don't know over the next period of time. We think we can double the profits over the 3-year period from our China and related offshore China activities.

And that's another important thing. For every dollar of income we actually record in China, there is just over a dollar that we record in other markets and subsidiaries of Chinese headquartered businesses, etc. When you put the two together, it is a reasonably significant part of our total business these days.

<<Nick Lord – Head of ASEAN Banks Research (Morgan Stanley)>>

Absolutely. And I guess that Renminbi space and the development of that will be something everybody is watching. I guess linked into that, obviously you spoke about CCIB in the results presentation and one of the drivers of that was the Financial Institutions business. How much of the growth that you are expecting to get out of that business comes from that Renminbi space? How much comes from the opening up of China's capital markets? If it's not all from there, what else in the region is going to drive growth in that Financial Institution business?

<<Andy Halford – Group CFO (Standard Chartered PLC)>>

A month ago, we talked about the need to get the return, the income we're generating on our Risk Weighted Assets in our Corporate business up. Simon Cooper talked specifically to how the mix between Corporates and Financial Institutions has been changing but needs to continue to change. Our support for Financial Institutions is a good, profitable business for us, and in terms of getting those higher returns, we are shifting the dial further in that direction. We're about 40% and we want to get nearer to 50%. That will come across a range of markets. It is clearly going to span a number of markets but will not be China alone. But in China, back to the previous question, there clearly is an opportunity set in that space.

I think what we're aiming to do there is more of an acceleration of a direction of travel that we've had for a while. It is a mix that is not dissimilar to what other banks would have, so we're not trying to hunt in a very different place. But it clearly will be a big part of getting the returns up in the Corporate business. We've said we're going to do that on flat RWAs and that in turn will help the capital return potential for the bank overall.

<<Nick Lord – Head of ASEAN Banks Research (Morgan Stanley)>>

Obviously, you've just highlighted that, but one of the commitments, the things that stood out in the Full Year results, was the aspiration to keep the CCIB RWAs flat. Can you just give us a little bit more color on that, the trajectory of the \$22 billion roll-off of suboptimal RWAs and how you're going to achieve that and in what timeframe?

<<Andy Halford – Group CFO (Standard Chartered PLC)>>

So I think the RWA management will be a variety of things as is often the case. Some of this will be rotating out of clients where we're getting very low returns, and we're not seeing a path to getting higher returns. Some of it will be the reinvestment into the Financial Institutions space. Some of it will be looking at securitisations, et cetera. It will be a variety of things. I wouldn't say it is going to be linear by quarter, but over a 3-year period, I think it should be a pretty progressive impact. That doesn't mean to say it can't bubble around a bit in the quarter ends, but that focus is there, it's in the business today. And with the whole team there setting their sights on this, I think it will make a big difference over the next 3-year period.

<<Nick Lord – Head of ASEAN Banks Research (Morgan Stanley)>>

Then coming onto costs, which I guess if I look at you relative to local peers in Asia, is a standout in terms of low returns, if you like. Once you've completed that \$1.3 billion of gross saves by 2024, I think you will have taken something like 47% out of the 2015 cost base over various restructuring programs. How much more is there to go for post-2024? One of your peers has made a commitment to no more restructuring charges post 2024. Are you able to give that commitment?

<<Andy Halford – Group CFO (Standard Chartered PLC)>>

Our cost base has been around \$10 billion for the last 4 or 5 years. Within that implicitly we have absorbed inflation and we have progressively invested more into IT, and conversely, we've taken costs out. I think it's probably been \$400 million a year of cost out. What we're saying going forward is another \$1.3 billion over the next 3 years is roughly the same run rate. That will come from different parts of the business. There's the low hanging fruit, et cetera. We have got more opportunity I think with property costs now courtesy of the learnings from COVID than maybe we've had before. There's still quite a lot we can do on process simplification and we will be pushing on all of those fronts.

Can one say what is going to be the restructuring cost 3 to 10 years from now? I think it is quite a difficult thing to do. I think any business in the world we operate in is going to be in a relatively constant state of evolution over a period of time. And I just felt it was better to talk about the 3-year period that we can envisage, then we can see where we go to thereafter. But certainly, in this next 3-year period, I think if we can take those levers of costs out, we've allowed implicitly about 4% cost growth. But seeing that against a 6% income growth plus rates effect 9%, it opens up the profitability of the business very significantly.

<<Nick Lord – Head of ASEAN Banks Research (Morgan Stanley)>>

Okay, if we can now move away from the 2024 targets and talk about, I guess, some of the more structural and longer-term issues. Let's talk a little bit about Wealth Management first of all. Obviously, the last couple of years have been I think pretty generous in terms of market conditions for fee generation and asset management generation, and every bank in the region has seen that. Is there a risk to this? Putting aside activity levels in Hong Kong, but a risk to this as we see financial conditions tighten? And the other question is, this is also an incredibly competitive market, especially in the two financial centers in Asia. What are you seeing in terms of margin compression in that business? And that can come either from individual product compression or cost inflation on the Relationship Managers. And how do you compete against that or think about it?

<<Andy Halford – Group CFO (Standard Chartered PLC)>>

The way I'd look at this is I think to judge the longer term, one needs to be careful not to only use current datapoints to do it. Yes, at the moment we've got the confluence of Hong Kong, back to the previous point, which is a big Wealth Management center for us being under the effect of COVID which will have a depressive effect. I mean that is life. Hopefully, it doesn't last for too long. Secondly, we have got equity markets down at the moment and that does tend to cause some people just to pause and reflect. However, if I look back over 10 years, we have seen a compact growth rate in our Wealth Management income of 10% over that period of time. And that has gone through good periods, it's gone through less good periods. But nonetheless, it has been the average.

Our sense is that there is still an amount of wealth that is naturally finding its way into the Asian markets. Notwithstanding your point, I completely agree with, there are others around also competing in this same space. That is what we have done in the past and that is still what has enabled us to deliver that 10% growth. I do not think that we should just focus upon today, being a bit of a depressed point. I think the opportunity is considerable. Judy, running our Consumer business is putting a lot of focus upon where we have got lower market share presences in Wealth Management, why is that relative to markets where our share is higher? What are the learnings from it? The platform that we have got there, it's a new platform, it's much enhanced on what we've had previously. I still think, whether it's 10% growth I don't know, but I still think actually there is a natural growth still sitting in that market and I still think we are well positioned to be taking our share of it.

<<Nick Lord – Head of ASEAN Banks Research (Morgan Stanley)>>

We've got about 20 minutes left. I'm just going to open up to the floor and see if there are any questions from the floor. There's one over there.

<<Audience Member>>

Hi. Can I just ask about U.S. dollar funding between different entities given that there might be some geopolitical tail risks coming out of a more complex environment over the next couple of years or so? How do you manage it or how do you prepare for it?

<<Andy Halford – Group CFO (Standard Chartered PLC)>>

Well, we have got quite complex funding across 59 markets. The U.S. dollar being our biggest currency, but then with the Hong Kong dollar, et cetera. We have got a need both to be looking at this from a group perspective strategically, but also accepting at the local level, local country regulations. We have got a need obviously to be compliant with those. What we have done recently is slightly more structural hedging, so looking at the 1-year out, 2-year out rates being somewhat higher than they have been for quite a while. We have certainly done more activity recently to lock into some of that, so we are going to bear the fruits of it as we move forward. It's constantly monitored. We are as observant as we can of what

is happening out in the markets, and to the greatest extent we can do, locking into the higher rates as we move forward. We will do that, back to the previous point, we are very rate sensitive and there's a lot of upside and if we can lock into it, it will be hugely beneficial to our 10% journey.

<<Nick Lord – Head of ASEAN Banks Research (Morgan Stanley)>>

Question over there.

<<Audience Member>>

I think you touched on this at the beginning, but I think you've got kind of roughly \$17 billion worth of on and off-balance sheet exposure to Commodity Traders. Any kind of commentary you can give us around how you're seeing that book perform? Typically, banks tend to lose money on those positions when there's fraud involved, which doesn't appear to be the case now, but anything you can give us in terms of color would be helpful.

<<Andy Halford – Group CFO (Standard Chartered PLC)>>

Our Commodity Trading, energy trading business actually over the last 5 years, we have reduced over the period of time. It's probably proportion of book about 60% of where it was in 2015. We've done that deliberately, because if there is one thing I think one learns, from having gone through COVID, and having gone through this, is dispersion of activity, dispersion of risk, et cetera, is good. When one gets price spikes and disturbances in the market, obviously we have the risk teams crawling all over those. But I'd say that at this point in time that the behavior pattern of most things we're involved with are behaving reasonably normally. Settlements are occurring, occasionally a little bit delayed over the last 3 or 4 weeks, but generally, those are occurring. It's something we're keeping a close eye on. I think the coming weeks, we'll have to see how the whole Russia situation finally settles down. But it is something that we are focused upon, but it's in hand.

<<Nick Lord – Head of ASEAN Banks Research (Morgan Stanley)>>

Maybe I'll just ask one more. We spoke about Wealth. I think one of the things that you've highlighted in terms of your drivers of growth on the Consumer side has been the Mass Retail strategy. It gets a lot of attention at the moment because there are a lot of companies emerging, especially in my part of the world, Southeast Asia, that are trying to team up with banks and grab market share. Maybe you could just talk a little bit about what you're doing there, but also talk about why you think you have a competitive advantage over other players in that market.

<<Andy Halford – Group CFO (Standard Chartered PLC)>>

The Mass Market, we've had 9 million or so customers for a number of years. I think as we have increasingly focused upon where we have the most profitable activity in the Wealth Management side, more Affluent customers, it is clear that a good proportion of those have come from our Mass Market business. And therefore, we are starting to think more about how can the Mass Market business be a more regular feed into our more Affluent customer base. The thing that has changed the most I think is the digitisation of the Mass Market and the fact that one no longer has to be thinking about significant presence in retail branches with all the costs that go with those. And therefore, the push over the last few years has been progressively to say less branches. We've come down from 1,200 to 800 and we've said probably longer term 400 is where we need to be. But actually saying if we can use digital platforms to actually get more customers there, where the cost to acquire is low, where the cost to serve is low, if we can do that on a low-cost basis but identify those who are the potential Affluent customers of the future, then why would we not be doing that.

We have got 2 or 3 different platforms addressing this in slightly different ways. We've got a platform that's just about to be launched in Indonesia called Nexus which essentially is something that can be bolted onto a non-financial services online business that give their customers directly access into our systems. Again, a very digital, very low-cost route to market for us. We will selectively be pushing more in that space. I think you'll see us doing it more with partners, so partnering up with businesses where the customer type is more similar to our own so this is not just a general foray into Mass, but is more targeted. And over a period of time, if we can have a low-cost operation that's a good feeder into the Affluent space, then that should be good for the market overall.

<<Nick Lord – Head of ASEAN Banks Research (Morgan Stanley)>>

Is the Standard Chartered brand the right way to attempt that, or is it cobranding that's better?

<<Andy Halford – Group CFO (Standard Chartered PLC)>>

Interesting question. I think the Standard Chartered brand is very good in many respects. It's associated with being trustworthy, et cetera. But it's probably a little bit ageist. Most of the Consumer customers we've got will be 50 or above. And one of the things we have experiments in delivery with in Hong Kong recently is using a brand other than Standard Chartered. We've used the Mox brand there with the new digital platform to really try to aim at a slightly different target audience. Can we be going to the 40-year-old or the high 30-year-olds? And that so far is proving very effective there and we've got quite a significant difference. We are going to use things like that just to think about other markets where we could go, should we go, can we do that as a natural extension of existing brand, does it need other brands to go there? But I think over a period of time, actually just extending the age range a bit actually gives us quite a significant opportunity.

<<Nick Lord – Head of ASEAN Banks Research (Morgan Stanley)>>

Can we talk a little bit about green financing and ESG commitments? You've got a commitment to \$300 billion of green loans by 2030. Maybe you could talk a little bit about how the regulations are different or how the environment is different in your markets versus the European market which is probably more forward in this. And what direction or how quickly do you think these markets are going to move in the same direction as you?

<<Andy Halford – Group CFO (Standard Chartered PLC)>>

We see the underlying opportunity in the markets in which we operate as being really pretty significant. Some of these markets have not had the benefit of some of the investment that some of the other countries in the world have done. And therefore, in some senses, there's almost a generational leap that one can make with the right funding to not just come up to date, but to get ahead of the curve. We are involved in markets where there is more dependence upon coal, et cetera. But by working with customers there who are committed to making change happen, we think there's an above average opportunity.

Now, it won't happen overnight, because it is going to require quite a lot of funding. And the funding will obviously be available over periods of time. I think most governments are on the case on this whole topic area. Possibly some countries earlier than others. We have committed to 2050 to get to net zero, about half the markets we're in don't necessarily have government commitments as early as that, but we have said we think that is the right thing to do. We have put out, on a number of sectors, targets for what we are trying to get to with our clients and we will update that for some further sectors over a period of time. But if I stand back, the whole Here for Good ethos that Standard Chartered has had for many years I think is very, very proximate to what we're doing here. And therefore, in terms of actually our credentials pushing into this space, I think it is a very natural thing for us to do. I think we can make a big impact.

<<Nick Lord – Head of ASEAN Banks Research (Morgan Stanley)>>

When you look at your peers in those markets, do you think they have as developed strategies as you have, or do you think you're ahead of them?

<<Andy Halford – Group CFO (Standard Chartered PLC)>>

I'd say as a sweeping generalisation, I think we're nearer the top of the pack. You would expect probably for me to say that, but I do think the thought we have giving to the subject is reasonably advanced. That's not to say there aren't others who are reasonably advanced, but I do think we're nearer the top end of the pack. And I think the cross learnings we can have from different markets is actually quite a distinguishing feature here and hence why we've just recruited a new Head of Sustainability and we will major on this in a big way.

<<Nick Lord – Head of ASEAN Banks Research (Morgan Stanley)>>

Let's see if there's anymore questions from the audience? Can we talk a little bit about Bohai? Because that was another thing that came out of the Q4 results and obviously the markdown in the value of Bohai.

The suggestion seems to be that it was to do with recent results and it can be written up and written down. I'm just trying to understand what would be the factors that would lead to that VIU to change in either direction.

<<Andy Halford – Group CFO (Standard Chartered PLC)>>

What we have on our balance sheet is a classic way of reporting an Associate that essentially is the accumulation of the post-tax profits, our share of them, of the Bohai business. The accounting rules require us, not just us, but everybody to do tests just to make sure that what that cumulative number is, is supportable, and usually discounted cash flow is the way to go about that. Now, Bohai's results were weaker in the third quarter, a little unclear whether that was commercial real estate effected or whether it was due to other factors. And hence, when we did the discounted cash flow, with a moderation because of those results, we came to a discounted cash flow number that was lower than what we had got. Hence, we took the \$300 million charge. I think going forward, which is your question, the real issue is where we have assessed this relative particularly when they announce their results, if they are actually more bullish about the future, then that should bode well. If they are more cautious about the future than we were, then potentially one could do more. But we have I hope been reasonably cautious on this. But it will be interesting to see when they publish their Full Year results in the end of March, just where their numbers are.

<<Nick Lord – Head of ASEAN Banks Research (Morgan Stanley)>>

When you look at it, I assume when you make an adjustment like that, I assume you think of this as being something you don't want to change on a quarterly basis? VIU is a long-term assessment to the value?

<<Andy Halford – Group CFO (Standard Chartered PLC)>>

I think that's right. I think if one is going to make an adjustment, one probably is better to actually swallow hard and get on with it. It doesn't mean to say though that there can't be situations where at quarters one has to do something different. But certainly, that was the endeavor.

<<Nick Lord – Head of ASEAN Banks Research (Morgan Stanley)>>

And then can we talk a little bit about interest rates? And obviously, the audience had interest rate sensitivity and you've highlighted that. For you, it's Hong Kong rates and it's U.S. dollar rates and bit of Korean won and a bit of Singaporean dollar. When we see those U.S. rates come through, what are you thinking of in terms of the leads and lags that would lead HIBOR and lead your book to benefit from those rate changes?

<<Andy Halford – Group CFO (Standard Chartered PLC)>>

Well, I think there are 2 parts to this. One is, will rates change in a synchronised way across currencies or not, and will there be time lags between them? And the other is, for a given set of rates, how does our asset and liability base react to those? And we published all the stuff on sensitivities that you hopefully will have seen. We tried to take a view on both of those dimensions. Now, the sensitivity is a little theoretical in the sense that it is assuming all rates change on the same day at the same time, which clearly in the real world is not going to happen. But what we have done is gone through certainly for our major markets and looked at each asset class and say, which of these would reprice immediately, which of these just won't reprice because of market pressures, and which ones have got an exposure to maturity that says that they don't do anything yet, but maybe in the second or the third year? And the proxy we've got there is 100 basis points right the way across all currencies is about \$1.3 billion of uplift to our income in the first year. And then because some of these exposures don't reprice until the second, third years implicitly, the \$1.3 billion rises by the third year to about \$1.8 billion. That's per 100 basis points.

Now, the market at the moment is pricing in essentially two 100 basis points, so double all the aforementioned numbers. But, then moderate them because not all currencies will move at the same rate. And secondly, probably the second 100 basis points increase will have slightly lesser effect than the first 100 because there are some price caps on some mortgage products, et cetera. But overall, you still come to some very significant numbers, especially when you think that those numbers almost totally flow through to the bottom line. And therefore, proportionally relative to the bottom line, they are very big.

<<Nick Lord – Head of ASEAN Banks Research (Morgan Stanley)>>

A lot of the UK banks obviously talk about the potency of the early rates being more than later rate hikes as you pass more to savers as you go along. Are you expecting to see the same in your markets, so later rate hikes you'll lose more on the savings side?

<<Andy Halford – Group CFO (Standard Chartered PLC)>>

Yeah, I think as I just said, I think the first 100 is worth a little bit more than the second 100. It depends, but it's quite complex for us, because every market we've got a slightly different mix of savings, different mix of mortgages. We have literally done this market by market and then added it together. Because one paintbrush going through the whole lot is not hugely insightful. But to my earlier points, we've come down the rates curve about 2 percentage points and the market is pricing to go back up, we've evidently lost about \$2 billion on the way down. We don't think it unreasonable to think that roughly \$2 billion is there to pick up on the way back up.

<<Nick Lord – Head of ASEAN Banks Research (Morgan Stanley)>>

Perfect. Andy, thank you very much for your time. Very interesting, very insightful. Thanks, everybody, for listening.