

Standard Chartered's first quarter 2024 results presentation

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(Amended in places to improve accuracy and readability)

Slide 1 – Q1'24 results presentation

<<Diego De Giorgi – Group Chief Financial Officer, Standard Chartered>>

Good morning and good afternoon, everyone, and thank you for joining our first quarter earnings call. I'll take you briefly through the numbers, and then Bill, and I will be happy to take questions. In my remarks, I will be comparing year-on-year on an underlying basis and speaking to constant currency unless stated otherwise. And as a reminder, the results of our segments and products are now presented to reflect the RNS we issued on the 2nd of April.

Slide 2 – Opening remarks

We had a strong start to 2024. First quarter income was up 20%. This growth rate was flattered by two notable items totalling \$234 million, but even excluding this, income was up 14%. Adjusted net interest income increased 5%, and the performance of our two engines of non-NII was strong with Wealth Solutions up 23% and Markets up 17%. We saw good momentum in Banking with income up by a similar amount at 17%. With mid-single-digit expense growth and modest loan impairments, pre-tax profit was up 27%. We remain highly liquid. Our CET1 ratio remains robust and the latest \$1 billion share buyback is progressing well. We have also made good progress on our simplification agenda. We announced changes to our organisational structure, removed the regional metrics and are mobilising the group around Fit For Growth. Lastly, we are maintaining our 2024 guidance in line with what we presented at our full year 2023 results. So all in all, a very good start to the year.

Slide 3 – Strong performance in Q1'24

Turning now to look at our performance in more detail. Looking at the various components of income. NII was up 5%, benefiting for just 1 month from the roll-off of the remaining component of the short hedge at the end of February and the higher NIM. Non-NII was up 37%, driven by strong performances in both Wealth Solutions and Markets and positive momentum in Banking. More on that later. Expenses were up 6%. Credit impairment remains low and predominantly relates to the WRB portfolio, with the charge in line with recent quarters. The \$60 million charge in other impairment was primarily related to write-off of software assets with no impact on capital. The strong double-digit income growth, positive jaws and low levels of impairment drove underlying profit before tax of \$2.1 billion, up 27%.

Other items include a \$100 million provision for customers who incurred losses in Korea on their investment in equity-linked securities. This reflects our participation in a compensation scheme in line with the recommendations of the Korean Financial Supervisory Service. Taxes in the quarter reflect an underlying effective tax rate of 26%, and we continue to expect the full year 2024 underlying effective

tax rate to be broadly similar to last year. We saw some underlying asset growth in the quarter despite the higher for longer rate environment, mainly in CIB.

Tangible net asset value per share was down slightly quarter-on-quarter with profit accretion offset by the full \$1 billion share buyback impact and reserve movements such as FX and own credit adjustment. You will have seen that we now show a full TNAV walk in the appendices to the slide presentation. Adjusted net interest income was up 1% quarter-on-quarter to just over \$2.4 billion. There were a number of factors driving this increase. The expiry of the last \$12.5 billion of our short-term hedges at the end of February, reinvested at higher yields, provided a \$42 million benefit for 1 month in March. We also saw an improvement in the liabilities mix. These benefits were partially offset by a lower margin, which reduced net interest income by \$52 million as the currency weighted interest rate across our key footprint currencies in the quarter was slightly lower and deposit pass-through rates increased.

Slide 4 – Higher NII supported by hedge roll-off and mix improvements

Average interest earning assets of \$554 billion were down 1%, reducing NII by around \$20 million. Looking forward to the remainder of the year, we continue to expect NII of \$10 billion to \$10.25 billion in 2024. There are a number of factors that play here. Firstly, the currency weighted average forward curve we have provided in Slide 15 of the appendices to our presentation points to reduced headwinds. In February, we showed our expected currency weighted forward market rate reduction of 51 basis points. This is now reduced to just 12 basis points based upon the curves of April 15. Secondly, we expect to see further positive impact to NII from the mechanical benefit of the short-term hedges rolling off. This positive impact for NII will be somewhat offset, as you would expect, by reduced client asset demand in a higher-for-longer rate environment.

Slide 5 – Engines of Non NII performing strongly

Now turning to non-NII, which was up 37%. I will cover the product performance in more detail later in the segment slides, but a few comments on the non-NII performance of our core businesses. Wealth Solutions, one of two engines of NII, was up 24% with broad-based growth across products. Markets, our other main engine of non-NII was up 13%, and Banking was 48%. Excluding the two notable items of \$234 million that we will address now, non-NII was up 25%. The first of these notable items was a foreign exchange revaluation gain of \$158 million in our Egyptian branch. This is booked in treasury products and arose as a result of the devaluation in the Egyptian pound. This has no impact on the group's capital position as the income is offset by a loss in the currency translation reserve. The second item arose from Ghana being designated as a hyperinflationary economy for accounting purposes in accordance with IAS 29, which resulted in a gain of \$76 million.

Slide 6 – Expenses higher from inflation and business growth

Now turning to expenses. Expenses were up 6%, driven by inflation and business growth initiatives primarily to support our higher returning businesses in CIB and our Affluent proposition. The Fit For Growth program is in full mobilisation phase, having launched the initiative publicly just 10 weeks ago. We are seeing good early progress as our colleagues at all levels embrace the opportunity. We have identified over 200 projects currently being scoped and put into execution. The majority of which impact multiple parts of the bank. This transversal approach will be a key characteristic of the program. And as I said earlier, we have taken action to simplify our organisational structure with the

right leadership team in place to further sharpen the focus on driving strong, sustainably higher returns through each business line.

We also removed the regional management construct, thereby reducing complexity and simplifying the matrix. This has led not just to a change in the way we report but a change in how we manage the organisation, leading to improved speed of decision-making, increased agility and focus on satisfying client needs. Just a reminder that the second quarter is usually seasonally higher than the first quarter with annual staff pay adjustments being effective from the 1st of April. We will manage costs tightly. And as guided in February, we are committed to keeping costs below \$12 billion in 2026, implying a cost growth CAGR of 3% over the three years and targeting positive income to cost jaws in every year.

Slide 7 – Credit quality remains resilient

Turning now to credit impairment. As a reminder, in the first quarter of last year, our credit impairment charge was just \$26 million, mainly due to net releases. So whilst credit impairment in the first quarter of 2024 was up significantly over last year, with a charge of \$176 million in the quarter, it remains relatively low. In CIB, the overall charge was net nil. China commercial real estate impairment was just \$10 million, net of a small overlay release. The cover level of our China Commercial Real Estate non-performing portfolio is high at 90%. And we retain a management overlay of \$129 million against further downside risk, given a sustainable recovery in price and sales is yet to occur.

As mentioned earlier, in WRB, the expected credit loss charge of \$136 million is in line with recent quarters. In Ventures, we saw a \$28 million charge primarily from an increase in provisions in our digital Bank, Mox. This provision, which relates to the unsecured portfolio, encouragingly appears past the peak, with flow rates to default and delinquencies improving in both the legacy and the new book. Whilst we are clearly now in a period of higher-for-longer rates, we are not seeing any new problems emerging other than for portfolios that were already under stress. High risk assets were down \$2 billion in the quarter. As I mentioned at the full year 2023 results, the temporary increase in credit grade 12 exposure reversed as expected in the first quarter. We also saw a reduction of around \$600 million in the Early Alerts portfolio from upgrades and repayments.

Slide 8 – Underlying growth in assets

Touching briefly now on the balance sheet. On an underlying basis, customer loans and advances of \$283 billion were up 2% or \$4 billion in the quarter despite the higher-for-longer rate environment. We continued to deliberately hold back on new mortgage origination in Hong Kong due to unfavourable pricing dynamics. And in Korea, mortgage demand is weak. As we have said before, we expect to see mortgage growth only later in our 3-year plan period. Whilst client demand for borrowing in a high interest rate environment remains muted, encouragingly, we saw some growth in CIB Trade & Working Capital, Markets and Banking, driven by client activity.

We continue to expect asset growth to mostly come through later in 2024 with no change to our guidance of low single-digit percentage growth for the year. Customer deposits were down \$6 billion in the quarter, excluding the impact of FX, to \$459 billion. We continue to attract deposits in WRB, which increased by \$3 billion. This was more than offset by a reduction in CIB CASA from month-end client activity. Post-quarter end, we have seen these flows substantially returning. The liquidity coverage ratio was broadly stable at 146%.

Slide 9 – CET1 ratio remains robust post share buyback

Turning to capital. Risk-weighted assets of \$252 billion were up 3% or \$8 billion on the end of 2023. Operational risk RWA, which is mechanically calculated from the previous 3 years' income contributed to \$2 billion of the increase in the quarter. This is a one-off increase for the full year. Higher RWA from changes in asset mix was offset by an FX benefit from a strengthening U.S. dollar. Lastly, Market risk RWA grew by \$4 billion. Clients reengaged post the seasonally quiet end to the calendar year.

Although volatility was not widespread in the quarter, we saw pockets of opportunities to help clients, particularly in Greater China and Africa, and it generated an attractive return on risk-weighted assets deployed. Market risk RWA from these client opportunities is expected to reduce in the second quarter, and we continue to guide to low single-digit percentage growth in overall RWA for full year 2024.

The CET1 story is simple. Deduction of the full \$1 billion share buyback took the pro forma CET1 ratio down 40 basis points to 13.6%. After accounting for this, our first quarter CET1 ratio was broadly stable with equity generation from first quarter profits, offset by the increase in RWA.

Slide 10 – ClB: Momentum in high-returning businesses

Let's look briefly at our large client segments. Turning first to ClB. Markets income up 17% was led by strong double-digit growth in Macro Trading and Credit Trading. Flow income was up 5%. Episodic income came back after a slow quarter last year, up 30% as we helped clients to capture volatility in some of our key geographies. When we issued the RNS in April, we introduced a new product taxonomy, which included splitting Financial Markets into Markets and Banking to give you a better window into products with similar income and balance sheet attributes. Banking was up 17% as a result of higher client origination and execution of a good pipeline. We continue to increase the velocity of our balance sheet by originating to distribute. Trade continues to lag. Global trade volumes are down, but we are maintaining overall market share across products and geographies.

Slide 11 – WRB: Wealth Solutions driving significant growth

WRB also had a very strong quarter. Wealth Solutions income grew 23% with broad-based growth across products. Our less market-sensitive income grew at a healthy clip as we began to monetise the quarter of a million new to bank, high-quality Affluent clients that we onboarded last year. The leading indicators continued to be robust, with sustained momentum in Affluent new-to-bank clients, particularly in Hong Kong, Singapore and China. Of the net new money flows of \$11 billion in the first quarter of the year, \$7 billion or around 70% were deployed into Wealth products, and the balance was from Deposits. The mix shift we have seen developing towards Wealth products accelerated this quarter, even though interest rates generally remain elevated. We are continuing to invest in the Wealth Solutions franchise and are adding new relationship managers in key markets, including Hong Kong, Singapore, UAE and China.

Slide 12 – Conclusion

So to summarise, we have had a strong start to the year. Net interest income increased, Wealth Solutions and Markets have started the year strongly and the positive momentum in our Banking business is helping non-NII. Our loan impairment charge remains low. We have seen growth in RWA from client opportunities that arose in the first quarter, which in part helps drive Markets income, but

we continue to expect low single-digit growth for the full year. Our capital position and expectations of RWA growth are entirely consistent with our goal of returning capital to our shareholders.

April has seen a good start to the quarter, albeit not as strong as the first, consistent with normal seasonality as our first quarter always benefits from heightened client activity. More importantly, it is consistent with our group targets for full year 2024.

Finally, to bring it all together, as I mentioned earlier, we are maintaining all our forward guidance with one clarification that our income guidance for this year is to deliver growth around the top of the 5% to 7% range and positive jaws is excluding the impact of the two notable items of the first quarter.

With that, I'll hand back to the operator, and Bill, and I will be happy to take questions.

Question and Answer session

<<Operator>>

And now we're going to take our first question. And it comes from the line of Joseph Dickerson from Jefferies.

<<Joseph Dickerson - Head of European Banks Research, Research Division, Jefferies LLC>>

Congrats on a very clean and straightforward quarter. I just had one question on costs. You showed a lot of financial discipline in the first quarter with 8 points of operating leverage backing out some of the non-recurring revenue. Clearly, you had some pretty strong Financial Markets activity and you haven't seen the Fit for Growth yet really kick in. I'm just wondering how you think about that if markets are strong, is there going to be a true-up or an accrual later in the year or anything like that to deflect the very strong start to the year? So any comment on costs over the year.

And then also just on Wealth, you commented on April, I think, for the group, but I can imagine that Wealth must also similarly be off to a pretty good start, given the about 10% move in the Hang Seng. So just any thoughts there would be helpful.

<<Diego De Giorgi – Group Chief Financial Officer, Standard Chartered>>

Thank you, Joseph. I'll start and then I'll hand it to Bill for some comments towards the end. First, on Wealth Management versus the group overall, it's broad-based. April has been a good month, completely consistent with the delivery of the targets in 2024. Bear in mind, of course, it's a reinforcement of the sustainability of our Wealth numbers that Wealth results are the accumulation of the net-new money and the new to bank that we have quarter-over-quarter and the 62,000 new to bank and the \$11 billion of net new money that we have recorded during Q1 bode well for the future. So that clearly is the story in Wealth.

On cost discipline, before I hand it over to Bill, a couple of things. Longer term, the guidance remains very clear. It's the \$12 billion cost cap, 3% CAGR over the course of the 3 years. We've said from the beginning that it would be more elevated this year and it is the case, and it will continue to be the case. Remember, Fit for Growth doesn't show impacts this year. By the way, neither in terms of the saves and relatively limited in terms of the cost to achieve. And the last thing that I would say on the cost is do bear in mind that the Q2 is usually seasonally higher quarter-on-quarter because it includes the impact of our full March annual pay and bonus round but on the forward.

<<Bill Winters – Group Chief Executive, Standard Chartered>>

Good. Thanks as well, Jo, and thanks for pointing out the discipline, which I agree, discipline in the first quarter, but that's also coming off a strong year of financial discipline last year as well, including the pay round. So we've got a reasonably well-established track record here, and we intend to continue that. So our primary focus is on maintaining and wherever we can, expanding our jaws. We've obviously done that very well in the first quarter, and would intend to protect that very important spread for the rest of the year as we have and as we'll continue to. Obviously, if we continue to outperform, then we would expect to make some true-ups but as always with a view to increasing returns and increasing jaws as we do that.

And on the overall cost discipline, we have to remind ourselves, we are actually in the third year of our last 3-year program in addition to being in the first year of our next 3-year program. So we had a number of programs that we've been investing in over the past couple of years that were more tactical in nature, less structural than Fit for Growth, which we're completing. So none of us are too surprised that we're coming into this quarter with ongoing good discipline. But we're very excited about the opportunity for the next round of lift off coming from the much more transformational set of programs around Fit for Growth. And it is really very different in terms of the way that we're approaching it. So as Diego has been very clear, we expect to see some of the expenses kick in this year with some of the benefits kicking in next year and the following year but always following on to the last 3 years' worth of programs.

<<Operator>>

And now we're going to take our next question. And the question comes from the line of Nick Lord from Morgan Stanley.

<<Nicholas Lord – Head of ASEAN Banks Research, Morgan Stanley>>

Similar sort of question really to Joseph's on the CIB side. I just wonder if you could comment a little bit on both the Flow and the Episodic income and give a bit more detail on what actually drove that. I'd be interested to know if you're still seeing that activity come through, especially in terms of Flow? And do you have a feel both of the pace at which market RWAs might return, might come off? And also any comments you have on loan pipeline on the corporate side in the second quarter?

<<Diego De Giorgi – Group Chief Financial Officer, Standard Chartered>>

Thank you, Nick. Clearly good that we have seen a comeback of Episodic this quarter, but let's never lose sight of the fact that the vast majority of what we make in Markets is Flow, and therefore good to see the 30% increase in episodic, but as good or more good that we've seen the 5% increase in Flow. Where Episodic happens because it's event driven, of course, it's difficult to say. This particular quarter, GCNA, Africa, Middle East to an extent in a relatively muted volatility picture for the market overall, i.e., not the easiest market to navigate. So good there. Flow, by definition, we expect Flow to continue, Episodic, we'll see a little bit what the future holds for us.

RWAs, it's very clear to us. We reiterate very firmly our target of low single-digits growth of RWAs. We are nimble. You know this house, for years we have shown our ability to be very aggressive on the RWA front. We also flagged at the beginning of the year that we believe that the levels of return on risk-weighted assets that we are achieving, we wanted to use RWA. And I think this is a very good

example. I mean, we've done it. They will come off. They've already started coming off in Q2. Dependent, of course, on the path of rates, but if anything, over the course of the year, one would expect to see a shift between market risk-weighted assets and credit risk-weighted assets, if anything, but again, dependent on demand for credit.

Loans, we pointed out a pipeline, in general, of activity. You will have noticed after our RNS that we have separated our banking business out. We think it's important. We think the drivers of the Banking business, of course, are different from the drivers of the Markets business. And we wanted to make sure that we gave you the ability to see into it. It's clear that between the Financing Solutions and the Capital Markets and Advisory, they are driven by relatively similar things. The pipeline is an important one. We pointed out we executed on a healthy pipeline. The pipeline remains healthy and actually, if anything, healthier than the one that we have executed in Q1, of course, between a pipeline and our realisation comes a market. So we will see where does that get us. Bill?

<<Bill Winters – Group Chief Executive, Standard Chartered>>

Yes, I completely, obviously, agree with everything Diego said. A little bit of colour. I know we introduced this notion of Flow versus Episodic a few years back, and it's an art and not a science to be very precise of what goes into what and what drives each. Simplistically, we can say that Flow income is coming from just the natural flows that come from our clients into our bank. So a lot of that is driven by their own cash management or trade financing needs, and we've done quite a good job of internalising that, while providing best execution for customers. That took some doing.

Amongst other things, it meant investing heavily in our electronic and digital connectivity not just with the corporate clients who are moving money around but also with investors, including very sophisticated investors, which has also meant an establishment of a very robust electronic trading capabilities. So the underlying growth in Flow, which has been really good and steady through a period of time is absolutely influenced on the margin by market volatility, in particular, investors overactive in the markets when things are moving around. But the underlying Flow is structurally a growth story as we take market share as a top 10 and in many markets, a top 3 or top 1, Financial Markets dealer across FX and rates.

The Episodic by its nature is going to be fundamentally different. And the way we think about it is it is highly correlated with either market shocks or with a very unusual bursts of client activity or individual client deals. We could sit here and say, in April or May of 2024 that there are going to be no more market shocks. But it really doesn't feel that way to me. The markets feel extremely prone to sudden movements in various ways, either because of absorption shocks or because we're going through some pretty key inflection points in central bank rate policy and associated currency movement. So we can't call an increase or a decrease or anything else in Episodic flows. I just think the environment is pretty conducive to this kind of market events that lead to opportunities for us.

In terms of client-related deals, client volumes are just really, really strong. And to pick up on the third point, of your third question, and Diego answered around loan pipeline, as we said over and over and over, we're focusing on returns over income growth. And the loan pipeline is very good. The loan pipeline was very good in the first quarter. We did not retain many of those loans, most of those loans flowed straight through. So we get a 17% increase in Banking income without a big increase in the balance sheet. That's a good thing, not a bad thing. So the fact that our loan growth is a little bit

lower than what we guided, and actually, the customer advances was in line, but overall, our real growth is a little bit lower. It's not a sign of concern. It's accompanied by very strong return on tangible equity, which is what we continue to focus on optimising. So when we look at the pipeline, we see a good pipeline, which bodes well for continued growth in Banking income. It may or may not lead to growth in the balance sheet, but that's okay. I don't want to find that we're solving for the wrong problem. I think Diego answered the RWA question perfectly. So we'll take the next question.

<<Operator>>

And the question comes from the line of Andrew Coombs from Citi.

<<Andrew Philip Coombs – Director, Research Division, Citigroup Inc.>>

Two questions, please. Firstly, just on your reiteration of your net interest income guidance. Obviously, it's been a sharp move higher in the curve, but you're saying that should be broadly offset by lower volumes, hence, why your guidance is unchanged. I mean if you take your 100 basis points sensitivity and \$770 million figure you gave previously, which is a parallel shift but to offset that impact would imply quite a sizable decline in the volume outlook. So just if you could comment on that, but also if there's anything else in the moving parts there in terms of the NII guidance?

And then my second question is on the extraordinary items or below the line items. Two parts to this. Korea would be the first one. I think in the annual report, you talked about a potential charge of several hundred million for the equity-linked securities. You've only taken \$100 million today. Is that because the methodology from the regulator was better than you had feared at the time of the annual report?

And also restructuring charges, you flagged this \$1.5 billion charge. We haven't seen a material step-up in Q1. When do you think we'll see that step-up in restructuring charges coming through?

<<Diego De Giorgi – Group Chief Financial Officer, Standard Chartered>>

Very good. Thank you, Andrew. Okay, I'll take them from the top. First of all, on NII, let's quickly paint the picture for 2024. So for 24 of the components that we have flagged in terms of the drivers of our NII, first of all, the rolling off of the short-term hedge, we clearly have seen only 1 month in this quarter. We're going to see all of the rest of the unfolding of it. On volumes, 2% growth in customer loans and advances, Markets & Banking positive, as Bill was saying before. Of course, Mortgage is a headwind in terms of volumes. Also, let's remember that loans and advances are a spot measure, AIEA [Average Interest Earning Assets] is an average measure, that's to bear in mind. And so when you think about volume, volume here comes more towards the end of the year. The liabilities mix improved during the course of the quarter. We [have] run down quite some expensive Corporate Time Deposits and other sources of wholesale funding. And so from that point of view, these are really the components for '24.

I would point out to your point on IRBB, it behoves me to recommend it given it's in our appendices that we always try to use the currency weighted forward rates that we provide. We think they are better guide for all the reasons that we went through at the full year results. So I'm not going to go through them again, but those are the kind of shifts that I think help more predict how we think about the development of NII. At a very high level, because the volatility of rates continues unabated, I would say, if you then extrapolate out to 2025, you have the headwinds that we were expecting for 2025 are now less headwinds. The hedge roll-off continues to be supportive, although to a lower level because

it's going to be only \$100 million next year. We continue to guide to low single-digit volume growth. And so if you do your math, you see that anything that you then get in terms of mix effect of assets and liabilities, is a little bit on top. That's on the NII.

On the ELS securities, the way that this works is that our Board has approved a voluntary compensation plan for customers. We've taken \$100 million provision that reflects the implementation of the voluntary compensation plan based on applying the regulatory guidelines to all of the ELS that are outstanding with clients. Now can there be volatility to that number going forward? Yes, because it is linked to an index, but it gives you a good picture of where we are. Bill, anything that you want to add?

<<Bill Winters – Group Chief Executive, Standard Chartered>>

Only that this is our best estimate of the total cost of this problem.

<<Diego De Giorgi – Group Chief Financial Officer, Standard Chartered>>

At this moment. Yes. So that's it on the ELS. On restructuring, you're right, we don't guide on restructuring. Ten weeks into Fit for Growth, lots of initiatives being prepared. We know what the shape more or less is, and we've said it. It's limited cost to achieve this year. The bulk of the cost to achieve during the course of next year and then a meaningful chunk in 2026. I think that remains the best guidance that we can give you. I would also be remiss if I did not add the \$100 million from the previous program that Bill was referring to that will flow through this year. Thank you, Andrew.

<<Operator>>

And the next question comes from the line of Robin Down from HSBC.

<<Robin Down – Managing Director, HSBC>>

I have a couple of questions. Can I start with the capital position because you're obviously guiding for low single-digit RWA growth, which suggests that from here we are not going to see a great deal of RWA growth in the remainder of the year. And obviously, you're going to be generating capital through the course of this year. Unless we see another buyback in August, aren't we going to be hitting a CET1 that's above the 14% top end of the target at year-end. And I know you've got Basel 3.1 next year, and you've got, obviously, the big chunk of restructuring charge to come through, but I'm just trying to think how you're thinking about the capital position and obviously circling back to the kind of \$5 billion-plus guidance you've given us through the course of the program. It just feels like there's upside risk there and perhaps we should be looking for a buyback in August.

And the second question, just coming back to the revenue guidance for this year. Maybe my math is wrong, but having had the beat you've had in the first quarter and assuming your interest income guidance is right, I think to hit the top end of your range, you just need fee income to be broadly flat for the remainder of the year. And yet you've tailwinds from Wealth Management coming through and Q4 is a relatively easy comparator. So I'm just curious as to why you're not increasing the guidance for revenues for this year, whether there's anything in particular that you're worried about or whether it's just a degree of caution?

<<Bill Winters – Group Chief Executive, Standard Chartered>>

Good. Thanks very much, Robin, for the question. The approach to capital, as Diego said, as I think we've tried to indicate through time, we're very disciplined in terms of our commitment of capital and growth in underlying RWAs. And we demonstrated that we've got lots of levers that we can pull if, and as when we need to, that's number one. Number two, we are very, very comfortable operating within the full range of our guided CET1, so between 13% and 14%. So 13.6% especially given the earnings and capital generation momentum, we're comfortably in the top half of that range right now. And we're perfectly comfortable going to the lower part of the range, we'll always consider at the time what the internal uses of capital are and what the external environment is. But in previous periods, we've been comfortable going down to the lower part of that range.

Third is we are fully aware of the attractiveness of buying back our shares even at today's slightly higher price than the last time it was described as a version of fertiliser. And so recognising the value that shareholders attach to returns of capital, we'll be very, very disciplined to manage our internal capital allocation and to return surplus capital to shareholders if, as and when we're able to do that. And I maybe just underscore that we've got plenty of levers to pull to make sure that we remain disciplined and consistent in terms of the way that we're generating RWAs. I'll hand over to Diego for the revenue point. And anything else you want to say on capital.

<<Diego De Giorgi – Group Chief Financial Officer, Standard Chartered>>

I couldn't add anything to that. On revenues, Robin, you've given yourself your answer. Yes, we are very pleased. We are very encouraged. It's a strong start it further increases our confidence in the full year outcome, but it is the first quarter. And so we'll see what the world holds in store for us. I concur with one of the things that you said, which is that through the resilience of our two engines of non-NII is very visible. I continue to stress how that 5% increase in Flow at a time when the market was not the perfect market, it clearly shows that to be able to trade certain pockets with our clients, to assist them, to assist our multinational corporations at different times in different places is clearly a good thing. And in Wealth Management, the strength of the leading indicators is also completely consistent with delivering a good year in Wealth Management. So yes, there's nothing that we are worried about, but it's the first quarter.

<<Operator>>

And the next question comes from the line of Perlle Mong from KBW.

<<Perlie Mong - Research Division, Keefe, Bruyette & Woods Limited>>

Just picking up on some of the discussion that we just had. I just wanted to ask about a higher-for-longer environment. Part of the increase in Episodic flows probably reflects lower rate expectations in Q1, you might disagree but for me, a big change in Q1 versus Q4 was with the rate expectations, especially U.S. rates coming down. So first of all, do you agree with that? And secondly, while given that expectation has now changed in recent weeks, does that change your outlook in any way? So that's the first question.

And the second question is on Market income, so in one of your slides, you mentioned that Episodic flows is 30% higher as you deploy more market RWAs to help clients take advantage of opportunities. But you also mentioned that you expect market RWAs to come down. Does that mean Episodic growth is expected to come down as well? And then, just very quickly picking up on the comment, you

talked about credit risk migration that from here, if anything, going to be less market risk and more credit risk. Just what do you mean by that? Because, if I look at the Stage 3 delinquencies, it looks pretty benign this quarter.

<<Diego De Giorgi – Group Chief Financial Officer, Standard Chartered>>

Very good. I'll take it and then Bill can add. I'll actually start from the bottom. What I meant, and I'm sorry if I didn't communicate properly, I didn't mean that there was a change in credit. I meant that over the course of the year, if you believe that there's going to be demand for credit, the shape of our risk-weighted assets ought to move towards credit risk-weighted assets rather than just market risk-weighted assets. We don't see that credit risk-weighted assets today, but we hope to see more of them. No issue from the point of view of credit. If anything, I would flag that the impact of credit migration within our risk-weighted assets is like very low single-digit hundreds of millions of dollars in RWA. So no credit migration effect in our risk-weighted assets. So that's on that part.

On the other, I would zoom out for a second from simply looking at the impact of expectations on higher rates or on lower rates. Again, I don't want to repeat the same thing, but again, going to the point of Flow and Episodic, there is a lot of the flow that when things change in the world, it's why our clients rebalance their liabilities, their hedges, their supply chain dynamics in terms of accounts payable, receivable, et cetera. All of that flows through us, and therefore, I would caution not to try to tie, neither Flow nor Episodic, to a simple specific indicator whether it is rates, by the way, whether it's the volatility of rates, whether it is the volatility of currencies, whether it's dollar strength versus dollar weakness. On such a broad franchise like ours, a lot of these effects diversify themselves. Within them, there are spikes, and those spikes will change, as we said. This quarter, we flagged some. There might be others driving the other.

To the second part of your question on market risk-weighted assets, an important point, and thank you for raising it. We have increased market revenues over many previous quarters while substantially shrinking market risk-weighted assets. The link between market risk-weighted assets and Markets income is not univocal. At times, there is a link, but it's difficult to drive a direct link so much so that we are very comfortable with what we are doing, which is currently reducing the market risk-weighted assets. And we don't think that that ought to be seen as a sign that we think that there's going to be less market revenues. But Bill, do you want to...

<<Bill Winters – Group Chief Executive, Standard Chartered>>

I think that's perfect. I think just to underscore what I think Diego just very clear about, there's no correlation between the growth in Episodic and anything really related to the inflection point in interest rates expectations. Diego, hopefully and extraordinarily transparently called out Africa and China as two drivers of the increase in Episodic. And of course, everything is related to interest rates somehow. Currencies are driven by interest rates ultimately and currency has clearly moved. But you know some of what's going on in the world, and these are not primarily interest rate-driven events, they're market-driven events, where the fact that we've got a very, very strong local franchise across a large number of African markets and a very strong local franchise, not just in China, but between China and all of China's major trading partners, puts us in an extraordinary position to take advantage of these either market flows or dis-locations as they come up.

And I won't say we're unique in every regard, but I will say that the nature of our market footprint is unique, and that puts us in a position where we have many opportunities to 'score a goal' as it were always by helping clients. And that's, I think, a key differentiator of our business. You'll note that from time to time, it's a challenge as well. Especially when countries in Africa restructure or in South Asia restructure or things like that. But we remember that episode from the last three years, and we remember that our bank did extraordinarily well through that period as well. So while there's always some downside risk with the upside opportunities, I'm going to give us pretty high marks for having managed the risk and capitalised on the opportunities.

<<Operator>>

And the next question comes from the line of Kun Peng Ma from China Securities.

<<Kun Peng Ma – Managing Director, Head of Financials Research, China Securities>>

This is Kun Peng of China Securities. I've got two questions for you. The first is a follow-up on the revenue guidance. I'm wondering whether we can expect a better year for next year? Because I noticed you even cut your expectation for the rate cuts for next year even more than this year. Sorry for speaking on with this question, but it's quite important. The second is on the trading corridor business and the Transaction Banking. Would you please provide us with more updates and outlook for the Transaction Banking business and its volume, pricing, et cetera?

<<Diego De Giorgi – Group Chief Financial Officer, Standard Chartered>>

Thank you, Kun Peng. So revenue guidance for next year, we've given you our targets. We said [we would] continue to increase our return on tangible equity over the course of the years. Although we have not put out direct guidance on NII, we have said that we expect higher NII next year compared to this year. So all of that doesn't change. You are right. All other things being equal, higher rates for now are, either you can say a tailwind or a rather reduction of a headwind. And next year, our currency forward rates imply a better position compared to what we saw at the beginning of this year. But again, it's early in time, and we see what exactly materialised. From that point of view, I would refer you again to what we said last quarter about different engines of growth at different times in the cycle in terms of having a strong and differentiated set of products. Bill?

<<Bill Winters – Group Chief Executive, Standard Chartered>>

Just to add a little bit of colour. The reason we're perfectly happy with this higher for longer scenario, but not overexuberant, is that there's a downside to higher rates. And obviously, there's an NII upside, and we've called that out quite clearly. But we would expect there to be on the margin, some credit stresses, which is part of the reason that we're guiding to a return to our average credit loss through the cycle. We're still operating well below our average right now. We don't see any problems in the portfolio, right. Just to be perfectly clear, it's not a forecast of issues or early warning on problems. If we have a higher for longer rate environment, you would expect at some point to see that flow through to credit losses. And at some point, you would expect to see that flow through to capital market volumes. So net-net, it's pretty clear that it's a positive for us. If you put it into the tailwind category, it's not without consideration for some of the downside risks, especially when you get out into 2025.

<<Diego De Giorgi – Group Chief Financial Officer, Standard Chartered>>

Thank you, Bill. And with that on Trade and the trade corridors. So a few things. In terms of trade corridors, some of the strength that we have seen in previous quarters continued, trade corridors towards ASEAN and towards the Middle East remain very, very strong, whether it's from Singapore, from Korea, from other sources. China outbound has remained healthy and particularly healthy going towards Europe. So that is to give you some broad colour about the corridors. In terms of Trade and Transaction Banking, volumes were down last year. We have continued to work on our products, invest in our products, invest in our relationship managers. We have data that's confirmed to us that we have maintained our market share. And if you believe forecasts that Trade volumes are expected to grow in the low single digits this year, from many different multinational sources, that ought to be good for someone who naturally sits astride the trade routes of the world.

<<Operator>>

And the next question comes from the line of Aman Rakkar from Barclays.

<<Amandeep Singh Rakkar – European Banks Analyst, Barclays Bank PLC>>

I just had a question on NII, actually more NIM, if I may. And I think just based on current run rates and the benefit of the tactical hedge into the next quarter, I know rates are less of a drag this year, but my back of the envelope suggests that we do need a bit of volume growth this year to get to the target range. And I do note that at full year you broke out that your volume and mix was a big component of actually getting to the 2024 NII. But for volumes it looks like it's maybe more subdued than what we thought before. I'm just trying to think about if loan growth or average interest earning asset growth doesn't meaningfully kick on from here and if it's kind of flattish through year-end, what's the NIM self-help that you have at your disposal? So can you help us think about what you've left to do on assets and liability mix that can actually lift the NIM? Is it realistic to think you –can lift the NIM in the absence of loan growth is essentially what I'm asking.

<<Diego De Giorgi – Group Chief Financial Officer, Standard Chartered>>

Okay, Aman, absolutely. So look, first of all, we don't guide on NIM anymore, and that's why we went to NII. We think it's simpler, but you're right. The way to think of it is we do bake into our NII walks the presence of volume growth. I would point out that on an underlying basis, our volume grew by 2% or \$4 billion in this quarter, which was not an easy quarter to grow volumes. So to give up or to throw the sponge, as we say, on the volume growth this early is a bit early. We have many quarters to play for. So let's not discount the fact that there are some green shoots for volume.

Having said that, NIM is also very much a mixed story.

In this particular quarter, it's very clear that our NIM was very much helped by what we've done in Treasury in terms of running off expensive CTDs, other sources of more expensive wholesale funding. And so if you wish on the self-help side, particularly in a bank that by our nature of being on a large geographic footprint with very many different markets, et cetera, and therefore, with a more active treasury function, we have a number of levers that we can pull from that point of view. And of course, you pointed out yourself, there is the mathematical, mechanical impact of the short-term hedge still coming to our help. I would say that, that is the key. Too early to give up on volumes. Bill, is there anything...?

<<Bill Winters – Group Chief Executive, Standard Chartered>>

Yes, I mean Aman, I love your request for guidance on self-help. I mean the best self-help for us is to grow our non-NII by 25%. That's not guidance, but that's what we did in the first quarter. And the momentum is really good. So yes, of course, we should focus on NII. At current run rate, it's a little bit over half of our income, but only a little over half of our income and the other half is growing much faster and is generating higher returns. So our self-help is very focused on generating the volume growth that we think is consistent with our business so that we can grow NII and accrete returns at the same time, but the real self-help is coming by driving that non NII growth, leveraging the balance sheet that we're using to generate non NII. So not to be too cheeky with the answer, but sometimes I think it's important to focus on the real earnings drivers of the group, which are less NII and more non NII even though sometimes we focus more analytically on the NII line.

<<Diego De Giorgi – Group Chief Financial Officer, Standard Chartered>>

Thank you, Bill. Thank you, Aman. Sorry, Aman go ahead. One more. Please reconnect.

<<Amandeep Singh Rakkar – European Banks Analyst, Barclays Bank PLC>>

Just one point of clarification. So say, if you're sticking with the low single-digit loan growth expectation for this year, given your efforts on treasury assets, and also the fact that the loan growth might be a bit more back-end loaded this year, does that necessarily translate into low single-digit average interest earning asset growth this year? Or should we expect that to be lower?

<<Diego De Giorgi – Group Chief Financial Officer, Standard Chartered>>

A bit difficult to say in the sense that there are a few other moving pieces in that. But over the course of the year, I would really focus on the underlying dynamics because the noise that you introduce when you look at other things, I think, distracts you a little bit. So I find it difficult to give you a guidance that takes the average interest-earning assets into consideration. Sorry, there was a second part?

<<Amandeep Singh Rakkar – European Banks Analyst, Barclays Bank PLC>>

No, that's it.

<<Diego De Giorgi – Group Chief Financial Officer, Standard Chartered>>

That was it. Okay. Thank you, Aman. Sorry, operator, so once more, please.

<<Operator>>

Now we're going to take our last question for today. And it comes from the line of Gurpreet Sahi from Goldman Sachs.

<<Gurpreet Singh Sahi – Financial analyst, Goldman Sachs>>

Congrats on a very strong set of numbers, Bill and Diego. I have two questions. First, on focusing on the strong aspect, which is Banking. So trying to understand this a bit better why this was so strong this quarter, up 17%? So what was there in the quarter that led to increased demand from our clients or other banks to get this distributed loan from our side where we originated and distributed? So what changed in the environment? So that we can in future model such things going forward. So that's on Banking.

Second, on NII. Can you help us think whether the deposit betas have peaked, and what we are seeing in terms of CASA? Some back of the envelope calculations based on what you disclose on slide 18 seem to suggest that the CASA rate, overall blended CASA ratio just moved down in the quarter. So seems like the migration has not peaked. So what are we seeing? Any colour would be greatly appreciated.

<<Bill Winters – Group Chief Executive, Standard Chartered>>

So why don't I take a stab at the Banking question and then hand over to Diego on the NII. So the environment was supportive for us in Banking. We had a good financing pipeline coming into the quarter. The market environment was conducive to execution, both in high grade and high yield across our markets. On Sustainable Finance, the pace of growth has slightly slowed. I would say it was a slightly difficult beginning of the year, Sustainable Finance has been one of our biggest drivers of growth, but still substantial growth in the first quarter, contributing meaningfully to that 17% overall. And as I mentioned before, and Diego has mentioned several times, we've increased the velocity of our balance sheet.

So the proportion of the deal pipeline that we ended up retaining on our balance sheet was relatively low. And the proportion that we were able to take some fees through a continued build-up of our distribution capabilities was very strong. The pipeline remains strong. The environment remains supportive. And we know that's somewhat sentiment driven. I should note as well that this Banking line will be seasonal as are many other things in our bank, people come out of the blocks, especially in a year where the economic environment is looking pretty good, they come out in the early part of the year, trying to get ahead of their financing plans. So we can't forecast 17% growth consistently. But we had a good pipeline, we have a good pipeline, we executed well on it, and we did it in a very returns-accretive way.

<<Diego De Giorgi – Group Chief Financial Officer, Standard Chartered>>

On your second question, Gurpreet, I would say that CASA-TD [ratio] is broadly where we expected it to be. The reason, if anything, that you see a slightly lower CASA has to do with some of the dynamics in terms of net new money coming in, in the Wealth business because as we flagged out to you, although the vast majority of the net new money in Wealth now comes in as Wealth products, a portion still comes in as deposits. At this time in the cycle, those deposits are fundamentally time deposits. So you see the impact is not so much the fact that our existing clients move CASA to time deposits at this time in the cycle, but it's more the fact that the money that comes in is very heavily skewed towards time deposits. So with that, Bill.

<<Bill Winters – Group Chief Executive, Standard Chartered>>

Good. Thanks very much, everybody, for taking the time. I know it's a very busy day and a busy week. I really appreciate the questions. And of course, always available to get back on details if you want to get in touch with me and Diego or IR directly. Thanks. Have a good rest of the week.