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In conversation with:
Diego De Giorgi, Group Chief Financial Officer, Standard Chartered

(Amended in places to improve accuracy and readability)

Chris Hallam – Goldman Sachs

Diego has been Group CFO for Standard Chartered since January 2024. And previously across his 30 or more year career in financial services, he spent 18 years at Goldman Sachs running our European FIG banking business. So Diego, welcome back.

35 minutes, we've got some Q&A to do on stage, then we'll jump into audience Q&A towards the end. First, let's start with the most recent event. You hosted an investor seminar on your Corporate and Investment Banking business in May. Maybe if you could just start by summarising some of the key highlights and some of the drivers for the improved performance you expect to see in CIB.

Diego De Giorgi:

Yep. So it came, as many of you, I recognise a lot of the faces in the room, as many of you know, this was on the heels of the other seminar that we held for our other very distinctive business, our wealth management for affluent customers. And so we really wanted to give the market full view of what are our key secular and cyclical engines of growth.

I think in terms of CIB, our objective was clear, we wanted to explain that we have a top tier business in the markets where we operate, that we compete at the highest level for everything that we do, that we exploit our very powerful network effect, our diversified and resilient network comes to our help when we serve our corporate customers. And that the agility that comes from that network makes it perfect to be put at the service of people in relatively discombobulated times, like the ones that we are living through.

In terms of where we are going and how we are competing. It's a carnivorous market out there. We compete principally by deepening our wallet share. We are big believers that we exist to serve very different type of clients, but we particularly exist to serve the very largest multinational corporations and financial institutions, like yourselves, around the world. And in order to do that, we need to constantly innovate, constantly expand our product suite, and constantly digitise it so that we deliver it at a lower cost, faster speed, better results.

That is the story of our franchise in CIB. That is what positions us well to take advantage of these difficult times.

Chris Hallam – Goldman Sachs

And then, on the topic of difficult times, maybe in light of the recent trade uncertainty, and considering the footprint that you have, which is relatively unique, how do you see the macro backdrop across the various regions in which you operate? And how have clients been responding? And how is the business currently performing?

Diego De Giorgi:

So, let's start with what we are seeing from our clients, because it's very interesting. We are present in 53 different countries, actually many more, we touch many more than those, but obviously we're present with our subsidiaries and our branches across a broad swath of the world. And we are a truly global bank in the way that we operate.

The level of activity is, I hate to use a word that I have heard that has been used a lot in these halls in the past two days, but the level of activity is fundamentally unprecedented because people are trying to understand what do they want to do. And as they think about the strategic actions that they're going to put in place, they have a lot of tactical work to do, they have a lot of risk management, they have a lot of hedging that they need to take care of. While the world continues to evolve very fast.

And as you can imagine, being executives at Standard Chartered, we spend a lot of time on the road, whether it's in China, in India, in ASEAN, in the Middle East, it's very clear that the flows of capital, of wealth, of goods (although you all know at this point because we have been saying it many times) that trade is just a part of our arsenal, and it's [around] 5% of our revenues, and of services continue to shift.

I think one of the most interesting slides, and one that I am particularly proud that our powerful IR team has engineered, is our ribbon chart that shows where our flows come from and go to. And in the CIB seminar you will have seen an animated version of that, which I think gives you a sense of how fast some of those things change within very large, very secular trends.

So these days, the constant rethinking of where the supply chains are coming from and where the end markets are going to be for everyone, whether you are an American importer, a Chinese exporter, an Indian electronics manufacturer, a Singaporean trade customer or a commodity player across the world is at an all-time high.

Now, how's the business doing in that? In the way that you would expect. In the sense that the [Global] Markets business is doing very, very well. It's clearly taking advantage of everything that is happening around our footprint. And it's taking advantage of the fact that about, I always like reminding you, that the vast majority of our business in Markets is a business of managing risk for our customers. [Around] 50% of our [income from CIB] customers are corporates, 30% are banks and broker dealers and 20% about are investors. And that level of flow business is constantly humming.

Now, it's flow, but as we have pointed out in the past, it's flow that grows at almost 10% per annum. It's grown at 9% CAGR for the past five years and a bit more. So it's clear that that business is doing particularly well.

The [Global] Banking business is also doing well. And we keep a keen eye on it. But remember, that our Banking business, although we have our fair share, I am a baseball aficionado for those of you who don't know it, so I tend to think of it in terms of baseball terminology, we do hit a homer every now and then, but we are fundamentally a game of singles and doubles. And hitting singles and doubles, it's easier. And our Banking business has been hitting them consistently as clients continue to think about what they want to do with the big strategic moves.

Now, is it possible that going forward we are going to see a little bit of a slowdown in terms of the pipeline. Maybe because people by the way have brought forward a number of decisions in the relatively more certain times now and then they will decide to slow down, it is possible. Right now we're not particularly seeing it.

Our wealth management business has proven to be exactly what we always say it is. Our wealth management business, we serve all constituencies, all the way to the private bank, but our laser focus is on the affluent business, which we define with people that have assets under management with us of between \$500,000 and \$5 million. That affluent business is a business of long-term savers. These are people that have with us one or two anchor products, whether it's life insurance, whether it's a mortgage, whether it's some large investment, and then they have a portfolio of wealth solutions where increasingly we offer them from our open architecture approach both any product that they would like plus some foundational products that we curate for them.

Those clients have continued to be active. They've clearly skewed a little bit more defensively in the early part of this quarter. Having said that, there isn't a different level of marginality if you wish, Chris, between the defensive and the more offensive products. And they are all offered in open architecture. And the flows have continued strongly during the past two months. So all seems to be going well as we watch the news every morning.

Chris Hallam – Goldman Sachs

And then maybe shifting gears to NII, you've highlighted that 2025 NII will be challenging to grow. How are you thinking about some of the key moving parts within that line item?

Diego De Giorgi:

Yeah. So no difference, we do still think that it's challenging to grow. We do think that it's challenging to grow primarily because of two impacts. One is obviously the absolute level of rates. We will give you further update on our currency weighted forward curves. Which I always say, it's your business as investors to decide where do you think the Fed is going to go. It's our business as a bank, and my business as a CFO, to look at the forwards and put in place the best thing that we can do based on what the forwards are telling us. So the forwards are telling us that the headwind has certainly increased from last year. And although we don't know for sure when it's going to happen, the trajectory is clearly a trajectory in which the headwind increases. And that's the first influence.

The second influence is the management of passthrough rates. We flagged at the end of last year that we had been particularly assertive in managing those passthrough rates and we continue. Our committee that handles the pricing of our liabilities and of our assets is one of the most enjoyable parts of my activity. It's where you truly turn the dials and regulate the flows within the system to a large extent directly through the relationship with clients and obviously through our internal transfer pricing.

What we see in terms of PTRs is that we continue to manage them well. But as rates continue to decrease our ability to manage, while we manage well what we can manage, the portion of those rates that we can manage shrinks. And by the way, the convexity increases as rates go down. So that is the second big impact.

Now, within that, in any normal circumstances, a decreasing rates environment ought to come with a big silver lining, which is volume growth and client enthusiasm for doing business, etc. Are we seeing a lot of that? Well, we saw more of that in the first quarter than we would've thought we would see. And we grew customer loans and advances at low single digit, which is what we guide for the full year. But it's clear that this is a peculiar situation of why rates are where they are. And as a consequence, that loan growth remains in question.

Last thing I would say probably on the net interest income thing that I think is relevant is that you know very well that we have long had as an objective managing the volatility of our net interest income. And we have been increasing substantially our structural hedge. We have indicated that we want to increase it towards \$75 billion during the course of this year. The environment for that activity is actually good because rates in many of the currencies where we can access hedges, particularly on a swap basis, have remained relatively more elevated, and therefore we can put on hedges.

Having said that, the combination of the moves in interest rates and the peculiar situation in Hong Kong, that I'm sure is of some interest to the audience, so we will figure out a way of talking about that, is such that it's entirely possible that the IRRBB exposure, for imperfect a tool that it is, it is a decent tool to look at interest rate exposure, that the IRRBB exposure might be higher in this kind of environment than it was before. But it will come with a strong silver lining that we can continue to accelerate in putting forward our structural hedge.

Chris Hallam – Goldman Sachs

And then maybe let's just touch on that point you just referenced. There's been a pretty significant move in HIBOR since you reported Q1 results at the start of May. So how would you guide us to think about the sensitivity on those moves?

Diego De Giorgi:

So it's the new, after watching what happens coming from the US administration, the new game in town is watching what happens with HIBOR every morning and what happens with the Hong Kong dollar. And some of the moves are peculiar in the sense that these are arbitrages that we have all lived with for a lifetime and that normally result in a closing of the arbitrage at a faster speed. The reason why that is not happening today is manifold, and I'm happy to touch upon it. But let's start from the impacts on us.

A decrease in HIBOR is obviously not a positive for us. Is it a big negative? Not particularly big. In the sense that we have indicated in our IRRBB disclosure that the impact of a hundred basis points shift is about \$50 million. Within that, it is clear that as HIBOR continues to trend down, the convexity effect also piles on. And that we have already discussed it in discussing about the net interest income that to a certain extent exacerbates the problem.

The good news is that as that happens there is a lot of activity in Hong Kong of two types. One, the activity that we capture in [Global] Markets. So part of the very good time that we are having in Markets is also due to the gyrations happening in Hong Kong. The second is that the impact of lower rates in Hong Kong is undoubtedly a fillip to the Hong Kong economy. And although it is easy to say, and probably relatively fair to say, that it's not enough that rates stay low for a month or two for the economy to feel better. The truth is the economy feels better relatively quickly. And at the margin, whether it's the activity, in particular, think about the activity of corporate refinancings, it's pretty obvious the treasurers are getting pretty busy in Hong Kong these days. Think about refinancing linked to real estate of various types. Think about the fact that we have restarted, we have already restarted about a quarter ago, but clearly the machine of mortgages is restarting. All of those things are relative positives coming from HIBOR and come to our help net-net.

If I conclude with a framing point of view, remember that we give you the impact of the main currencies in our interest rate sensitivity, and although Hong Kong and HIBOR is important, it's 13% of our [top 10 currency] interest rate sensitivity, so limited.

Chris Hallam – Goldman Sachs

And looking past NII, you guide towards the upper end of the 5% to 7% CAGR for '23 through to '26, that's for total income. But for 2025, you expect to be below this range. So maybe if you could just give an update on current trading in that.

Diego De Giorgi:

So I continue to believe that that is the case, mainly based on the uncertainty surrounding the speed of deterioration of the NII picture, not necessarily the NII number, but of the NII picture. It's true that we take a lot of comfort from the fact that our engines of non-NII growth are continuing to do well. But we know that our business is made of two components. One is a motorboat, and the other is a sailboat. We manoeuvre the sailboat as well as we can, and the motorboat is powering ahead. But in the near term, I think it's prudent to continue to think that way.

Chris Hallam – Goldman Sachs

And then, as you've already outlined actually on stage, the particular focus on Affluent within the WRB business, which I think you aim to take up to around three quarters of income there. And you're targeting around \$200 billion of net new money over '25 through to '29. So what are the key levers you see in unlocking that strategic evolution? And how would you measure progress? And how would you assess your progress so far?

Diego De Giorgi:

So the levers are the ones, let's talk about two things, one, the ones that are completely in our control, and the second is how do we exploit both the structural and the cyclical trends? The ones that are in our control, of course are the amount of our investments. We've told you we are going to be doubling down and we're going to be investing one and a half billion [dollars] in our wealth management for affluent. We are progressing with it. The investments run the gamut from obviously people, digital approaches, infrastructure. We have opened our second global Indian centre in Chennai. We have opened our sixth wealth centre in Hong Kong. We've opened the first expatriate-focused wealth centre in Dubai, that I'm going to be visiting next week. It's clear that the investments are how we go about it.

It is very, as everyone knows, it is a very competitive space, but we are very specifically positioned. By all means in certain areas and in certain geographies and in certain segments we compete with everyone, we compete with other people's private banks, although we continue to invest in the private bank and it's bringing us very good results. But this relentless focus on the affluent area, on the real long-term savers that are lower cost to acquire, they are lower cost to serve because they're very happy (I have left my phone there in order not to be distracted) but they're very happy to be served through the phone.

They are very loyal. Even the affluent environment is an environment in which relationship manager velocity of change is relatively elevated, particularly in Asia, but they don't move with their clients. The relationship manager of the private bank owns the relationship with the client. The relationship manager of the affluent part of the bank is the steward of the relationship of the client with the bank. And once the client has life insurance, a mortgage and a lot of investments, they don't move easily.

So those are the things that we do. This is the way that we compete. We are very disciplined. We put our money where we have true competitive advantages. And we exploit them as much as possible, taking advantage of some of the cyclical events.

I mean, think about how, this is something that comes very much across when we talk to our clients in the private bank and in the affluent bank, think about how discombobulating the current events. We tend to think of people like us in this room and we tend to think about people that are treasurers, CFOs, etc. But think about how difficult it is for an expatriate that is living in a place where the tax rules are changing, where it's unclear whether his contract is going to be renewed. He has to manage his finances across three different geographies. I mean, those are clients that benefit hugely from the truly global network that we offer at a price point where many other people just simply don't compete.

Chris Hallam – Goldman Sachs

And then within the broader, if we shift gears maybe and think about costs, within that broader cost trajectory, you're executing a Fit for Growth program targeting expenses saves in the region of one and a half billion dollars. Can you talk us through how it supports your guidance for performance over the next three to four years?

Diego De Giorgi:

Yeah. So a very important program. It continues nicely at pace. We have \$400 million of annualised savings coming into this year. We continue to spend wisely, I always make this caveat, which is when we spend we want to spend money on a transformation program like Fit for Growth, we want to spend money strategically. So the phasing of the spend is far from linear as we think very carefully about where we put our money. But we are helped by the diversification. I love diversification, whether it's our business, our clients, our geographies. I even love the diversification effect in our transformation program. The fact that we have a lot of different strands, that there are very few very big rocks within that program, allow us to be nimble and phase the spending in the right way. So we'll continue.

It's obviously an important component of our unending and unerring commitment to delivering under \$12.3 billion costs by the end of 2026 and positive jaws every year. Which we have reiterated by the way recently in that particular case, even though I hate breaking down jaws too much, because if you break them down too much by month, by quarter, by business, etc, it starts to lose a little bit its meaning. It's really important at the group level. Having said that, in what is the biggest part of our business, which is the corporate and investment banking business, we've made very clear that the CIB business will also operate with positive jaws.

Chris Hallam – Goldman Sachs

And then on cost of risk, you guide to a through-the-cycle 30 to 35 basis point range. How would you assess the quality of the loan book today? And how far away are we here from the 30 to 35 through cycle number?

Diego De Giorgi:

We're still quite far away. And the question of how do we get there continues to be a question we all together, and in particular me and the Chief Risk Officer ask each other on a recurrent basis. Look, we exited 2024 with under 20bps of cost of risk. We are a bit over 20bps cost of risk in Q1.

We, for the first time in many quarters, have actually had some net LIs from the CIB business after many quarters of releases, which is just an unrealistic target to have actually probably, not just an unrealistic, it's probably not a good target to have, because you have to question where you are on the risk-reward spectrum if you are perennially in that place. So not expecting to continue to see CIB releases, even though I don't see any flashing hot point. And the flashing hot points of the past are firmly in the past.

And some of those that people continue to be focused on, like commercial real estate in Hong Kong, etc, we've long explained are very small components of our portfolio. And by the way, very peculiar to us in terms of exposure to very large players and therefore to a much stronger type of portfolio. It's difficult to see where that comes from.

I also take, and I know that I'm talking against my book because I say that I continue to believe that we end up at 30 to 35, but I like looking at positives, and one of the things that I like is that as we continue the migration of our wealth and retail business toward more and more wealth management and more and more wealth management for affluent, that also strengthens by the way and reduces the loan impairments on the wealth and retail side because clearly affluent customers are better quality customers. And we've said very clearly that a large portion of how we will finance the one and a half billion [dollars] we will spend in wealth management for affluent will come from a reduction of our credit card and personal loans lines. Which should lead also to lower LIs.

So, the answer is, I don't know how do we get there, but we need to be prepared together. And we are happy that we have 74% of our balance sheet in investment grade and 83% collateralised. And it's all looking good.

One thing, Chris, that is not exactly directly to your question, but I think it's something that I keep hearing from investors, it's something that is on their mind. Which is the second degree impact of everything that is happening in the world on the credit book. And one of the things that I always want you to have in mind is that if you think about, there are two constituencies that are particularly endangered by the redefinition of the supply chains, by changes in the end markets, etc, around the possible client constituencies of a big bank.

The first is SMEs. SMEs don't have the wherewithal to change their supply chain, to pivot, to find a new market quickly enough in order not to suffer. So exposure to SMEs is potentially more problematic than exposure to large multinational corporations. Our exposure to SMEs is a small fraction of our exposure, it's 80% collateralised. So SMEs are something that we do in a few places because it brings very good liabilities and because it's got a good cross-sell with wealth management.

The second is in personal loans. Personal loans to clients that are either directly affected in industries that are directly affected by the geopolitical gyrations or in geographies that are directly affected. And what I just said, the decrease in credit cards and personal loans in terms of importance in our business also goes in the direction of reducing our exposure to those kind of risks in this particular kind of market.

Chris Hallam – Goldman Sachs

Very clear. And my final question, before opening it up more broadly for the audience, looking at capital deployment, you have this plan to return \$8 billion to shareholders across '24 through to '26. And in that, you're going to operate dynamically within that 13% to 14% CET1 corridor. But how are you prioritising the different ways in which you can utilise that capital? You've got the asks for the business on the one hand, you've got inorganic growth opportunities, and then obviously you've got further returns.

Diego De Giorgi:

So before I get crucified against the wall by someone, it is over \$8 billion, and we always underscore the word over just in case anyone has any doubts. So yes, that is our target, and it remains our target.

Our capital allocation hierarchy is very clear. The first thing we do is we invest everything that we need to invest in order to achieve sustainably higher levels of profitability, and that is vital. Because this bank is a growth bank. And a growth bank has to come with strong profitability. The two things cannot be dissociated. We want to deliver strong top line growth and we want to deliver continued improvement in our profitability. That's where we invest in.

Is it the case that in today's world with the opportunities that come from people rethinking their networks, rethinking the way that they do business, and with us at this point, are we happy about where we are? No. But it's better to be trading very close to tangible book than to be trading at half of tangible book.

Is it true that at this point we would look at opportunities? Yeah, probably yes. And as time evolves, I think when we put forward our next three-year plan next year, definitely in the capital allocation hierarchy, inorganic growth that is at a level of return on investment, return on tangible equity and strategic importance that is commensurate to the investment that you're making ought to be a part of it. But fundamentally, investing in the business is the first part of our capital allocation.

We are blessed by the fact that we have strong engines of profit generation. And therefore we continue to be in a position where we can return capital to our shareholders. How do we think of it? We think of it in the sense that we have a 13% to 14% CET1 range target. And we intend to continue to use it.

We routinely go above that during the course of our business because we continue to generate good earnings and we will continue to return capital to our shareholders. Although I would caveat, that we don't target either a specific point within the continuum of 13% and 14% nor a specific amount of money. It's dynamic. It's based on the other investment opportunity. It's also based a little bit of course on the nature of the environment and what's happening around us. But there is absolutely no deviation from the over \$8 billion of returns to '24 to '26 to our shareholders and the basic principles of our capital allocation hierarchy.

Chris Hallam – Goldman Sachs

Super clear. Okay. With that, let's see if we have any questions from the audience. No. Otherwise I'm going to ask you a question on US tax.

So with the recent development in taxes- section 899, it's what everyone's been talking about for the last week or so, how does that impact your business?

Diego De Giorgi:

So the first part of that answer is it's very early to understand. I mean, this is something that has to go through House, Senate, lots of negotiations, title on the FT, lobbyists descend on Washington. I mean, there's lots to be said. And I will not say what I said a few months ago about tariffs, which is oh, but no one cuts off their nose to spite their face, because that didn't prove to be particularly prescient. So we will see what happens exactly.

I will say it's probably safe to think that maintaining the US as a very interesting destination for investment will be one of the important considerations in the mind of the administration, of the legislators and of everyone that touches these kind of things. So, we will see where does it evolve to.

It might lead to an impact on our tax bill. Everyone will take out their best guess of where this thing will land. We disclose very clearly in our numbers what our numbers for the US are in terms of net income and taxes paid. And they are [around] \$370 million of [profit before tax] and \$170 million of taxes paid. So take your pick about what happens to those numbers. Thank God, it's again like everything in our life at Standard Chartered, part of a very diversified network and patchwork and with a lot of different influences coming into it, so we'll try to compensate as much as we can.

Chris Hallam – Goldman Sachs

And then last question from me. Two of the businesses that I find most fascinating are Mox and Trust. I think you're guiding for both of those businesses to be profitable in 2026. But the nature of those businesses, there is always a trade-off between the point at which you get to profitability versus the growth dynamic in the business. So how do you manage that trade-off? And how do you see the key milestones for those two businesses going forward?

Diego De Giorgi:

So two great businesses, growing very nicely, achieving a clear place in the ecosystem, because digital banks, and there are very many different ways that you can think about a digital bank, but you really need to find your place in the ecosystem. And both of them have done that. I mean, Mox through good partnerships and good work and the Cathay link has achieved 10% penetration of the client base in Hong Kong.

And Trust, even more than that. I mean, we're talking about 18% of the bankable population in Singapore, over a million customers. They've developed into, I'm also fascinated by them, and I've been fascinated by the development of digital banks for many years now, and Bill is even more so. It's interesting that they're developing in ways that we weren't expecting.

We were expecting them to be fundamentally a way of expanding our clientele into lower levels, younger generations, etc. And while that has worked. In both cases and in particular in Trust, we have actually captured much higher segments, much richer, wealthier segments that are better for cross-selling. Which is why we have accelerated the development of more product lines for these banks, and in particular of course of wealth management. Because we have seen that there is clear demand for it.

We do ask ourselves the question of how do we balance the growth and the profitability. We do believe that achieving profitability during 2026, and I would raise the point, that for Mox what's happening with HIBOR, if it was to extend for a very long time, it might have an impact. But let's park that because it's early innings in that case. But for those two banks, we will be continuing to think about how do we bring them forward.

We do believe that achieving profitability in '26 is absolutely our objective, and it's doable while still continuing invest. They are very valuable, both as properties, they're also very valuable as investments in their technology stack. I mean, these are tech stacks that have the ability to travel the world, whether under our ownership, under someone else's ownership, with our participation in one way or the other. The element of optionality around Mox and Trust remains very strong while they continue to be very helpful businesses for us.

Chris Hallam – Goldman Sachs

Super clear. Okay, I think that's a great note on which to end. Diego, thank you so much for sharing your insights with us today.

Diego De Giorgi:

Thank you, Chris. Thank you everyone. Thank you.