

Standard Chartered's third quarter 2024 results presentation

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(Amended in places to improve accuracy and readability)

<<Bill Winters – Standard Chartered>>

Good morning and good afternoon, everyone. Today, I'm taking our third quarter 2024 results call from Saudi Arabia, attending the future investment initiative, and I'm joined by Diego from the London office. We delivered a strong performance in the third quarter with income up 12% and profit before tax, up 41%, driven by a record quarter in Wealth Solutions and double-digit growth in Global Markets.

As a result of this strong performance, we're upgrading our guidance for income growth this year towards 10%. These results demonstrate that our strategy of offering cross border Corporate and Investment Banking capabilities and leading Wealth Management for Affluent clients is working.

We're now taking action to double down on that strategy, concentrating capital and investment in our areas of greatest differentiation and competitive strength to deliver sustainably higher returns. In CIB, we will further sharpen the focus on serving the complex needs of our largest global clients and rely on our unique cross-border capabilities.

In Wealth and Retail Banking, we're doubling our investment plans and in our fast-growing and high returning Wealth Management business for Affluent clients. This incremental investment will be funded by reshaping our Mass retail business to focus on building our strong pipeline for future Affluent and international banking clients.

These actions will further simplify our business, help us to generate high-quality growth, and improve our return on tangible equity over the medium term. We're now targeting *an* RoTE approaching 13% in 2026. We're also increasing our shareholder distribution target from at least \$5 billion to at least \$8 billion over the three years to 2026. Diego will now take you through our Q3 performance, and I will then provide more detail on our strategy for CIB and WRB. We'll then both come back for the usual Q&A session. So over to you, Diego.

<<Diego De Giorgi – Standard Chartered>>

Thanks, Bill. Good morning and good afternoon to everyone on the call. In my remarks, I will be comparing year on year on an underlying basis and speaking to constant currency unless stated otherwise. The group delivered top-line growth of 12%, with operating income of \$4.9 billion as the positive momentum we saw in the first half continued into the third quarter.

Net interest income was \$2.6 billion, up 9%. Non-net interest income was up 15%, driven by a record quarter in Wealth Solutions and a strong performance in Global Markets. Operating expenses were well controlled, up only 2%. Credit impairment continued to trend well with a net release in CIB this quarter.

Other impairment included further charges related to the write-off of software assets with no impact on capital. Profit before tax was up 41% and RoTE was 10.8% in the quarter, up 4 percentage points. Taxes were 30.8% for the first nine months of the year, and we continue to expect the full year 2024 underlying effective tax rate to be around this level.

It is also worth noting that the statutory tax rate is expected to be a few percentage points higher than the underlying for this year and should trend downwards in future years. Our CET1 ratio of 14.2% includes the full 62 basis points impact of the \$1.5 billion share buyback announced earlier in July. The tangible net asset value per share is up \$0.65 in the quarter and is up 18% year on year. As usual, we have provided a more detailed breakdown of the TNAV walk in the appendices.

Turning now to the various components of income. NII of \$2.6 billion was up 1% quarter on quarter from mix improvement and extra day count. We continue to expect NII of \$10 billion to \$10.25 billion for this year. Looking ahead, the current interest rate environment and outlook will make it more challenging to grow NII in 2025.

There are a number of factors at play here, most notably how the rate cycle unfolds and the impact this will have on liability pricing and asset growth. There is also an additional headwind of around 1% to NII in 2025 from the further actions we are taking in WRB, which Bill will talk about in more detail later.

Now turning to non-NII, which as a reminder, is around half of our total income. Wealth Solutions had a record quarter with income up 32% driven by very strong growth in investment products, up 40% and Bancassurance income, up 16%. Global Markets also delivered double-digit growth, and Global Banking was up 7%.

Given the combination of a stronger-than-expected revenue outturn in 2024 and NII uncertainty, we anticipate overall income growth in 2025 will be slightly below our medium-term range of 5% to 7%. We remain confident that over the course of our '23 to '26 plan, income will grow at a 5% to 7% CAGR. Expenses were up 2% year on year and down 3% versus Q2.

We expect expenses in Q4 to be up quarter on quarter due to phasing in Q3 and following our usual investment spend profile, which is weighted towards the end of the year. We are over six months into our three-year Fit for Growth program, and we are progressing well.

As previously communicated, the majority of the \$1.5 billion of savings are expected to ramp up from 2025 with a tail of efficiency effects continuing after 2026. And we expect to incur around 60% of the \$1.5 billion cost-to-achieve by the end of 2025. We remain committed to delivering positive jaws each year and the absolute cost cap of \$12 billion in 2026.

Looking now at credit impairment, which was down \$116 million year on year, credit impairment in CIB continues to be benign with a \$10 million net release in the quarter. This benefited from more recoveries, partly offset by a \$34 million overlay for clients who have exposure to Hong Kong commercial real estate.

The \$177 million charge in WRB was up \$31 million quarter on quarter, including a \$21 million overlay in Korea relating to e-commerce platforms. Ventures credit impairment remained broadly stable and is in line with the recent run rate. Other impairment included a \$68 million charge from software assets write-off.

This is the latest instalment of a proactive review of software accounting, which you would have seen come through over the last couple of quarters. It is due to be completed by year-end with another charge in Q4, which is likely to be higher than Q3.

Just as a reminder, this has no impact on capital. Building on the underlying growth of loans and advances to customers in the first half of the year, we saw green shoots of growth in Trade in Q3. However, total underlying customer loans and advances were down slightly in the quarter as we continued to be disciplined in originating WRB mortgages.

In CIB, strong origination volumes are driving the growth in Global Banking income, even though they are not always reflected in loan growth due to our originate to distribute model. Underlying customer deposits were up \$3 billion in the quarter, driven by an increase in time deposits in WRB related to Affluent clients.

Turning now to capital. Risk-weighted assets were up \$7 billion in the third quarter due to two main drivers. First, \$3 billion of market risk risk-weighted assets in CIB deployed to help clients capture market opportunities; second, a \$3 billion increase from FX, which is broadly neutral from a capital ratio perspective.

Following the PRA's clarification of the Basel 3.1 rules, we now expect the RWA day one impact will be less than previously thought and close to neutral. We continue to maintain a robust capital position with a CET1 ratio of 14.2% in Q3 including 62 basis points related to the \$1.5 billion share buyback, which is more than 60% completed to date.

As a result of our continued strong performance and more certainty on the impact of Basel 3.1, we are upgrading our shareholder distribution target from at least \$5 billion to at least \$8 billion between 2024 and 2026. However, we will remind you that we still expect to face some headwinds in capital generation in 2025, owing to the cost to achieve for the Fit for Growth program.

Now let's look at the performance of CIB, which delivered a record third quarter in income. As I mentioned earlier, Global Markets income was up 16%, driven by a strong double-digit performance in both flow and episodic income. The increase in flow was driven by higher volumes in FX, particularly with financial institutional clients, including growth in Renminbi related income as well as higher Credit Trading income.

And the growth in episodic was mainly driven by higher Rates income. We've also seen positive momentum and sentiment across our network with, for example, encouraging growth in Africa, helped by Nigeria and South Africa.

Global banking was up 7%, driven by favourable market conditions in capital markets and higher origination volumes. The pipeline for the rest of the year is healthy and the focus remains on execution. Transaction services income was down 5% due to margin compression from higher pass-through rates. However, we continue to see green shoots of asset growth with underlying Trade assets up \$2 billion in the quarter. We will be hosting a CIB investor seminar in March next year, and we will be providing more details on this event closer to the date.

In Wealth and Retail Banking, income was up 11% to \$2 billion. The record performance in Wealth Solutions was supported by continued strong quarterly momentum in new-to-bank clients with an additional 71,000 clients onboarded in Q3, continuing a trend that has now been sustained over seven quarters.

There was \$10 billion of Affluent net new money inflows in the quarter and \$34 billion so far this year, which is equivalent to a strong 16% annualised growth of Affluent AUM coming from net new money. We are already a leading wealth manager for Affluent clients across Asia, Africa, and the Middle East, and we continue to innovate our leading product offerings.

For example, in Singapore, we recently launched a VCC fund, which is a new fund structure that allows our Affluent clients unique exposure to some leading global alternative asset managers. As a reminder, we are hosting an Affluent and Wealth investor seminar on the 3rd of December.

Lastly, turning to our Ventures business.

Mox now has the largest market share across all digital banks in Hong Kong for customer loans and CASA. In Singapore, Trust has recently launched an additional cashback card to appeal to a broader customer base.

We now expect both Mox and Trust to be profitable in 2026. Reflecting the maturing nature of our portfolio, losses for the Ventures segment are expected to be less than \$200 million cumulatively across '25 and '26, with the majority of these losses incurred next year. I will now hand back to Bill to go through some details of the further actions we are taking to deliver sustainably higher returns.

<<Bill Winters – Standard Chartered>>

Great. Thanks, Diego. As I mentioned in my opening comments, we've been successfully executing our strategy of offering cross-border Corporate and Investment Banking capabilities and leading Wealth Management for Affluent clients, delivering around 100 basis points of growth in RoTE annually since 2015. We continue to manage our portfolio of products and markets dynamically, taking regular actions across our business to reallocate capital to the highest-returning areas.

A couple of recent examples include our investments in Saudi Arabia and Egypt, where we committed total capital of \$175 million and an example of a divestment has been the sale of our personal loan book in India, which we made a couple of weeks ago.

Today, we're announcing a set of further actions to deliver sustainably higher returns, simplify our business, help us generate high-quality growth and improve our Return on Tangible Equity over the medium term. In WRB, we're doubling down on our highly successful distinctive and profitable Wealth Management offering to Affluent clients.

Over the next five years, we'll invest around \$1.5 billion in relationship managers and investment advisers, as well as enhanced international and digital capabilities. This is double our previous investment plan. We'll grow the number of relationship managers by around 50% over the medium term, and we also target to increase the annual flow of up-tiered clients.

This incremental investment will be funded by reshaping our Mass retail business and sharpening its focus on building a strong pipeline of future Affluent and international banking clients. The impact of this reshaping will vary across our network. We'll continue to review single product lending relationships and portfolios in order to prioritise higher growth and higher returning segments.

And we're exploring the opportunity to sell all or part of a small number of businesses where the strategic rationale is not sufficiently compelling. These actions are expected to take effect over the next 18 to 24 months.

We're confident that our increased investment and focus will help us continue to outperform the market in terms of asset gathering and income growth, enabling us to deliver double-digit percentage growth in Wealth Solutions income. We, therefore, expect income from our Affluent segment to increase from two-thirds of WRB to around three quarters in the medium term.

Now turning to CIB. We will further sharpen our focus on serving the cross-border needs of our large global corporate and financial institution clients. We'll invest in relationship managers in the network corridors showing the highest growth potential, such as Asia to the Middle East. This will deepen our wallet share with these clients and deliver higher returns.

We're going to exit around 3,000 or a quarter of our total CIB clients whose needs do not play directly to our strengths. And we will continue to redeploy RWAs into higher returning businesses as part of our ongoing optimisation activities.

We aim to grow income from financial institutions to around 60% of CIB over the medium term and to increase the percentage of cross-border network income to around 70%. These actions will enable us to improve both our returns and potential for growth in CIB by delivering our unique capabilities our network can offer to clients who rely on them the most.

Looking ahead, we're substantially raising our shareholder distribution target from at least \$5 billion to at least \$8 billion between 2024 and 2026. And we're upgrading our 2026 RoTE guidance from 12% to approaching 13% and to progress thereafter.

Now to conclude, the Group delivered a strong performance in the third quarter with income up 12% and profit before tax up 41%. The positive momentum from the first half of the year has continued into Q3 and we're upgrading our 2024 income growth guidance towards 10%.

We're taking further action to deliver sustainably higher returns by doubling investment plans in our fast-growing and high-returning Wealth Management business and further sharpening our focus on serving the needs of our larger global corporate and institutional clients who rely on our unique cross-border capabilities. With that, I'll hand back to the operator, and Diego and I will be happy to take questions.

<<Operator>>

Thank you. We will now begin the question-and-answer session. (Operator Instructions)

Your first question comes from the line of Grace Dargan from Barclays. Please go ahead.

<<Grace Dargan – Barclays>>

If I could ask two, please. Firstly, on the income growth in 2025, the updated guidance is talking about below 5% to 7%, maybe you could just probe a little bit more, at least on current rate expectations, how far below and 5% to 7% you might be thinking? I think consensus has been around about 3% year on year, is that in the realm you would be thinking about?

And then secondly, another really strong quarter in Wealth and highlighting the investment today, which I think you've scheduled to be over 18 to 24 months. So on the income guidance of growing double digit, how should we be thinking about the shape of that from here? Should we just be expecting that year on year? Is that with the phasing of the investment? Any help with that would be much appreciated. Thank you.

<<Bill Winters – Standard Chartered>>

Great. Thanks for the question, Grace. I'm going to send the income guidance question directed to Diego. But before doing that, I'll just give a quick comment on the Wealth [investment] phasing. We've obviously had good solid growth in Wealth. Now if we look at the leading indicators in terms of new clients, migrations from our Mass segment, up the food chain, et cetera, for several years, and obviously, that's been matched by good income growth over the past couple of years as market sentiment has changed as well. What we're looking to do now is to ramp up the pace of investment that we've been making, obviously, both in our Relationship Managers, but also in digital channels just to provide an extra catalyst to what has been quite a good story, and I think structurally very strong already. But there's still an element of market dependence. We know that.

We've been in a pretty upbeat market environment, both in the US certainly, but also more recently in China. And we've been in a relatively fixed income environment as well, and it has been a great environment for Bancassurance for us, generally.

So, we see those trends continuing, but we're not going to suggest that we're somehow insensitive to market movements and which can't shift growth from here. But structurally, we think it's a great growth story into which we're very happy to continue to invest. But let me hand over to Diego. I'm sure he will have more comments on Wealth and the phasing and also the income growth.

<<Diego De Giorgi – Standard Chartered>>

So, on Wealth, nothing much more. Bear in mind that the kind of investment plan we are outlining today is a plan that takes place over five years. So clearly, we have a lot of confidence that this is a very structural theme that we are going to be tapping in.

In terms of the growth for 2025, so what we are doing is we are reshaping the growth path that we are seeing going forward. This is not a downgrade. The endpoint is the same. What we are flagging is that we are growing this year at very substantially faster than the 5% to 7% range that we had indicated and we are now indicating towards 10%. So, 2 to 3 points above the top end of the 5% to 7%. That is the main impact. It's the jumping off point. To that, I would add and I am sure that we will have the opportunity to further unpack it during the conversation today, some additional uncertainty with the development on NII, but I'm sure we can tackle a little bit later.

<<Bill Winters – Standard Chartered>>

Great. Operator, can we take the next question please?

<<Operator>>

Thank you. Your next question comes from the line of Joseph Dickerson from Jefferies. Please go ahead.

<< Joseph Dickerson – Jefferies LLC >>

I just have two questions. When you look at the lower returning Mass retail businesses and 3,000 reduction in CIB clients, separately or together, how much, if any, is there a RoTE drag from these if that could be quantified? That would be very helpful. And then secondly, I note that your new-to-bank customers accelerated in the third quarter. Is that something that as you've seen over the month of October has continued? Do you see an acceleration in new-to-bank customers into year-end? Thank you.

<<Bill Winters – Standard Chartered>>

Good. Again, I'll just give a bit of color upfront and then hand over to Diego. The exercises that we're going through are slightly financially dilutive. But when we look at the value that we expect to generate through focus on the retail side on this really very substantial fundamental pivot to Wealth.

Of course, we've been undertaking for several years now, but we intend to accelerate that. We think it's going to much more than make up the very minor income and RoTE dilution in the short term. The same thing on the CIB side. Although I think I'd say on the CIB side, the effect will be less but let me hand over to Diego.

Maybe just on your second question of new-to-bank accelerating. We've seen a good steady flow of new-to-bank clients, in part because of the dynamics in the market. Obviously, in particular, in our big source markets in Asia, we've had an accumulation of wealth with a strong desire to diversify wealth portfolios. We've also significantly ramped up our own capabilities in international banking. So our ability to take a customer that's an existing customer in India or China or Indonesia and have them take up an account in some place like in Singapore, Hong Kong, Dubai, et cetera. We've invested quite heavily in that as well. So I wouldn't say that we've seen a particular acceleration, but we've seen a steady acceleration over the past couple of years as we've made these investments. But again, let me hand back to Diego for more color.

<<Diego De Giorgi – Standard Chartered>>

So, on the two Joe, on the first one, I'm a simple man. I'm just the CFO, I'll tell you a simple way that I think about it is if you think about our increased guidance in terms of RoTE, that increased guidance in RoTE comes from two things.

One, the mechanical effect, of course, of higher distributions, but the second is exactly what Bill said, i.e., we are focusing on businesses that are inherently higher return and that is where you see the effect of the strategic measures, the shifting focus, the sharpening of the focus that we are announcing today.

On the new-to-bank, Bill has given you the secular answer, I'll give you the very short-term answer. If you think about the stimulus that we have been seeing coming from China and the fact that, of course, next week is going to be an important one because the Standing Committee of the NPC will be putting the final part of the arsenal at work, which is the fiscal policy.

But if you think about that stimulus, that stimulus started taking effect very much towards the end of Q3. And actually, if anything, the main results came immediately after Golden Week. So we've seen a very strong start in Wealth Management in October. That has then moderated to slightly more natural levels of growth. So I'm adding the very short-term effect to the longer-term secular effects that Bill just spoke about.

<< Joseph Dickerson – Jefferies LLC >>

Great. Can I just clarify my question on the Mass retail businesses, with 3,000 reduction in the CIB clients, wasn't that it was a necessarily a drag, but I presume, those are lower RoE businesses than the rest of the ones you want to grow. And so I was just trying to see what the difference might be in the RoE, but I'm happy to trying to figure it out myself, probably. Is that the broader point? Is that as a point to be correct?

<<Diego De Giorgi – Standard Chartered>>

So, you're right, directionally, it's difficult to quantify it in that way. I would go back to my comment about if you're thinking about it in terms of the impact on numbers, it's in the higher RoTE guidance we are giving you. If you are thinking about it in terms of how we operate the bank, it's very much in line with what Bill said and the freeing up of relationship manager capacity, the ability to focus on the higher returning clients and the higher returning client cohort. That's the two ways that we think about it.

<<Bill Winters – Standard Chartered>>

Joseph to your point, to your direct question, yes, these are lower returning client relationships, but still profitable, right? I mean it's dilutive to our earnings which we will more than offset by reallocating that capital into higher returning things and generating the value from focus.

<<Operator>>

Thank you. Your next question comes from the line of Jason Napier from UBS. Please go ahead.

<<Jason Napier – UBS>>

Two quite straightforward ones, actually. The first is thanks for the increased payout target. Can I just check, is there any necessity to caveat any of those sorts of guides around exit costs from reshaping disposals and so on?

And then secondly, Diego, I think you more or less invited the question of unpacking the position on revenue momentum in NII. So, I don't want to let you down, the curve that you present as your weighted average hasn't really changed all that much. Perhaps you could talk about what you've done, in hedge dynamic reinvestment yields and loan growth into next year, please.

<<Diego De Giorgi – Standard Chartered>>

Absolutely. I will definitely pick it up. So first of all, on the first one, very simple, on the increased targets, it's all worked out in the guidance. Everything we are providing you includes everything, including whatever cost it might include, whatever benefits to the return on tangible equity, as we have discussed before with Joe's question, et cetera.

So no need to do anything from our point of view other than what is inside the guidance. On the NII, let's do the unpacking. Let's divide for a second, let's start from this year. So for this year, in our \$10 billion to \$10.25 billion range for NII for 2024, a combination of slightly higher rates and also some FX impacts lead us to think that where we are going to end up Q4 is going to be closer to the middle of that range.

So that will give you the jumping point into 2025. In 2025, it's a complex interplay of several factors, all of which, by the way, you have already mentioned yourself, unsurprisingly. First of all, it's the level and the pace of the rate cuts that we are going to be facing. Direction-wise, we are clear, but the volatility in terms of interest rates has been very, very substantial, both on the down and recently more on the up.

The second thing, which is probably the only one that actually you didn't mention is that while we expect the shape of the pass-through rates to be very similar to the way up, there will be some lagging effect on the way down in CIB. How much? TBD, but we will be experiencing some of that.

The third is that we have some impact on NII from the reshaping of the activities in Mass retail that we have quantified as 1% of NII in 2025, that comes into play in 2025. And all of these things together with the hedge where you have seen we have increased the hedge to around \$55 billion. The hedge is going to trend towards \$60 billion for the end of the year, and we continue to believe that we are going to continue to grow it from there. All of these things then interplay with the question of what happens with the credit demand growth. That is a big million dollar question or more than a million dollar question. Do we think we will see credit demand growth? Absolutely. We still think it will be relatively subdued compared to the natural rate of credit demand growth, which in our region is in the region of 5%, and we believe it will be more in the single digits. We have seen some of it in the first half of the year. We are up \$5 billion in terms of underlying customer loans and advances. But this quarter, for example, it has been slower. And as a consequence, it seems when that comes into play that will end up telling us where do we go on NII.

Net-net, a lot of moving pieces, feels like the right thing to say that it is going to be more challenging. But what I would also flag to you is we're going to continue to be disciplined on our pass-through rates, we will manage ourselves as well as we can and as soon as credit demand will pick up, whether directly through deploying RWAs or through our originate-to-distribute activities, we will pick up on it. So it's not impossible that we see growth in NII next year, it's just more challenging. That's how I would frame it.

<<Operator>>

Thank you. Your next question comes from the line of Robin Down from HSBC. Please go ahead.

<<Robin Down – HSBC>>

I've got two questions if I may. Can I come back to the issue of Wealth Management. I think you slightly alluded to this a little bit earlier, but just how you're thinking about the seasonality in that business running into Q4? We normally expect to see a step down in Bancassurance and investment activity. But I'm just wondering whether you're perhaps feeling slightly more optimistic about that, given the activity levels in October and the China stimulus?

And then the second question is, I know Diego hates me asking about the capital return targets, but you've obviously revised that up to \$8 billion-plus. I'm conscious that consensus was already at \$8.4 billion, and you're telling us that Basel 3.1 is no longer going to have an impact, which I think saves you about \$1.5 billion of CET1.

So I'm just trying to make sure that is there anything we're missing in terms of capital dynamics as we run through to 2025? Does any of this increased investment in Wealth Management, for instance, go into intangibles, et cetera, that perhaps might have an impact on capital? Just how you're thinking about that would be great. Thank you.

<<Bill Winters – Standard Chartered>>

Robin, I don't want to disappoint. So, I'll just throw you straight to Diego to answer these questions.

<<Diego De Giorgi – Standard Chartered>>

And by the way, Robin, never say, I could never hate you asking about anything, let me very clear about that. Now on your first question on Wealth Management, we do expect seasonality into Q4. There is no doubt because of Bancassurance, because of the natural tendency of money to be put to work earlier in the year, et cetera.

No doubt, we had a particularly strong start to October, but absolutely do expect seasonality because we do. The second thing on the capital return, it's definitely not, I use the word hidden, obviously not hidden, but not any implicit type of investment that is in the reshaping of our Mass footprint or the doubling down and sharpened focus on the investment in the wealth management for Affluent.

If there is one thing that still gives us a little bit of pause is that we do have the CTA for Fit for Growth that needs to come into play in 2025, in particular, in terms of the bulk of the cost to achieve being put through. And as a consequence, 2025 at the margin is more of a pinch point on capital returns, that's all there is to it.

I think we are showing you with the \$2.7 billion that we have returned this year with the fact that we will continue to tell you before Bill tells you that we are going to run ourselves between 13% and 14% and the fact that we are at 14.2% right now is because it's this time of the year, and we will continue to generate capital, and we will continue to look at our distributions expansively. Bill, do you want to add anything to it?

<<Bill Winters – Standard Chartered>>

No I think you captured it perfectly. Not that it needs reinforcing, but I'll reinforce it anyway, we do intend to and want to operate dynamically within our 13% to 14% range.

<<Operator>>

Your next question comes from the line of Nick Lord from Morgan Stanley. Please go ahead.

<<Nick Lord – Morgan Stanley>>

It's just a question going back on to the retail restructuring. So a couple of questions there. First of all, in terms of that \$1.5 billion that you're investing over the next five years, how much of that would be revenue investment? And how much of that would be capital investment?

The second question I have is just trying to understand how you're thinking of phasing of RM hiring? What is the period of time it takes your RMs to become profitable after you've hired them?

And then the third question is I'm just trying to understand a little bit better what this reshaping of the retail business means? Now I understand selling a small loan book in India or whatever it might be. But obviously, you have quite large retail businesses in places like Singapore and Hong Kong and Malaysia. So what are you imagining that those businesses look like as you get to the end of this process?

<<Bill Winters – Standard Chartered>>

Great. Nick, thanks for those questions, very pertinent. Maybe I'll start with your third. Where we have a very strong presence in the market, you mentioned Hong Kong and Singapore. I would add a few other markets, including Taiwan, in some cases; in some ways, Korea; in other ways, India and then many smaller markets like Bangladesh, Kenya, et cetera, where we have a universal bank model today that's very profitable, very effective. We think we're very well-positioned, and we don't want to

do anything other than continue to expand that. In each of those cases, certainly, in Hong Kong and Singapore, we already have a very good feeder from our Mass market business where our market share is relatively small, by no means insignificant, good feeder into the Affluent part of our business. And we want to continue to develop that quite strongly. So those universal bank models where they work for us, they work very well, and we have no intention of changing that in any fundamental way.

The digital banks, in particular, Mox and Trust, it started in many ways as investments with a view to generating profitable standalone operations, clearly competing with our own business to some degree, but targeted at a very different segment than our typical segment.

Now as those businesses have evolved, our confidence that they can become structurally very profitable has increased. I know we bumped back the achievement of strong profitability in Mox by a year or so. But our conviction that we can get to a very attractively returning and leveraged business model in that mass market segment is there.

The part of the way we're going to do that is also in its own way, pivoting those businesses to a more Affluent population. So introducing Wealth Management products perhaps down the road introducing things like mortgage products, which are more typically suited to a middle or higher income saver. So that's all part of our universal bank approach in those markets where we have an edge.

In other markets, and that would include important parts of markets in India, and also in some important parts of ASEAN or Africa, where our mass market business are either subscale or with whatever scale, we find that we're unable to offer a really differentiated product, we'll look at what we need to do to restructure that.

It could be exiting a product line like credit card or personal loans that we just did in India. It could be a more substantial exit of a mass market business, so call it a harder and more definitive pivot to Affluent. In some very exceptional cases, it could mean exiting the country entirely as we did with a number of African countries over the past couple of years.

In those cases, that would only be following the conclusion that there is somebody that's a better and more profitable owner for those assets than we are and where we don't see it contributing materially to our broader strategy of having a world-class Affluent client wealth management business and focusing our cross-border business in our CIB franchise. So that gives just a little bit more color.

I mean in no way are we exiting the mass market, we're just focusing on those things where we can make a real difference. On the first part of your question, the \$1.5 billion investment, I think I understand the question. These are expense dollars that are going to be invested to generate returns. We're not picking up loan capital in there. But I hope that's clear.

<<Nick Lord – Morgan Stanley>>

Or software, so like CapEx

<<Bill Winters – Standard Chartered>> I'll let Diego take a stab at how much of our investment might be capitalised, but it is primarily going to be focused on generating revenue. And then third, on the phasing of RM hires and returns, we've hired hundreds into thousands of RMs over the past five years. We've had attrition, which is quite a bit lower than the market. We have paid on market, not above market.

So, we've never been the guy that attracted the RMs because we paid a little bit more. We've been the one who attracted RMs because we have a very strong platform from which to deliver, including the fact that we're open architecture, and we're not encouraging RMs to sell any of our own funds. And so we are very confident that we can ramp up our RM hiring exactly as we phase it in terms of our intended investment.

And the payback time obviously varies from market to market and will vary from cycle to cycle as well. But we expect to get a decent payback on these investments in 18 to 24 months. Diego, feel free to elaborate, contradict, expand, go to a whole new level; we've spent a lot of time thinking about this.

<<Diego De Giorgi – Standard Chartered>>

Two very quick things, to the point that Bill just made on RM hiring. Please, Nick, do not forget that it's not like we are starting hiring RMs, we've been hiring RMs. So on this J-curve, that Bill described, there's a lot of RMs that are already on that J-curve. So if I interpret your question in a, "do I need to build in a lag between the moment when you start investment and the moment it shows results?" The answer is no because it's a continuation of our strategy that we have been having. On the point on the \$1.5 billion of investments in Wealth, very largely expenses, current expenses, a small amount to be capitalised, but small, very small.

<<Nick Lord – Morgan Stanley>>

I'm just trying to work out how we should think about that. So is that you build up to \$1.5 billion over five years ?

<<Diego De Giorgi – Standard Chartered>>

Cumulative.

<<Nick Lord – Morgan Stanley>>

It's a cumulative. So, we're talking \$300 million a year on average?

<<Diego De Giorgi – Standard Chartered>>

A few hundred million a year.

<<Nick Lord – Morgan Stanley>>

Probably pushed back into year two and three or something like that. Is that the way we should be thinking about it?

<<Diego De Giorgi – Standard Chartered>>

Not sure that I would phase it in any particular way other than thinking that this is a smooth progression on a gem of a business that is producing great returns, you can think that we're going to be investing at some times in certain geographical areas and sometimes in others, sometimes a little bit more towards the upper end, sometimes a bit more toward the middle end. But no great science there in terms of how to phase it.

<<Operator>>

Thank you. Your next question comes from the line of Kun Peng Ma from China Securities. Please go ahead.

<<Kun Peng Ma – China Securities>>

I got one question for Bill. As you mentioned just now that one of CIB's key strategy is to meet clients' complex needs? So we have the US election going forward and maybe a lot of changes after that.

So much more complexity and much more volatility going forward. But I think sometimes volatility and complexity means business opportunities for that? So Bill, could you please give us some thoughts on how those complexities evolve going forward? And also what are the types of risks or opportunities for Standard Chartered going forward? Thank you.

<<Bill Winters – Standard Chartered>>

That's great. Thanks very much for the question, Kun Peng. And you're right, things are complex today and things could get more complex in the coming months or they could get more complex. I think the likelihood that things were going to get simpler is very low. So it's just a question of how they get more complex. As things have gotten more complex in China, our business has performed better.

And there's just a very simple reason, which is that our clients, both in China and outside of China rely on intermediaries or connectors like us to help them navigate that complexity. Now if China is going backwards, if you have trade flows were reducing or if cross-border investment was reducing, that might have an impact on our business. But we're seeing the opposite with the reconfiguration of supply chains.

And we're seeing ongoing very strong investment from Chinese corporations outside of China, and we're continuing to see meaningful investments from international companies or offshore Chinese companies back into China, although that obviously has tapered off in the less ebullient Chinese economic environment.

As for the outlook for China GDP growth, clearly the stimulus has had a short-term effect. I think the market is keen to see how they follow through with the broader structural fiscal and other reforms. Having spent a bit of time in China last week and just spending a bit more time before the end of the year, I sense a very strong result. Perhaps Kun Peng, you could share with us how strong the results as you're seeing it first hand. But I said it's a very strong result to get the economy back on the right track, including a range of structural steps that will pass through in due course. So on the one hand, things will certainly get more complex. I'm happy to say that we're coping with that well.

And I think there will be a little bit of an economic tailwind as we come through this current difficult time. I would note, I noticed that the second international bank has been added to the China Interbank Payment System as both an onshore and offshore participant.

We've been there for over two years. And it's the kind of thing that puts Standard Chartered in a very, very strong position to satisfy our customers' cross-border needs, that we have positioned ourselves vis-a-vis the licensing agencies in China and then outside of China in such a way that we can provide solutions frequently in a unique way. And we will continue to try to maintain that lead as we build this business out in the years to come.

<<Operator>>

Your next question comes from the line of Jeremy Hou from CICC. Please go ahead.

<<Jeremy Hou – CICC>>

My first question is another question on the strategic update. I think Bill answered that but just to confirm, you talked about the reshaping Mass retail business and exploring opportunities to sell some of them. So will you continue to exit some of the peripheral markets like what you have done over the years, or will you evaluate on some of the big but relatively underperforming retail markets, namely Indonesia, Korea?

And second question is just a follow-up on the revenue. I think you mentioned that given the current interest rate outlook, it's more challenging to grow NII in 2025. But overall, do you think Standard Chartered's top line will benefit from mildly lower interest rate environment? Thank you.

<<Bill Winters – Standard Chartered>>

Thanks for both those questions. So the answer to your first question, are we just focusing on some smaller markets on the periphery? Or are we focused on the big markets as well? The answer is we're focused on both, absolutely.

You should not expect to see us exiting big markets at this point. You should expect us and you should always expect us to focus extraordinarily on improving the performance in any market that isn't covering its cost of capital and generating growth, leveraging some strategic strengths that we have as a bank.

And we know, while we have very substantially, improved our Korean business, there's more to do on the retail side of that business. On the wholesale side of our Korean business, it's exceptionally profitable.

There's been good growth over a period of time, and we expect the growth to continue. And of course, we do look at that as a franchise, as an integrated franchise. You can't completely separate the two things. In Indonesia, we have executed a substantial pivot into the Affluent part of our business already and we'll continue that. And we should expect continued performance improvements in that regard.

The peripheral markets, obviously, we exited a few of those in recent years. And to the extent that we identify a market that, as I mentioned earlier, that isn't playing to our strengths, and that isn't consistent or isn't necessary for the broader part of our strategy, then there may be a better owner for all or some parts of those businesses.

But those are decisions that we take after very, very careful consideration because sometimes the interlinkages with other parts of our business are not so obvious on the surface, but nevertheless substantial below the surface. So, I think we're quite thoughtful about that. Diego, feel free to chime in on that one. You've obviously spent a lot of time thinking about it as well.

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

No, I think nothing to add on that one. I can take the second, the top-line benefits from the milder rate environment.

<<Bill Winters – Standard Chartered>>

Yes please.

<<Diego De Giorgi – Standard Chartered>>

So, on that one, Jeremy. I'll borrow a term from the Fed. If you think about a world with a higher R-star rate than what the world expected before, so lower, but not too low. That is not a bad world in which to operate, right. That's a world in which demand for credit comes back and counterbalances the effect on the margins in terms of NII.

But more importantly, that is a world in which the engines of non-NII work particularly well. Our Wealth Management would see an increasing shift from deposits into Wealth Solutions business. Our Markets business will benefit from the fact that within that kind of environment, it will remain somewhat volatile because of geopolitical or other events, and we'll benefit from it.

And our Banking business, again, whether we end up retaining those originations in the form of RWAs or whether we originate to distribute, our Banking business line in non-NII will also benefit strongly from it. So, it's clear that, that is a very conducive environment for our business across NII and non-NII.

<<Operator>>

Thank you. Your next question comes from the line of Perlie Mong from Bank of America. Please go ahead.

<<Perlie Mong – Bank of America>>

Just one on NII and then one on Ventures. So, on the NII, this quarter, there's quite a large benefit from mix and others. So just can you unpack that a little bit? And how much mix improvement, et cetera, from treasury operations can we expect next year?

And the other related question is structural hedge. Forgive me if I missed anything, but I don't think there's any update on the structural hedge. So, I think previously, you've talked about continued wanting to build, but also just noting that one of your peers yesterday said that the days of materially building the hedge is behind us. Is that the same for you? Or are you still thinking to ramp up and to what extent can rate sensitivity reduce as a result of that?

And then just noting, I'm possibly overreading this, but just noting that the cost-income ratio jaws guidance is ex-notable items. So does that suggest that there is a risk of an all-in number not being positive if the income environment proves to be a little bit more tricky. Sorry, it's a little bit of a few moving bits in the NII question.

And then for Ventures, thank you for the guidance of breaking-even broadly speaking, in 2026. So is that coming from income? Or is it more coming from cost? Because it looks to me, certainly in the last couple of years, it's about \$200 million, \$300 million income and maybe \$400 million, \$500 million of cost. So is it income going up? Or are you done on the cost investment side of things.

<<Bill Winters – Standard Chartered>>

Thanks for the question, Perlie. Let me take your Ventures question, then I'll hand back to Diego for NII-related questions.

The biggest components of the Ventures segment are Mox and Trust. The story there is entirely income. The income growth is picking up as customer numbers have grown, as the balance sheet has grown and as we layer on new products, including most recently Wealth in Mox and we'll introduce Wealth later in Trust. So that's part of the income story.

And for the other ventures, which are smaller, it's also largely an income story. But we've also effectively moved from infancy to adolescence in this segment where many of our ventures are maturing. And we're beginning to harvest ventures.

So, we've sold several smaller ventures at nice gains, and not noticeable to you on the bottom line, but nevertheless, 'proof' as a word that some of the things that we're building are valuable to other people in addition to being valuable to us.

And we will move some of our larger ventures to the more mature phase where we'll be looking at increasing the numbers of partial or complete exits, and these are businesses that have not yet reached operating profit, but which are very valuable to third parties, as we know is often in that space.

Obviously, when you exit a venture like that, it is reducing our operating profit drag, reducing the expenses. So, I wouldn't say it's an expense story. But as we shape the portfolio, we would expect that the income growth combined with the avoided cost of some things that we exit to be the drivers of improvement in profitability.

The third thing to keep in mind is while we are always reporting on operating profit in this segment, a significant portion of the gain that we expect to generate is coming from capital gains. And as this portfolio matures, we will be generating capital gains, which will contribute to the return to steady profitability of the business.

It's a little bit lumpier as we know, but we would expect to see a steady stream of gains coming out of the Ventures portfolio in the coming years, both from the minority stakes that we've taken. So I'd just point to a couple of things: High single-digit percent investments in Toss Bank in Korea and Line Bank in Taiwan are very valuable franchises, neither of which has gone public yet, both of which are likely to over the coming years, one would expect since some of their predecessor entities have. And then many of the other minority stakes we have in our Fintech portfolio are also sitting on reasonably nice embedded gains, which we'll be able to monetise through time. And then, of course, those are the ventures that we built ourselves. So a little bit of all of the above in terms of getting to profitability and generating what we continue to expect to be a very good return on that portfolio overall.

Diego, obviously, feel free to comment on that or go back to the first set of questions.

<<Diego De Giorgi – Standard Chartered>>

I'll jump to NII. So, on the NII, so this quarter benefit, think about it this way, I would say about half is really higher day count. There is a small tailwind of FX. And the rest is an asset mix benefit as we have reduced Treasury assets to fund the customer balance sheet. So that is the construct for this quarter.

Can you extrapolate from this going forward? Yes, you can in the sense that we continue to find opportunity, to look for opportunities to reduce our Treasury balances in favour of customer balances, we continue to shift the quality of our liabilities by reducing the importance of corporate Time Deposits in favour of other sources of liquidity. And in this particular case, you will have seen, for example, this quarter, that our CASA-TD ratio in WRB has gone down a bit. That's not because CASA has decreased, actually CASA has increased, but Time Deposits have increased even more because our net new money strategy in Wealth Management has been very effective. So that's on the broad question about mix.

On the structural hedge, although we don't have a slide. We have indicated that the hedges continued to grow in line with what we were guiding you to. We had about \$55 billion of structural hedge, and we expect to finish the year in the region of \$60 billion. We intend to grow it in 2025 at very similar rates to the rate that we have grown it in 2024.

Other than that, some very minor changes, but a slight uptick in the yield but nothing major there to report. On the cost-income guidance, the only thing I would say is that we guide to income on an ex-notable item basis. So the two things are very consistent, and that's how we think of it. Nothing particular to see there.

<<Operator>>

Now I would like to hand over to management team for any written questions. Please go ahead.

<<Manus Costello – Standard Chartered>>

Thank you. We have one question online that comes from Guy Stebbings at Exane. Guy asks in Wealth, perhaps the 32% growth rate is a little flattering given some of the stimulus, but the underlying drivers look favourable, and it sounds like the progress on Wealth and Investment is playing an important role in upgrading the 2026 RoTE guidance. So could you share in broad terms what are your expectations for Wealth income growth that now help shape the 2026 guide?

<<Bill Winters – Standard Chartered>>

Just a couple of quick thoughts on that in addition to what we've already said. We'll see when everybody else comes out with their numbers and we assess the market, but it would appear that we're picking up a little bit of share as we have over the past couple of years. I think it's because we've been focused, of course. It's not because we've been spending a lot more money, we haven't.

And the investment phase of our Wealth growth is really beginning over the portion of this year and into next year. But it's because we've been pretty focused and because I think we have a somewhat differentiated proposition, at least on the margin. So, I think the ability to continue to pick up some share in the space, feels like a pretty good proposition to us.

The things that differentiate us, which we have a balanced product offering across, I call it the more sophisticated online access points for self-directed investors at one end of the spectrum with Bancassurance on the other, we're well-spread across the piece. We've got excellent partners certainly in the form of Prudential, but also in the asset managers that we deal with.

And we've built some good technology that's enduring. So I think for all those reasons, structurally we are feeling pretty good about the ongoing growth. Clearly, it's been a favourable market environment, as I pointed out right up front, but the market environment also looks reasonably supportive at this point.

Equity markets have been stable. We've absorbed a lot of what could have been body blows to market sentiment that the market has seen through. And investor confidence has returned. It's not back to its peak by any means but it has some further room to improve and it's got a little bit of momentum. Overall, I think the growth opportunities are structural.

<<Diego De Giorgi – Standard Chartered>>

No nothing to add on this. Do we have any more questions?

<<Manus Costello – Standard Chartered>>

No, I'll hand back to the operator.

<<Operator>>

There are no further questions. I would now like to hand the conference over to Bill Winters for any closing remarks. Please go ahead.

<<Bill Winters – Standard Chartered>>

Thank you very much, operator, and thank you all of you for a really good set of questions. Thanks as always for joining us and delving into us and trying to understand us. And of course, we're, as always, available to follow up with questions or comments after the fact. Please have a good rest of week.

<<Diego De Giorgi – Standard Chartered>>

Thank you all. Goodbye.