Standard Chartered PLC
Re-presentation of financial information meeting with analysts

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(Amended in places to improve accuracy and readability)

David Lock:
Good morning everyone and thank you for joining this explanatory call regarding the re-presentation that Standard Chartered has published earlier today which impacts the underlying figures for the Group, business segments and key geographies.

You can find at the Group's website an RNS with details on the changes, a data pack with revised financial information for the last eight quarters and a presentation which we will run through shortly. This new basis of reporting will be used in our upcoming first quarter results due to be published on 2nd May 2025.

I will now hand over to Pete Burrell, Group Head of Central Finance and Deputy CFO SC Bank, Standard Chartered Bank, who will provide a brief overview of the changes that have been made before we open the line for questions. Please, could you raise your hand using the team's function if you want to ask a question and if we could ask you to stay on mute for the rest of the call so everyone can hear clearly.

For the avoidance of doubt, we will only be discussing the re-presentation of historic financial information. This is not a pre-close call on the first quarter 2025 results. Pete, over to you.

Peter Burrill:
Thanks David. Good morning and good afternoon to you all. Thanks for joining the call today. I'll keep my remarks brief before we take your questions. Before we start, I want to state up front that the re-presentation provided today has not resulted in any changes to the reported financial performance of the Group.

Also, all guidance that was given at full year 2024 results remains unchanged. One of the key purposes of these re-presentations is to allocate more of the previously centrally held income, costs, tax and risk weighted assets (RWA) to the business segments and geographies driving those items.

This will first of all deliver a more accurate view of the returns generated by business segments and reduce the drag on return on tangible equity (RoTE) in the Central & Other segment. By providing better transparency of the resources that the business segments consume, this will drive better decision making, resource allocation and return outcomes across the Group. In aggregate, the impact of the allocations will increase the income and expense base of Corporate & Investment Banking (CIB) and Wealth & Retail Banking (WRB). We are also explicitly allocating minimum requirement for own funds and eligible liabilities (MREL) costs to the business segments and allocating RWA based on the business segment's impact on the liquidity pool managed by Treasury.

Overall, these allocations reduce the RoTE in CIB and WRB by approximately 400 basis points in 2024 and reduced the RoTE drag in Central & Other by 600 basis points. Slide three shows the impact of these changes in allocation on the Central & Other segment. The income drag within Central & Other has increased to $443 million from the previously published $121 million in 2024. This loss has been flattered by the benefit of $295 million of notable items reported in 2024 relating to Ghana hyperinflation and Egypt FX.

The increased negative income reflects the fact that we are not allocating to the business segments the legacy structural and short-term hedges as part of the treasury allocation process. These remain in the centre. The short-term hedges have already matured and the impact of the legacy structural hedge will reduce over time as hedges mature and roll off. The expense base of Central & Other has reduced by two-thirds as a greater proportion of Group function costs have been allocated out from the centre into the segments.

The UK bank levy has also now been allocated from Central & Other into the business segments driven by their share of UK liabilities, so it will primarily impact CIB going forward. Not shown on the slide is tax. Previously in computing segmental RoTE, the Group applied a blended tax rate to the business segments with any differences to the Group's overall tax charge allocated to Central & Other. Going forward, business segments will be charged the applicable tax rate on the profits they generate in each market.

This will grant the business segments better visibility on how to influence the Group's overall tax charge and ROTE. From a balance sheet perspective, we have decided to not allocate assets and liabilities from treasury to the business segments. However, given that for RoTE computation we calculate segmental notional equity from average RWAs, we will be allocating RWAs from Treasury to the business segments on the basis of the contribution to the size of the liquidity pool.

Turning over to slide four, as part of the re-presentation, we have streamlined how we record product income across our business segments. The purpose of these changes is to make it easier to model the Group's income by segment and by product. Previously we had small pockets of income associated with CIB products being reported in WRB and vice versa. The WRB products were also being used by the digital banks for their external reporting. We've streamlined the Group's product hierarchy so that each product is exclusive to a business segment.

Any income not related to the core products of the business segment is now booked under the Treasury & Other product line. Treasury & Other is the only product line to be used across multiple segments and will also house the treasury allocation income that the segments receive. Ventures income has been regrouped into two products: Digital Banks, which represents Mox and Trust, and SC Ventures. Within WRB, changes in interest rates would lead to diverging trends across Deposits and Mortgage product lines.

So, we have combined these into a single Deposit & Mortgages income line to minimize the volatility caused by interest rate movements and funds transfer pricing. I won't talk to slide five, but you can see how the product hierarchy changes have simplified our reporting structure.

Turning over to slide six, as a large multinational bank, we have to manage complex multi-currency balance sheets across our footprint. This results in currency mismatches across our legal entities and we use FX swaps to risk manage these mismatches.

Previously, our risk management procedures created accounting asymmetry with the cost of funding the currency mismatched book in net interest income and the income generated from the swaps booked in non-net interest income. The change we have made will, number one, reduce volatility in our reporting by removing the accounting asymmetry across NII and non-NII, and two, make us more compatible with many peers who already adjust for the funding cost of risk managing currency positions.

The impact of this change has increased FY'24 underlying NII by $650 million to $11.1 billion and reduced non-NII by the same amount. There is no change to the Group's total underlying operating income nor to its statutory net interest income. I'll now hand back to David and we will be ready to take your questions.

David Lock:
Thanks Pete. And as a reminder, please could you use the raise hand function on Teams if you want to ask a question. And please remember to unmute your line when we come to you. We'll just pause for a moment to collate any questions. OK, our first question is from James Invine, please go ahead.

James Invine - Redburn:
Good morning everyone. Thanks for the call. I've got two please. Pete, I think at the start of your speech you talked about better decision making. I was wondering if you could just give us an example of a couple of products, please where this will actually bite? So, products where previously you thought they were returning above the cost of equity. And now with this new information they are below, how you plan to tackle that.

And then secondly on WRB, so you've got the RoTE going from 24% to 21%. Is it fair to say that this is almost entirely driven by the Retail Banking side, and that the Affluent is unchanged or, will that one also have come down by a similar amount? Thanks.

Peter Burrill:
Yes, thanks for the question. To address the first question, I think the easiest example to think about is liability products and deposit products where you essentially were getting income for creating the liability, but the asset was sitting in treasury, in the RWA. In a country such as Pakistan where you have very high RWA on government securities, this would be shown in Treasury. So, that's one example where the CIB business or the WRB business that was generating the liquidity would be showing essentially an infinite return on equity because the assets were sitting in Treasury. So, that's one example where this will drive that behavior and people will understand both sides of the balance sheet and drive that.

The second example is kind of the bank levy that we talked about and that I mentioned, which is while it was sitting in Central & Others (C&O), there wasn't the same incentive mechanism to get the primary user of the UK balance sheet focused on what those drivers are. So, those are the two examples that I would pull out, where the product view alone wouldn't have captured that and what we hope to drive better decision making on.

The second one on WRB, I don't want to break down specifically between the personal versus affluent. A big component of WRB drag was just the cost allocations from Group into the centre. So, we took two-thirds of the cost out of C&O and pushed those out. That's not specific to the personal segment or the affluent segment. So, I can't provide a more specific breakdown than that.

David Lock:
James, just one other thing, which is that if you look at the data pack now, we've provided the affluent income on a quarterly basis and we will provide that going forward. So, you should be able to track that going forward. Obviously, we had the affluent seminar which provided additional information on the affluent business.

James Invine - Redburn:
Great, fantastic. That's lovely. Thanks

David Lock:
The next question comes from Kian. Kian, can you open your line?

Kian Abouhossein – J.P.Morgan:
Hi, thanks for taking the question. Just on the cost, clearly you reallocate something like $500 million of cost. And I'm just trying to understand who controls the cost going forward. One thing is allocating costs. The other one is do the businesses actually now control the staffing that comes with it?

And I guess some of it is centralised but I'm just trying to understand how much control it is to actually work on the cost to reduce these additional allocated costs now that you control them and look at duplications and what you actually need post allocation to improve the returns.

And then just the second question is regarding NII and the hedges. Can you just run through that one more time? I lost you a little bit there. Apologies. Just to ensure I fully understand how that is now allocated.

Peter Burrill:
Yes sure. Thanks, Kian. So, on the first question, there was $500 million that was sitting in Central & Other, they're not directly controllable by the business segments but they are definitely influenceable. So, I think that the, while they don't control the headcount decisions, for all of the various functions that that maintains, this will create a natural and healthy tension to try to influence the amount of those costs. So, it's more of an influence rather than control.

But again, the key thing there is it gives a more realistic view of the overall returns on the business even if they can't necessarily directly control all of those costs. So, that's on your first question. On your second question on NII and the hedges. So, if you remember we have short-term hedges. The short-term hedges expired in 2024 so we didn't bother to reallocate those because they're gone and it's only going to affect 2024 and before.

And the second is on some of the structural hedging, when we originally started kind of putting on structural hedges, and we disclosed some of this in 2023 I believe. When we struck our original hedges, we booked most of them centrally, and they weren't allocated to businesses and products at the time.

And we have just essentially left a portion of those legacy structural hedges sitting in Central & Other and not allocated all of those out. So, that was what I had tried to clarify as far as the allocation of some of those structural hedges as far as what is still in Central & Other. I hope that clarifies it. But if not, I'm happy to take a follow up.

Kian Abouhossein – J.P.Morgan:
No, that helps. Just one more question on the cost side. So, the staff related to the expenses that you allocate now to the divisions, they don't have control over the staffing related to these expenses. I assume a lot of it is outsourcing and centralised staffing.

Peter Burrill:
Yes, so back to what I said, influence rather than control. So, a lot of that will be central functions, whether that's, Finance, Risk, HR, those types of things where of course they don't have the final say on the headcount or the costs, but they can definitely interrogate and influence those outcomes.

Kian Abouhossein – J.P.Morgan:
Ok, thank you.

David Lock:
Thanks a lot. Just a reminder, if you'd like to raise a question, please use the raise hand function. Our next question is from Aman. Please go ahead.

Aman Rakkar - Barclays:
Yes, hi. Thanks for this. So, yes, and thanks very much for the color around what's kind of moving in and out of Central. But could I just ask you then from here, what is in Central now from here on? I'm mainly asking around how

we should think about modeling that as a division going forward under this new construct. Can you just help us with the kind of the major moving parts on revenue and cost, please? That'd be really helpful.

Peter Burrill:
If the question is what's remaining in Central & Other as a kind of segment. So, there will be some of the treasury activities that still remain there, and we mentioned that some of that is the legacy structural hedges. So, a small amount of treasury activity will sit there in the income side. On the expenses, we will still have head office costs. So, what remains in the cost base of Central & Other is head office costs.

On credit impairment, I wouldn't expect to see a lot there because it's going to be the remaining treasury book that isn't allocated out to the segments, but that should be pretty small. If there are other impairments, we don't know what those are going to be, but other noise we would probably look at if it's not attributable to a segment there, but it's not something I would necessarily forecast on.

I think the other thing to consider is from an RWA standpoint, there is still some Central RWA and assets sitting in Central & Other. And that is primarily things like corporate real estate, deferred tax assets, other things like that that don't have the same basis to allocate out to the segments. But it should be a much smaller PnL than what we've seen in the past.

Was the question around Central & Other segment or was it about the Treasury & Other as a product? Sorry, just to clarify.

Aman Rakkar - Barclays:
Yes, just whatever help to think about how to model that as a division going forward. To me it's always a reasonably volatile division with low levels of transparency. So, actually the color that you've given is really helpful. But yes, I mean if there's anything else in terms of treasury as a product line that we should think about?

Peter Burrill:
In Central & Other, if there's any significant one offs or anything like that, we'll be transparent on those. As I said, the notable items we had last year for example on Ghana and Egypt show up in Central & Other as those weren't specific to business segments. But we expect that the new presentation will be more helpful to track that going forward.

Aman Rakkar - Barclays:
OK, thank you.

David Lock:
OK, has anyone else got any other questions? I'll give you a few seconds. One more question from Jordan. Please go ahead.

Jordan Bartlam - Mediobanca:
Hi guys, super quick one just in terms of the Mortgages and the Deposits revenue lines that you previously split out and are now joining together. Just wanted to understand in a little more detail what the rationale for joining those together was? There was quite a bit of information content that could be garnered from having those separately, at least for me. So, just to understand the rationale that would be kind of helpful.

Peter Burrill:
In Sure, happy to address that one Jordan. I think when we looked at it, in a stable interest rate environment it might be helpful to show Deposits and Mortgages separately.

But what we found is as interest rates move and there's differences in funds transfer pricing and other things, you end up with artificial volatility between Mortgage and Deposit line items showing potentially big negatives in some cases and big positives which aren't necessarily representative of the underlying economics of those products specifically but have more to do with the changes in rate and how quickly those show up in your internal transfer pricing around funding.

So, we just thought it would cleaner since there's a good offset between the Mortgage and Deposit book in most of our markets to just push those together and avoid that unnecessary volatility.

David Lock:
Yes, Jordan, just so you're aware, the old presentation that we gave effectively was the margin of deposits and the margin of mortgages over a Funds Transfer Pricing (FTP) that we didn't disclose. So, effectively by combining the two it should be a more useful line for you to forecast. And it should be more stable.

Jordan Bartlam - Mediobanca:
Thanks a lot, guys.

David Lock:
OK, I'll pause for a few seconds to see if there's any more questions, otherwise, we will close the call.

OK, thank you everyone for joining. As usual, we will have a key updates document that will be circulated in the coming days. And we look forward to speaking to you at our first quarter results on the 2nd of May. Thank you.