

## **Bank of America CEO Financials Conference 2022**

### **In-depth conversation with:**

**Bill Winters, Group Chief Executive, Standard Chartered PLC**

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*(Amended in places to improve accuracy and readability)*

#### **<<Alastair Ryan - Managing Director, Bank of America Global Research>>**

Ladies and gentlemen, thank you for making it through the conference this far. I'm mindful we've thrown a lot at you over three days, but I think we're finishing on a high. We're really pleased to now have a bank whose share price actually went up this year, where a lot of banks have been telling us over the last three days that their share prices should. We're in a better place to start. Welcome Bill Winters, Standard Chartered, fresh off a board meeting I think, so thank you for squeezing us in this afternoon.

Bill, we've spent a lot of time on the gas shock in Europe. And it's been a Europe-heavy few days with that shock. The impending recession, the terrible things that might befall us. And I'm sure that touches your bank in many ways. But I think perhaps your world is a slightly different one. China has had its own unique challenges, I guess, some like the Middle East. I know Christmas isn't the biggest thing in the Middle East...

So how would you characterise the macro situation facing Standard Chartered at this point?

#### **<<Bill Winters - Group Chief Executive, Standard Chartered>>**

As your question suggests, it's pretty mixed. The Middle East is booming, for sure, and that's a really strong performing region for us, having had a couple of tough years. Africa is mixed. Obviously the food price inflation situation has had a bigger impact in Africa. Some of those countries are energy importers, some are exporters.

The biggest exporter being Nigeria has not managed to get out of its own way, as it relates to power production, in large part because of the subsidies that they offer their own population and the dysfunction in the currency markets and elsewhere. Africa hasn't been a big beneficiary, as it might be in other commodity price cycles.

But the importers have been relatively resilient on the power side. I'm thinking about places like Kenya, which is clearly experiencing stress, but it's coping. India's the market that is defying gravity. India is booming. I think it's on the back of structural reforms and genuine increases and locally originated capital expenditure. Plus good FDI, plus a little bit of the China Plus One or we were just talking about China Plus One or onshoring or near-shoring. India is benefiting from that. But it's mostly coming endogenously. And that's despite inflation and not very sensitive to food price inflation. In fact, they're self-sufficient in food. But obviously a big energy importer. But India is booming.

But you only have to go across the way to Sri Lanka or Bangladesh who have similar underlying dynamics, but a very, very different outcome. We took some provisions in Q1 in Sri Lanka. Bangladesh is holding up, but feeling pressure. Pakistan, of course, is feeling tremendous pressure. It's really a mixed bag.

China is obviously the big one. The problem isn't energy prices. I think picking up a bunch of Russian oil at 60 cents on the dollar is probably helpful in that regard. But obviously it's the COVID policies. And then it does spill over from some of the policy actions. In particular, the housing sector and de-leveraging the property sector, broadly. We could talk about that if you'd like. But it's really a mixed bag.

As you know, we've got a meaningful business in the US and Europe, or the Americas and Europe. But mostly with companies who are investing back in Asia, Middle East and Africa. And while the near shoring or onshoring investments, and particular in the US, are becoming very substantial.

Parentheses, some of the big investors are TSMC and Samsung and others who one might imagine would be very big clients of ours. So that's actually a good thing. But they're also investing heavily in their Asian businesses outside China. And that also is playing to a relevant sweet spot for us.

I'd say it's a mixed bag overall, for the time being it feels okay. Like everybody else, I assume, that's sat on the stage, you wake up every morning wondering when the good days are going to end and we're going to get into the real world. Because the news flow is pretty awful.

**<<Alastair Ryan - Managing Director, Bank of America Global Research>>**

I think that's fair. So what the bank does, as opposed to the economies you're in, so trade. How do we think about trade? There's fragmentation, prices are high. I guess ships are taking longer, where you're financing things for longer. How do we think about your Trade business at this point?

**<<Bill Winters - Group Chief Executive, Standard Chartered>>**

I mean the Trade business has been pretty resilient. Obviously, global trade is beginning to slow down, on the back of a slowing economy. But the mix is shifting. It's really only marginal when you look at the actual statistics. But it's moving from what had been a big East/West corridor to let's call it South/South or East/East.

So our Intra-Asian trade flows are growing at a nice healthy base. The US/China actually hasn't backed off much, that's a small part of our book in any case. On Africa trade, Africa is definitely showing economic pressure, so that particular flow has come off a bit. But we're not too concentrated in any of these corridors. The big one for us is Intra-Asia, which is feeling pretty strong.

**<<Alastair Ryan - Managing Director, Bank of America Global Research>>**

Thank you. And then to macro, and the strong dollar. You report in dollars but have a sterling share price, which always makes life complicated. But more broadly for the business, quite often people talk in the market is a strong dollar means commodity prices go up or emerging markets in a crisis or something. Is strong dollar is a good thing for you? It's a bad thing for you?

**<<Bill Winters - Group Chief Executive, Standard Chartered>>**

Again, it's mixed. So the third part of the currency translation, obviously, is we have a bunch of our revenues in emerging markets currencies, or non-dollars that obviously has suffered from a translation perspective quite a bit, but so have our costs come off. In a typical year we're balanced, in terms of our non-dollar income and costs.

The mix shift was a little bit unfavorable for us in the first half of the year, at least in part because of the particular weakness in sterling. But these things will equilibrate over time, and it's not a huge deal in any case. But it did put a little bit of pressure on the earnings in the first part of the year.

But look, the big effect of the strong dollar, obviously combined with high inflation, is for those countries that are very exposed, in terms of their external debt balances, they're struggling. Sri Lanka has already fallen over. I mentioned the others who are under pressure. And the strong dollar is hurtful for all of those countries.

Are we going to have ultimately a problem in Pakistan, Ghana, Zambia, Egypt? Each one is its own case. Most of them have good friends. Pakistan has got a good friend in China. And in the Gulf, Egypt has got good friends in the Gulf. And Ghana doesn't have so many good friends, at least not rich friends, but they are very familiar with working through debt challenges, as is Zambia.

And thankfully, at this point, they've all either gotten help or they've brought in the IMF. So there's serious programs going on. And with the benefit of hindsight, actually, I wouldn't say hindsight, it was very clear to us at the time, but they weren't taking our advice, Sri Lanka didn't bring in the IMF until it was too late. And that always leads to a much more severe outcome.

But yes, so strong dollar is tough when you think about sovereign debt restructuring or the underlying economic consequences in our markets. We've demonstrated that we've got a pretty good clean portfolio. And of course, we're exposed to each of those countries. But as was the case in Sri Lanka, completely absorbable in terms of our ordinary operating profit flows.

Obviously, a bunch of our markets are pegged currencies, Hong Kong being the biggest, but pegged or de facto pegged in the Gulf. And so no consequence there from the dollar. And China is very interesting. China, we all know how the currency has been this year, down to 6.30 and now up to 7.07, 7.08. That makes a lot of sense, given the underlying structural challenges in the Chinese economy that they were able to weaken the RMB a bit, having had quite a bit of strengthening earlier in the year.

And China, of course, is exposed to its currency level, unlike the US, which is not so exposed to the strength of the dollar, exposed, but not massively. So I think China has got a little bit of built in resilience to the currency, and it's hard for anybody to suggest that there is a manipulation going on when you look at the underlying interest rate differentials and trade flows.

Overall, I think it's probably negative for us, in terms of the emerging market stresses. But there are some offsets as well.

**<<Alastair Ryan - Managing Director, Bank of America Global Research>>**

Thank you. You mentioned Hong Kong, it's funny when Renminbi is going up the Hong Kong dollar is going to collapse and when the Renminbi is going down, then Hong Kong is going to collapse. People are always having a go at the Hong Kong dollar peg.

**<<Bill Winters - Group Chief Executive, Standard Chartered>>**

It's just those \$600 billion in reserves that people forget about.

**<<Alastair Ryan - Managing Director, Bank of America Global Research>>**

Yeah, that and also some other things. But let's park that. We do want to talk about Hong Kong, because for this uniquely international place, we've obviously been unable to visit easily for a long time, you're a diversified group but probably the most important market really. I guess, thinking forward, if the border opens, bonanza or it's gradual and then if the border doesn't open, how hard does it get?

**<<Bill Winters - Group Chief Executive, Standard Chartered>>**

Well, I mean there's the border with China, then there's the border with the rest of the world. And the border with the rest of the world is opening again, but it's not open. And there's still a lot of disincentives for international travelers to fly to Hong Kong. Even if the quarantine is reduced to zero with weakened restrictions, it's still a bad outcome if you test positive on arrival, as somebody I know very well did recently, like me. And maybe you could find yourselves locked up for some period of time.

And that definitely is detracting from the attractiveness of Hong Kong, in the short term. Is the Hong Kong economy dependent on people like me and you visiting Hong Kong? No it's not. But do we need to have an open Hong Kong in order to really get the benefit of Hong Kong being a portal to China? Yes we do. And that muscle memory is starting to lapse a little bit.

But, the signs are encouraging that Hong Kong will open up, if not completely, then materially, in the near term. And all the rhetoric suggests that that's the case. My Hong Kong colleagues are now traveling out regularly. Ben was here yesterday who runs our Asian region. It's his fourth time out of Hong Kong in the last three months. Everybody is happy to spend a weekend in quarantine on the way back if you have to.

The China border is a different matter. And I think that would be a bonanza for sure if it really opened up. I don't think we're going to go back to 5 million visitors from the mainland to Hong Kong per year, because the Chinese have discovered that they can find a Prada shop in Chengdu as easily as they can find it in Hong Kong. But, I think there's still a sense of a destination in Hong Kong, or I think there will be a sense of a destination.

Macau will also open up and we all know that that triangle, that was the tourist route. Shop in Hong Kong, gamble in Macau and then go home. And when that opens up, it will be big for the Hong Kong economy.

But the real question, the overwhelmingly large question is, is Hong Kong going to be a meaningful financial center at all, and specifically for China? In the China case, I see no risk at all that Hong Kong won't be the gateway into and out of China. Every policy action, whether it's the evolutions of the North/South wealth connect, the stock connect, bond connect, all with Hong Kong having a central place. And it makes sense, because Hong Kong has a very clear English law for commercial issues, and an open capital account and a convertible currency. And that's not going to change and China isn't going to try to match that any time soon. So I think for China, Hong Kong's position is extremely secure. And that in and of itself is extremely valuable.

Can Hong Kong reinvigorate to the point where it's a real alternative or a dominant destination, vis-à-vis Singapore or Tokyo or even Seoul, which as got its own attractions? Yeah, I think it can. But Chinese wealth in particular has become accustomed to diversifying a bit and probably won't go back to being quite as dominate as Hong Kong was before.

We feel good about Hong Kong in the medium term. Got to get out of our way there. I do recall and those who travel a lot to that region may remember just how dire the morale was in Singapore until about three months before they opened up. Then they opened up and it was like memories were completely erased immediately. And everybody was fine and it was never so bad.

When people are separated from their families for 12 or 18 months, it was terrible. And that's obviously the case in Hong Kong as well. I bet that we get at least 80% of that memory clearing when Hong Kong finally does open.

**<<Alastair Ryan - Managing Director, Bank of America Global Research>>**

Having mentioned both Hong Kong and Singapore, you've been working hard on digital banks. And now I see you've just launched in Singapore and possibly a more auspicious time now that would rates are going up to be launching deposit driven businesses. Can you just talk about where that is?

**<<Bill Winters - Group Chief Executive, Standard Chartered>>**

Yeah. I mean honestly, I know you're used to people coming in front of groups like this and giving you happy, happy stories. We could not be happier with these two digital banks. In Mox, we're up to 360,000 customers or something. We have the fastest growing credit card and we're the only digital bank that is issuing credit cards for personal loans. Fastest growing credit card for the past six months. Still have top-notch app store ratings, very high NPS scores. It's a really good tech stack and customer offerings and all that.

Obviously with the interest rates going up with a big balance now of credit cards outstanding, 75% activated, if I've got the numbers right, and good loan balances growing, there's obviously a clear path to profitability.

We took that tech stack, modified it for the Singapore market. Obviously have a different partner, we're partnering with the Fair Price Group, which is the largest grocery store chain. But it's part of NTUC, which also is a big fund and insurance distributor, part of the trade union congress in Singapore.

It's been two weeks since we launched. Our new account numbers have wildly exceeded our most optimistic expectations. This is a killer and that's good. The tech works, it's the average onboarding time is 2 minutes, 2 minutes and 20 seconds I think.

Unlike Hong Kong, we led with a credit card offering; and we did that because NTUC had an existing partnership with another local bank, which they unwound. But they wanted to offer the 700,000 customers an alternative, which is a Trust card. So we've had roughly 50-50 take-up of a current account and a credit card. Once you've opened up one, it's very easy to open up the other.

And the average onboarding time for credit cards for an approved line and fundable is 3 minutes and 10 seconds. It's just best-in-class and getting outstanding reviews and all that. I think this is going to be a real success; and obviously the fact that we're leading with a credit product, obviously together with the deposits that are more attractive in the trade environment, means that we'll get to profitability relatively quickly.

If you value it like a digital bank elsewhere in the world, these are very valuable things. If you value it at the price earnings ratio of Standard Chartered Bank, then you can forget about it. That's up to you.

**<<Alastair Ryan - Managing Director, Bank of America Global Research>>**

It's not up to me, ask them.

**<<Bill Winters - Group Chief Executive, Standard Chartered>>**

You.

**<<Alastair Ryan - Managing Director, Bank of America Global Research>>**

Us collectively, we're all in on that. Thank you. As an analyst, I reserve the right to ask some analyst stuff. So net interest income has been one of the tails, I guess, of your time at Standard Chartered. Rates went down to zero, then rates started going up and it's gone back up a lot. But now, should we think of you as an interest rate sensitive bank?

**<<Bill Winters - Group Chief Executive, Standard Chartered>>**

We are definitely an interest rate sensitive bank. Our NIM progression has been from I guess a bit lower than 120 basis points and guided to 140 this year. Rates are going up faster than at the time that we gave the guidance. So we can see overshooting that a bit. And we guided to 160 next year on the assumption that we could have interest rates in the 4% range, which would again, be higher than what was the case when we gave our guidance last year, so there's some upside to that as well.

Obviously those are increases both for this year and then into next year. Equally obviously, the benefit tapers as rates go up. So if they keep on going and there's another 100 basis points after the 4%, then we will not have the same benefit. It will continue to be positive.

You will have noted that our large friend in Hong Kong increased their prime rates today and we presume that the rest of the market will react over some period of time, to that. And you'd also note that short-term rates have increased by 150 basis points and the prime rate went up by an eighth of a percent. Maybe that's not the end of it, or maybe it is.

But in any case, we're not particularly exposed to the prime rate or some liabilities are roughly offsetting. So that in and of itself is not a big deal for us. But what's important is that the pass-through rates across the board for us, but also in Hong Kong, and you will have heard this from HSBC earlier, the pass-through rates have been probably slightly better than what we expected. So you pass through a little bit less than we had embedded in our forecast and what we had guided to.

And the mix shift of current accounts and time deposits is also pretty much on par with what we would have expected. And that's been the case across the board. We've obviously got a favorable backdrop and long may it continue.

I know that the forward curve suggests that rates could go in reverse in a couple years' time. We're obviously all watching that, and the implications or the suggestion for what that could mean for economic activity. Watching that very closely.

But for the time being, things are moving in the right direction for us. We're comfortable with the guidance that we've given. As I just indicated, we might be able to exceed that. And the customer behavior is pretty much in line with what we'd expected, which is supportive, obviously, for our underlying view.

**<<Alastair Ryan - Managing Director, Bank of America Global Research>>**

Thank you. I'm just going to push you a bit on that, because we're all thinking forward. And that curve has kept pointing down even as the whole thing shifted up. So people have got caught in that.

Standard Chartered is very rich in deposit relative to loan book. 1.4% to 1.6% [NIM], within that, there's an amount of hedging, in particular on the US dollar book. And whether there's more or less, there's been lots of discussions over the years, but there's some hedging. So the 1.4% to 1.6% isn't a full picture, it's a nice progression, but it's not a full picture of what that book would be after all the hedges have matured.

Am I right to broadly think that the 1.2%, 1.4%, 1.6% would be upward bias to that beyond the end of that period if the rate structure doesn't change? That's a long way out I know...

**<<Bill Winters - Group Chief Executive, Standard Chartered>>**

Roughly half of our hedge book will roll off over the next couple of years. And obviously that means that's exposed to the market. We may continue to extend those hedges at a point in time. But as the book stands right now, roughly half our hedges will roll off in a couple years. And the rest are longer term, and longer duration.

And we took the decision to step up our hedges earlier in the year. Obviously with the benefit of hindsight. If it was a trading book, that would be a bad trade. But we did that because we are very confident in our ability to deliver on our operational strategy and didn't want to be distracted, or the market to be distracted, by the fluctuation of the interest rates, to the extent that we could lock in what at the time was already an attractive level relative to our operational progression.

And it's been good. I mean I think we as a bank are singularly focused on delivering on the operational targets that we laid out consistently over the past several years, but refreshed and with incremental detail back in February.

And it's quite comforting for me and Andy, and we had our whole management team, actually, a superset of our management team together in Singapore for a couple days last week, focused purely on the operational steps we were going to take to blow through the 10%, rather just meet the 10% in 2024, if not earlier, to repeat that guidance.

And we think we have it within our capacity to do that, but not if we just stand still. Not to be distracted in that venture by all of the marginal increases or decreases in interest rates. It's quite helpful to bring that focus.

**<<Alastair Ryan - Managing Director, Bank of America Global Research>>**

That's absolutely right. If the margin's 1.2%, the bank works not that well. If the bank, margin is 1.6%, the bank works a great deal better. So the delta of 1.6 to 1.8 is much less than the delta back down to 1.2. That's how hedging works. That's my understanding, I don't honestly do this stuff, nobody would let me near a balance sheet.

Just on deposits then. I think your current and savings accounts when you joined the bank was about \$190 billion. You've grown that to about \$310 billion. That's one of the things you said you'd do. It wasn't one we talked about the most, but I think you felt that was important to the bank.

Just trying to think in that then, there's a bit of a following wind from rates were very low, so why would people bother with time deposits and then the structural shift you put in at the bank. Now that rates are higher and some people are moving to time [deposits], what's your experience and how that shift worked?

**<<Bill Winters - Group Chief Executive, Standard Chartered>>**

Pretty much what we would have expected. Of course there's going to be a migration when you go from a zero rate environment to a higher rate environment. People will migrate from current accounts to savings accounts and/or to time deposits.

Savings accounts are still very attractive, in terms of net interest margin. Time deposits are also attractive, but clearly less so than getting the money for nothing in a current account. And in our biggest market, Hong Kong, it feels like we have, in fact, outperformed the market in terms of retaining current accounts.

We ask ourselves the question why, what have we done to outperform the market? And this is system-wide data, so we're not making it up. It's not like we're doing the surveys ourselves or something. And I think the answer is, an increasing proportion of customers' discretionary savings that they use for their main investment account have moved into Standard Chartered over this period. And there's really only two reasons that people would kind of lazily leave money in a current account at a bank.

Three reasons – one is you don't care, most people aren't that. Two is, it's your main transaction account and you've got transactions that are coming and you want to make sure that you've got your liquidity. And three is that it's your main transaction account for investing.

And right now people who've withdrawn from the market, we see that very painfully on the wealth management side, which is, it's been a really rough year in Wealth Management and we don't see any likelihood that that's going to improve in the short term, given the way equity markets are performing.

There is an abundance of investment in Wealth Management product related cash sitting in the accounts. And the fact that we're retaining more of that suggests that we've got a higher market share of people's wealth in mind than we did before. And that's quite encouraging for the future when they re-engage with markets; and of course, we'll see the CASA come down at that point. But it will be people moving the money into, hopefully, higher profitability Wealth Management products that we're offering.

So the story looks pretty good. But we're certainly going to have migration and we'll continue to have migration as rates go up out of current accounts into time deposits.

**<<Alastair Ryan - Managing Director, Bank of America Global Research>>**

Thank you sir. Sticking that together, could I venture what might the 3rd quarter look like within that on the revenue side? The net interest margin it feels is good and the loan book has been solid... If I put that together, how's the 3rd quarter looking for you?

**<<Bill Winters - Group Chief Executive, Standard Chartered>>**

Obviously we've got a little while to go. Interest rates have been helpful. Our Financial Markets results, there's been a lot of volatility in the market, there's been a lot of customer flow and that obviously plays well in a Financial Markets business. And the flipside is capital markets volumes, particularly in our markets, have continued to be weak. On balance, what we've defined as Financial Markets, I think it's going very solid.

Yield activity has slowed down. So both financing and other deal related activities is slower, but not meaningfully. Trade, as I mentioned, has continued to perform, although global trade is slowing down. And the Mortgage business remains strong.

And the Credit Card Personal Loan business for us is coming from a very low base, that's a practical matter. And we've got lots of engines for growth that are beginning to kick in, mostly through the partnerships that we set up. It's still very small. But I think in a market where I think truly organically you probably have slightly weaker loan growth that has been the case, just because of the level of economic activity and higher interest rates, we may be able to defy that trend a little bit.

And hopefully over the years defy that trend a lot, through our Credit Card Personal Loan targeted growth strategy. Overall the business feels okay.

**<<Alastair Ryan - Managing Director, Bank of America Global Research>>**

Thank you. Pretty constructive. And on the cost side, I mean the inflation everywhere we look in Europe, not so much in Hong Kong, but you've got a broad spread of markets, some of which are experiencing really high inflation. And then your ambition is pretty tight. On costs there is a strong delta between the sort of momentum in revenues ex-interest rates and costs. Can you hold the line?

**<<Bill Winters - Group Chief Executive, Standard Chartered>>**

Yeah, we think so. It takes real work, I can tell you, to deliver the 2% jaws through the cycle, ex-interest rates, that we have guided to. And the \$1.3 billion of gross expense savings and the particular focus on the CPBB business, \$500 million in that segment.

But we still have plenty of productivity opportunities to attack. We brought in a new Head of Transformation, Technology and Operations towards the end of last year. He came from ING. He's been able to take a good fresh look at the entire infrastructure; and we're making some pretty material changes, in terms of both some of the exiting programs that were underway, but also some new programs.

We're making those changes both with customer satisfaction and efficiency in mind, but also with productivity in mind. We think that gives us capacity to absorb the bulk of the inflation that was coming at us. And the inflation definitely is there. We all know that.

And for us, it's probably most acute, and I think probably for everybody, is most acute in the engineering areas. In particular areas like cybersecurity and data analytics. We have a big technology hub in Bangalore where the inflation is stratospheric and attrition in the market is very high. We have not experienced super high attrition ourselves. I think we're a desirable employer. But the outsource providers have really experienced some pain.

But we added close to a thousand people in Warsaw and close to a thousand people in Guangzhou. And that's been a godsend, because there's a huge amount of technical talent there and we don't have the same inflationary pressures. Both by definition, that the people that are taking those jobs in those locations want to be there.

Whereas in Bangalore, they're very happy to pick up sticks and not just go to Pune, but go to New York or London or Singapore as well, if that's where the best bid is.

We've got a lot of levers that we can pull on the productivity side, it's not straightforward, but I'm confident we can deliver on that agenda.

**<<Alastair Ryan - Managing Director, Bank of America Global Research>>**

Thank you. So impairment, I love this question, everyone's getting to the end of it. It just says "China real estate"...

**<<Bill Winters - Group Chief Executive, Standard Chartered>>**

Yeah, heard about that. Thankfully, although it's no satisfaction to anyone who is a shareholder, our exposure is relatively light. But we have exposure. We've indicated around a billion dollars to the developers that are at some risk. We took material impairments and provisions, both specific impairments but also overlay provisions, in the first half of the year.

The situation has not gotten better. You could debate how much worse it's gotten, but liquidity is still very tight. The underlying fundamentals of the business have gotten worse, a combination of the financial stress on the developers, meaning they're having trouble completing some of their projects. And the reluctance of buyers to buy in this environment because they see prices falling.



The pressure is there. There's no immediate solution in sight. I think from our perspective it's perfectly manageable. It's just a question of whether there's something you have to explain quarter after quarter. But it's not getting better.

**<<Alastair Ryan - Managing Director, Bank of America Global Research>>**

Thank you. Broadening that out then, I think at the half year that was really the area of concern in the book. All the rest of the book seems to be performing very well?

**<<Bill Winters - Group Chief Executive, Standard Chartered>>**

That continues to be the case. We had a good first half of the year and absorbed some pretty hefty provisions in China commercial real estate. A high proportion of our at-risk book is now provided. Not the majority, but we could definitely take more losses, but overall credit costs are low and unless something happens that's surprising to us based on what we see right now, we'll continue to be low for at least a while longer.

**<<Alastair Ryan - Managing Director, Bank of America Global Research>>**

Thank you. On the capital side, there's been so many moving parts over the years, but you've been able to settle in a reasonably stable range, 13% to 14% and the bank's at the top of that range. Could you just talk about how you operate that, whether you can lower that level at some point? Because more profitable banks need less capital, I guess. And investors get that, rating agencies tend to be slow to reward that. Just thinking about the capital there more broadly...

**<<Bill Winters - Group Chief Executive, Standard Chartered>>**

I think we're okay with the rating agencies in this current situation where we've got strong capital, strong liquidity, improving earnings, and the earnings are material. Not as high as we've guided to, obviously, but they're okay. So the rating agencies aren't a constraint if we can maintain the rest of the program.

Obviously, at this particular moment, given the stresses and strains in the market, it's not a good time to reconsider whether we should be at a structurally lower capital level. We obviously let the capital ratio tick up a bit in the 2nd quarter after the 1st quarter. And that reflects that fact that we entered new economic environment.

But in this scenario that you painted where we move past the supply shock and the supply chain disruptions and we at least have an understanding of what the inflation environment is going to look like and how that might work through; and we have an understanding whether or if so, how deep a recession might be, that would be natural time for us to look at obviously moving back down towards the bottom end of our capital range, which we demonstrated we're prepared to do, in the right set of circumstances.

And to your question, could you go below the 13% to 14%, it's not something we considered significantly. That 13% to 14% feels like the range that investors, bond investors in particular, expect from a bank in this environment.

But as we continue to evolve our business mix and continue to I think demonstrate to the market, but also to ourselves, that we have fundamentally changed the way that we buy and hold credit, then the opportunity to reconsider any of that will be on the table. But it's not a pre-occupation today.

**<<Alastair Ryan - Managing Director, Bank of America Global Research>>**

Fair enough. The last piece of that picture then really is what do we get, and you set out a \$5 billion cash distribution ambition over three years at the start of the year. You've started that pretty rapidly, a \$1.25 billion in buybacks already. And I think dividend accruals, accruing for a bigger dividend.

Just talk about capital distributions and then specifically, because I've been asked, how many buybacks do we get a year? You've had two or three, or really, we've done well and you're thinking about 2023 at this point.

**<<Bill Winters - Group Chief Executive, Standard Chartered>>**

Obviously we'll see how the 3rd quarter finishes up. We'll also see how the 4th quarter finishes up. Those typically are less capital accretive quarters for all banks, but also for our bank. So the opening question, how much the capital ratios would appreciate absent any capital return activities. And for the time being, the business growth looks okay, but we can see the economy is slowing. So the RWAs are unlikely to be moving up at a very rapid pace during that period. So we'll see. We'll see how things look and we'll judge at the time.

What we've been clear about though is we've got a very high hurdle [rate] that we set for any inorganic use of capital. We obviously looked at Citibank assets, we bid on some of those, but at a price that would have been attractive relative to that other thing, which is to buy back our own shares at a deep discount to book value. And I think that was a clear indication of discipline, and we will maintain that discipline, I hope forever. We can loosen things up when we're trading at a material premium to book value, but we're obviously a long, long way away from that right now. And we've got a pretty full investment program in terms of organic investment.

And our organic investments are, some of them are semi-organic. Making an investment in a company like Advanced AI or others. These are small in the overall scheme of things. But they're accumulated up, and we have a meaningful ventures portfolio right now. And we have a meaningful set of investments and partnerships.

You can call that inorganic, but to me when you go in at book value, that makes it organic. And we go into these things at book value. So we're deploying a fair amount of our capital, but could otherwise be returned to shareholders, at book value, to support our business. And we think the returns that we see, the returns we're getting on those investments are very good.

So we're not shy at all about putting a couple million dollars of expensible investment and with another several hundred million dollars of equity type investments into things that are going to generate real growth for us. That's the good news in terms of what we've done with your money.

We could have returned that at incremental buybacks at buying back shares at 60 cents on the dollar. And we look at that all the time, with that in mind. But we're getting such a nice return on that it's accretive to what we can generate in the buyback. And we'll maintain that pace of investment for the foreseeable future.

All of which is to say, the amount that we earn incrementally is available for shareholder distributions as a practical lever. Because the investment program is already pretty full.

**<<Alastair Ryan - Managing Director, Bank of America Global Research>>**

Last question in the banks track? Done. Bill, thank you...

**<<Bill Winters - Group Chief Executive, Standard Chartered>>**

My pleasure. Thank you...