Standard Chartered PLC LSE:STAN

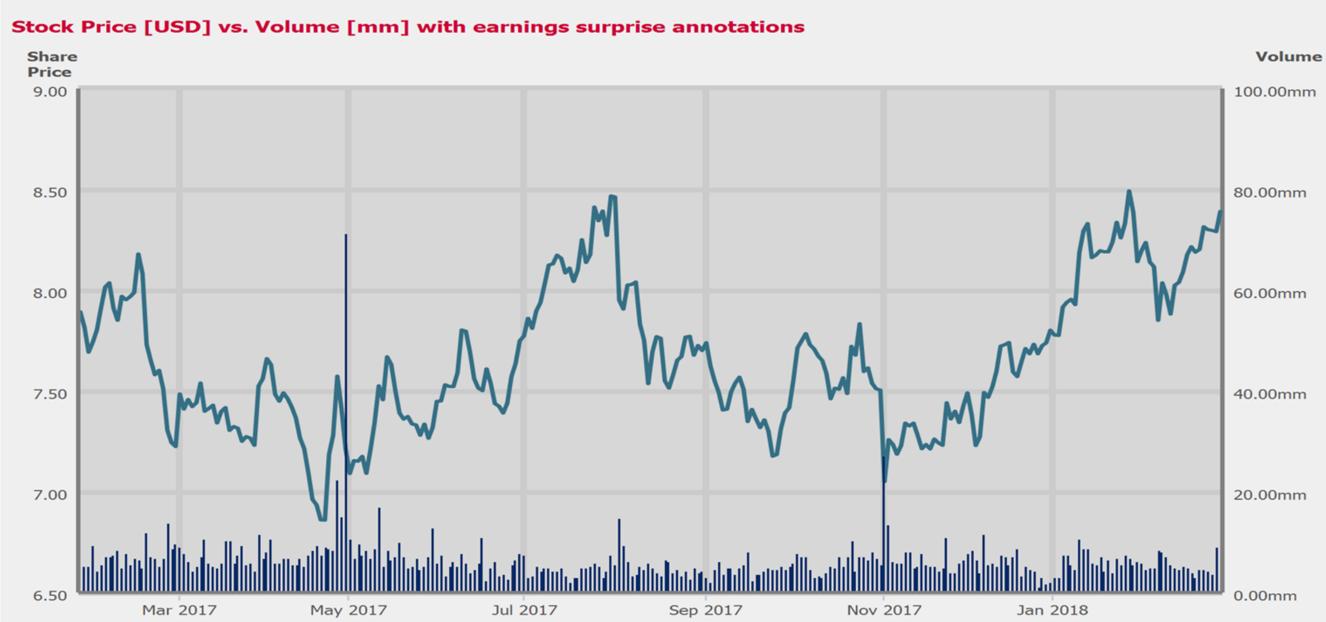
FY 2017 Earnings Call Transcripts

Tuesday, February 27, 2018 8:00 AM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2017-			-FQ1 2018-	-FY 2017-			-FY 2018-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	0.23	-	-	0.20	0.54	0.47	▼(12.96 %)	0.73
Revenue (mm)	3626.00	3478.00	▼(4.08 %)	-	14390.05	14289.00	▼(0.70 %)	15088.77

Currency: USD
Consensus as of Feb-27-2018 7:10 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FY 2017	0.54	0.47	1 (12.96 %)

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Call Participants

EXECUTIVES

Andrew Nigel Halford
Group CFO & Director

Unknown Executive

William Thomas Winters
Group Chief Executive & Director

ANALYSTS

Christopher Robert Manners
Morgan Stanley, Research Division

David John Lock
Deutsche Bank AG, Research Division

James Frederick Alexander Invine
Societe Generale Cross Asset Research

Manus James Macgregor Costello
Autonomous Research LLP

Martin Leitgeb
Goldman Sachs Group Inc., Research Division

Michael Francis Helsby
BofA Merrill Lynch, Research Division

Richard Smith
Keefe, Bruyette & Woods Limited, Research Division

Robert Ian Sage
Macquarie Research

Thomas Andrew John Rayner
Exane BNP Paribas, Research Division

Presentation

William Thomas Winters
Group Chief Executive & Director

Okay. We'll get started. Everyone, thanks very much for joining us at a slightly earlier time for us, but pleasure to have you all here. I'll say a few comments upfront, as is our norm, hand over to Andy to go through the financials in some detail. I'll have a few more comments and statements at the end. And then we will be able to open it up for Q&A.

We're quite pleased with the progress that we made in 2017. It's building on the program that we laid out in 2015, executed in '16 through to '17. We have clearly demonstrated that the foundations are secure. Our underlying infrastructure, our risk and management controls, our capital base are in good shape. We're now poised for growth. And there were some really encouraging signs of growth in our reported results for 2017 and then through to 2018, as we'll mention. You see in some of the information that we've set out in the slide deck that the areas in which we've been investing have been growing consistently, so 13% year-on-year growth in that subset of our business. We now feel that we've got the platform to extend that growth for the medium-term, to hit a refreshed set of targets, which is to generate, at a group level, 5% to 7% compound growth over the medium term, to do that while maintaining our 12% to 13% CET1 target range, to achieve a return on equity above 8%. Of course, that's not the end point. This is a milestone that we intend to hit on our way to a full cost of capital plus return. And we see encouraging signs and that we can deliver that.

We're very happy to report that we've proposed to resume our dividend at $0.11 per share on the back of our sense of confidence in our ability to produce earnings through the medium term and also some clarity in terms of the regulatory capital outlook.

And further encouraged to report that we've had a good start to 2018. I think a number of people have, but perhaps what feels good about our performance at Standard Chartered is that it's very broad-based. So every one of our products, every one of our regions has shown good growth year-on-year. And across the group, it's been double-digit year-on-year income growth. 2 years, 2 months does not a year make, we understand, but of course, we'd rather start this way than any other way.

Just going back to the walk-through from 2015 to today. You should be familiar with this partially. We had this substantial drop in income in 2016, which resulted from business access, some very deliberate de-risking, both in our liquidation portfolio, but also in the rest of our business at various other things that we set out. As we got into 2016, we had the beginning in 2016 into 2017 at the beginning of real underlying business momentum and business growth of net-net $400 million. That's not, of course, the growth. So the growth numbers are much more encouraging. We continue to have areas that have either underperformed or where we're earning lower returns, and as a result, shrinking those businesses. The most clear area of underperformance in 2017 was our Financial Markets area, which we'll talk about in some more detail. Though we can't let that take away from the underlying business momentum that we are demonstrating now that we're through with this period of more substantial business exits and de-risking.

Turning to Page 5.

We've simplistically, but we believe, compellingly, sliced our business into 3 buckets.

At the top bucket are the areas in which we've been investing. These are our growth engines for some time to come, and these are good businesses to begin with: Transaction Banking, Wealth Management, mortgage and autos, and then the, really the entire liability side of our balance sheet, so our deposit franchise.

A little bit over half of the income of the bank grew 13% year-over-year, and that obviously continued through to the second half with a 6% increase half-over-half. These are the areas in which we've been investing, and we're seeing clear signs that those investments are manifesting themselves in improved customer satisfaction, improved market share and underlying growth that's at or above the markets in which we operate.

The second bucket is -- another 1/4 of our income is a set of activities that we knew we needed to optimize. These were the lower returning assets in our CIB and Commercial Banking portfolio, lending assets, some corporate finance assets, as well as big chunks of our credit card and personal loan portfolio that we know needed ongoing optimization. We had been optimizing those, and we've managed to keep the income broadly flat, so down 2% year-on-year, but with a bit more encouraging second half results. But we know that there's some ongoing optimization to go there, so we're not expecting the same level of growth in that business, but that will change over time, as we reposition the underlying stock and the flow to generate growth in that part of our business as well. We are also investing in improved performance and improved customer penetration in that segment.

The third buckets are the areas that are much more external market related, where we can expect period-to-period volatility that is the function of the external environment, financial Markets most obviously, but also treasury and other related things.

Clearly had a poor second half of last year and then a less poor, but still poor overall year in Financial Markets. We're down 7% year-on-year, down 21% in the second half.

Equally, obviously, from my earlier comment, we had a good start to 2018. The market was unfriendly last year. I think we were not out of line with other rates and FX competitors. And I suspect we will be out of line with the same in Financial Markets in the first part of this year.

What we expect to do though is to have a trend line that goes through the noise of the market that's upward sloping. We think we can grow this business. We think we have differentiated advantages in this business. We're investing in this set of businesses. We would expect to grow independent of the external environment, recognizing that the results will be volatile as the external environment changes.

We are committed to delivering a sustainably higher return on equity. We've made good progress from negative ROEs to 3.5% in the last year, and we intend to continue to drive that through to 8% and then beyond. Continuing to strengthen our risk foundation, clearly focusing on clients and growth, which we're showing some good signs of doing, improving our efficiency and productivity. We've been very good at taking expenses out. We're getting better at becoming a more productive organization. That's a big area of our focus. And it's not just for Andy or just for me, it's everybody on our management team is very focused on getting that productivity agenda right.

Innovation. Thankfully, we didn't lose the plus on innovation as we went through our period of transition and restructuring. We continued to be a leading firm in a number of areas, most specifically, the way that we connect to our clients, both wholesale and retail, with some really good innovations, one of the first banks and probably the first bank actually to take on new clients in a purely digital framework in India with no human touch at all, launching a digital bank Cote d'Ivoire, as we speak, again, no human touch end-to-end. This is Standard Chartered Bank that we're talking about, with cutting-edge technology, delivered in a seamless way, and it seems to be working, customers really appreciate this. Our Net Promoter Score surveys in retail and external surveys in our C&IB businesses and Commercial Banking businesses have improved dramatically. In many cases, we're best-in-class in the markets in which we serve for customer service, that's what NPS is ultimately measuring. These are big improvements from a year ago or 2 years ago. Why? Because we are focusing on the customer again, and we're focusing on delivering the customer the services that they demand, many of those are digital.

Finally, and I'll talk about this a bit later, investing heavily in people in order to really drive the performance culture that is critical to our long-term success.

The walk forward to the 8%-plus ROE. As you have all noted and is clearly true, we can only accomplish this with substantial income growth. And the results over the course of '17 in terms of looking at the key areas in which we've invested is encouraging. Of course, we expect there to be some higher costs going forward, both variable pay, but also stepped up investment on the back of higher income. But it's not all about income. We do have some tailwinds that will be coming our way, we expect in terms of interest rate movements and the associated benefit to our effective cost of funds relative and absolute. We think we've hit the peak in terms of our regulary cost -- regulatory cost outlays, and we'll get a bit of incremental benefit there. And of course, as we get to the end of our medium-term period, we've got the reduction in the bank levy. Together, it will get us to this 8%-plus return on equity.

And with that, I'll hand it over to Andy and come back at the end with some more comments and questions.

Andrew Nigel Halford
Group CFO & Director

Good. Well, thank you very much, Bill.

So key numbers, just to pull out a few.

So $14.3 billion of top line, these are the gray stripes. $3 billion of underlying OP, about treble last year. Statutory profit up a lot, and 3.5% of underlying ROE.

So slides on most of these to follow, so I shall go through these at a pretty high level.

Income, 3% up, but weighed back considerably by Financial Markets, which was about a 4% drag on the top line, about $0.5 billion less income in 2017 than 2016. The fourth quarter, as some of you'll have noticed, the income was slightly lower than in the third quarter. 2 or 3 moving parts in there: strong Corporate Finance performance in the fourth quarter, weak Financial Markets performance in the fourth quarter, those 2 sort of broadly offset each other. We had hedge accounting adjustments which was slightly disadvantageous to the income. And on the Wealth Management side, the full year bonus for VAT, as we mentioned last time, we actually achieved by the end of the third quarter. And therefore, there was about $40 million extra income in the third quarter, and $40 million less in the fourth quarter. And that alone is probably 2/3 of the delta between the 2.

So overall, that's the picture on the income side.

On expenses, broadly in-line with what we had expected, a little bit high on regulatory. We had a lot of big programs going in during the year, particularly IFRS 9 and MiFID II and things like that, so we'd hope that perhaps will moderate in dollar terms as we go forwards.

Loan impairment then was clearly a big, big factor in year-on-year movements on profits, so $1.2 billion. So we did actually average out at about $300 million a quarter, which was what we saw in the first quarter, but it was almost too good to be true. However, that did pan out through the whole of the rest of the year, and so we have got half level of loan impairments.

Underlying profit, therefore, on the face of it 175% up, albeit and previous year did have the Principal Finance losses in it. So if you adjust for that, we are 71% up on a like-for-like basis.

Restructuring, another $350 million of charges, so that takes us to about the $3 billion level now. We have primarily the Principal Finance portfolio to exit. That is what is left.

Goodwill, it's full charge REIT Taiwan, not to business, but to do with discount rates. And overall statutory profit at $2.4 billion.

Below the line, not on this chart, in the tax charge of $1.1 billion, there is a $200 million deferred tax write-off to do with the recent changes in the U.S. tax rates. So the underlying effective tax rate, excluding the non-underlying item is about 32%, which is below where we were previously, and we hope to get that down further over time.

Down at the bottom, the CET1 ratio, 13.6%, in fact, at both period ends, so a good space on that front. The EPS clearly has climbed a lot off the back of the improved profitability, and the dividend, as Bill has mentioned, is clearly resuming.

On IFRS 9 and Basel III, I will touch upon both of those in the future slide, but I think, with both of them, there is now clarity or quite a lot more clarity, and we remain pretty comfortable that those are manageable as we move forward, but I'll come onto those in a later slide.

So in terms of the income, this is the walk from 2016 through to 2017.

So 2016, there were a couple of items to adjust: one, the income there was depressed by negative income from Principal Finance, which was not a recurring feature in 2017, because Principal Finance was below the line, so we've adjusted that out. Business exits; 2 small retail exits in the 2016 numbers, not 2017, so normalized. So broadly, it's a $13.9 billion to $14.3 billion comparison. In green, all things that went well, and in gray, things which went less well. So things that went well, Transaction Banking, a very strong performance, 18% up on income over the period. Wealth Management also very, very strong, and good performances in treasury and on the deposit front. On the gray, things held us back, Financial Markets, which I've already referred to, and a little bit on lending, which has been very much conscious decision on optimization of returns. And credit cards, personal loans, that's slightly reduced, albeit, actually, we have now seen a stabilization of that between the first and second half, which I think bodes well for the future.

Now on expenses, the top left chart here working maybe up from the bottom of that chart. So $8.6 billion of underlying expenses is 2% up. And I'd probably pull out 2 things there: slightly higher variable compensation, given the high level of profit; and secondly, slightly higher depreciation on ships and aircraft that we lease. If you take those 2 out, we're completely flat. We have absorbed significant extra investment cost and inflation and have held those numbers constant.

The regulatory cost, as I mentioned earlier, are up, so up to $1.3 billion, with a large number of big regulatory programs, landing in the year, and we would hope that, that number will moderate slightly as we go forwards.

And then on the bank levy, we have got a quite significant reduction there, about $100 million, as we have gone through in more granular detail some of the netting, and that has given us a benefit, which has clearly come through in 2017 year, albeit, because it is mostly impacted 2016. What we're saying is going forwards, think of the bank levy as being about a $310 million cost issue for us rather than the high 300s as previously we had guided.

On the bottom left, you can see the chart that takes us through the 4-year commitment of late 2015 on over gross cost take out. We've said $2.9 billion. We are making very good progress there. The end of 2017, we were 85% of the way through that total. And I would hope that we should be at or slightly above that number going forwards, and that should enable us to keep the 2018 costs below the 2015 level as we set out a while ago.

So the money that we've saved by the cost take out, in part used to reinvest in the business. I think all of you will be familiar with the fact that we said that we needed to invest a lot more in the business to improve the fabric of it. And I think it's not actually just the heights of the bars on the left. But if you look at the 2 blue bars at the bottom, about $0.8 billion on regulatory and on just replacement of systems, what we're actually spending in green to actually improve the business, is now $0.8 billion. The equivalent number 2 years ago was $0.1 billion. So a very, very significant increase in the amount we are spending to improve the fabric of the business. That is now coming through, which I think is good to see. On the right-hand side, 1 or 2 factoids there. So a proportion of our retail customer base that are digitally active is going up about 5 percentage points per annum. On the top right, the Commercial Banking, the straight through banking, customers as a proportion of total base, going up by 3 or 4 percentage points per annum. The turnaround time for onboarding new corporate clients is reduced by 2/3 over the last 2 years. And what we're doing in robotics and lean automation, that has created either 1,300 roles or redeployment of 1,300 roles, but significant productivity improvements. And I think productivity is clearly going to be a major focus as we go forwards.

So change of topic, loan impairments. As I mentioned earlier, those have halved during the period, so $2.4 billion the previous year, $1.2 billion in 2017. That has been pretty broad-based across most of the client segments, in fact all the client segments, albeit, the biggest changes have appeared -- occurred in the corporate spaces.

On the right-hand side, 1 or 2 factoids, which you'll probably absorb at your leisure, but I'd just call out on those, the gross NPLs are up by $0.6 billion year-on-year. The CET 12s, level below that are flat, but the early alerts of the third bottom line here are $4 billion lower than where they were a year ago. And as the early alerts can be a feeder into the other areas, that is good, I think to be stemming that flow much earlier. So that is a big reduction on that front.

Cover ratio is slightly down. That is just the mix of the accounts that we have resolved versus ones we've taken up. But more importantly, when you take collateral into account, we are actually up on cover on the nonperforming loans. Nonperforming loans being about 2.3% of the ongoing book now.

Just one other thing maybe to highlight, it's not quite so visible here. But one of the big pushes is to be reducing the concentration that we have on small number of corporates. If you go back to 2014, our top 20 corporates, I think were over 80% of our Tier 1 capital. That number now is about 50%, so we have really, really made progress on that front.

And then, finally, the slide on the bottom right, liquidation portfolio. When we announced that, we had about $20 billion worth of RWAs, that is now down to sub $1 billion.

Now on the balance sheet.

So top left is the net interest income, so up 5%, $400 million during the year, probably about $200 million to do with interest rate increases, $200 million to do with conscious improvement of the mix in the book.

Margin, overall slightly better at 1.55%. But you can see on the bottom right chart, that's the same sort of seems pretty this to be volumes up across all the product ranges. The margin improvement coming more on liability products, with slight compression still on the asset side.

Bottom left here, on balance sheet, momentum, the overall increase in customer accounts. So deposits is 9%, that is about 6% on a constant currency basis. So about $30 billion or so more deposits and a very good mix of those deposits, so very much the more sticky accounts for us.

In terms of customer loans, those are up 12%, which is 89% on a constant FX basis, and so up about $30 billion over that period of time, and again, fairly broad-based.

What I think is interesting, that is, on the top right, if you look at where the new accounts are in terms of risk profile, the whole of that $30 billion is in the better risk categories, categories 1 to 5, with the categories above that, essentially being flat year-on-year. So again, evidence that we are investing, we are focusing where there is quality out there.

On capital, I mentioned this briefly. At the end of the day, we started end of the year at exactly the same number. And there was a fair amount of work in between the 2. So about 45 bps of profit that's generated, sort of CET 1 generation of 45 bps from profit. Then with the dividend payments, slight reduction. And the model changes that we referred to on financial institutions, that took a bit more out. So that's the normalized, but that model change was a bit of a one-off. There is a corporate one, but I don't think the effect of that will be anything likely significant.

On the risk-weighted assets, we are up about $10 billion, and that is primarily, actually FX and the model changes. So the rest of that credit migration so fairly neutral during the period.

On IFRS 9, we had indicated previously, we thought this whole impact of that will be between 10 and 20 basis points of CET1 effect. Our view is that we will be bang in the middle of that. So 15 basis points, that is the equivalent of just over $1 billion of extra reserves from the accounting perspective. But because some of that had already been taken into account in the regulatory calculations, the effect is more muted on the regulatory front. And because there has been a transition arrangement, actually, the year 1 impact of this we think will be incredibly small. So overall, a lot of work, yet, so a not very big answer.

And Basel III, more clarity on that late last year. Our best assessment at the moment is that if you apply that to our current book, it's about the 10% to 15% uplift. However, it doesn't come in until 2022, so that does give time to think through and to make some refinements in the business. Also, a little bit difficult to be entirely precise, as most banks are pointing out, there is still a fair amount of national discretionary that is allowed. And until we have the clarity as to how that is intended to play out, both here and elsewhere, it's not a precise size. But overall, our sense is, it is manageable, and we will work through that obviously over the intervening period.

So just to talk now a little bit about the business performance. So slides on each of the segments, and then on each of the regions, which I'll go through, fairly high level.

So Corporate and Institutional banking, top line flat, that is the story of the Financial Markets weighing down, as I've referred to earlier, but a very strong performance on Transaction Banking, which has pretty much offset it. What is more pleasing, the bottom line is seeing the trebling of the profit there, and that has been about, in part, the focus upon the loan impairments and also the controlled expenses. The business, Simon talked about in November, the intent is to be getting that into the 5% to 7% range on the top line growth, and that is where all of the energy is at this point in time.

Commercial Banking, 3% up on the top line. But I think, most noticeably, that business unit that essentially is only 2.5 years old, we have now turned from loss into profit. A big, big focus upon loan impairments. And as we go forwards, the big focus is upon growing, but growing the business thoughtfully, particularly from the loan impairment aspect. So I think that is a big milestone. That business then certainly gives us a much better platform to be moving forwards on than was maybe the case a while ago.

So on to the consumer businesses.

The retail banking, obviously, another big business for us. 4% top line growth, albeit, we had 2 disposals retail businesses end of the period. If you normalize for those, actually, the growth was 7% during the period. Profits moved forwards nicely, double-digit percentage improvement in profits. We have now got 45% of our income from the priority accounts customers that we have targeted. We added 100,000 of those during the year. And I'd say really the big push on retail now is digitalization and rolling out the platforms that we have been working on for quite a period of time.

Private banking, top line, modest 1%. A year ago, we did have an insurance benefit. So if you normalize that, it was up more like 6% to 7%. And underlying profits still held down by the amount of investment we're making in replatforming and upscaling in the business. So that is a journey, and we are pleased with the progress so far, but clearly, there is more to come.

Assets under management grew during the period. Net new money was up $2 billion during the year, so we are seeing a bit early momentum there, and obviously, it will take a while for that to fully flow through to the bottom line.

So turning then on to the regional view.

Greater China, northern Asia, I think are the big region, a very, very good year. So 8% top line and 45% bottom line growth there. And really, this was across all markets. Hong Kong was 8% up on income, 25% up on profit, Korea trebled the profits during the year. China, excluding the associate investment, returned to profit, having been slightly loss-making year before. Taiwan, Japan did well. So I think, across the board, really, really good progress there. And clearly, whilst the momentum runs there, it's very helpful for the momentum across the whole of the business.

ASEAN and South Asia was a more difficult period. Now a 5% down on the income here is partly affected by the disposals of the retail businesses. So without that, we'd have been about 2% down. And about $200 million of the $500 million reduction in the Financial Markets income was actually in the ASEAN region. So that was the other thing that weighed down. And that would otherwise have been positive if it wasn't for those 2 things. However, big focus in there, the rest of the businesses, I think, particularly in the retail commercial space, are going pretty well, and that remains a big area of focus. The business in India returned to profitability. Bangladesh, very profitable. So I think there are good things happening there, but clearly weighed back by a couple of factors last year.

Africa & Middle East. Top line 1%. If you do it on local currency basis, it was up 3%. Good performance, probably, slightly better performance in Africa, slightly more modest performance in Middle East. UAE business returned to profitability in the period, which was good, after 2 or 3 years when it hasn't been. Profits in Nigeria, up 50% during the period. So I think some good progress there, obviously spanning really quite the number of territories.

And then Europe and Americas is down 4% on income, but this is another area which probably took about $200 million of the reduction in the FM income, which weighed down on the numbers here. Overall, actually, performance in Europe and Americas has been really good. They are involved in about 1/3 of the total income. Obviously, a good business globally, in one way shape or form. And the income that they've generated isn't booked in Europe and Americas. It's booked in other parts of the world was actually up 10% year-on-year. So -- and of course, they costs, they also bear the costs of the remediation efforts in the U.S.

So central and other similar charts to one that you may have seen before. We have a segmental view and the regional view. There are some items in the middle that I'll comment on both, they are Treasury capital and corporate center cost and bank levy and some of this are unique to the segment or region views. Quite a complex story here, because there've been quite a significant movements in the numbers.

If I just briefly talk to the segment side, the previous year, a small loss, now a big profit. This previous year was weighed down quite a lot by things like Permata. This year has actually benefited a bit from the bank levy and the $100 million benefit that's sitting in there. And it has been weighed down a bit by the hedge accounting adjustment as well. So a sort of $1 billion top line business, if you like, income stream and probably ongoing profitability somewhere between the 2016, 2017 numbers.

Central other, on the regional side, on the right-hand side, on the other hand, the prior year, big loss there was primarily about the Principal Finance business, which was in the numbers last year where the growth below the line this year. And this year has had some benefit from the low bank levy. So that's probably slightly flattering of the underlying performance of that business area, because of the one-off nature of the bank levy.

So with that, 2015, the ROE was minus 0.4%. We set the initial target of 8%, and we are pretty close to being halfway through that ramp up, so halfway up the hill, the other half to go. I think we have been very consistent to what we set out in 2015 as we've been doing, and I think that has brought good focus within the business.

The top line, obviously last year was more muted, but there was one particular product line that was behind that. The start for this year, as Bill has mentioned, has been extremely encouraging, which is good. I think the investments, which always take a while before we start to see the benefits coming through, are now starting to make a difference. The regulatory clouds on IFRS 9 and Basel III are lifting, and hence, the dividend coming back. And I think really the focus now from my perspective is about the income momentum, it's about continuing to simplify the business and really putting a focus on productivity.

With that, Bill, I'll hand back to you.

William Thomas Winters
Group Chief Executive & Director

Okay. Thanks, Andy.

Just a few comments for me to wrap up, and then we'll go into Q&A.

Priorities are clear for us. It's the refocus, strength and focus on clients and growth. Encouraging signs through 2017, but 2018 clearly is the year that we need to demonstrate the potential of this franchise as we believe in fundamentally.

Talked about the ongoing focus on efficiency and productivity. We will not lose track of the underlying risk and control progress that we've made so much of in the past couple of years. And we are very cognizant and aware of the newer risk categories like cybersecurity, which we're completely focused on as well and clearly stepping up our resources.

Innovation and digitization, it's inherent in our business. The threats come from within and without. And we think we've got a pretty good track record. We need to shape that into a very good track record. We're investing to accomplish exactly that.

And then the focus on people and culture, as I mentioned, I'll get to in just a moment.

The fight against financial crime is ongoing. If we've distinguished ourselves in terms of the contributions that we've made to making the banking environment a hostile place for criminals and bad doers to conduct their business, we'll continue to do that. We've done that to our own investments and initiatives, and we've done that working with other banks and with law enforcement. The feedback that we get from time to time, you've seen some of it in the public domain from our regulators, is encouraging, that we've made substantial progress. And we can -- intend to continue to make that progress. We have legacy investigations relating to historical activities, as we've mentioned every time I've sit in front of you. Those investigations are ongoing. Our discussions with the regulators, law enforcement are ongoing. And of course, when we have something to share with you, we most certainly will.

The technology change and focus is really key to our future, and we recognize that and we're investing as such. Andy has mentioned that we've maintained a very high level of investment over 2017 into 2018, multiples in terms of these franchise improving investments that we're making relative to where we were in 2014, '15 period. This is building on our future. A lot of that is going into technology, and we're seeing that, and when we're recognized as the best online bank or digital bank in Asia, and when we're the first-to-market in key South Asian and African markets with digital application. We recognize that we're a desirable partner for some of the new entrants into this market, the e-commerce companies or financial technology companies. And we partner with over 200 fintech companies one way or another. That's not the threat, that's an opportunity for us. But there are threats out there for sure, and we think that we've got a pretty good plan for dealing with those threats. And our track record in terms of delivering on the technology undertakings that we've embarked on are good.

We can't accomplish any of this without continuing to evolve the performance culture of our bank. It's always challenging to talk about the soft stuff in a meeting where we're talking about earnings results which is all about numbers. But for us, we're spending a lot of time on taking what has historically been a strong performance culture at Standard Chartered, but which we're on off track as we transform the bank, as we went through a challenging transition, the bank turned inwards. People became risk-averse and reluctant to make investments and reluctant to take decisions. We are shifting that very deliberately, and we've done that with extensive interaction with most of the 85,000 employees of the bank through extensive workshops, and listening session and things of that nature. We've got a redefined purpose statement, which is focusing clearly, as you can see, on the roots of Standard Chartered. When we go back to what made Standard Chartered a great bank 160 years ago, it was the fact that we were focusing on commerce and creating prosperity for citizens of the markets in which we operate. That continues to be the case today. This leveraging our unique diversity has a lot to do with the fact that it's not just our bank which is diverse, our 85,000 colleagues and 15,000 contractors, but our clients as well. And making the connection between those markets, between clients, between cultures, between economies is a key part of what differentiates Standard Chartered bank. And we don't want to lose that, in fact, we want to invest more in that diversity, which is unique to Standard Chartered. The markets in which we operate are unique.

And finally, we've tried to drive this through to what we call valued behaviors, which are very simple statements that guide our colleagues in terms of everything that they do. I'd call out, in particular, they never settle. This is idea of continuous improvement, that good enough isn't good enough. We're here for good, not good enough. It's the key parts of what we mean by, never settle. And that, I have to say, as we've rolled out these words, and they are just words at the end of the day, and we recognize that they're just words. But behind those words is a tremendous passion in our bank. It comes from our Board of Directors. It comes from our management team, our senior management, to really live these values. And it's resonating. We see people taking different decisions about the way that they conduct their business based on these 3 valued behaviors, and we'll continue to drive that. And you should continue to form your own views, whether we're actually changing the culture of Standard Chartered bank, so that we can position ourselves as a best-in-class bank, not a bank that's trying to catch up.

We're making progress. We're very happy with the progress. We're doing what we said we were going to do. We're in great markets. We think we can match the growth of those markets and exceed that growth. Over time, we'll become more efficient and productive. We can become much more productive. That's going to drive our returns. It's going to allow us to cover our cost of capital and more in the years to come.
So thanks again for coming out first thing in the morning. Andy will join me, and we'll take some Q&A.

Question and Answer

William Thomas Winters
Group Chief Executive & Director

Sorry, Mark will come there.

Robert Ian Sage
Macquarie Research

Okay. It's Robert Sage from Macquarie. I've got a couple of questions, if I can. The first was with the ROE targets, because the previous one was sort of specifically related to particular years, I think 8% in 2018, 10% in 2020. I was just sort of wondering how we should be thinking about the medium-term as sort of time frame here. Is it sort of a 2020 number, or sort of how hard is it? And I guess my other just point of clarification on this is, I see we're talking ROE, not return on tangible equity in terms of what it refers to? And the second question was just on the dividend, which I see is very healthy, sort of reinstated today. In terms of sort of dividend policy moving forwards, how should we think about how we might be thinking about future dividend payment beyond 2017?

Andrew Nigel Halford
Group CFO & Director

All right. Let’s take those in order. I'll take the return on target equity. We did give that some thought. The impact it makes is not particularly significant. And we didn't want to give the impression that we were just upping our numbers courtesy of a redefinition of the base point. So we could have done that. I think it would make about 40 basis points difference to our published returns if we did go that route. Medium term, yes, we have, as you've correctly observed, remained slightly nonspecific. And I think that is reflecting the fact that some of this is within our control and some of this will not be within our control. We will get there as fast as we possibly can do. I think if you take our 5% to 8% and some views on costs below inflation, you can triangulate to within a couple of years of when it is likely to happen, but we have been just a little bit more circumspective given that that is not something completely within our control.

Dividend policy, so step 1 was obviously the decision to recommence. Step 2 was how much to recommence, and we have obviously landed on $0.11, which is a full year number for last year. Policy going forward is that, that the group will look to increase dividend as the profitability of business improves. We have not put it in tight formulas or payout ratios because we think that is just a bit too precise. But as we go forward, we'll look at the earnings outlook. We will look at the regulatory outlook, both at the group and local level. We will look particularly where there are opportunities to invest and expand the business. And to the extent that there is a good return, then we will seek to return a good number back to shareholders so that we keep that line moving up.

Michael Francis Helsby
BofA Merrill Lynch, Research Division

So Michael Helsley from Bank of America Merrill Lynch. Just one question, please. Transaction Banking, clearly, the star of the show last year, and that was pretty much driven by cash management, and trade obviously quite subdued still. So I was just wondering if you could give us a comment on how both businesses have entered 2018. And if you could disaggregate it for us in a volume and a margin context, and whether you think trade can actually start to grow revenues this year?

Andrew Nigel Halford
Group CFO & Director

Yes. So as you say, the overall is very strong. And actually, within that, the cash is incredibly strong. And that we have sort of seen flowing through into this year dramatically. I think, on the trade side, first the volumes are up, but the margins are under a little bit of pressure. And that is sort of the 2 have sort of offset each other in that space. On the other side, on the cash side, we have seen both volume and slight margin improvement, so obviously, with rising interest rates, slight ability to reprice. But what I would say is we have put a huge focus upon offering to run the operating accounts or corporate accounts as part of the overall offering. And as part of our push on the overall with cost of funds, we have both been pushing in the corporate space on the operating accounts, but also in the retail space to try to make sure that we are getting an increase in share of the more sticky, the less expensive debt, because our overall cost of funds is one of the things on your ROE work chart where we're saying, over a period of time, we do think we can make more inroads into the cost of funds, and that is one of the areas that we are most targeting to do it.

William Thomas Winters
Group Chief Executive & Director

Just to add a bit of color. On the cash improvement obviously is encouraging. Only about half of that is the result of interest rate increase. The other half is an improvement in the quality of the underlying liabilities, which has come from a really determined focus on the liability side of our balance sheet. In Transaction Banking, the market has been subdued, for sure. Margin compression has been substantial. But our market position has strengthened. So you may remember, a couple of years ago, we showed an external survey chart that showed that we were the #1 bank for trade in Asia, with about a 22% share of the primary trade bank. We've maintained the overall share, but the proportion of the earnings that the primary trade bank actually gets from the trading relationships has increased significantly over that period. So we're getting -- we're maintaining a strong -- a very strong #1 share in our core Asian markets with an increasing share of that wallet. And that's an offset by subdued volumes until recently, early part of this year is encouraging, and margin compression. But in terms of the underlying customer franchise, which we still think is a very valuable thing to have, it's encouraging.

Michael Francis Helsby
BofA Merrill Lynch, Research Division

And just to follow up. On the cash piece, that volume growth that you've seen is that -- can you disaggregate that between the clients that you've won new because of the new initiatives that you put in or is that old clients that you've already owned.

William Thomas Winters
Group Chief Executive & Director

Well, it's mostly clients that we already have as a practical control element. So we started to earn money out on the new clients, but it's a 2 or 3-year ramp up period to get to full speed, so the vast majority of our improvement is still coming from the existing stock. And very simply, we're just asking for additional business where we put different metrics in place around what's attractive to the bank, and we've clearly prioritized high-quality deposits to improve our funding mix and our cost of fund, and our ends and clients are responding to that.

Thomas Andrew John Rayner
Exane BNP Paribas, Research Division

Tom Rayner from Exane BNP Paribas. Could I have 3, please, especially on costs? I think ex the levy, costs were about $225 million ahead of consensus, which if you look at Q4, I mean, is relatively bigger. I wondered if you could just give us a bit of how much of that you think was MiFID II, IFRS 9 related and which should drop away, and how much was the other things? And just on costs as well, can you just clarify that inflation still means 2% to 3% from Standard Chartered's point of view? I think that's what you've said in the past. And I've got 2 others, please.

William Thomas Winters
Group Chief Executive & Director

Right, okay. So I would look at the costs, so we're about $300 million up year-on-year against consensus for a $200 million up. 3 things, one, roughly $100 million of increased spend on big regulatory portrait that landed during the year. Secondly, about $100 million on extra variable compensation off the back of the much higher profitability. And just under $100 million on airline and shipping depreciation on the assets that we lease. So those 3 things pretty much explain that year-on-year. So I think the regulatory is, hopefully, as I said earlier, a year of a peak level of projects being delivered. Obviously, the performance of business this year will determine where the variable comp is. And the shipping and aircraft should be seen as part of a profitable business stream. So that is broadly where we're at. The inflation, you can just sort of way average at sort of circa 3% something like that at this point in time, it's in that sort of zone.

Thomas Andrew John Rayner
Exane BNP Paribas, Research Division

But we are talking about inflation in our markets.

William Thomas Winters
Group Chief Executive & Director

In our markets, yes.

Thomas Andrew John Rayner
Exane BNP Paribas, Research Division

Just a second question, please. On Financial Markets, obviously, low volatility has been an industry-wide issue. But your Q4 certainly on a Q4-Q4 looked a little bit weak versus peers. Is there anything you can add as to why that might be, or what you might be doing to address that one that might not repeat in 2018, it sounds like you're off to a better start?

William Thomas Winters
Group Chief Executive & Director

Yes. So first off, keep in mind that the one, one part of the Financial Markets business is capital markets. Capital markets, we're roaring in the developed world and less roaring in the emerging markets. So just, when we do the side-by-side comparisons, we -- in this case, are operating in a slightly disadvantaged market. But the real story is we reversed our Financial Markets management team over the course of last year. A new head came in at the beginning of the year. The team was filled out over the course of the year. They were beginning to hit their strides towards the end of the year, but we would expect the real settling in of the new team with new focus to occur over the course of 2018. And as we've said, that the early start to 2018 is encouraging. Obviously, don't read too much into that. So I think we won't be unique in having had a good start to the year in Financial Markets. What's important to note though is that the team hasn't been hobbled by the challenging performance last year. It's there, they're ready to take advantage of opportunities. I'd also note that even with the subdued performance in 2017, it's still a high returning business for us relative to the rest of our portfolio. So it's not an unattractive business even at these depressed results.

Thomas Andrew John Rayner
Exane BNP Paribas, Research Division

Okay. So I had one final one, it’s a bit cheeky [indiscernible]. Just on what you said on your dividend policy, you will have obviously an investment opportunity as an alternative. I just wondered, how do you think about sort of hurdle rates we're looking at those investments? Is it the 8% interim return target, or is it the cost of capital that you hope to be ultimately at in the longer-term?

Andrew Nigel Halford
Group CFO & Director

Yes, I mean we would look more with the lens of a sort of 10% return because, ultimately, that is where we want to get the business sort of up to. And I think we need to make decisions today that are building towards that sort of space. So the 8% is clearly an important signpost on a journey. I think it's very important motivation within the business. People can see we're actually making inroads there. It is not a stopping point, we want to get a bit higher, and hence, your question would imply a slightly higher hurdle to things we're looking at now.

William Thomas Winters
Group Chief Executive & Director

So Tom, we're taking incremental decisions on the basis of a 10% cost of capital. So when it comes to new lending decisions, acquisitions, which obviously I made any divestitures which we have, we're looking against that benchmark. So as the decisions rolled through the portfolio over a period of time, we'll obviously drag to the 10%, or else a little bit smaller roughly, of course. But the intention is -- and we think the opportunity is to make marginal decisions based off of a 10%. Phased in, I mean we didn't exit every client that wasn't earning a 10% return back in 2015, and we didn't say that we were going to, and we haven't. So we've been quite deliberate about pacing the way that we effectively force the upgrade of our clients or the alternative forced exit. But we are taking marginal decisions off of a 10% return, which should obviously drag the total up over time.

Martin Leitgeb
Goldman Sachs Group Inc., Research Division

Yes. It's Martin Leitgeb from Goldman Sachs. I have 2 questions, please. The first one is a little bit of broader questions, just in terms of U.S. related outlook, some commenters expecting 7, 8 hikes. And I was just wondering how do you think about your business, how it is going to be affected from those rate hikes? So obviously, variable 1 is the direct link to U.S. dollar and U.S. [indiscernible] currencies, which you elaborate in the disclosure. But in terms of level 2 impact, how do local currencies react? How do risk costs react? How would you think your footprint, your businesses are affected by that?

Andrew Nigel Halford
Group CFO & Director

Yes. I mean we've talked previously about rising interest rates and impact on the group, and we've sort of said 50 bps on a full year basis, $300 million to $400 million. Obviously, so far, the primary uplift we've seen has been in the U.S. and to some extent, in Northern Asia, but much less so elsewhere, around the world, hence, about 200 of benefit in the numbers of 2017. We've gone back around and had a look at those numbers again because, clearly, at a slightly higher start point, then the dynamics is to help customers who'll react to further increases just change a little bit. And our view, albeit this is been upon a lot of assumptions, is that sort of 50 bps number now is probably 330 bps or something like that, so it's still in the range, a little bit below the midpoint of it. Our sense is having risen a bit more on the U.S. interest curve that probably we'd see a little less opportunity on the U.S. even because it gets priced away or whatever, and therefore, the balance slightly more into the other regions. And hence, we've sort off given there a broad brush sort of view of that. So I think still some opportunity in the U.S., but a little bit more muted, but still quite a lot of opportunity elsewhere.

Martin Leitgeb
Goldman Sachs Group Inc., Research Division

The second question I had is just to try to get a little bit more color to your strong start of the year guidance in terms of broad based double-digit comment. And I was just wondering, just relate #1 to January and February, I would assume it's towards the end of February. In this, is there any more color you could add? Is this skewed a little bit more towards Financial Market or to the comparatively weak performance last year? I was just wondering if you could add a little bit more color on where the strength comes from.

William Thomas Winters
Group Chief Executive & Director

A bit of color? Last year, January and February were not bad, so the comparator is -- was relatively flattered, as you can say, by a particular treasury markets results in Q1 of last year. Second, yes, it is January and February. We're not quite done February, but it's a current measure. And I think we've given a lot of color with our reference to broad based. And when I said that it's every product line and every region, that's about as broad based as you can get.

Unknown Executive

[indiscernible] I will come along and I will try and get everyone's questions in.

David John Lock
Deutsche Bank AG, Research Division

It's David Lock from Deutsche. I've got one clarification, please. Just on the 5% to 7% CAGR you can see low incomes. I was just wondered if you could just confirm that, assuming a forward curve on the U.S. rates, first of all? And then a second one, which is on impairments. The 2017 impairment, obviously, much better than last year. If we look at consensus, consensus is now lower for '18, '19 and '20. Do you think that the current levels of impairment you're seeing are sustainable? Or are you expecting actually that they'll drift up towards that kind of consensus level?

William Thomas Winters
Group Chief Executive & Director

The 5% to 7%, obviously, that's our best guess, including our estimation of interest rates. And to Martin's point, we're not in the school that I think, that's just going to race ahead of market expectations. And as such, we think that the market is -- in particular, our markets, will be well equipped to handle the effective shock that could come from higher interest rates. It's just very well priced in. But one of the risk factors, for sure, is surprises in the risk -- in the Fed outlook. We don't see it, but it's obviously, it's possible. And impairments, yes, we absolutely think it's sustainable. And we've changed the way that we underwrite credit risk, and we changed the way we hold credit risk. And we're a much more dynamic manager of our portfolio than we have been. And of course, we'll have ups and downs as the environment fluctuates. So we're not saying that we'll never have a higher level of loan impairments. And through quarter-to-quarter, we'll have jumps and dips. But in terms of the credit cost that we've reported in 2017, certainly, is supportable and sustainable.

Manus James Macgregor Costello
Autonomous Research LLP

Manus Costello from Autonomous. Can I ask how much of your cost base do you now consider to be variable? And I ask specifically thinking about 2018 and the management of jaws in 2018. If you continue to deliver double-digit revenue growth in 2018, might there be upward pressure on that cost guidance that you've given if variable costs have to grow?

Andrew Nigel Halford
Group CFO & Director

I mean I think our big challenge is actually more of the productivity rather than purely the raw cost. And the -- by implication, if you look at the forward guidance, the 5 to 7 on top line below inflation are on the bottom line, this is going to be more about how do we get more for less over the 3, 4, 5-year period, yes? Clearly, the variable comp has impacted a little bit in '17 year, and it will depend a bit on how we perform in '18 relative to our expectations of how we'll do, as to where that could put a little bit more pressure on. I mean if a business performance is sufficiently good, but there is a bit more pay out on that, then I'd hope that there would be a little bit of understanding, but we are trying to make sure that we're keeping the 2018 costs as much as we can go down to the 2015 levels.

Manus James Macgregor Costello
Autonomous Research LLP

To be clear, say if you do deliver double-digit revenue wise, the chances are that the 2018 costs will also be a bit higher?

Andrew Nigel Halford
Group CFO & Director

I'm saying that we have only had 2 months of the year of double-digit, and therefore, let's not get ahead of ourselves.

Christopher Robert Manners
Morgan Stanley, Research Division

It's Chris Manners from Barclays here. 2 questions, if I may. The first one was, I was just looking at Slide 14 in the deck, on the balance sheet you mentioned, it was nice to see net interest margin expanding, and you're seeing customer loans up 12%, customer accounts up 9%. Then if I think I've got an expanding margin and it looks like almost double-digit customer balance sheet growth. I've only got NII up 5%. So maybe just a little bit of the explanation of the dynamics, how we think -- should think about earning assets versus sort of loans and customer accounts growth? And then maybe or not 5% to 7% growth rates we're expecting in top line, maybe you could help us think about how much you're going to have as earning asset growth, what's going to be margin expansion, what's going to be fee growth, and just a -- maybe a little bit of help there. And I have a second one on capital afterwards.

Andrew Nigel Halford
Group CFO & Director

Yes. I mean, so loan growth, $30 billion as per the chart, and about 1/3 of that is from FX, okay? So $9 billion or so. So that's not interest earning or maybe it is, but not overtly. Of the balance, we are about half on Corporate Finance, and the other half split between retail and Financial Markets. So the retail bit, obviously, enduring. The Corporate Finance, as we have discussed before, can move up and down a little bit depending on the timeliness of the deals and things like that. But I think the key to understand is that there is a reasonable amount of this is FX. And it's about 1/3 of the increase actually on the customer deposits is FX as well. And customer deposits, 1/3 FX, about 1/3 better retail deposits, and 1/3 the corporate OPAC accounts or credit accounts.

Christopher Robert Manners
Morgan Stanley, Research Division

So I suppose if we're referring our top line at 5% to 7%, we are going off balance sheet like this, and I believe there were some FX impacts in there, how much margin expansions do we have -- do we need to have to get to a 5% to 7% top line? I suppose is the question.

Andrew Nigel Halford
Group CFO & Director

Yes, I mean, you know, we will see what the mix is. Overall, the 5% to 7% on the top line, the cost loan inflation. I mean we have now had 2 periods where we've had the margins sort of stable to fractionally up. But that is after a multi-year period when it has been down. We are driving the liability side as much as we can do now, but partly it's built -- it's about the quality of the mix, which is within our control, to some extent, and partly, it's about interest rate increases. We're not going to forward guide specifically on the margin, and so we will do whatever we can to get it as high as we can.

William Thomas Winters
Group Chief Executive & Director

And just to add, I think we tried to position ourselves to be much more dynamic in terms of the way that we allocate our assets and liabilities. So it's not as bad a picture of margins staying constant for some period of time. As we see attractive assets that we can access, and we're trying very hard obviously to position ourselves to access those markets, we can grow faster and perhaps with -- at a lower margin if we think it's considered from a risk return perspective. So I think that the real point is, we're better positioned to dynamically manage our assets and liabilities than we have been anytime in past couple of years.

Christopher Robert Manners
Morgan Stanley, Research Division

And I have one follow-up question on capital as well. You're still guiding to the 12% to 13%. And when I look at, you had quite a big sort of 6% stress test drawdown. Stress drawdown may go up with IFRS 9 may have a lot of trough. And just trying to understand, given where your systemic reference point is, how do you calibrate the 12% to 13%? Do you think Pillar 2A might come down? Do you think that the stress test trough that [BOA] demands might be changed? Just how do you square those 2?

Andrew Nigel Halford
Group CFO & Director

Yes. I mean we've held to the 12% to 13% at the moment even though we're slightly above that 13.6%. And I think inherent in your question, there are still some moving parts in this. IFRS 9 has not yet been stress tested, and we'll see where that goes. Basel III, a, there is a level of national discretion, which isn't yet clear and the concept of stress testing of that is also completely new. And then thirdly, we've got preexisting for stress test and the future troughs in there. So our sense was, for the moment, it's sensible to keep the range where it is, it's rather a little bit higher on that and then we've got a little bit of cushion hopefully to absorb things like that. But our sense is we're in the right zone on that, but stress testing, things like that are clearly going to play a part as we evolve the thinking and the regulators evolve the thinking over the coming quarters.

Christopher Robert Manners
Morgan Stanley, Research Division

And so you've got a [indiscernible]

Andrew Nigel Halford
Group CFO & Director

Until we have a better number, it's 12% to 13%.

Richard Smith
Keefe, Bruyette & Woods Limited, Research Division

Yes. Richard Smith from KBW. Wondered if I could just ask you 2 quick follow-ups. Just firstly, on the regulatory cost, you were saying that you hoped that it was going to be peak and can we see it come down from here. I wondered how much you thought we might see a tail off from here, as some of those programs abate. And then secondly, if I look at your average balance sheet disclosure, it looks like the noninterest-bearing liabilities, the noninterest-bearing deposits are actually remaining relatively stable or coming down. I wondered when you talk about cost of funds basically that you could see, how much is that? The answer is, effectively, that we see less of the impact through in terms of your interest bearing deposits as opposed to actually growing those noninterest-bearing liabilities?

Andrew Nigel Halford
Group CFO & Director

Yes. I mean the forward accuracy of record is always a little bit difficult. There was a time when we hoped that we'd top out at about $1 billion, and we are now $1.3 billion. And I think as most banks have found, it is quite a difficult one to give a definitive view on sort of where is the top. Some of what is in there is compliance and ongoing regulatory costs, which as the business expands, it's likely to expand. Obviously, we look at automation and things like that. I think, at this point in time, we have got a higher number of in-flight projects, that what we did have in 2017, that is normal. And there's a lot of work on things like IFRS 9. Now ultimately, it may not actually transcend itself into very much movement, honestly, if you want, it's just slightly quirky. But it is a year when we had an abnormally high number of in [flight] purchased land. So I'd say, I'd hope it would moderate a little bit as we go forward, but it's more moderated rather than sort of fundamentally changed. The cost of funds, I think if you do a comparison of us with some other banks, then our cost of funds are higher. In part, that is because the overall mix of our business is slightly less retail maybe than some other banks and hence the lower cost of deposits from customers on that side is a lower part of our overall funding mix, but it is something, it's on the ROE walk, which we are very focused on how can we get the mix changed? Can we do more in a digital world with retail to actually get a higher proportion coming through retail with the OPAC accounts, operating accounts in the corporate side, which tends to be sort of sticky and do sit there for long periods of time, how can we make more of that? There are regulatory requirements in terms of how much we have to then put on deposit with the central banks and so on. And just making sure that we are optimizing the mix of those. So there's a whole variety of different factors that are going into it, but it is something the treasury team working with the business are now very focused upon.

Unknown Executive

So I think we have time for one more additional one. We are hanging around [indiscernible] with questions.

James Frederick Alexander Invine
Societe Generale Cross Asset Research

It's James Invine here from SocGen. I just wanted to ask about your investments please, you mentioned to Tom's question, but is there a project that can give you more than 10% return. How much are you restraining your investment because the group return is still quite low at the moment. So is there a much bigger pipeline that you'll release if you are more comfortable overall?

William Thomas Winters
Group Chief Executive & Director

So the real constraint as we went from 2015 to '16 and '17 was capacity. So as Andy pointed out in his slide, the investments that were not in just system replacement or regulatory improvements were $100 million in 2015, it's up to $800 million today. So we needed to ramp up pretty substantially our capacity to prudently and toughly make that incremental investment. And that is still -- it's a pretty close to the binding constraint. That said, we made commitments about overall expenses in 2018 relative to 2015. We take those seriously. So we have kept a pretty careful eye on the margin, as to whether we can be a bit more efficient in terms of how we invest and spend. But you also saw in our ROE walk forward, we would expect expense increases to partially offset the income growth that we think we can generate. And obviously, a chunk of that, some of that story, will comp but a chunk of that is stepped up investment because we do have capacity to incrementally invest. And that will always be the case. So there is the things that we fully imagined, we would be investing in, as we've progressed with our business. And then there's things that arise along the way, the extraordinary focus that we've all got on cybersecurity and really understanding what's involved with staying at the cutting edge or at least some sort of leading edge of cyber protection, that will evolve. So we have stepped up our pace of investment in that sort of area beyond what we've probably imagined in 2015 because the threats become more clear. Nothing specific, but just it's an obvious one. It's in the news every day. So not to say that we won't have other things like that, that will come up, that aren't in our immediate horizon for planning today.

James Frederick Alexander Invine
Societe Generale Cross Asset Research

Three follow-up on the investment. You've kind of helpfully given us some metrics on Slide 12, the progress you're showing, but I guess those are group averages, and you're in some pretty varied markets. So were there any particular regions or countries where you think you're kind of way ahead of the competition and this is a real edge, maybe some areas where you think you're kind of lagging some of your competitors?

William Thomas Winters
Group Chief Executive & Director

So if we look at the countries or markets or segments where we thought we were at the leading edge of capabilities 3 years ago, it would be a very short list. When we look today, and we see 0 human touch online account opening and servicing, self servicing and management, in a handful of markets, we would expect that to continue for some time to come. We're first in market in a number of cases today. By no means are we first in market across the board, right? We're just not. We are still at a reasonably big technology and capability gap between where we are and where the best-of-class is in each market in which we operate. But we've demonstrated an ability when we focused to get to best-in-class or at least to get to first to market, we'll subsequently demonstrate that we can be best-in-class. And that's an ongoing evolution, but it's one we think that -- we're never going to compete on the basis of our sheer scale. That isn't what Standard Chartered is. We've got to be more nimble, and we got to hit very hard in the markets where we have an advantage. So we've identified what we think those markets are. Africa has been a key and we really want to be at the cutting-edge across our African markets. We want to get more than our share of growth from Africa. We want to get more than our share of growth from South Asia. We want to demonstrate that we can satisfy a mass affluent market in India efficiently, and we haven't fully demonstrated that yet. But the individual products and services that we're rolling out are laying a pretty good foundation for us to say, yes, when we focus on it, we can get it right. Honestly, we would expect that to snowball over time.

Good. So with that, thank you again for coming out first thing in the morning. Good questions, as always. Appreciate your thoughtfulness and support. And happy to engage as we ordinarily do in the days, weeks and months to come. Thanks.