

Standard Chartered's Full Year 2021 results presentation

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(Amended in places to improve accuracy and readability)

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

Good morning and good afternoon, everybody, and thank you for joining us for today's full year results and investor update. So we posted a strong set of results for 2021 having navigated the second year of the pandemic well, and we've entered this year with sound business momentum and a strong execution plan. We'll review last year's performance and the momentum we're seeing going into this year, and then we'll go through the actions we announced this morning following a bottom-up review of our strategy.

The COVID pandemic has delayed the realisation of our previous financial goals, but I believe that we are now entering a fundamentally new era. The steps we've taken over recent years to improve the very fabric of our business, gives us a great platform of which to work, quality assets, good capital, liquidity, fantastic colleagues and a formidable client base, to name just a few. We won't be spending much time today on the things that are going pretty well, specifically, the great progress in our Network, Affluent and Sustainable Finance businesses.

We've never been more confident that these are the right areas of focus, and that our progress is firmly on track. We concluded, therefore, that the core pillars of our strategy are still right, but that we need to accelerate our execution and sharpen focus even further. The actions we're taking to do that, which will be the main focus for today will make a profound difference and should enable us to hit our 10% RoTE target in just 2 further years.

So I'll come back and go through the details of those actions, together with Simon, Judy and Ben, after Andy has talked us through our 2021 results. So Andy, over to you.

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

Thank you, Bill, and good morning and good afternoon to everybody. I'll start with the 2021 highlights before then providing more colour. The full year operating income of \$14.7 billion was, as anticipated this time last year, broadly flat on 2020. This is despite us having to absorb a further \$700 million of interest rate headwinds in 2021. These headwinds were largely offset by an encouraging 6% growth in asset volumes and a record wealth management performance.

Also, very encouragingly, we returned to top line growth in the second half, up 4% excluding DVA on a constant currency basis. And as expected, the normalised net interest margin has now stabilised. Expenses at \$10.3 billion were 3% higher than the prior year on a constant currency basis due almost entirely to performance-related pay costs normalising after the unusually low level of the previous year. Credit impairment for the year remained very low by historic standards at \$263 million. We have also made a provision of \$300 million against our investment in China Bohai Bank, which we have taken in light of the most recent published results. The resultant underlying operating profit for the year was

therefore \$3.9 billion, an increase of 61% on a constant currency basis. Restructuring charges were slightly over \$500 million, mainly comprising redundancy costs, for example, those we took in Korea in the fourth quarter. All this led to a return on tangible equity of 6%, double that of the prior year and very close to what we delivered in 2019 immediately prior to COVID.

RWAs continue to be tightly managed, growing at only 1% over the course of the year compared with a 6% increase in customer loans and advances. As a result, our CET1 ratio remains strong at 14.1%, slightly above our 13% to 14% target range. However, once certain regulatory changes effected in January this year are taken into account, our pro forma CET1 is 13.5%, in the middle of our target range. The strength in our capital liquidity positions has enabled us to increase our full year ordinary dividend to \$0.12 per share, a one third increase. And we've also announced a further share buyback of \$750 million. As we have said before, we intend to operate dynamically within our target 13% to 14% CET1 range. Now looking at the key profit loss lines in more detail. Overall income was \$0.1 billion lower in 2021 than in the previous year, a reduction of 1% on a constant currency basis. As I mentioned, this was despite the significant headwinds arising from interest rates, the effect of which reduced markedly over the course of the year. Rates aside, many of our product lines showed encouraging growth. Income from Mortgages, Credit Cards and Personal Loans increased \$300 million, primarily driven by Hong Kong and South Korea, where low interest rates led to higher refinancings and robust transaction volumes.

And Wealth Management had a very strong year with income up over \$200 million or 11%, more about this shortly. On the Corporate side, we were pleased to see Trade income continue to recover with 16% growth, and Lending also increased in double digits. The income from rate-sensitive products like Transaction Banking Cash and Retail Deposits declined 22% and 35%, respectively. The full year pattern was largely replicated in the fourth quarter, albeit the interest rate headwind impact declined to only \$70 million.

Financial Markets was down about 2% year-on-year in the fourth quarter, outperforming many of our competitors. Let me provide a little more colour on the 45% of our income that is interest rate dependent. Whilst it was down 2% for the year as a whole because of the reduction in rates, it was encouraging to see the 6% volume growth, particularly in the context of the significant challenges being faced by our clients as a consequence of COVID.

Our Net Interest Margin for the year as a whole was 8% lower compared with 2020, albeit with a lessening effect as the year progressed. Indeed, that margin actually bottomed out in the third quarter, with the fourth quarter increasing on a normalised basis by 3 basis points to 119 basis points, benefiting from the early impact of our structural hedge program and an increase in HIBOR. We expect the NIM to gradually increase through 2022 as interest rates increase.

And finally, the other 55% of our income, Fees and Other Income, which was flat year-on-year. This has 2 component parts, which moved in opposite directions. Net Trading and Other Income, which was down 12%, excluding DVA, due mainly to lower Treasury realisation gains and lower financial Markets Trading income. But Net Fees and Commissions was up 18% year-on-year due largely to Wealth Management, which continued its double-digit growth CAGR over the last decade. And we now have record Assets Under Management for Affluent clients, up over \$14 billion over the course of the year.

Moving on to how our client segments performed, I'll keep this reasonably high level. Last year, we started reporting our business as two customer segments, corporate, CCIB, and consumers, CPBB. CCIB's income was down 1%, in line with the group picture, almost exclusively due to the Cash Management business, which was adversely impacted by interest rates. The rest of the Corporate products showed steady progress. On the Consumer side, income was up 1%, with increases in Wealth Management and Retail Products offset by lower Deposit income due to the low interest rates.

Looked at instead by geographic region. Our largest region, Asia, had a steady performance despite the impact of the pandemic right across our key markets. Income was up 1%; the operating profit was \$3.1 billion, and returns were up about 150 basis points to 9.5%. In the Africa and Middle East region, income was up 3% led by the African markets. But more importantly, with exceptionally tight cost control and low

impairments, the region's profits of \$0.9 billion were the highest since 2015, with the RoTE not far off that of the Asia region. And finally, in Europe and Americas, we saw income increase 4% and operating profits were up 67%, a significant increase on 2020.

Looking at some of our larger markets, it was most encouraging to see the progress across Korea, Indonesia, UAE and India. Collectively, the operating profit broke through the \$1 billion barrier, almost tripling their collective performance since 2018. These markets have really turned around and are now much better positioned, more efficient and with lower risk profiles driving better returns. China, excluding China Bohai Bank, delivered income growth of 11% on a constant currency basis in 2021. It used to be very much Corporates led, but this is now also a strong Affluent platform, with high levels of client engagement through our digital channels. China's RoTE was up 400 basis points in 2021 to 9%.

Turning to expenses. As I mentioned, we have printed \$10.3 billion for the year, which is up 3% at constant currency and very consistent with what we guided back in the middle of 2020. As I said earlier, expenses are flat at constant currency and excluding performance-related pay normalisation. This was enabled by a \$0.5 billion gross efficiency savings from various optimisation initiatives, such as branch closures, property rationalisation and headcount reductions. This created capacity to fund the incremental cost to make increased investments in our digital ventures and to offset inflation.

A return to top line growth in the second half, together with tight cost discipline enabled positive income-to-cost jaws of 260 basis points in the second half of the year. As I said earlier, there has been a significant reduction in credit impairment charges year-on-year to \$263 million. This reflects a \$285 million net impairment charge in CPBB, offset by a \$44 million release in CCIB. This CCIB release would have been larger if not for certain China real estate provisions that we booked in the fourth quarter with associated increases in RWA.

Our Management Overlay increased by \$37 million in the fourth quarter to \$343 million. There are 2 parts to this. We released a further \$58 million of our existing COVID overlay, but we decided it would be prudent to create a \$95 million overlay in relation to the China commercial real estate sector until the recent uncertainty settle. This is in addition to the provisions I just mentioned. Overall, group-wide credit quality has improved again for the sixth successive quarter and early alerts are now back to pre-COVID levels.

RWAs are up 1% in the year, which is well below the rate of growth of loans and advances, in line with our target of growing assets faster than RWAs. We continue to focus our efforts to maximise returns on RWA and model-related optimisations.

Turning to capital. CET1 at 14.1% is down slightly year-on-year with profit generation largely being offset by distributions, RWAs and foreign exchange. On a pro forma basis, we have started this year with a CET1 of 13.5%. This is after adjusting for the 30 basis point software reversal that we have previously referred to. And after applying other regulatory adjustments amounting to 40 basis points primarily relating to the impact of the IRB repair program now that we are able to quantify them.

And finally, as I mentioned, we are increasing the full year dividend per share by a third and announcing our fourth share buyback in as many years. The buyback will reduce the Q1 CET1 by 30 basis points which will be replenished through underlying profit generation enabled by the commercial actions that Simon, Judy and Ben will be talking to shortly.

To sum up, overall, we have returned to top line growth in the second half, client demand remains strong and we continue to manage costs tightly. Strong equity generation has enabled us to announce a buyback and an increased dividend whilst ensuring that we retain enough capital to fund future investment opportunities. We have made a solid start to 2022 in Financial Markets and Wealth Management, albeit the comparable period a year ago was particularly strong. And of course, we are only 1 month into the year.

There remain uncertainties, including the current geopolitical situation in Europe and the fast-changing COVID situation, with Hong Kong the most recent of our markets to experience an uptick in cases, and we are keeping a close eye on the impact on our clients, employees and businesses.

Looking ahead for the rest of the year, 2022 income is expected to grow in the 5% to 7% range, with mid-single-digit asset growth and an increasing likelihood of some support from interest rates, which should help to support margins, particularly in the latter part of the year. Expenses are expected to grow around \$0.4 billion to \$10.7 billion, excluding the impact of currency movements, driven by slightly higher inflation and continued investment in strategic initiatives to ensure we continue to create exciting growth opportunities for the future.

Whilst we acknowledge that there's still uncertainty out there, the direction of travel for our book looks good. And barring major negative surprises, we'd expect impairments to slowly increase from the exceptionally low levels in 2021 as they start normalising over the medium term towards around 30 to 35 basis points. Lastly, as we are now demonstrating, we fully intend to operate dynamically within the 13% to 14% range.

With that, I'll hand back to Bill.

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

Thanks, Andy. The actions we announced this morning address the opportunities we have to accelerate our delivery and improve our returns beyond the levels we set out in 2019 before the pandemic set us back. Rising interest rates will likely help materially, but our plan is not anchored on this externality. The steps we're setting out today seek to change the way we manage our capital, the way we manage our expenses and the way we manage our organisation.

In light of this, we conducted a bottom-up review of what's working well and what has worked less well over the past several years. So there are many areas where we've made good progress, but there is also opportunity to fundamentally improve. For example, we steadily reduced our low-returning RWAs in the CCIB business, but we will do more, dispassionately assessing where we can go further and faster. Next, we have gone some way in transforming the culture of our bank, but we have further to go in paying the way we operate in every regard. And we've demonstrated consistent discipline in the management of our cost base, but we need to be even more aggressive in transforming our core business processes and generating additional savings. But we have managed the seismic changes over the last 2 years with our core franchise intact, and these external challenges have helped us understand how we can accelerate our progress.

Our strategic focus on our cross-border Network business, Affluent client offering, digitised Mass Retail segment and sustainability remains unchanged. And our focus on innovation and digitisation is even more valid than before the pandemic. Beyond that though, we concluded that we must make changes to accelerate our path to double-digit RoTE by 2024, and that the time for a step change is now. We are ready and the imperative to simplify, focus and accelerate is clear.

The action we'll take to achieve this by 2024 include: first, driving improved returns in CCIB, targeting a 160 basis point improvement in income return on RWAs through more aggressive capital optimisation. Simon will discuss this in more detail. Second, transforming the profitability in CPBB and reducing the cost income ratio to around 60% from 76% today through accelerated digitisation and associated productivity action. Judy will go through this in a moment. Third, seizing the opportunity in China through a step-up in investment into both our onshore and offshore-related businesses and capabilities, with the ambition to double its profit contribution to the Group. We have never been better positioned in China and the opportunities, never greater. And this is despite the current credit-related challenges we all see. Ben will share more on this shortly.

Next, improving efficiency and operational leverage with a gross cost savings of \$1.3 billion to maintain positive jaws of 2 percentage points per year on average before the impact of interest rate rises. And finally, delivering substantial shareholder returns by continuing to manage our capital actively within our

target range. We're starting today by announcing a \$750 million share buyback, which is part of a plan to return in excess of \$5 billion in the coming years. Andy will review the entirety of our financial framework in a moment.

So as well as these five measures, we have an overarching objective to improve returns in markets and business lines, which are not meeting our financial objectives and to simplify management of the group. We review these questions regularly and will take actions as appropriate. Every business, every client segment and every market must pay their way. This is the right time for us to have challenged all our assumptions down to the core. The actions we're announcing today, along with our intentions and expectations from the ongoing reviews, will have a profound impact on our bank. As a result of making these changes, we are very confident we can accelerate delivery of our financial and strategic targets. Now the macroeconomic environment remains important to the delivery of our financial ambitions. We continue to believe our underlying income run rate before the benefit of rising interest rates is around 5% to 7%, given the high-growth client segments and parts of the world on which we're focussed. To that point, we expect Asia GDP growth to outpace growth rates for the rest of the world by about 200 basis points over the next 3 years. Along with this growth, we expect to see increasing levels of trade, particularly within our markets and also increasing cross-border investment. This further favors our footprint markets and products.

In addition, the current interest rate market suggests that we should expect a further 3% of income growth above the 5% to 7% range. So income growth out to 2024 could be 8% to 10% if rates move as the market currently expects. In addition, the specific profit pools we're targeting are growing with Asia affluent assets expected to grow by 9% CAGR up to 2025 and 6% for the rest of the world. And finally, the aggregate mass retail banking revenue pool in Africa, Asia and Middle East is forecast to grow by around 7% CAGR to 2025 versus growth of 5% for the rest of the world.

So we know that uncertainty persists in relation to COVID-19 and other geopolitical issues which are developing, but we also see significant and compelling opportunities emerging. Shifting government and central bank policies are generating strong Financial Markets and Wealth opportunities. An accelerated trade flow and supply chain shift in and around our footprint markets is driving up the demand for Trade. Sustainability remains both an imperative and a great opportunity to help our clients to transition. Clients and competitors are accelerating their pivot to digital, supporting the investments we have been making for years. And China is opening up at an accelerating pace, supporting the opportunities from which we have positioned for the past decade.

Now more from Simon on the exciting opportunities in the CCIB business and the actions he is taking to drive an improvement in returns. Simon?

<<Simon Cooper – CEO, Corporate, Commercial & Institutional Banking and Europe & Americas, Standard Chartered>>

Thank you, Bill. Hello, everyone. Over the last 5 years, we've substantially changed our business model. We've exited a number of non-strategic businesses, tightened risk appetite and begun tackling low-returning risk-weighted assets within CCIB. At the same time, we've also been focused on building our high-returning client segments, investing in digitally transforming the core bank and growing the returns on risk-weighted assets. I'll come back to the focus on our client segments in a moment.

But first, I want to update you on the actions we'll be taking on risk-weighted assets, which have been a drag on our returns. We reduced risk-weighted assets by \$17 billion over the last 5 years, including exiting \$14 billion of low-returning risk-weighted assets over the last 3 years. Our return on risk-weighted assets consequently improved by 80 basis points in that 3-year period to 4.9%. However, we recognise that there is more we can do and need to do. We're therefore going to accelerate actions to reduce low-returning risk-weighted assets by a further \$22 billion over the next 3 years.

These actions will include: one, more aggressive exiting of suboptimal portfolios, selling stressed assets, obtaining collateral upgrades and securitising assets; and two, repurposing of low-returning assets to higher returning business, namely our international Network and our Financial Institution segment. This

will enable us to reduce 50% more low-returning risk-weighted assets than we've achieved in the last 3 years. The reduction of \$22 billion will create capacity to grow our business and allow us to hold risk-weighted assets flat to 2021 levels.

Importantly, this will not have a negative impact on our Network income, which is a much more capital-efficient business. As well as taking out suboptimal risk-weighted assets, we've been applying a greater returns mindset to the entire asset portfolio, from more disciplined internal capital allocation and incentive mechanisms to raising the level that we consider to be low returning. In 2022, we increased our minimum return threshold at the client level by an additional 50 basis points. We've said for some time that our network business both for multinationals and Financial Institutions generates about 100 basis points more return than our domestic business.

Our Financial Institutional segment actually generates 400 basis points, more return than our Corporate segment. We spent the last year aligning our Financial Institution's coverage model with our existing Financial Markets one. Part of this has involved building an originate-to-distribute model for Financial Institutions as well as Corporate clients. This end-to-end approach results in higher balance sheet velocity and therefore, higher returns.

So, Financial Institutions are already our highest returning clients, generating over 40% of CCIB's income. We're targeting that this client segment will make up more than 50% of CCIB revenue and produce double-digit return on risk-weighted assets by 2024. This will also give CCIB a more balanced business mix and keep us resilient through the cycle.

Finally, I should point out that we're investing in products such as our Custody business, our Sustainable Finance franchise, our Risk Management capabilities and new trading businesses such as carbon and digital currencies, all of which will cater to both our Financial Institution and multinational Corporate clients. The planned growth of the Financial Institutions client segment within our network, in conjunction with the actions on low-returning risk-weighted assets, means that by 2024, the return on risk-weighted assets will increase by 160 basis points to 6.5%, so a doubling of the increase that we achieved in the last 3 years.

I'm confident that this continued shift in the business model for CCIB, alongside the redeployment of risk-weighted assets and the further reduction in suboptimal risk-weighted assets, will generate a sustainable double-digit return on tangible equity in CCIB.

Now I'd like to hand over to Judy who's going to talk about improving the operational efficiency within CPBB.

<<Judy Hsu – CEO of Consumer, Private & Business Banking, Standard Chartered>>

Thank you, Simon. Good morning, and good afternoon, everyone. As Bill mentioned, we will significantly improve CPBB's profitability and drive down our cost-to-income ratio to around 60% by 2024. Over the last 3 years, we have kept costs flat in the main bank despite investments of around \$1 billion in digital channels, wealth propositions and talent. This has enabled us to expand our Affluent wealth franchise and build outstanding digital capabilities. But our cost-to-income ratio, currently around 76%, remains high and we know we have to do more.

Now what do we mean by that? Well, it means we will be taking substantial costs out, aiming at a gross reduction of at least \$500 million over 3 years with \$200 million in-year improvement in 2022. The savings will fund investments where we can truly scale and differentiate to generate income growth as well as mitigate inflation. We will focus on four main areas: one, accelerate the migration of our sales and service to digital channels. We have invested in building end-to-end digitisation across client journeys, and clients are also increasingly shifting to these channels.

So this is the right time to boldly pivot our business model, which will lead to a different cost base and help speed up the reduction of our physical channels. So specifically, what do we mean by that? We will serve our mass retail clients digitally, acquiring them through partnerships and leveraging analytics and

digital marketing to engage with them and grow our relationships. Currently, around 50% of our direct acquisition and servicing are fully digital. We aim to move to more than 80%.

For Affluent clients, we will offer a digitally led experience with a human touch. To improve productivity, we are pulling relationship managers or RMs to wealth hubs and shifting to a higher share of remote servicing supported by digitisation of both client and RM journeys. Two, increasing straight-through processing to at least 90%. This includes redesigning and automating our more complex processes such as mortgage onboarding, which currently is still highly manual. We are digitising these complex journeys as much as possible.

Three, simplifying our operating model to drive better synergy and lower overheads. These include streamlining our country and central organizations and harmonising applications and platforms. Four, sharpening our participation. As you heard from Bill, we are reviewing our businesses and will optimise or exit segments and products in markets where we can differentiate, scale or generate appropriate financial returns.

Looking forward, in addition to benefiting from a more favorable interest rate environment, we will continue to focus on our two strategic pillars, Affluent and Mass Retail. Affluent will continue to be our growth engine, leveraging on our strength in international banking and our Affluent client continuum. Growth will be driven by seamless cross-border digital capabilities, new personalized solutions and upskilling our RMs, which altogether will enable us to tap deeper into the growing wealth opportunity, including China, which Ben will speak to.

We target to grow our Affluent AUM to more than \$300 billion by 2024. Mass Retail also made solid progress in 2021. Digital NPS continues to see steady increase, and Credit Cards income grew by high single digit. We will grow digital sales as the primary channel, along with the right product suite to deepen client penetration. We have launched several new digital partnerships and are working on a strong partnership pipeline. We aim to almost double our Mass Retail clients by 2024.

With that, I will hand over to Ben, who will talk about how we are seizing the opportunities in China.

<<Ben Hung – CEO, Asia, Standard Chartered>>

Thank you, Judy, and good morning, good afternoon. I'd like to talk briefly about our China-related business and to share what we are doing to capture the significant opportunities arising from the opening up of China's financial and capital markets. Specifically, we see a number of structural trends over the next few years. These include acceleration of global asset redenomination to RMB-related assets, shifts in supply chain flows, continued strong growth in mainland Wealth creation and the need for offshore diversification and further domestic and offshore growth of Chinese corporates.

We fully recognise that there are some near-term challenges in China, most noticeably in the commercial real estate sector, where we have taken some impairments and are actively managing, we are of the view that the fundamental shifts I mentioned over the medium term is set to continue. We also believe we are in a unique position to capitalise on these opportunities, being a very well-trusted brand in Mainland China and Hong Kong, where we have one of the broadest spectrum of licenses and product capabilities, alongside a network footprint that is complementary to Chinese corporate overseas expansion plans.

We look at these business opportunities across a number of ripple components, starting with our China onshore franchise at a center and extending offshore in multiple dimensions, with Hong Kong as a key capabilities hub. Our Greater Bay Area business represents one of the most dynamic and fastest-growing subset of these opportunities. This brought our onshore and offshore China-related businesses already a significant contributor to the overall group today, generating around 15% of total income and around 20% of group's profits, delivering double-digit returns and growing strongly.

So what are our plans for the future? We will invest in China further with \$300 million of incremental investment spend and a sharpened focus on a few key areas. We will accelerate growth in our offshore Network business, onboarding new economy clients, strengthening our Financial Institutions propositions,

as Simon referred to, and increasing our corridor coverage with specific focus in corridors like China-ASEAN, where our trade volumes were up almost 50% last year.

We will also seek to enhance our Financial Markets' trade and payment clearing solutions, and we are in the process of applying for a Securities license in China with a view of offering further Capital Market solutions to our clients. For CPBB, we will continue to strengthen our Affluent sales, digital and product proposition, as well as capturing the growing GBA Wealth Connect opportunities. Growth in our onshore Wealth Management income last year was up 27%, supported by strong client acquisition and AUM growth.

For domestic business, we will leverage the use of digital partnerships to build scale profitably. Having already launched five partnerships with different client segment propositions and a further two being in soft launch as we speak. In the Greater Bay area, we opened late last year a new GBA center in Guangzhou, which operates as our key business operations and technology hub.

Lastly, Hong Kong is a key part of our growth plan. Here, we will strengthen our product proposition, particularly in strategic growth areas, including the facilitation of global flows into China, Wealth offerings for the Affluent and innovative digital capabilities for the Mass, as well as capital raising, Treasury and RMB solutions, which is an area we've seen significant growth with cross-border RMB clearing volume up by almost 80% last year.

So in closing, we are investing in our business, and I'm particularly excited about the unique competitive advantage in capturing China's further opening. The prospects we see span multiple years. And whilst the growth trajectory may not always be linear, the opportunities are very sizable. I am confident that we can double our broader China onshore and related offshore profits in the coming years. I will now hand over to Andy, who will talk about the group's refreshed financial framework and related targets. Andy?

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

Thank you, Ben. As Bill mentioned earlier, we are now obsessively focusing all our efforts on delivering the 10% return on [tangible] equity the year after next, i.e., by 2024, not in the medium term, but instead the year after next. Interest rates should thankfully, at last, start to help us, but the delivery of this ambition will be equally dependent on the execution of all the initiatives that you have just heard, Simon, Judy and Ben so eloquently outline.

Let me now pull them all together for you in one overall financial framework, clearly articulating the component parts. Firstly, income, we've increased our target to an 8% to 10% CAGR for the overall period to 2024. This is best looked at as four separate building blocks.

Firstly, we expect to get around 3 percentage points of growth from underlying client activity driven by GDP growth, with a small offset for the impact of the RWA actions that Simon referred to earlier. Secondly, as you heard from Ben, we are investing for further strong growth in our China-related businesses, which adds around another 2 percentage points.

Thirdly, our new ventures businesses, including Mox in Hong Kong, SC Bank solutions in Singapore and SOLV in India are expected to increase income by around \$0.5 billion in the next 3 years from scratch, adding a further percentage point to our overall growth. These 3 blocks together make up the 5% to 7% underlying growth target, this has not changed from our previous guidance. I talked earlier about the \$700 million Net Interest Income lost to falling rates in 2021. We have now lost over \$2 billion of Net Interest Income cumulatively since COVID started, most of which adversely impacted profit.

The fourth block is the lift to income that we expect to get from interest rates rising back to nearer to pre-COVID levels, which, together with the intervening balance sheet growth, should over the next 3 years reverse the decline that we have recently experienced.

In forming this view, we have endeavored to take account of likely forward rate differences by currency, different deposit betas across products and markets, and different betas at different points on the rates curve. Overall, we believe that this will add a further 3 percentage points to our income growth based on a 170 basis point expected increase in rates between now and 2024, which will substantially flow through to the bottom line. This is slightly more cautious than the current market view, which, if right, would provide some further modest upside to our targets.

Switching gears now to creating operational leverage and targeting positive jaws. We will aggressively pursue gross structural cost savings of \$1.3 billion over the 3 years, with further restructuring costs of around \$500 million over that period, in other words, a 2- to 3-year payback. This will include a wide range of initiatives across CCIB and CPBB to further digitise the client's experience. We will also reduce our office space by a third, our branch network by 40% and continue to consolidate our platforms and optimise our data centers. These actions will enable us to continue to invest at scale and pace prioritising initiatives that we believe will deliver the best customer outcomes and shareholder returns in the near term.

As previously communicated, we intend to double our strategic investment spend to \$1 billion per year within the current quantum of our overall cash investments of \$2 billion per year. This will result in an overall \$1.3 billion increase in P&L investment spend over the next 3 years. The \$1.3 billion efficiency program will enable us to target an average annual 2 percentage point improvement in jaws before the impact of interest rate rises on income as we target a cost-to-income ratio of around 60% by 2024. In other words, we do not plan to increase our levels of expenditure just because we're getting the benefit in the top line from rising rates. We expect the majority of interest rate rises to income will fall through to the bottom line. This means we will be able to continue investing at pace to ensure we lay the foundations for future growth.

And then turning to capital returns. Over the last 3 years, the group has returned \$2.6 billion of capital to shareholders in the form of \$0.9 billion of dividends and \$1.7 billion in share buybacks. Despite the suspension of returns in 2020 due to the pandemic, the share buybacks have led to a 6% reduction in our shares in issue since the end of 2017.

As I mentioned earlier, we will continue to operate dynamically within our 13% to 14% CET1 target range, whilst delivering sustainable shareholder distributions. We will review these conclusions regularly and vary our capital positioning accordingly. We plan to return in aggregate in excess of \$5 billion over the next 3 years, which is likely to be more than double the levels returned to shareholders over the previous 3 years or about 20% of our current market capitalisation. Today's buyback announcement is the first part of this.

The consequence of all of the above Management actions and interest rate effects, plus a tax rate which is likely to normalise towards the mid-20% range, should see the bank returning to a double-digit Return on Tangible Equity the year after next.

Let me now hand back to Bill for his closing remarks. Bill?

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

Thanks again, Andy. So please allow me to sum up what we've covered. The group has delivered resilient performance in 2021, returning to top line growth in the second half of the year. Our income outlook is good, supported by strong competitive positioning, and our investments are paying off and positioned us well for the post-pandemic environment. Expense actions are necessary and impactful to allow for this ongoing investment and improvement of our profitability, and we are committed to delivering all of these. We have set out the things we can and need to change operationally to be better. And you've heard today about some very specific areas of differentiation on which we are laser focused.

Underneath all of these actions and commitment lies our dedication to our clients, whose demand for our services remains amazingly strong even during the toughest periods of the pandemic, a luxury that a few other sectors enjoyed. As economies progressively recover, particularly in parts of the world in which we

operate, that should strongly underpin our prospects for future growth. And then there's interest rates. These have undeniably hit our bottom line hard as we are highly operationally geared. But the good news is that the envisioned reversion to near pre-COVID levels should significantly amplify the positive financial impacts of the actions we're announcing today.

So put it all together, a solid core to our business, a set of targeted management actions and commitments and upside from rates. I have never been more confident that double-digit returns are now firmly within our sights by the year after next. So thanks again for spending this time with us, and we'll open to Q&A shortly. But first, we'd like to show a short video that reminds us of Standard Chartered's purpose to drive commerce and prosperity through our unique diversity. This is our North Star. We're committed to shaping our business to unlock value over the long term for our shareholders and for the clients and communities we serve. Andy, Judy, Ben, Simon and I will come back shortly after the video.

(presentation)

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

Hello, everyone, and thanks very much for joining us. I hope you enjoyed our little interlude to the discussion beforehand. I'm joined here by Andy, obviously, and we've got Simon and Judy in Singapore and Ben in Hong Kong. Let's just go straight into questions and we will allocate those out as appropriate. We've got plenty of time for Q&A to dig into what we recognise was a lot of information that we passed out this morning. So please, handing you over to the moderator for the first question.

Questions and Answers

<<Operator>>

(Operator Instructions) Your first question today comes from Joseph Dickerson from Jefferies.

<<Joseph Dickerson – Head of European Banks Research & Equity Analyst, Jefferies>>

Just a couple of questions, very clear forward guidance here. Andy, you rattled off a few things when you were talking about the \$1.3 billion reduction. Maybe you can repeat those. I think I heard a 30% branch reduction. If you could repeat those, that would be helpful. And I guess the question that I have is what do you assume about the trajectory of your staff costs between now and 2024? Because some of your competitors in the region are talking about some pretty punchy numbers on growth there. So that was question number one.

And then the second question is, can you just try to help us dimension either the size or the contribution from the hedge? So you had, I think called out a basis point contribution to the underlying NIM improvement in Q4. How should we expect that to evolve, presumably since I believe you started to deploy the hedge more in the back end of the year, in the back end of Q4, that is. So is there going to be much more of a benefit in the first couple of quarters of this year in basis point terms?

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

Yes. Okay. Thank you, Joseph, for those questions. So first of all, on the cost one, there is, I think, detail on the slides, so hopefully, you can see that as well. So what we're saying is that over the next 3 years, we intend to take about \$1.3 billion out of the cost base, that's the continuation of the programme we've had in the past, but constantly eking new areas. We see about a one third reduction in floor space in the property area. We see about a 40% reduction in the number of retail branches. We are constantly focusing upon IT systems and simplification of the process and systems there. Data centers, rationalising a number of applications, putting more of them into the cloud.

So all of those are contributing features to the \$1.3 billion. We said that, over the next 3 years, we do see overall costs increasing slightly. That's recognising the fact that there is inflation out there, a \$0.4 billion increase subject to currency movements, for the 2022 year. And obviously, within that, we've taken a view on staff costs and other related costs as we move forwards. But hopefully, it's given a little bit more clarity on the direction of travel on the cost front. And I would observe that the \$10.3 billion we printed for last

year actually was pretty much on the nose of what we said in the middle of 2020, would be about \$10 billion plus FX movements and that's pretty much how it has panned out.

On your second question, we did start some of the hedging programme in the latter part of last year, which we talked about. We've been a little thoughtful about that because, obviously, with rates continuing to move upwards, we've not wanted to rush into that. So we have done some hedging in the back end of last year, and that will have a small underpinning for this year's results. We are monitoring that quite carefully. Looking at the rates as they settled at the moment and deciding whether we'll do more of that as, obviously, rates are now a huge part of the overall story for us as we move forward on top of all the actions that you've just heard Simon, Ben and Judy talk about.

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

And Joseph, you talked about staff levels as well and I might turn to Judy quickly on that. And we've clearly got some diverging underlying trends. On the one hand, there's the productivity undertakings that Judy has mentioned, of course that has covered across the whole group as well, and that would have headcount reducing. There's an ongoing simplification drive, which is to continue with our pretty aggressive digitisation and automation end-to-end, which would also create a downward trend.

Now the flip side is that we're investing heavily in a number of our areas, whether that's in our Wealth Management area where we've managed to maintain this very strong level of growth, in some of the technical supporting areas and protective areas like cybersecurity, data analytics where headcount is increasing. So overall, we don't see a dramatic change in headcount. But below the surface, there will be some big shifts. But I don't know if this is a good chance to bring Judy in and maybe just to make a couple of comments about the CPBB cost drive and headcount trends.

<<Judy Hsu – CEO of Consumer, Private & Business Banking, Standard Chartered>>

Yes. As you heard earlier, I talked about our target to reduce our cost-to-income ratio (CIR) from 76% towards 60% by 2024. How are we going to do that? First, if I look at our CIR trend in the last couple of years, it's been pretty flat. But the underlying, if we excluded interest rates, which declined quite significantly, our CIR could have declined by about 9 percentage points, and we see that trend obviously reversing. Earlier Andy talked about our branch reduction. We have been reducing our branches. We're going to step that up. As we have invested quite a lot into our digital capabilities, we are going to accelerate our migration to digital. And when we do that, we can take out more physical touch points and we're going to step up our physical branch reduction, and we anticipate to reduce that by about 40% over the next 3 years.

Now what that does is, obviously, reduces headcount in the branch. And if I look at the last 3 years, we've reduced our headcount in branches by about 30%. So that will continue. And of course, one of the things that we're doing is growing Mass market, and by growing Mass market we're actually acquiring through digital partnerships rather than feet on street. So that is a big shift in terms of our headcount as well, and we will be able to acquire Mass market clients much more efficiently. So these are the things that are going to help us grow, help us invest in areas that we can grow in Mass market as well as in Affluent, whilst at the same time being able to do that much more efficiently. Back to you, Bill.

<<Operator>>

Your next question comes from the line of Jason Napier from UBS.

<<Jason Napier – Head of European Banks Research, UBS Investment Bank>>

Good morning, can you hear me okay?

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

All good.

<<Jason Napier – Head of European Banks Research, UBS Investment Bank>>

So the first question is around the RWA trajectory for the group. And I guess, there'll be several ways that you could attack this. But effectively, the back-end in 2024 ends up being meaningfully smaller than, I

guess, consensus would have had and so the work that's been done in CCIB to make sure that capital is being deployed in the right places may be a cause of that. But I guess one of your competitors is moving enough capital to Asia to grow its business by a third. And I just wondered how in the bottom-up review, you came to such low RWA growth. Surely better operating leverage and general improvement in operating dynamics tends to the faster balance sheet growth than you're guiding to. So maybe the first question is why don't you budget for faster RWA growth over the next 3 years than you're allowing yourselves?

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

Great. Thanks, Jason. I'll turn to Simon since he's doing the heavy lifting on RWA. I'll just say, you used the word smaller. Actually, our business is going to be a lot bigger in 2024, just with flat RWAs. And that obviously reflects a change in the underlying composition of our business in favour of higher returning, less capital-intensive businesses. Thankfully, that's where our growth has been coming from consistently. But I'll turn to Simon to dig into the depths of that question.

<<Simon Cooper – CEO, Corporate, Commercial & Institutional Banking and Europe & Americas, Standard Chartered>>

Great. Thanks very much. So yes, I mean, Bill, as you say, the intention is to keep our RWA flat in CCIB, but that has an underlying change in terms of the way we allocate those Risk-Weighted Assets. We've said over that period, we're going to optimise another \$22 billion, and that means shifting that from low returning to the higher returning segments. And remember, we've said that Network income generates about 100 basis points more than domestic. And we've said that FI generates about 400 basis points more than corporate. So the optimisation sees us reallocate \$22 billion towards that higher returning business. So that's how we're able to keep RWA flat but at the same time, generate increased revenues and increased returns.

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

Thanks very much, Simon. I think it's probably also worth noting that we do, we are allocating incremental capital into some key areas in the CPBB area, specifically around consumer credit. As Judy mentioned in her comments, being driven by some of the partnerships that we've entered into as well as our own digital banking operations. I don't know, Judy, if you want to just quickly comment on the capital allocation into the region on the retail side.

<<Judy Hsu – CEO of Consumer, Private & Business Banking, Standard Chartered>>

Yes, if you look at our RWA in the retail business, we're clearly very, very efficient because most of our assets are predominantly in the Wealth space. But we see an opportunity, right, in our markets to grow our Mass Retail through partnerships so that we can acquire much more efficiently and grow our CCPL book. Of course, we are growing it very safely. So we do anticipate to grow our CCPL book by around 6% CAGR, and we will be allocating capital to that side of the balance sheet. And the return on that, obviously, will improve our overall CPBB RoTE.

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

Maybe Ben, you could just comment a little bit on the recent trends in Hong Kong and China, which have been quite encouraging in terms of loan volumes in particular.

<<Ben Hung – CEO, Asia, Standard Chartered>>

Yes in China, for example, we have been actively working with different partners. I did mention that we have been working with around five partners that have already launched and two others, actually, which is a soft launch. So if you look at China, our revenue coming from partnerships or digital partnerships last year have gone up by over 70%. Likewise, in Hong Kong last year, we ended the year with loan growth of 14%. So that is a combination of secured assets or Mortgages, unsecured, and obviously in Trade, these are all very, very high returning.

And obviously, we're also working with our partners through ventures like Mox, which we're seeing very, very good intake of credit applications. So all in all, it's quite all encompassing in terms of how we want to

grow our balance sheet through a more digitally oriented and more cost-effective way of acquisition. So back to you, Bill.

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

Thanks, Ben. Jason, you mentioned you had 2 questions. I don't know if you had a second coming or whether we should move on.

<<Jason Napier – Head of European Banks Research, UBS Investment Bank>>

That was really helpful. The second question may well pertain to Simon's business again, but it comes back to the \$1.3 billion in gross cost savings that you're targeting. If there's \$500 million into the retail and business banking, unless there is a big chunk in Group Central, feels like Simon is going to have to do a lot of work on the cost base. So I wonder whether you could talk about the opportunities there. Clearly, it's not affected by things like branches. And if you'd be willing to share his view on where the 2024 cost will be meaningfully different from where we are now, given the size of the opportunity that it looks like he is being tasked with attacking.

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

Great. I'll turn to Simon now, but then I'll turn to Andy to make sure that we're looking at each of the businesses in the context of the overall \$1.3 billion. So, Simon.

<<Simon Cooper – CEO, Corporate, Commercial & Institutional Banking and Europe & Americas, Standard Chartered>>

Thank you. And I think the main theme that's going to support the cost efficiency in CCIB is that of digitisation. As Judy has already said, for the retail business, we're seeing the wholesale business rapidly advance in terms of the way we're digitising our interaction with clients, both in terms of client onboarding and in terms of client servicing. That has a benefit of improving our customer experience, but it also means that over time, we can take out costs as we get efficiencies coming through the business. We've seen that having put together the digital channels and data analytics team. We've seen the benefit of that coming through in client acquisition. We saw a client today award us a big mandate in India for Cash, Trade and Foreign Exchange, really on the back of that digital platform that we're building. As we get more and more traction with clients, we see more and more ability to be more efficient and to take costs out at the same time. Andy, I think I'll pass it back to you.

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

Yes, if you take the \$1.3 billion overall, there's roughly \$0.5 billion that is CPBB specific. There's about \$0.3 billion that we're doing on Central data centers, Central property costs, et cetera; about another \$0.5 billion that's sitting with Simon's business. Simon's business has a bigger cost base. So proportionately, I guess the challenge there is a little bit less. As we all know, the CPBB business has been the one where we have had a higher cost base for some period of time than some of our competitors. We have been making good progress. And I do think, to Judy's point earlier, that the cost-to-income ratio unfortunately, has a cost bit and an income bit. And therefore, when the income has been coming down because of rates, actually, it slightly distorts what's going on underneath the scale of it.

If you took the CPBB business today with the rates we had a couple of years ago, actually it would be 9 percentage points down, as Judy has said, on a cost-to-income ratio. What we're saying is we need to actually keep that momentum going and drive further efficiencies and further savings from it. We've also, I think, made significant inroads in markets like Korea on the Consumer side, used to be loss-making, and is now profitable, China, ditto. So over a period of time, we really have made progress there, but we do think there is a lot more that we can still do.

<<Operator>>

Your next question comes from the line of Martin Leitgeb, Goldman Sachs.

<<Martin Leitgeb – Research Analyst, Goldman Sachs>>

Could I have the first one, please, on NII? And with the prospects of Fed funds rate hike in March, in a month's time, I was just wondering if you could help us understand the phasing of the beneficial impact of

the rate hike on your P&L. And I guess, this is really related to two sub-topics. One is the HIBOR transmission. I think historically, there has been a 1 or 2 quarter delay in HIBOR rates picking up. And secondly, the absence of major structural hedging. How quickly would you expect to see the majority of the benefit of the rate hikes in the U.S. come through in the P&L? Could we already see a big chunk coming through in the second quarter, so with the July reporting date? And maybe related to the question, if you could update us on how we hedge notional is now and what the potential total scope for the hedge notional is going forward?

And the second question, I was just wondering in Korea, you made substantial progress with regards to improving the terms since the restructuring started back in, at the end of 2015. I think at some point, Korea has seen us providing strategic optionality if and when returns improve, which now appears to have happened. What are your objectives in Korea going forward? How strategic is it to the Group? And do you see maybe some further opportunity arising within Korea with some of the competitors retrenching there?

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

Do you want to kick off on the NII questions, Andy?

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

Yes, let me do that. So Martin, to your question, clearly, the NII outlook is particularly interesting at the moment. I mean if I broaden it, at the start of this year, we're only 1.5 months into the year, but we've had a good start in Financial Markets, Transaction Banking Trade, Wealth Management has been good, albeit probably slightly more so Southern Asia and Africa, northern Asian markets particularly with Hong Kong and the COVID spike there, it's now a little bit more muted. But if you put all of that together, I think the first quarter actually should be well up with the first quarter of last year, which, if you recall, was our highest quarter of income for the Group overall. So I think it's a reasonable start to the year.

What will then I think become more interesting is, the business momentum going forward plus the impact of the rates that you're referring to. So we have got a little bit of benefit in Q4 from the structural hedging, a little bit of benefit from HIBOR picking up. I think over the course of this year, we will see the rate impact progressively pick up during the remaining quarters of the year. So it's not like we can just straight line it for quarters 2, 3 and 4. I think we would see quarter 2, I think then quarter 3, quarter 4, picking up.

In our own projections, and we've shown, I think it's on Slide 31, the assumptions we have made about rates increases. And roughly, we've put on average about a 50 basis point increase in rates compared with last year. What we have actually seen in the market pricing is nearer to double that. So that actually may provide some support, I think, for 5 to 7 or top of the range over the course of the year. But Q1, fairly similar to last year. And then over the balance of the year, we'd probably see some of the rates benefit starting to come through more substantively.

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

Good. On the Korea question. Thanks for noting the really strong progress that we made, and it is really strong progress. I think probably in excess of what anybody imagined when we identified the problems a few years back. Korea is strategic for us. It's a core market. It's extremely important in terms of trade flows. We've got a good strong local position. And as you point out, our largest foreign competitor has, or is withdrawing from the market. And we clearly expect to benefit from that in terms of accelerating the pivot into, in particular, the Affluent client segment. But let me turn to Ben who's been leading this from the beginning of the transformation, to offer some more comments.

<<Ben Hung – CEO, Asia, Standard Chartered>>

Thank you, Bill. We've done a lot of hard work over the last 5, 6 years, thanks to the team on the ground. I mean strategically, first thing, Korea has a huge amount of, as Bill said, interconnectedness with the rest of the markets, particularly what we saw in the biggest trade corridor between Korea and China, and Korea and ASEAN are very, very substantial. We're talking about in excess of \$200 million, \$250 million of Network income deriving from Korea, and those are very returns accretive. That's point number one.

Point number two is, last year, it delivered in excess of \$300 million of profit and RoTE around 8%. And that is before the likely savings we're really getting from restructuring more than 500 of our headcount, which has been exited at the end of October. So we expect roughly around \$60 million of cost savings, the bulk of which will accrue to our CPBB business, which currently is making a profit. But there's more work to be done.

And my final point is with the hopes of Korean interest rates also on the rise, they started actually in Q4 last year, we're seeing some of the benefits. So I do think Korea has, within reach, about 10% RoTE, if not more. And we are confident that there is more work to be done, but we can get there. So thank you, and back to you, Bill.

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

That's great, Ben. And maybe anticipating some of the other questions that might come, we look very hard at what's going right in Korea. It's not just Korea, as we've pointed out in Andy's comments, four of the markets that we called out for improvement have improved dramatically, Korea being a good case study. And of course, the question is how do we extend that to every market, every client, every portfolio, every business line, which we operate. And there's some good learnings from what goes right. Obviously, we also learned from what goes wrong. But Korea is definitely a good story. So thanks, Martin, for the question. Can we move to the next question?

<<Operator>>

Your next question comes from the line of Guy Stebbings from Exane.

<<Guy Stebbings – Banks Analyst, BNP Paribas Exane>>

The first question was on distributions. Thanks for the \$5 billion-plus guidance, wondering if you could help us think about the phasing of that guidance. And if I take your pro forma 1st of January 2022, capital ratio of 13.5%, adjusted for the buyback we're down at 13.2%. So towards the bottom end of the guided range. I appreciate you got some RWA actions, but RWA is still going to grow, so distributions from here needs to be funded out of profits and profits are going to grow year-over-year based on the plan. So should we think about that \$5 billion as being slightly back-end loaded? Or any colour you can share that would be useful.

And then the second question was just around costs. You talked to the 2% jaws and the 5% to 7% revenue and then highlighted the 3% rates tailwind into revenue. So if that 3% means we're talking 8% to 10% on revenue, can I just double check the cost growth, you're still talking to 3% to 5% range and you wouldn't use any of that additional revenue support to resolve inflationary pressures or invest more in the business? I guess given some of your comments on rates flowing to the bottom line and then in order to hit your 6% cost-to-income guidance, I presume you wouldn't use any of that additional revenue to have a higher cost. But any colour there again would be very helpful.

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

Yes. Let me address both of those. So we have, as you know, over the last couple of years, been up with a 14%-plus capital ratio. I think during the course of COVID, or the main part of COVID, that was prudent and was wise. But as we've said before, quite regularly, our intent overall is that we should operate more within the 13% to 14% range, and we should operate dynamically within that. So as you quite rightly observe, our pro forma CET1 started the year 13.5%. When the \$0.75 billion buyback is done, that takes us to a pro forma 13.2%. However, over the balance of the year, we then got profit generation, a little bit of RWA offset. But as you've heard, we're going to be focusing upon essentially maximising the RWA efficiencies, particularly in the Corporate side of the business.

So I would look at the overall 3-year trend as being one where back-end loaded, I don't know, but it probably is slightly more progressive than certainly front-end loaded, albeit \$0.75 billion out off the block in the first quarter is quite a good start in that. But I think if you model it, you can see with the income growth, and I'll come on to your second question, that we are profiling particularly with the rates support helping in that regard, that \$5 billion number, we think, is a very solid number. It's about 20% of our market cap. That's on top of the 6% of the market cap that we bought back in the last 3 years. So as an

aggregate, that is really significant. And clearly, if we exit the 3-year period at that rate, then in the next 3-year period, hopefully, we will be doing more.

On the cost side of things, so you're absolutely right. What we've done, hopefully, the slide makes it clear, as we've said underlying, excluding rates, we think 5% to 7% growth for this business is perfectly achievable. The 3% on the rates, actually the market in a moment, would say it maybe could be a little bit more than that, but we've put that in as our placeholder. Within the 5 to 7, we have split that out, hopefully you heard the comments earlier, 2 of it coming from the push on the China front, 1 of it coming from new ventures. The underlying 3, if anything, maybe against the GDP growth in the markets we're in, slightly on the conservative side, time will tell. We'll see a little bit of income give on the RWA management, although largely not on the international clients. So that's why we put the numbers there. 2% jaws mathematically takes you into the 3% to 5% range on the cost. And that is where our minds are.

Now obviously, if we find the business over or underperforms against other things, we have got the time to go and course correct. But as a focus on the core structure, if you like, for how we think about the economics of the business, then that is where we're at. A combination of that is essentially the \$2 billion of income loss that we suffered from the rates over the last 2 years, pretty much reversing over the next 3 years. I think the forward rate 3 years out is roughly the same as the rate we were at pre-COVID and \$2 billion going on to the bottom line of \$4 billion, and with business momentum on the top of it, that's why you get to a 10% number the year after next. So I think it's a cogent model, and we'll manage costs actively within that and make sure that we're both investing for the future, but taking enough costs out as we go along.

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

Can I just go back to the capital question. In each of these discussions, we've explained why we think the capital level we're operating at is appropriate. And when we were up at the top end or above the top end of the range, we identified uncertainties and remaining concerns that cause us to want to be prudent. Obviously, we're now operating on a pro forma basis post buyback towards the bottom end of the range. Why are we comfortable? It's pretty straightforward. One is every observation that we've got of asset quality is that it remains very good. The earnings momentum that we've generated is good. And the earnings outlook is very good. And on the back of all that, Andy and I and our Board have been comfortable going down towards the bottom end of our range.

As Andy said, we'll manage this dynamically. But we always said that we'd be prepared to go down towards the bottom end of the range and here we are. And you can expect us to continue to review this in a very regular way. I hope that if there's any takeaway from all of this, it's that we're quite confident about our business, both in terms of the quality of our balance sheet and the quality of the earnings outlook. Hence, we're prepared to run a little bit closer to the bottom of our range.

<<Operator>>

Your next question comes from the line of Manus Costello from Autonomous.

<<Manus Costello – Head of Research, Autonomous Research>>

I had a couple of questions on revenues, please, one general and one specific. The general question is if we look back to the previous rate hiking cycle, your peak rate of revenue growth was 5%, but you're now telling us you can do double that in this rate-hiking cycle. So what's changed to give you the confidence that you can do double what you did last time? And the specific questions relate to how you strike the NII sensitivity, which has been moving around the place over the years. You look like you've restated the 2020 numbers quite materially by about 30%. What was going on there? And can you also explain your deposit beta assumptions in retail in particular. That they're quite low and I think you cut them year-over-year. So more colour around that would be helpful to give us some confidence. Thank you.

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

Thanks very much, Manus. Let me give a head-level answer on the revenue. We've been pretty steadily changing the nature of our business over the past several years. And focusing on, as we said, over and over again, our Network income, the Affluent client population. And then of course, for the mass market

digitising the bulk of our business. We've been demonstrating consistently growth rates for that part of our business, which is now the majority of our business at or above the top end of that 5% to 7% range. So as we continue to shift the business mix very, very consistently and very deliberately, it gives us ever more confidence that we can generate that 5% to 7% underlying, call it, organic growth that we've indicated we can maintain. The rate impact is on top of that.

And we've also improved the quality of our liabilities. We've improved the quality of the liabilities materially. So we would expect to be able to capture some more of that rate benefit increase, and to capture that a little bit sooner. But I'll leave the details on that to Andy when he addresses deposit beta NII. Maybe I could just very quickly turn to Judy and Simon to give a little bit more colour on why we're confident that we can generate the income growth rates that we've indicated this morning. Judy?

<<Judy Hsu – CEO of Consumer, Private & Business Banking, Standard Chartered>>

Yes. We're absolutely confident. If we look at our Wealth business, it's been growing high single digit, double digit over through the cycles over the last decade. That gives us very strong confidence. Our Wealth business, our Wealth platform is very strong. Last year, we added more than 400,000 customers to our platform. We more than doubled our Net New Money. That's an area we're investing behind. We expect to continue to grow at that double digit. You also hear about our strategy to expand our partnership or Mass Retail business, through a lot of our partnerships as you heard from Ben, that's going to grow as well.

Let me just make a quick comment on CASA or on the deposit mix. If you look at the retail deposit mix, yes, it's low single-digit growth, but we're really focused on is growing CASA. Over the last few years, we grew CASA at double digit, about 12 percentage growth. So that is very much linked to our ability to help clients do payments, invest in Wealth Management. So that's the quality of the business that we're growing. Last year, we also grew assets by high single digits. So we're very confident that the quality of our business, the quality of our franchise will continue to generate that 5% to 7% growth underlying. Over to you, Simon.

<<Simon Cooper – CEO, Corporate, Commercial & Institutional Banking and Europe & Americas, Standard Chartered>>

Thank you very much. Thanks, Judy. So yes, Bill, I am absolutely confident and confident, I think, for a number of reasons. The first and picking up the point on rates, when you look back to our balances in 2018, they are about \$125 billion. We closed 2021 at \$200 billion. So that fundamental shift in the quality and the volume of our liabilities gives me great confidence in terms of the Cash business and that ability to have sustainable growth. Sticking with Transaction Banking, we saw Trade volumes come through the end of last year, back to pre-COVID levels. And that ability to monetise our network for our Trade finance business, I think remains strong.

Thirdly, I mentioned it a little bit in terms of RWA. Shifting that mix of putting Corporate Finance together with Financial Markets, creating that ability to have originate-to-distribute, generating the asset class that Institutional clients want to invest in and participate in, that's what's going to help take us from 40% of our revenues coming from FIs today to 50% going forwards. So there are a lot of components that when you bring them together, absolutely confident going forward. I'll pass back to you, Bill.

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

Great. Thanks very much, Simon and Judy. Andy, do you want to pick up the NII questions?

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

Yes. Let me pick up the sensitivity question, Manus. The sensitivity area is inherently complex. We are looking across, as you well know, many, many geographies. We're looking at different asset liability classes. We're having to second-guess how competitors will react. So it is a complex area. Now you're right that we have increased the sensitivities compared with what we were showing a year ago. The biggest part of that was the surpluses in our banking book that were being managed in the trading book where we do get benefits were actually being excluded from the previous calculations. I think 6 months

ago, we probably referred to that. So we've now got those in the numbers. They are real. They are evidentially happening.

And then secondly, we have particular learnings, I think, from COVID been going through various parts of our book much more closely, to understand behaviourally what has been going on, and that has caused us to refine some of the models that we have got and hence give you those numbers. Now the \$1.3 billion, it is a first year effect. It is an all currency effect. And clearly, all currencies don't all move together. But secondly, it is a first year effect. So some of the assets liabilities don't reprice within the first year, they will reprice in the second or third year. And some of them will only reprice within the first year. Therefore, the first year benefit has yet to flow through. So there's about 30% to 40% uplift over and above that \$1.3 billion number that we've disclosed.

We've broken it down more by currencies. I hope our disclosures are a bit more fulsome and a bit more helpful this time around. In terms of the betas, we have got up to 20 basis points. That's a general, this is a sweeping average across the CPBB businesses and about double that in the CCIB business. That is the mix across many, many products. Hopefully, it's on the cautious side, but we will see over a period of time. But those are, if you have to aggregate it in this area, it's quite difficult to aggregate, those would be indicative ranges that we have used in arriving at that \$1.3 billion, 100 basis point all currency number.

<<Operator>>

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

<<Amandeep Rakkar – European Banks Analyst, Barclays Bank>>

A couple of questions. First one was actually to build on Manus' question, which I guess Bill you partly addressed. But I guess, in a word, what's different this time around? I guess we are reintroducing the 10% RoTE target. I appreciate rates are a tailwind, but we're perhaps returning to a rate environment that's not too dissimilar to pre-COVID. And I think that was at a time when the group was perhaps not able to generate a 10% RoTE. So I'd be really interested to hear kind of in your own words, what you think is different this time around and why actually we should be confident that 10% is the right number and it's going to happen in the foreseeable future.

I guess one additional question would just be a point of clarification around the RWA and cost saves that you're targeting. Are you able to help us understand some of the revenue attrition that might be associated with that piece?

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

Great. Thanks very much for the question. What's different? You asked for it in a word. I think in a word, the difference is discipline. I think what you're seeing through the actions that we're announcing today is discipline on every front. That's capital discipline, it's cost discipline. It's discipline in terms of how we're investing in our business, how we're managing the business. If you ask for a slightly more expansive action, I think we've been building the capability to generate a cost of capital plus return for 5 or 6 years. I mean clearly, the early time of my and Andy's time in the bank was much more focused on remediation. But for 5 or 6 years now, we've been building that set of core capabilities around building out the Network business, building out our Affluent client proposition. Slightly more recently building out that digital offering and that ability to be automated end-to-end and much more efficient.

Those investments are paying off. And obviously, we all know how investments work, it's cash out in exchange for cash back later. And we've had the cash out phase. We will continue to invest in the business, but we're harvesting those gains. So the focus of everything from RMs in our retail and wholesale business, from the way that we're allocating the capital to those clients to the underlying systems investments that we've made, have in fact generated the Network growth that we've been targeting, the Affluent population growth that we're targeting. And we feel very well positioned to fundamentally improve our cost-to-income ratio on retail, driven both by the income increases, but also by the cost actions that we can take on the retail side.

So what's different? What's different is bringing an extraordinary level of focus now. But on the back of several years of migration where the evidence in terms of what works and what doesn't work, to us has

come through pretty clearly. Rather than kick to Simon, Judy and Ben, let's take the RWA and cost questions. I'll direct that to Andy, and then maybe we can start with Simon, and then we'll go to Ben and Judy, just to comment on both questions together with any additional points they want to make.

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

Yes. So on the RWAs, as Simon has said, what we're seeking to do is to essentially redeploy into higher-returning areas. So we get higher returns, as Simon said earlier, on our Network, our multinational client activity. So whilst there will be some redeployment, it will be into areas where hopefully the returns can be bigger. And also we have got that in other parts of the Financial Institutions segment.

I would look at this in terms of the income and cost hit as not being huge, more about redeployment. Albeit, as I just said, in the buildup of that 8% to 10% income, the underlying bit, the 3%, probably is a little bit on the low side relative to GDP growth, it may be an opportunity to slightly outperform on that front. But I think you should look at this more as redeployment into higher returning areas rather than absolute reductions on either front. I don't know, Simon, I've probably badly described that. But anyway, you'll correct me where I've gone wrong.

<<Simon Cooper – CEO, Corporate, Commercial & Institutional Banking and Europe & Americas, Standard Chartered>>

It sounded pretty good to me, Andy. So I think just to pick up a few things. I mean the first, this isn't new. As Bill says, we've taken out \$14 billion of low returning RWA over the last few years. So we know we can do it. And we have built up that core competency in terms of our risk management, in terms of securitisation, in terms of our mitigation programmes and use of insurance, et cetera, to package it. So we built up the toolkit to do it. We've also now, as I said, I keep going back to that originate-to-distribute, we've built up our ability to originate assets that are sellable and to distribute those assets. So we have changed our competency that we didn't have a few years ago.

Exactly to what Andy said, what you should be thinking about is revenue attrition, I think will be marginal. The real focus should be on the fact that Return on Risk-Weighted Assets will go up 160 basis points. It's going to go up 160 basis points, as we're going to reallocate that optimised Risk Weighted Assets portfolio towards the Network business, which as we know generates significantly higher returns; and the Financial Institutions business, which, again, generates significantly higher returns.

<<Judy Hsu – CEO of Consumer, Private & Business Banking, Standard Chartered>>

Yes. Just to add a point. One of the things I haven't talked about is, and align to what Bill had mentioned earlier, about reviewing some of our portfolios and where we can optimise or get it to a scale where it delivers that appropriate return, we would have to take bolder actions. And I think that boldness or that speed to take that action is something we are doing. It is something we have done in the past, but we need to accelerate. And if I think about the whole scaling up of our Mass Market business. On the other hand, we do have portfolios which are quite traditional, where we have to look at whether that traditional model at that cost can persist. So that's what's really going to drive our RoTE and drive that difference in driving a different business model. Back to you, Bill.

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

Thanks, Judy. Ben, any wrap-up comments on this?

<<Ben Hung – CEO, Asia, Standard Chartered>>

No, other than I just want to make the point that this is not something new. We have been working on this around RWA, around costs, and this is just an acceleration of further movement. And I want to echo the point around discipline, particularly around how we focus allocation to segments and Simon talked about greater allocation towards the Financial Markets side of things. And obviously, from Judy's perspective, the Affluent side and the Mass via a digital rather than through traditional bricks and mortar ways.

And also product-wise, focusing more around the kind of Financial Markets, Wealth. And geographically, the discipline, obviously we talked about China, but I also want to mention the vast opportunities arising from ASEAN business, which we are a very, very strongly positioned there. We are the only bank in all

ten markets. And also India is a strong engine. So it's all about discipline and how we allocate our finite capital, RWA and cost resources and making sure that they did deliver. So back to you, Bill.

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

Thanks, guys. Part of the question was also what the income impact is of the RWA actions. And Simon commented on that in his speech. But if we could just reiterate, of course, there will be some income impact if we get to the point where clients are being exited. But that's fully factored into the 5% to 7% guidance that we've offered for 2022 and over the medium term in terms of our underlying metabolic rate of growth. So we've assumed some of that.

But of course, that income reduction, which will be absorbed by the other growth areas that we're talking about, is returns accretive. And to the extent that the number one priority is to get to that 10% Return on Tangible Equity by 2024, if you believe what the market is saying about interest rates, obviously, that makes it a little bit easier. But to get there, we're going to have to take some concrete actions in terms of optimising our returns. That's exactly what we're focused on.

<<Operator>>

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

<<Thomas Rayner – Research Analyst, Numis Securities>>

I have a couple of questions, please. The first, just on the dividend. I think the final dividend of 9 cents was about 5 cents lower than consensus was looking for. I'm wondering if that might have something to do with the sort of disappointing share price reaction today. But obviously, there's a \$750 million share buyback announced. I mean, are we looking forwards going to be thinking about lower dividend payouts perhaps offset by higher share buyback? So I guess it comes back to this the mix of this \$5 billion return over the next few years. So that's my first question. I have another on RWA optimisation, please. I don't know if you want to take that first.

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

Andy, why don't you comment on the dividend?

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

Yes. So Tom, let me look at it this way. So the dividend, full year dividend increase year-on-year is a third, so 33%, it is pretty chunky. We have secondly looked clearly, as you know, at the current share price and the buyback opportunity in our view at this point in time when the share price is still so low relative to what it has been and where we hope it will be. We do feel that at this point in the cycle, the better thing to do is to have a good amount of it, a good proportion of it, on the buybacks.

Over the course of the 3-year period, we will continue to increase the dividend. Each year we have said that, that will be our endeavour. The lower the share price is then, I suppose, the more buybacks. So in other respects then if the share price over time does pick up, then maybe we will moderate that mix back again a little bit. But it's largely a feature of the share price being very low at the moment, and we think that by buying essentially value back through that route at this point in time makes sense. But I think you should look at the total commitment, the \$5 billion, as being what it is that we're setting out to do. And as I say, it's 20% of the market cap. And what we've done in the last 3 years, it's almost more than a quarter reduction in the share count for the business.

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

Good. Tom, do you want to come back with your RWA optimisation question?

<<Thomas Rayner – Research Analyst, Numis Securities>>

Yes, please. Yes. That's very clear on the dividend. The \$22 billion reduction in CCIB, if we go back to November 2015, I think you flagged back then \$40 billion in what was then CIB. And by late 2017, you'd already done about \$30 billion of that \$40 billion in terms of optimising, most of which I think was reduced and exited. So obviously, things reversed, progress-reversed since then, and then I guess a big part of that was the pandemic. But was there anything else outside of the pandemic which caused that positive

momentum to reverse? And how, if there was, can we be confident that we're not going to see something else crop up that prevents the \$22 billion optimisation that you're now flagging being fully achieved?

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

Well, I will clearly turn to Simon for that question, but just a couple of comments from me. First, the focus and, I'd say, the momentum has been consistent. Absolutely, we had credit rating downgrades and credit migration during the pandemic, which obviously inflated the volume of low-returning assets. And we'll have to form a view now how much of that will revert as we get economic activity going strong. But we've also, and this is to the discipline point that I mentioned earlier, we've increased the threshold. We've set a higher bar than we did before. We redefined a bunch of our businesses that are low returning that weren't low returning yesterday. Why did we do that? Because we want to get to 10%-plus faster. It's as simple as that. But Simon, you've commented on all this, but please give your colour.

<<Simon Cooper – CEO, Corporate, Commercial & Institutional Banking and Europe & Americas, Standard Chartered>>

No. I mean, Bill, again, a lot like Andy, you've hit it on the head, I think. And this is a very disciplined programme we've set out. We have now got a track record of achieving this. We have changed our return hurdles, and we're very confident that we're going to do it. And just to make one more point, Tom, that you didn't ask but I think people may ask, this isn't a back-ended plan. This is not taking out RWA at the end of 3 years. This is, you should be thinking about this as phased throughout 3 years. And if anything, brought forwards to the front end of that. So a linear trajectory would be a sensible thing to plug into your model. Bill, back to you.

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

Good. Thanks, Simon. And Tom, thanks for the question.

<<Operator>>

Your next question comes from the line of Edward Firth from KBW.

<<Edward Firth – Research Analyst, Keefe, Bruyette & Woods>>

I just had two questions. One was on costs. I get what you're saying about the 2% jaws. But if we're looking at 2022 not over the plan of the whole horizon, I think your \$10.7 billion is about 4% cost growth, which I guess equates to 6% underlying revenue, ex-rate rises. So if we see that coming in lower this year, does that 2% jaws thing still hold? Or would, do you expect this to come in under the \$10.7 billion? I suppose that would be my first question. Should I ask my next question as well at the same time?

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

Sure. Please.

<<Edward Firth – Research Analyst, Keefe, Bruyette & Woods>>

Yes. And then the next question is, I'm just looking at your guidance around the margin, I mean, if I've got my maths right, it looks like you're thinking about a margin of about 145 basis points or something like that in the new world. That looks to be some way below where we were in 2019. 2019, you were more like 160 basis points. And I know there's been a little bit of a mix shift around unsecured, but that's like a 10% loss of NII over that period for a given average interest-earning assets. So I'm just trying to think what might have driven that? What might I be missing in terms of the gap there?

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

Okay. Andy, do you want to tackle this?

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

Yes. Okay. So if the costs undershoot in 2022, I will be pleased that we have had tight cost management again, so long as we've not been starving ourselves of the investment that we need for the longer term. The 2 percentage points jaws improvement, we said is average through the 3-year period. We will try to deliver each period, but we're not going to be able to land it every single quarter and throughout a whole of this time period. So we will be very focused upon it. Obviously, economically, if we can achieve that,

then it opens up the profit a lot over that period of time, particularly when you put the rates effects on top of it. But let's see how we go through this year. What I want is efficiency, but what I don't want is to be starving the business of the investment that it needs to grow new areas of opportunity.

On the NIM, so pre-COVID, we were about 160 level. We've come down to about 120 level. We've not explicitly put a number on the NIM. You've put a number on it, I think that is on the low side. I think we will get to the NIM back over the 3-year period to nearer where we were immediately pre-COVID, and then I think the numbers do all flow at that point in time. But certainly, just to reiterate the point, we have lost a lot of income. We've lost a lot of profit. We do see the real opportunity for a lot of that to be reversing over the next 3 years. And that, plus all of the things which we're doing operationally within the business, is why we're much more optimistic about the next 2 years, 3 years in this business as we get back to the returns that we know we need to make and we will make.

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

Yes. I'll just add back on the cost point. We're all very focused on delivering our targets in 2022. We're not setting out a 3-year plan where we're perfectly comfortable strolling through 2022 and then picking up the hard work next year. It's the opposite. So you could construct scenarios where there's an income shortfall, especially if it happens later in the year, where it would be difficult to take the expense actions to offset that. But we're extremely focused on that and extremely focused on sizing our business and the cost of our business to be consistent with what we see to be the income outlook in the medium term and the long term. Not necessarily a day after tomorrow, but in the medium to long term. And I wouldn't want there to be any illusion whatsoever about the fact that that's a top area of focus and priority for us.

<<Operator>>

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

<<Omar Keenan – Research Analyst, Crédit Suisse>>

I've got three questions, please. My first question was just a follow-up on Manus' question. So if I understand the deposit beta for the retail business of 0% to 20% for the hiking cycle, just wonder how that compares to historical experience because that seems quite different to what other banks seem to be messaging.

And then secondly, can I just check that I understood the revenue guidance correctly that the first quarter is going to be flat year-over-year against a strong comparator. And then my last question is just given the China Bohai write-down, what contribution should we expect for 2022?

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

Andy, you want to kick off...

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

Yes. I mean I can do it. I don't know, Judy, whether maybe you want to talk also about the CPBB betas. As I said earlier, we've been through this major market by major market. We've tried to learn from, coming down the curve with COVID, et cetera. I think hopefully, we've been a bit on the cautious side. But Judy, I don't know if there's anything you'd particularly add on that front?

<<Judy Hsu – CEO of Consumer, Private & Business Banking, Standard Chartered>>

Look, I think part of it is market, but a lot of it is also our strategy as we grow our deposit base. right? There's definitely going to be some beta historically, as you pointed out, about 20%, that's what Andy said. But ultimately, what we're doing is driving more main accounts, more Affluent clients where they use their main account to trade with us. So I think overall, our deposit base also changed with the nature of our underlying business. So I'm very positive that this deposit base will continue to grow in line with our overall strategy, which is going to be predominantly on CASA and some on time deposits.

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

On the second question, the first quarter, yes, I said flat against a high point of comparison last year, the first quarter last year was actually the highest income print in the whole year. Whereas, I think if you

actually look at the forward rates, particularly for this year, then we should actually be seeing a progression upwards on the quarterly income, and particularly the 5% to 7% for the year as a whole. Obviously, a flat first quarter implies that we'll be higher in the other quarters. But the key point being, it was very, very buoyant first quarter last year. And therefore, being up with a flat quarter, I don't think it's actually a bad start to the year at all.

Third one on Bohai. So as you've seen, we've essentially got a share of its profits this year and then we've taken the \$300 million impairment charge. In the 2022 year, we will continue to take share of profits. The issue on future impairments will entirely be about long-term prospects for the Bohai business. If they remain broadly as we now envisage, then the chance of impairment reduce. If we think they deteriorate, they go the other way, I think we can actually have a reversal of the charge we've made if the performance long term looks if it will improve. So I'd look at them as being related, but two slightly different points. The core profit will be there. We'll take a view as we go through the year on the outlook for Bohai in particular as it publishes further results itself.

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

Good. Thanks, guys. Thanks very much for the question.

<<Operator>>

Your next question comes from the line of Nick Lord, Morgan Stanley.

<<Nicholas Lord – Head of ASEAN Banks Research, Morgan Stanley>>

Two questions for me. The first is just on tax. Can I just confirm you said that you thought the tax rate would normalise to mid-20s percent? And is the driver of that purely and simply that you expect profitability to improve in lower tax markets like Hong Kong? Or is there something else that is driving that?

And then the second question is just on the experience of what you're seeing in terms of loan repricing. I mean there's clearly a lot of liquidity in the region at the moment. There's a lot of people looking to deploy that liquidity. So I just wonder if you're expecting any spread compression on the loan side, which may impact your ability to pass on rate increases?

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

Good. Andy?

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

Yes. Okay. So on the first question on the tax, yes, that is what I said. We expect that we would be heading towards the mid-20s over the 3-year period. The biggest factor actually in that is that the proportion of non-tax liable costs in the bank, levy being an example, as a proportion of our total profit pool diminishes over that period of time as the profits overall grow, and therefore, the mathematical consequence of that is that it actually is helpful to the tax rate overall. So there's a little bit about where we make the profits in which countries, what tax rates, but it's more just about the growth of the overall profit relative to non-tax liable expenses.

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

Good. Do you want to pick up the repricing? And then I'm going to turn it to Simon first and Judy. We'll go straight to Simon. Loan repricing?

<<Simon Cooper – CEO, Corporate, Commercial & Institutional Banking and Europe & Americas, Standard Chartered>>

Thanks, Bill. So I think there does remain a lot of liquidity in the market, and that's clearly chasing attractive assets. But you've got to think or at least remember that we've moved away from being a lending bank. We're now looking much more at increased velocity of our balance sheet. So we're much less dependent on that Net Interest Income on our asset side. We're not seeing any repricing issues in the market today. What we are seeing though, I think, is the potential on the liability side, as we said, to be a strong tailwind. So at the moment, I'm not worried by that. Judy, I don't know if you want to add.

<<Judy Hsu – CEO of Consumer, Private & Business Banking, Standard Chartered>>

Yes. For us, we've grown our Mortgage business very well over the last year. I do see that in some markets, it's possible that with interest rates moving up, that may have some margin compression on the Mortgage business as clients want to turn to more fixed type of mortgage. But other than that, we're not seeing any margin compression elsewhere.

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

Obviously, lots of focus on the China credit stresses. Can you Ben, if you can comment as broadly on that as you'd like, but specifically on loan repricing and returns?

<<Ben Hung – CEO, Asia, Standard Chartered>>

Yes. Well, I just want to echo, firstly, what Simon and Judy said that the bulk of the assets within our footprint would be around Mortgages and around some of the Trade loans and on both counts I don't necessarily see a material, I would say, margin compression there. And Bill, when you mentioned China. China, if anything, what we have seen, the policymakers in Q1 have decidedly gone to a more dovish tone, a more accommodative kind of a macro monetary policy. We do see that there are elements of pricing downwards.

But from our perspective, in China, our onshore business is a fraction of a vast China market and our value-add is not necessarily to compete with the likes of the big 4 banks, et cetera, on loans, but rather their overseas Capital Markets and Network, some of the RMB-related activity. So we tend to use quite minimal level of capital as much as possible to generate the kind of returns we want. But certainly, we do see some near-term pressures in China, and particularly some of the credit side of things, commercial real estate, et cetera. But I think over the course of this year, next year, we do see some of the areas, hopefully, to ease directionally and gradually.

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

Thanks, Ben, and thanks for the question, Nick.

<<Operator>>

Your last question from the phone lines comes from the phone line of Raul Sinha from JPMorgan.

<<Raul Sinha - Research Analyst, JP Morgan>>

I've got 3 follow-ups, please, if that's okay. Two on the same issue, which is just your investment plan on the cost side on Slide 32, where you talk about the walk out to 2024. The first question really is a simple one. I'm just trying to understand, out of the \$1.3 billion of efficiencies that you're realising, it seems like a lot is coming from digitisation and tech and change. And then when we look at how much technology investment you're actually trying to do going forward, actually, technology investment seems like it's quite a small amount. So is it a fair conclusion that you're actually now reducing your technology spend in terms of investment dollars, given the significant build-out that you put through on the digital banks in the last few years? That's the first one.

The second one is just related to this investment slide. Obviously, we've made very clear the plan doesn't just rely on rates going up. But given the volatility of rate expectations, I think there's going to be a fair degree of pushback on just assuming that the tailwind from interest rates completely materialises. So I guess the question is if, for whatever reason, the pickup from interest rates is less than you expect in your plan, is there any flex within the investment spend that would allow management to adjust the returns profile going forward? I mean if there is, perhaps if you could talk to us about business, strategic and other.

And then just last one from my side, just on Hong Kong Wealth Management in Q1. Just given some of the trends on the ground there, are you seeing any weakness? Are you expecting Wealth to be weak in the first half of the year? And if you can comment on the outlook, that would be great.

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

Andy, do you want to take the first question? I'll take a stab at the second, and then we'll go to Ben.

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

Yes. Okay. So there will be no letup in the investment in the IT space. It is very integral to what we are doing. It's very integral to what a lot of banks are doing. That chart, I think, is making visible actually that the pure benefit from the rationalisation of the IT system is probably less predominant than the consequential improvement in the business processes that those systems are enabling. We have done a lot with rationalising a number of core systems, with rationalising a number of data centers will continue, but the larger part of that has been done.

The big issue now is actually how do we get the core processes within the business to operate more efficiently. And hence, I think you need to sort of look at the two together, although the charts suggest they are separate things, it is the collective of those two. But core investment in IT is going to be significant. I'd also observe, again, like most businesses, that the proportion of the spend that is actually going on cloud-related activities where actually there's a all-in-one solution being provided. And there's less upfront, but there is more of a solution being paid for on a sort of annuity basis, that also over a period of time will also become slightly more prevalent.

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

Great. Thanks, Andy, and thanks, Raul, for all for the questions. So your second question was on if the interest rate increases don't materialise, what are we going to do about it? Look, as we develop our plans regularly, and certainly formally once a year and informally pretty much every day, we're looking at what's going well and what's not going well. And if the only thing that has changed is that the interest rate outlook has changed, then that clearly is going to put pressure on our expense base across the board in order to maintain the momentum that we've got towards this double-digit RoTE.

If in contrast, that the lower interest rate outlook has a disproportionate effect on one business versus another, which it almost certainly will, we'll focus on how we can scale back our exposure to the business that's most affected. All of which is to say, we will approach the way that we allocate our costs, the way that we allocate our capital very dynamically with a view to getting to this 10% target as quickly as we possibly can. And there's nothing that's off the table. So I've referred in my earlier comments to the ongoing reviews that we do, where we look with a heightened level of discipline at every market in which we operate, every client segment that we cover, every product line.

And those reviews throw up concrete changes that we may make, restructuring, repositioning or at an extreme, exit of particular client segments or particular product lines or individual markets. We've done that in the past, we're doing that now in an even more disciplined and more focused way. If we have a change in the interest rate outlook or the interest rate deliveries, then obviously, that makes those reviews ever more acute and impactful.

Third question was on Hong Kong. I'll just go straight to Ben on Hong Kong impact on Wealth in particular, but obviously, comment more broadly.

<<Ben Hung – CEO, Asia, Standard Chartered>>

Okay. Thank you, Bill. Obviously, COVID cases in Hong Kong has been on the rise of late. And therefore, you look at industry-wide we're talking about plus or minus anywhere between 30% to 35% of the industry-wide branches being closed. So it does have an impact on face-to-face related sales activities around Wealth Management. That is also decked against an environment which is on the balance on the risk-off mode. If you compare with Q1 last year, it was pretty much under risk-on mode. Now all that means is we have to shift some of our activities towards online sales to digital sales. And the fact that we've invested quite a lot into online mutual funds, on FX, on equities, that helped a bit. But obviously, that is also dealing with a big comparable last year.

However, outside of Wealth, as I said earlier, we did exit the year with strong asset growth, around 14% last year. Our Financial Markets business remains strong. Our Trade activities remain good. Our overall balance sheet AD ratio is around 60%. So they are very well geared towards interest rate increases.

Obviously, some of you commented that HIBOR may lag LIBOR a little bit, that's true. But we have seen 3-month HIBOR, for example, edging up around 25 basis points over the last 3 months, that's positive news. So all in all, I think against a sharp comparable last year, we will see that impact particularly around Wealth. But the underlying business itself is actually quite strong, and we're still seeing some good volume growth year-on-year. So back to you, Bill.

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

Yes, I think it's really worth amplifying that Hong Kong has had a pretty torrid couple of years since 2019. The performance of our team has been very, very resilient, both absolutely, but extremely strong relatively, which obviously, we're not in a relative game, we're in an absolute game. But we're encouraged that we can see through this COVID period, which, if the rest of the world is anything to go by, it will not be very long term, but it's certainly impactful in the short term. But we're very encouraged that the momentum that we've got, the resilience that we've shown and the relative outperformance that we've generated consistently stands us in good stead as we go into the rest of 2022. And obviously, full credit to Ben and the team for all that.

Now I think we heard that was the last question, so unless there are any other questions. Quick check.

<<Company Representative>>

Bill, we have a question on the webcast from Rob Noble of Deutsche Bank. His question is, how much revenue did the new ventures you highlight contribute to income in 2021? And how quickly should this grow?

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

As Andy indicated on his slide, we think that the new Ventures can generate approximately an incremental 1% of growth over the 3-year period. That's off a base of approximately 0. I mean, obviously, it wasn't 0, but for the purposes of doing the math, let's call it 0. And Mox was up and running for a year. Obviously, starting with a deposit platform in a zero interest rate environment, there's not a lot of income thrown off there. But as Ben mentioned, very strong early interest in the Credit Card, and we would expect similarly Personal Loan programmes. And at some point, Hong Kong residents will be able to travel again and we will see the FX and related travel propositions coming through.

Our Singapore Virtual Bank will launch this year. Nexus is launching, which is our Indonesian partnership via the distribution of banking products via Bukalapak, largest e-commerce platform, is launching more or less now. The various other digital partnerships that we've got that Ben's mentioned in China, that Judy mentioned in other markets. Some on the back of our investment in Atome, some have kicked in, in the early part of this year. Others will kick in over the course of this year. So it's not 0, but it's close enough to 0. But we are seeing very concrete traction right now on these things that we've been investing in for the past 2 or 3 years.

<<Company Representative>>

Thank you, Bill. And I guess with that, we can draw the Q&A to a close. Over to you, Bill.

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

Good. Well, huge thanks from me, obviously, Andy, Simon and Judy for taking the interest and excellent questions, as always. And as always, very happy to follow up on more detailed questions either through the conversations that we'll each be having with many of you and our shareholders and, of course, through IR. Thanks again, and hope to see you in person soon.