

Standard Chartered PLC

Key updates communicated during Q3 2024

3 October 2024

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

As a reminder, Group published guidance at constant currency (as at Q2'24 results) was:

- Income to increase 5-7% for 2024-26; above 7% in 2024, excluding the two notable items (\$258m in H1'24)
- Net interest income for 2024 of \$10bn to \$10.25bn
- Positive income-to-cost jaws, excluding UK bank levy, each year
- Expenses (excluding bank levy) below \$12bn in 2026, with expense saves of ~\$1.5bn and cost-to-achieve of no more than \$1.5bn from the Fit for Growth programme
- Continue to expect loan-loss rate to normalise towards historical through-the-cycle 30-35bps range
- Low single-digit percentage underlying growth in loans and advances to customers and RWA in 2024-26 (pre Basel 3.1 day-1 impact of no more than 5% incremental RWA)
- 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

Key highlights of updates communicated during Q3 2024:

Net Interest Income (NII)

- At the BoA conference Diego De Giorgi reiterated our guidance for 2024 of \$10-10.25bn for NII “albeit we would expect to be towards the lower end of that”, mostly due to the asynchronous movement of margins and volumes after rate expectations fell more sharply
- **Structural Hedge:** At the post Q2'24 results meeting with analysts, Group Treasurer Dan Hodge highlighted that the Group has c.\$20bn fixed rate mortgages on top of the \$51bn disclosed at 1H24. He also commented that around a sixth of the structural hedge rolls every year, and that this year the group likely has more lower-yielding positions maturing than next year. At the BoA conference, Diego De Giorgi reiterated that our structural hedge (ex-fixed rate mortgages) will finish the year at close to \$60bn, in order to manage for stability of NII

Non net interest income (Non NII)

- For **Wealth Management**, Diego De Giorgi stated at the BoA conference that indications for Q3 were for a similar level of new-to-bank and net new money flows to recent quarters. At the post Q2'24 results meeting with analysts, Peter Burrill mentioned that there is seasonality on Bancassurance sales (now a separately disclosed revenue line item) where there is typically a drop-off in Q4
- Standard Chartered will be holding an investor seminar on Wealth Management, with a particular focus on Affluent clients, on 3rd December 2024
- For **Corporate & Investment Banking (CIB)**, Diego De Giorgi stated at the BoA conference that Global Markets has been doing well in Q3, and that the pipeline continues to be healthy in Global Banking, though not at record levels

Operating expenses

At the BoA conference, Diego De Giorgi reiterated the Group's commitment to deliver on the absolute cost cap of \$12bn in 2026, and positive jaws for 2024-26 on an annual basis.

Credit Impairment

At the BoA conference, Diego De Giorgi suggested that the impairments seen in **Wealth & Retail Banking (WRB)** in recent quarters remain the right level to be expected at this stage of the cycle for our type of business. On the corporate side he said that there remained limited signs of stress at present.

Other income statement items

- **Other impairment:** At the BoA conference Diego De Giorgi said that in Q3, similar to recent quarters, he expects further small software impairments (which do not impact CET1)
- **Tax:** At H1'24 results, Diego De Giorgi said that the Group expected FY'24 underlying effective tax rate to be around 30%
- **Restructuring costs:** At H1'24 results, Diego De Giorgi said that the Group expected to incur around \$200m of the \$1.5bn CTA charge for Fit for Growth in 2024, with the majority in 2025 and a meaningful tail in 2026. At the post Q2'24 results meeting with analysts, Manus Costello highlighted that of the \$200m CTA for Fit for Growth in 2024, c.\$100m was incurred in H1'24, with c.\$100m due in H2'24. Incremental charges from previous programmes of \$50-100m are also expected in H2'24; totalling \$150-200m in expected restructuring charges for H2'24

Balance Sheet Loans and advances (L&A)

- **Loans and advances growth:** At the BoA conference, Diego De Giorgi said that “we continue to see green shoots of demand in Q3 like we saw in the first half where our [underlying] customer loans and advances grew by \$5bn” but that the growth rate remains below what we see as natural for our footprint (around 5% across the cycle)
- **RWA growth:** At Q2'24 the Group continued to guide to low single-digit percentage growth in overall RWA for FY24. At the post Q2'24 results meeting with analysts Peter Burrill highlighted that the reduction in RWAs in Q2 was not something that was likely to reverse, but that the scale of the reduction in Q2'24 was unlikely to repeat in future quarters
- **Basel 3.1 & Capital Return:** Diego De Giorgi said at the BoA conference that the Group would give more detail on the impact of the Basel 3.1 rules at our Q3 results, along with an update on our expectations for capital return over 2024-26
- **Buyback progress:** at close of 30/09/24 an aggregate \$603.5m of the \$1.5bn buyback announced at Q2'24 results had been executed

Q3 2024 events & full materials:

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| – 30/07/2024 | H1'24/Q2'24 results call | transcript |
| – 02/08/2024 | Post Q2'24 results meeting with analysts | transcript |
| – 29/08/2024 | Trust business update & new product launch | slides |
| – 13/09/2024 | China Investor reverse roadshow | slides |
| – 24/09/2024 | Diego De Giorgi fireside chat at BoA conference | transcript |

The Group will announce its Q3'24 results on **30 October 2024**, further details, including how to register for the virtual presentation of the results can be found here: <https://www.sc.com/en/investors/financial-results/>

For questions and further information, please contact:

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