Standard Chartered PLC

Key updates communicated during Q2 2024

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Standard Chartered PLC (the Group) publishes a summary of key updates that were communicated during the second quarter of 2024.

Income

On the Q1 earnings call on 2 May, the Group confirmed its full year 2024 (FY'24) income guidance to be around the top of 5-7% growth range excluding impact from the two notable items in Q1'24.

- Net interest income (NII) is expected to be $10-10.25bn in 2024;
  - This includes further benefit from the mechanical impact of the short-term hedge roll-off; which will be somewhat offset by reduced client asset demand in a 'higher for longer' rates environment
  - At the Goldman Sachs European Financials Conference (GS conference) on 5 June, Diego De Giorgi, Group Chief Financial Officer, reiterated this guidance for 2024. He highlighted that whilst passthrough rates remain "okay" in Wealth & Retail Banking (WRB), "they continue to tick up" in Corporate & Investment Banking (CIB).
  - Manus Costello, the Global Head of Investor Relations, highlighted at the Berenberg conference on 20 June that the Group has been optimising its Treasury assets and liabilities over recent quarters, impacting the mix of interest earning assets on a quarter-on-quarter (QoQ) basis. This effect "creates some noise on the calculation of net interest margin… [which is] one of the reasons that we moved our guidance from a NIM basis to an NII basis".

- On non net interest income (Non NII);
  - Diego De Giorgi stated at the GS conference that Wealth Solutions income in Q2 is growing at a similar pace year-on-year (YoY) as Q1; and the leading indicators of new-to-bank and net new money are also working well.
  - He also said that the Banking pipeline was "excellent" in Q1 and the pipeline for Q2 "has built on the same levels, if not better, than the pipeline for Q1".
  - Manus Costello highlighted at the Berenberg conference, that Markets Non NII is expected to be "broadly flat" in the second quarter due to a strong comparator last year.

Operating expenses

At the GS conference, Diego De Giorgi reiterated the Group's commitment to deliver on the absolute cost cap of $12bn in 2026, which equates to 3% CAGR over a three-year period from 2023.

- The Fit for Growth (FFG) programme is progressing well, with over 200 initiatives already identified
  - Targeted savings are expected to be realised through 2025 and 2026; as a result, cost growth will be higher than 3% in 2024, and lower than 3% in the next two years
  - A smaller part of the cost-to-achieve is expected to be incurred in 2024, with the vast majority next year and a meaningful tail in 2026

As a reminder, on the Q1 earnings call, Diego De Giorgi highlighted that Q2 cost is usually seasonally higher than Q1, with annual staff performance related pay adjustments being effective from 1st of April. He also noted that there would be $100m of restructuring charges in FY'24, relating to the previous expense reduction programme.

Credit impairment

At the GS conference, Diego De Giorgi highlighted that the current level of impairment in WRB is "probably a good run rate to think of" in a 'higher for longer' rates environment. In Mox, the Group's digital bank in Hong Kong, impairment that had been running higher in recent quarters is also beginning to come down.

At the Berenberg conference, Manus Costello highlighted that CIB benefited from releases in Q1 and had a very low level of impairment. This is not the expected long-term run rate, but it is not showing any signs of material stress.

Loans and advances (L&A)

At the Berenberg conference, Manus Costello stated that overall customer volume remains somewhat muted due to continued mortgage headwinds in Korea and in Hong Kong. However, the Group continues to see some green shoots in CIB. This is supportive of the low single-digit growth percent guidance for FY'24.

Risk-weighted assets (RWA) and Capital

At the GS Conference, Diego De Giorgi stated that the Group continues to manage its RWA actively, with the market RWA deployed to help clients access certain opportunities in Q1 coming off, as previously highlighted at the Q1 earnings call.

The Group's commitment to returning capital to shareholders and operating dynamically within the 13-14% CET1 ratio target range was also reiterated.

Lastly, as highlighted in the Q1 results, the Group is accruing a provisional interim ordinary share dividend over the first half of 2024, which is calculated formulaically at one-third of the ordinary dividend paid in 2023; half of which was accrued in Q1'24.

Published guidance at constant currency (as of 2 May)

- Income to increase around the top of 5-7% range in 2024, excluding the two notable items in Q1
  - Net interest income for 2024 of $10bn to $10.25bn
- Positive income-to-cost jaws at ccy, excluding UK bank levy
- Continue to expect loan-loss rate to normalise towards historical through-the-cycle 30-35bps range
- Low single-digit percentage growth in loans and advances to customers and RWA in 2024
- Continue to operate dynamically within the full 13-14% CET1 ratio target range
- Plan to return at least $5bn to shareholders (2024-2026)
- Continue to increase full year dividend per share over time
- RoTE increasing steadily from 10%, targeting 12% in 2026 and to progress thereafter.

The Group will announce its Q2 earnings on 30 July 2024.

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