Standard Chartered's second quarter 2023 results presentation

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(Amended in places to improve accuracy and readability)

<<Bill Winters – Group Chief Executive, Standard Chartered>>
Good morning and good afternoon, everyone, and welcome to our Half Year 2023 Results Call. We're very happy to present another strong set of results, further building confidence that our differentiated market presence can deliver strong returns to our shareholders and other stakeholders.

First up, Andy will take you through the numbers, and then I'll cover progress on our strategic agenda before we join back up again for the usual Q&A session.

So, Andy, over to you.

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>
Thanks, Bill. Good morning and good afternoon to everybody joining the call. So let's get straight into the numbers and look at the second quarter during which we delivered a very strong performance.

The second quarter was our eighth successive quarter of top line growth, with total income of $4.6 billion, up 24% year-on-year on a constant currency basis. We delivered margin expansion in deposits and Cash Management, and our overall NIM was up 36 basis points year-on-year to 171 basis points. We have also delivered growth in areas into which we have been particularly investing over recent years, namely Wealth Management and Financial Markets. Wealth Management was up 10% year-on-year, driven by our North Asia markets. Encouragingly, this was the first quarter of year-on-year growth after five quarters of market-driven declines. In Financial Markets, we delivered a record second quarter with income up 15%.

Expenses were up 14%. This unusually high print reflected the phasing of performance-related pay accruals and, of course, underlying inflation. Despite this expense growth, we still delivered 10% positive income to cost jaws. This, combined with a low credit impairment charge of $146 million, generated $1.6 billion of underlying profit before tax, up 32% year-on-year and a return on tangible equity of 12.1%.

Turning now to the first half. Total income was up 18% to $9 billion, with around three-quarters of the increase coming from interest rate rises with our NIM increasing 35 basis points year-on-year to 167 basis points. We also saw good growth in the fee income businesses with Financial Markets up 13%, excluding the impact of one-off mark-to-market gains last year and Wealth Management up 5%. We also delivered very strong double-digit growth in our China offshore business, which was up around 60% in the first half.

Expenses of $5.5 billion were up 12% due to inflation and targeted investments into growth areas. Income-to-cost jaws were a positive 6%. Credit impairment remains low at $172 million and includes a further $82 million charge relating to the China Commercial Real Estate portfolio. Our annualised cost of risk of 11 basis points, is well below our medium-term expectation of 30 to 35 basis points. Together, this generated an underlying profit before tax of $3.3 billion, up 29%, our highest half year profit since 2015, and this resulted in a return on tangible equity of 12.0%, up 3 percentage points year-on-year.

Our balance sheet is strong, well capitalised and highly liquid, and we have chosen to run richer on some liquidity metrics at this time with a liquidity coverage ratio of 164%, up 3 percentage points on the first quarter, and our disciplined management of capital has resulted in a CET1 ratio of 14.0% at the top of our target range. Hence, our decision to announce a further $1 billion share buyback today, taking our proforma CET1 to 13.6%.

Now looking at income through the product lens, it is a familiar story. In the first half, both Transaction Banking Cash and Retail Deposits benefited from higher rates. Pricing discipline and pass-through rates management drove margin expansion, with Cash income more than doubling year-on-year and deposit income also supported by volume growth, almost tripling. Both Financial Markets and Wealth Management were up around 4% and 5%, respectively, and I'll talk more about those products shortly.

Trade was flat on the prior year as lower trade volumes and fees were offset by wider margins as we focused on higher returning products. Mortgage income was down 60% as market dynamics, including the prime cap in Hong Kong led to margin compression. And accordingly, we decided to throttle back on new origination. In some markets such as Korea, we also saw customers repaying balances. Negative income in Treasury was largely driven by internal transfer pricing mechanics and the negative carry on our short-dated income hedges, which partly offset the materially higher net interest margin in the businesses.

In the materials, we have changed the way we calculate and present underlying NII to now exclude the impact of the trading book funding cost. We have done this to give a more accurate view of the net interest income dynamics across the businesses. Importantly, there is no impact on total income because of this change. We have also included a slide in the presentation to show how this change works. Underlying net interest income was $4.8 billion, up 35% year-on-year as the half year NIM increased 27% to 167 basis points.

Our NIM was up 8 basis points in the second quarter with a 6 basis point increase from rising rates and a 4 basis point benefit from the expiry of $16 billion of our short-term income hedges in February. This was partly offset by CASA-to-TD migration, mix changes and the impact of holding surplus liquidity in Treasury. Our refreshed net interest income sensitivity to further rate movements indicates a higher U.S. dollar sensitivity due to the expiry of these hedges. Accordingly, in the 100 basis point increase scenario, our overall NII sensitivity is up $80 million to $820 million compared with the end of 2022.

Rates have been volatile in the first half, but we continue to expect a full year average NIM of around 170 basis points. The cost of funding the trading book in the first half was $822 million. Given the recent rise in market rate expectations, we now expect the full year trading book funding cost to be closer to $1.9 billion.

Turning to Financial Markets, despite lower levels of market volatility, FM continued to show good momentum, driven by higher flow income. Income of $2.8 billion was up 4% year-on-year. However, it was up 13%, excluding the impact of $216 million of mark-to-market gains in the first half of 2022, which will not repeat. Macro trading had a record half as market uncertainty around rates led to higher activity levels and some mark-to-market gains.

We saw strong double-digit income growth in rates and high-single-digit growth in FX more than offsetting the non-repeat of the exceptional performance in Commodities last year. Credit Markets income was up 10% as Credit Trading posted a record first half on higher activity levels. This offset lower Financing Solutions and Issuance income as issuance markets remained subdued.

Around 70% of FM income came from flow income generated by client liquidity and exposure management, including the business flows into FM from Transaction Banking. Flow income, which tends to be more stable than our episodic income was up 10%. The momentum we are seeing in Financial Markets reflects the substantial investment we have made in transforming the business to one which is now progressively taking market share in the Asia FICC space. The build-out of our Rates and Credit capabilities, the investments in digital delivery channels and combining Corporate Finance origination with the FM distribution platform have all contributed to a more diversified and better balanced business.

Turning to Wealth Management, which returned to year-on-year growth in the second quarter. Income was up 5% to $1 billion in the first half. We saw strong growth in Treasury products and Bancassurance, with income from Managed Investments and Wealth lending remaining subdued as investment markets had a mixed start to 2023. Affluent Net New Money was $13 billion, more than doubling last year's levels as our Affluent clients re-engaged with their Wealth Management planning.

New account openings were around triple the levels in Hong Kong and around double in China and Singapore. It takes time to monetise these new relationships, but we are making good progress. In Singapore, around two-thirds and in Hong Kong, around 80% of new Priority accounts are funded within three months of onboarding. We expect these new Affluent clients to support Wealth Management income over future quarters.

As with Financial Markets, long-term investment in Wealth Management has built a scale business, and we are now a top 3 Asia wealth manager advising over 2 million Affluent clients. This is across a region where wealth assets are expected to grow over the next few years at around twice the rate of growth expected in the U.S. and Europe.

Looking briefly through the business lens, CCIB had a very strong first half, income of $5.8 billion, up 33% on a strong performance in Cash Management and Financial Markets. And the RoTE was 21%, up an impressive 9 percentage points. CPBB income was up 30% to $3.6 billion on a strong performance in Retail Deposits and an ongoing recovery in Wealth Management. Its RoTE of 28% increased even more, doubling compared with a year ago.

Looking at the CCIB Network story, cross-border income was up 44% to $3.4 billion, now comprising 59% of CCIB total income with continued growth across all key trade corridors. Notwithstanding lower global trade and a slow China recovery in recent months, cross-border revenues were up around 40% in both Asia and the Europe and Americas regions. Asia remains the dominant cross-border region with intra-regional income up strongly with the China to ASEAN corridor up 82%; and China to Africa and Middle East, up 76%. This is a high-returning business, generating an income return on risk-weighted assets of 11.2%, 3 percentage points higher than overall CCIB.

Ben Hung and his colleagues highlighted the strength of our Asia franchise in May, and it would be no surprise that Asia's performance was a standout. Asia delivered a record first half income print and a RoTE of 19%, up 8 percentage points year-on-year. The strong performance in Asia was broad-based. Of our Asia markets, 11 produced record income, 7 produced record profits and 10 produced a RoTE above 12%.

The Africa and Middle East region also produced a strong performance with our retained businesses delivering first half income up 34% and RoTE above 16%, not far behind that of Asia. Sunil Kaushal and his team expertly managed the exit from certain markets, the opening of new businesses and successfully navigated several tricky sovereign risk challenges.

Just looking briefly at our largest markets, Hong Kong, China and Singapore, all delivered record first half income. India grew slightly more slowly, but this was more a consequence of an exceptionally strong first half last year. The underlying momentum remains very strong.

Turning to expenses. Costs were up 12%, resulting in 6% positive jaws in the half. The cost income ratio improved to 3 percentage points year-on-year to 61%. The main elements of the cost increase were inflation of 4% and the conscious decision to invest into areas such as Financial Markets, Wealth Management, Sustainable Finance, and China, all of which will be integral to delivering strong top-line growth long after the recent period of interest rate volatility settles down. Strategic investment spend was up $189 million for similar reasons. This included the Ventures portfolio with both of our digital banks, Mox and Trust, being on a strong growth trajectory, validating our decision to invest into these businesses some time ago. This investment spend was more than offset by $200 million of productivity savings. And to date, we have delivered around half of our 3-year $1.3 billion cost efficiency programme.

We are also upgrading our jaws guidance for 2023 and now expect to deliver around 4% positive jaws, with third quarter and fourth quarter expenses expected to be at similar run rates to the second quarter.

Turning to credit impairment. The charge of $172 million in the first half was down $92 million year-on-year, reflecting our disciplined and proactive multi-year approach to risk management. This represents a cost of risk of 11 basis points. For China Commercial Real Estate, the portfolio reduced by about $0.4 billion due to client repayments, whilst taking a charge of $82 million, mostly on a newly downgraded single name and top-ups on existing Stage 3 exposures. Our provisioning levels on China CRE are consistent with our cautious outlook on the sector. We retain $136 million of overlay in addition to specific provisions against further deterioration in this portfolio. China property sales softened in the second quarter. And whilst continued policy support for the China CRE sector is helpful, any recovery is likely to remain fragile until buyer confidence improves, and sales sustainably recover. There was also a $21 million net release relating to sovereign downgrades. We continue to monitor sovereign risks closely in several markets and have proactively managed our exposures in case further defaults occur. In terms of forward-looking indicators, high-risk assets of $8.9 billion reduced by over $1 billion in the quarter.

Turning now to the balance sheet. On an underlying basis, so excluding FX, CCIB, optimisations and some repo activity, customer loans of $290 billion were broadly flat in the second quarter. We have remained disciplined on pricing across products and segments, prioritising asset returns over volume for volume's sake. And our CCIB business has now optimised most of its 3-year target in just under half that time, as Bill will discuss later. We expect assets to grow at a low-single-digit rate over the rest of the year. Looking further ahead, we still see good client loan growth opportunities in our footprint by virtue of relatively higher expected levels of forecast GDP growth.

Customer deposits of $470 billion were up $11 billion or 2% on an underlying basis since the start of the year. This was mainly due to growth in Transaction Banking Cash and Retail Time Deposits. We have updated some of the new deposit disclosures we gave at the first quarter, nothing material to report, but just a few key messages to highlight.

Our customer deposits are highly diversified by segment, market and industry. Around half our customer deposits are in sticky Retail current and savings accounts or Corporate operating account balances. Our deposit betas and CASA-to-TD migration outcomes are in line with our expectations and consistent with what we would expect at this point in the rate cycle.

It is also worth remembering that time deposits remain good quality liquidity and are an increasingly important anchor product for deepening our Affluent client relationships, particularly in a subdued mortgage market. In Hong Kong and Singapore, time deposit margins are meaningfully higher relative to prior year levels.

RWAs of $249 billion were up 2% or $4 billion in the half. Around $8 billion of asset growth and mix changes, mainly in FM and Treasury were offset by $7 million of RWA optimisations, $6 billion of which were in CCIB, mostly relating to the exit of suboptimal RWA relationships. Market RWA was up $3 billion, reflecting higher FM activity levels, but was offset by favourable FX movements. The CET1 ratio of 14% at the top of our target range was flat in the period. First half profits and favourable reserve movements were offset by distributions, including the $1 billion share buyback announced in February, net RWA growth and FX.

In the first half, we also accrued an interim dividend of $168 million, equivalent to $0.06 per share, mechanically calculated as one-third of the full year 2022 dividend of $0.18 per share. We have also announced today a new $1 billion share buyback to commence imminently and run concurrently with the latter stages of the current programme. This will reduce the CET1 ratio in the third quarter by around 40 basis points to 13.6%. Including these items, our total shareholder distributions over the last 18 months are now $3.9 billion.

So, in conclusion, a very strong first half performance. In terms of July trading, FM is trending in line with July 2022, but slightly lower than June 2023, which saw quite a strong performance. We expect U.S. rate uncertainty to generate a degree of volatility in the second half. In Wealth Management, we are seeing steady momentum in July, in line with the second quarter with Hong Kong performing particularly well.

Encouraged by the first half performance and the progress on our strategic agenda, we are upgrading elements of our 2023 forward guidance. Income is now expected to increase in the range of 12% to 14% at constant FX, and we now expect to deliver positive income-to-cost jaws of around 4% at constant FX and this will widen further if income outperforms the new target. Accurately forecasting credit impairment is always tricky, especially in a period of more volatile interest rates, but we are not presently seeing anything particular that causes us concern. We are now therefore expecting the full year loan-loss rate to be in the 17 to 25 basis point range, barring major unforeseen events.

Finally, we have upgraded our 2023 RoTE guidance and now expect our RoTE to reach 10% in 2023, which will be the first time we have crossed this important milestone in a decade. We are not making any changes to our 2024 guidance at this stage.

And with that, I'll hand back to Bill.

<<Bill Winters – Group Chief Executive, Standard Chartered>>
Thank you, Andy. In the first half of the year, I spent a good part of my time in our markets across Asia, Africa and the Middle East. The key takeaway was that despite recent challenges, our businesses and clients remain confident in the outlook for and the opportunities in most of our footprint markets. The Asia growth dynamic is compelling with the region seeing above 5% GDP growth this year and next with an average GDP growth rate more than four times that expected in either the U.S. or Europe.

As we said at our recent Asia investor seminar, we are well positioned through our unparalleled Asian presence to capture the structural growth opportunities in and across Asia. The rest of the world remains under invested in China, and China remains underinvested in the rest of the world. The ongoing opening of China's economy will increase cross-border financial flows, which we're uniquely positioned to capture. We also expect to see growth in regional trade flows and reconfiguration of supply chains. Asian economies will trade more with each other as regional consumption grows and clients look for diversification and resilience across Asia in addition to their operations in China.

India's growth momentum is strong and the 2020s could well be remembered as “India's Decade”. India presents an opportunity for banks to grow scale and returns as the country moves into the upper middle-income bracket and becomes the world's third largest economy by 2030.

On the retail side, as the third largest Asian wealth manager, we have a significant opportunity to capture expanding Asia-based wealth flows. These flows will be generated by fast-growing affluent and middle-class populations with increasingly sophisticated cross-border Wealth Management needs. And lastly, the rapid expansion of Asia's digital economy is bringing more people into the banking system. This enables us to connect with a broader customer base in a much more cost-effective way through our digital platform and partnership model.

Beyond Asia, the Africa and Middle East region is an integral part of global trade and investment corridors whose importance is rising with shifts in global trade dynamics. With our long history and knowledge of these markets along with our broader global footprint, we can seamlessly support our clients across AME related corridors where we are seeing strong growth.

Turning now to our strategy, let me update you on our progress here. In CCIB, we're making great progress on our 2024 targets. Income return on risk-weighted assets at 8% is well ahead of our target of 6.5%. We've delivered an increase in the proportion of CCIB income generated from our higher-returning Financial Institutions clients up to 48%. We've achieved $20 billion of our $22 billion risk-weighted asset optimisation target since the start of 2022. We are not limited by our 2024 targets. And where we can do better, I can assure you, we will.

In CPBB, we're making good strides on the journey to transform our profitability. A key measure, the cost-to-income ratio was 58% and on track to achieve our 2024 target of 60%. While strong income growth is the main driver, progress on expenses is also playing its part with delivery of over $300 million of the $500 million 3-year gross expense savings target. The level of straight through processing of activities is now 80% from just under 70% in 2021. This is good progress on the way to our target of 90% as we digitise the entire business from end-to-end and clients increasingly embrace our digital channels for more of their activities. These efficiencies have also improved customer service quality, and we are now rated best-in-class for strategic net promoter scores in 8 of our 9 top markets, a meaningful improvement from 2022.

We also continue to grow the mass retail client base with over 450,000 new-to-bank clients and around a further 100,000 clients upgraded from mass retail to Affluent in the first half. This reflects our drive to capture the Affluent clients of tomorrow earlier in their life cycle through our digital platforms.

The China recovery after a strong start to the year has slowed. Despite lowering our 2023 GDP expectations somewhat, we still expect GDP to grow above 5% in China this year and next, supported by measured policy stimulus. However, the larger part of our China business is decoupled from the near-term economic challenges that are impacting domestic China GDP.

Our China business is not a proxy for China's economic performance. Instead, our focus is on the flows that derive from longer-term structural opportunities. This includes the further deepening of China's Financial Markets, greater use of RMB as a global trade reserve and payment currency, increasing client flows in and out of China across our network, and lastly, the flow of mainland wealth from China into the global economy. These trends were evident in the first half of the year with total China onshore and offshore income up over 30% year-on-year. This was led by offshore income up nearly 60% to $1.1 billion on strong growth in CCIB cross-border flows and CPBB offshore Wealth.

Despite the near-term domestic challenges, onshore income was at record levels in the first half, up 5% to $0.6 billion. Reflecting this and lower impairments on our CRE portfolio, China onshore and offshore profits increased in the first half to $0.7 billion, annualising to our full year 2024 target of $1.4 billion.

Lastly, we said we would return above $5 billion of capital to shareholders between 2022 and 2024. We are well on our way to doing that. Including the $1 billion share buyback announced today and our 2023 interim dividend, we have returned $3.9 billion of capital to shareholders since the start of 2022.

As part of the execution of our broader strategic agenda, we are also reshaping our footprint and disposing of non-core businesses. In April 2022, in the AME region, we announced the exit of 7 markets and the sole focus on CCIB business in a further 2 markets. These exits allow us to focus on the regional markets such as Saudi Arabia and Egypt, where we see greater scale and growth potential. We are making good progress.

Following the signing of the agreements for the sale of the Jordan business in March and Zimbabwe in June, we announced in early July the sale of a further 5 markets: Angola, Cameroon, the Gambia, Sierra Leone and our CPBB business in Tanzania. In Saudi Arabia, we opened our first branch in June 2021 and since then have seen strong growth in CCIB cross-border income increasing so far this year by 140%. And in Egypt, we are on track to open an office in the second half of this year subject to regulatory approval.

Our Ventures portfolio is now showing real signs of success. Our 2 virtual banks, Mox in Hong Kong and Trust in Singapore, now have over 1 million new retail clients between them. This represents around 10% growth in our Retail client base in under 3 years. Mox is targeting profitability in 2024 and Trust, which is one of the fastest-growing digital banks in the world since launch just 11 months ago, is expected to be profitable by 2025. Nexus, our Banking-as-a-Service platform launched in Indonesia in partnership with Bukalapak, a leading Indonesian digital marketplace, has already onboarded over 220,000 customers. We have now also received regulatory approval to launch our Buy Now Pay Later product, and we anticipate taking Nexus to other markets.

Moving to another key area of focus and one of our four main strategic priorities, Sustainability. By virtue of our footprint in Asia, Africa and the Middle East, we have a unique opportunity to make a difference in the markets where it matters most. The world will not achieve its net zero ambition without significant investment into emerging markets, which represent one of the biggest opportunities to move at pace to low-carbon technologies. However, that transition needs to be just, allowing those markets to meet global climate objectives without depriving them of their right to grow and prosper. Recognising that need, we have committed to mobilise $300 billion of Sustainable Finance by 2030. So far, we have delivered $65 billion against this commitment. In doing so, we've grown our Sustainable Finance asset pool by 8% so far this year, over 90% of which is directed at projects and communities in emerging markets.

We continue to make good progress on our broader sustainability agenda, including against our net zero road map, having announced absolute emissions reduction targets for the oil and gas sector earlier this year. As a result of our activities in this space, our Sustainable Finance business has grown from strength to strength with this year's income up 37%, and we are on track to deliver our Sustainable Finance income target approaching $1 billion by 2024.

So to wrap up. The group delivered a very strong performance in the first half of 2023, and we continue to expect the structural changes across our footprint to offer significant opportunities in the years ahead. We are making excellent progress on our strategic actions and priorities and are delivering across a broad front of management actions. We believe we have the right strategy, business model and ambition to deliver our targets. Our diverse franchise is underpinned by a robust balance sheet, which is well capitalised, highly liquid and delivering substantial shareholder returns, supporting both our growth ambitions and an ability to navigate challenges as they arise.

With our strong start to 2023 and the positive outlook, we're upgrading our 2023 earnings guidance. We now expect to deliver 10% RoTE this year in excess of 11% in 2024, with further growth thereafter. We remain focused on delivering these targets by seizing the growth opportunities offered by our unique franchise and in doing so, creating exceptional and sustainable value for the group shareholders.

So with that, I will hand back to the operator for Q&A.

Question and Answer session

<<Operator>>
Your first question comes from the line of Joseph Dickerson from Jefferies.

<<Joseph Dickerson - Head of European Banks Research, Research Division, Jefferies LLC>>
Congrats on a great quarter and the buyback. Just a couple of quick things from me. Just in terms of the full year 10% RoTE guide, we're 12% in the first half. I know that the second half is weaker, but I'm just thinking about what are the moving parts, particularly perhaps for the fourth quarter, that drives that? Is it rising impairments to get to your target? Is it weaker revenues? How do we think about the RoTE path given the first half is so strong?

And then secondly, if I look at your Ventures business, it looks like it's going to be ballpark based on the Q2 run rate, about a $250 million or so drag this year, presumably, given your comments about Mox targeting profitability in 2024 and Trust in 2025, that drag from Ventures revenue ought to turn into a tailwind next year. If you could just opine upon that, I would be grateful.

<<Bill Winters – Group Chief Executive, Standard Chartered>>
That's great. Thanks very much for the questions, Joseph. And I'll turn to Andy for the first question, but just to tackle the Ventures question. We've been investing for several years now, Mox and Trust going back 2 and 4 years, respectively. It's a pretty rapid pace to profitability. And as you know, the way we account for things, as we launch a credit product, you book the ECL on new loans upfront and the income obviously only comes in over time.

So from a structural perspective, Mox is pretty close to profitable today. From an accounting perspective, it kicks in next year and Trust the following year. So this is very encouraging. And Nexus, which is a Banking-as-a-Service model platform in Indonesia, is following a similar trajectory at an earlier stage. We just got approval to launch the credit product. So you're quite right that this headwind should be converting to a tailwind. And we're continuing to invest in these areas. As you see, one of the drivers of our expense growth has been investing in these platforms, which we think will generate very good returns for shareholders over time, albeit not in the very short term.

Andy, you can tackle the second half of the year questions.

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>
Yes, sure. So as you say, the long-term established pattern is that the second half of the year tends to be lower on RoTE than the first half. I suppose 3 things spring to mind there. One, Wealth Management, Financial Markets, particularly the month of December, does tend to be a quieter a month. Secondly, we have got the bank levy, which is a charge that we take at the end of the year. And thirdly, it does depend upon credit impairment. So credit impairment has clearly been very low for the first half. We said second half, it may be a little bit higher. It's quite difficult to judge that, not that we are concerned by it at all, but it will depend a little bit upon how the credit impairment goes over the balance of the year.

So you put those together, and that is why typically the last part of the year would be a little bit lower RoTE and hence why the year average would be lower for the full year than for the first half of the year.

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>
Now, to the next question.

<<Operator>>
Your next question comes from the line of Alastair Ryan from Bank of America.

<<Alastair William Ryan – Research Analyst, Bank of America>>
Yes good morning, really nice set of figures. Just on the deposits then, it feels like a few months ago, you'd have been delighted to see deposit balances up and the migration slowing, even as rates have continued to march on quite quickly. So given that outperformance and that your hedges expire as you previously discussed, so that drag from that drops out. Wouldn't you be expecting next year to be better than you thought before? I know you don't really like to talk about 2024, but if you're bigger now and things are looking better, it feels like there should be upgrades to 2024 guidance. So, just pressing on that.

And then secondly, please, lead indicators for bad debts are down in the quarter quite meaningfully. Just to press on Joseph's question really, I appreciate the second half is unknown, but it feels like at present, there's not really a lot of bad debt to jump on you in H2, which your guidance allows for.

<<Bill Winters – Group Chief Executive, Standard Chartered>>
So, let me take the easy part of the question, Alastair, and I'll leave the harder part for Andy. We are delighted with the deposit progression, but both with the investments that we've been making for years to improve the overall quality of our deposit base and the degree to which that's proved pretty much as sticky and as price inelastic as we would have hoped given the rate environment that we've been through.

And then maybe just to comment on the second half as well. We have a very seasonal business. We know that. Some of the specifics that Andy mentioned are quite obvious. In addition, we know that we got holiday months in August when things slow down and holiday months in December when things slow down. So I think we're being prudent in assessing what the second half looks like and consistent with prior years. And that said, I think we've also guided to further migration towards or I should say, a migration because it hasn't been any yet, towards normal in terms of loan impairments. But we're not seeing anything in particular.

Obviously, we've got the ongoing problems in China real estate, where we took some additional provisions in the second quarter. It does feel, famous last words, that we're closer to the bottom on that one than we have been for some time. And we certainly feel like we're well provided against the risks that we see. But nevertheless, it feels prudent given that the macroeconomic uncertainties, the determination by central banks to snuff out inflation through a slowing of the economy, obviously, that we should be guiding towards higher credit costs. But truth be told, we don't see things in the portfolio that we can be very specific about. Andy?

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>
I'd agree. The indicators, as you say, Alastair, are looking good. The charge in the first half is low when you look at a total $300 billion loan book. We hope that it will remain at moderated levels over the balance of the year, and we'll see how it plays out. It is a notoriously difficult one to forecast.

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>
Next question.

<<Operator>>
Your next question is from Tom Rayner from Numis.

<<Thomas Andrew John Rayner - Research Division, Numis Securities Limited>>
Good morning Bill and Andy, can I have a couple of questions, please? They're both related to sustainability of revenue growth, I guess. The first is on the margin outlook. No change in your guidance versus where you were at Q1, but we have seen since then a further increase in market implied rates in both the U.S. and for Hong Kong. So I'm just wondering, does that suggest you are now building in greater deposit migration, perhaps a further increase in betas into your thinking about margin? And if so, how far from what you would view as I say, a normal deposit mix and normal beta situation for the rate environment today? And how close to that normal do you think we are?

And the second question was on FM revenue. I don't know if you want that now or to wait.

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>
Shall we take your first question first. So it's a difficult one to forecast with huge accuracy. We've said around 170 basis points for this year, and we continue with the 'around'. I mean you can take 'around' a bit below, a bit above. But overall, our view remains that it's going to be in that zone. We have seen overall the CASA-Time Deposit mix stay very, very similar, around 60%. We've seen the betas 35% Consumer, 70% Corporate, something of that order, and very similar to what we had expected. So yes, I agree with you slightly. Probably the bias is towards the upside, but not enough to move us away from that around 170 basis points number.

<<Thomas Andrew John Rayner - Research Division, Numis Securities Limited>>
Okay. And so you think where you are today on both the mix and the beta is pretty much where you would be for today's interest rate environment because clearly it's changed significantly in the last 12 months, but you're happy you're not going to see a further shift, material shift from where we are.

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>
Yes, absolutely. I mean, obviously, every quarter, we're monitoring it, but it does seem to be settling to that pattern at the moment. Yes.

<<Thomas Andrew John Rayner - Research Division, Numis Securities Limited>>
Okay, thanks. The second question was on the Financial Markets revenue. I mean I'd just like to explore the split down between the Episodic and the Flow revenue. So I'm not sure that what you mean by Episodic. I mean is this revenue which is much more directly linked to market conditions and volatility rather than customer flow. I mean that's the way I'm interpreting it. And I just wonder if you could put that specifically against the macro trading line because when you look at the Macro Trading in the first half of this year at over $1.6 billion, that is 60% higher than it was in first half of 2019, a pre-pandemic type of level. And that, in terms of sustainability, that would possibly be the biggest question mark is can you continue to deliver that level of Macro Trading revenue or even grow from there?

<<Bill Winters – Group Chief Executive, Standard Chartered>>
Yes. It's an excellent question. And we're encouraged by the fact that our Financial Markets revenues have grown steadily in different market environments. And this reflects some pretty structural investments

that we started making 5 or 6 years ago in everything from digitising that business and our electronic connectivity with clients, to developing more sophisticated risk management capabilities, significantly growing our client-facing population, and much better integrating our Transaction Banking business with our Financial Markets business. So we're internalising a very high proportion of the flows that come out of our Trade Finance, our payments business and our Retail banking business out of Wealth Management or in the Credit Card business. So this is all stuff that contributes to the Flow. And that Flow business has been growing steadily. It's not market insensitive. We clearly have a pickup in activity as markets are moving, and markets are moving.

We do expect markets to continue to move as we go through this process of settling into a higher rate environment and then perhaps at some point, almost certainly at some point in the future, moving into a lower rate environment. We've had quite substantial volatility in FX markets, most notably as far as it relates to our business in China, where we had significant appreciation and then a significant depreciation and quite a bit of volatility around that. So, that Flow business feels well supported both operationally and in terms of market backdrop.

The Episodic income, as you say, in some cases, that could be market events. So for example, in the first half of last year, when the war broke out, we had extreme macro volatility, which we were able to benefit from in terms of our positioning, but also a significant pickup in client flows. First half of this year, the market events have been more idiosyncratic, so specific markets, and we have been well positioned to take advantage of that.

But the other thing that contributes to our, what we call, episodic flow are unusual client flows or unusual client deals. It could be one-off transactions that are just very large, possibly related to M&A or something like that or other things that feel like they aren't going to repeat regularly. So it's not a super specific separation between episodic and flow, although we endeavour very hard to apply those rules consistently. But the first half of this year, we had good solid growth in the Flow business and we had our fair share of Episodic opportunities.

Your question is sustainability, Flow very sustainable, Episodic, what I'll say, and like I'm waiting for the day, it's been 40 years and running now that markets fully value a first rate fixed income franchise. Standard Chartered has a first rate Fixed Income franchise at this point, specialised in emerging markets where we have a differentiated position. Market, I know, doesn't value that the way it does a first rate Wealth Management business, for example. I don't see a reason why not, but I get it. I mean, I certainly understand that that's the case.

The exciting thing to me about our Episodic business is that it is quite volatile, but at a positive number. It's volatile, but doesn't go negative, right? So we fluctuate between 0% and 30% or 35% of our overall FM income coming from these Episodic flows, consistently profitable and growing when you draw a trend line through it. So I say sustainable. It's up to us to convince the market. And hopefully, we can do that by just quarter after quarter after quarter, showing that we're making good progress, capitalising on these investments that we've been making for years now. Next question, operator.

<<Operator>>
Your next question comes from the line of Fahed Kunwar from Redburn.

<<Fahed Kunwar - Head of European Banks and Fintech Equity Research, Redburn>>
Just a couple of questions. The first one was just on loans. Obviously, lending growth was flat. I mean, Q-on-Q and you talked about mortgages getting repaid, but you've got low-single-digit percentage in the second half. Just a sense of what's driving that? Do you see the repayment of debt changing? Or is there something else going on that results in that pickup in loan growth in the second half of the year?

And my second question was just on Wealth Management. Obviously, a really good set of results in 2Q. How much do you have left of the pickup from kind of China recovery and Hong Kong? And how much now is a steady state growth as we look into 2024?

<<Bill Winters – Group Chief Executive, Standard Chartered>>
Do you want to take the first question?

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>
Yes, let me take the first question. So I think there's a variety of things going on here. So first of all, we have continued to optimise and be very focused upon returns, and you have seen the huge progress, particularly in the Corporate business in terms of getting the income return on risk-weighted assets up a lot. So I think we have been a little bit more selective, but in pursuit of getting the returns up. And secondly, there is certainly some element of corporate customer deleveraging, which I think one would expect in a period of higher rates and post-COVID often higher levels of indebtedness on the balance sheet. And then thirdly, on the Mortgage side, we've been thoughtful about the margins on that and how much we chase the growth in that sector. So overall, I'd say it's because we've had quite a focus on getting returns up. There is still growth. There's still opportunity out in the market, but we're just balancing those two. So overall, that's the dynamics for the half year.

<<Bill Winters – Group Chief Executive, Standard Chartered>>
And just looking at the mortgage market, some of the drivers of lower volume are obvious. We have a concentration in Hong Kong. The Hong Kong housing market has been a little bit weak in part because of higher interest rates, in part because of the ongoing COVID recovery. But we do see signs of the commercial and the residential property market stabilising in Hong Kong. The underlying economic growth is getting back towards normal. And of course, you've seen our business as it's at all-time highs in terms of profitability. So there's some underlying structural drags in the mortgage market that everyone is experiencing.

But then there's also the fact that the mortgages tend to be a liquidity product in Hong Kong and some of our other Asian markets. So, surplus liquidity, surplus deposits in the market find their way into mortgages quite quickly because it's a product that you can turn up and down very easily. We found that the returns on mortgages in Hong Kong, in particular, were very low in the first part of this year because there was a surplus of liquidity that was looking for a home in part for the reasons that Andy mentioned, which is the loan growth in other areas, was relatively subdued.

We've got a very strong market share, and with this market position in Hong Kong, we don't feel the need to chase that market down to lower returns. So we're maintaining an acceptable market share, but we're letting things go by in the interest of focusing on returns. This will be a transitory thing. That liquidity will be sopped up in Hong Kong over time. Mortgage returns will return back to a normal level, and we will return to our ordinarily quite substantial market share. There's nothing terribly concerning, but it does have a big impact on our loan growth numbers because it's a big proportion of our loans.

The second question on Wealth Management. I think we're just getting going on the recovery. So we've had good net new money flows, which have supported our underlying income stream. Most of the net new money has gone into Time Deposits. We're very happy with that, one, because we've got the money. We've got the accounts. New accounts are also soaring, I would say. We've got new accounts. We've got new money. Time deposits are profitable. They're RoTE accretive, but obviously not as profitable as the more value-added products that we distribute through our Wealth Management operation. So we've got the early indicators and the foundation layer has gone extremely well.

The real engagement with markets is just beginning. So we've had good strong Banca results, which is obviously the most defensive product in the Wealth suite other than Time Deposits. That will move into Fixed Income and Credit products, and will move into Equity and Fund products and then at the end, more into the less liquid, longer term, typically riskier Private Credit or Private Equity products. We've never been better positioned to capture that trend because we've got the full suite of products on offer right now. We have an outstanding collection of manufacturers who are distributing through us. The fact that we've got a #1 net promoter score in 9 of our top 9 markets, this is unprecedented, probably for anybody. I don't know that for sure, but I'm going to say it anyway. It's certainly unprecedented for us. We couldn't be better positioned to generate good, strong growth in our Wealth Management business, and we're just getting started.

<<Fahed Kunwar - Head of European Banks and Fintech Equity Research, Redburn>>
Could I just ask one quick follow-up, just on the pickup in 2H then? Do you think that the stabilisation in the Hong Kong mortgage market now means that you've actually got a base to start going from in the second half of the year and that's why you think loan growth picks up in the second half of the year?

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>
Yes, in part. We're still a very big player in the Hong Kong mortgage market. We will continue to be so. But I think over the balance of the year, we still see client opportunity. And therefore, we're saying not just Mortgages but more broadly than that. We still see growth in the markets we're operating, and we will go after that. And as long as we can make a good return on it, absolutely, that will be our focus.

<<Operator>>
Your next question comes from the line of Aman Rakkar from Barclays.

<<Amandeep Singh Rakkar - European Banks Analyst, Barclays Bank PLC>>
I've got two, and they're kind of related. I just wanted to explore your decision around letting the better revenue performance that you're expecting this year to drop down to cost growth. So I think you're previously looking for kind of 10% revenue growth and 3% jaws. So there's an implied 7% cost growth. That now looks like it's going to be something more like 9%, maybe 10% on the better revenue print. So can you just help us understand the manner in which the better revenue is driving a higher cost growth? And the reason I'm asking is to get a sense of what a kind of sustainable run rate for costs is through the end of this year and more into next year. So I appreciate you giving us some colour on what you expect the Q3 and Q4 cost to be. What is the underlying cost growth rate that you see in this business going into next year?

And then my second question related to this. I know you don't necessarily want to get into issuing new guidance on revenues next year. But would you see any reason to reduce your revenue growth expectations in 2024 because I guess some of the outperformance on revenues this year is coming from things like Financial Markets and Wealth Management that you can't necessarily have complete conviction will reoccur in the same way going forward?

<<Bill Winters – Group Chief Executive, Standard Chartered>>
I'll make a couple of high-level comments, and then we can drill in on this question. So we're investing in this business. We know that we've got inflation, and that's a chunk of the growth in the first part of the year. We've also been investing in a full range of activities, investing in our digital banks that we talked about. We're investing in our Trade platforms. We're investing in our Wealth Management platforms. We're investing in opening up a new branch in Egypt and then completing the build of our branch in Saudi. You heard the numbers earlier with a 140% increase in our onshore Saudi business on the back of the investments that we made over the past couple of years. So we're very confident that we get a good relatively short-term return on these investments off of the very strong foundations that we've been building over the past several years.

Do we push the investments when we see the opportunities? Yes, we do. So when we get a revenue set of opportunities like we had in the first half of the year, recognising that some of that was from rates, but a decent chunk was from these investments that we've been making for years, roughly a third, we say, yes, these are investment trends that we want to back.

Now when it comes to the rest of the year, we think that we can maintain the second quarter cost base pretty much flat for the rest of the year, and that will be the basis on which we go into 2024. We would expect some more inflation next year. We'll have salary increases that we'll pass through in the early part of the year and things of that nature. But that will be next year's challenge. This year's opportunity is to say we've made the investments. We can keep our expenses flat from here. We can hit our expense guidance for the year. We can hit our jaws guidance. In fact, we've upgraded our jaws guidance for the year. We can hit our revenue growth next year, we can hit our jaws growth next year, we can hit our

RoTE targets next year, all on the basis of the confidence we generated in the first part of this year. Andy?

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>
Yes, I agree very much with that. My view is that this year, we have got a benefit from rates. We all know that, that is not going to continue indefinitely going forwards. Therefore, we need to really invest into the things which are going to be the underlying drivers of volume growth in our business. And we have got many of those, and we are investing into them. So the Wealth Management space, we're putting more feet on the street. In the Transaction Banking space, we're investing more in the system so that we can cross-sell more. We're investing more into the digital platforms. We're investing more into China. We're investing more into ESG.

So I think that the focus on where is the growth going to come from in the future, are we investing in that, are we enabling that to happen, all of that within the context of last year's jaws 6%, this year’s to-date, 6% but 4% by the end of the year, again, 3% for next year. There's considerable margin expansion coming through from that. 61% cost-to-income ratio despite having increased the cost during the first half of the year. And I think one should see those two together. As Bill has said, we see the cost base for the next two quarters as remaining at quarter two levels. So this is a balance, but we really do think there is opportunity out there we should invest into it. And unlike maybe other parts of the world where the top line is more flat, there is serious growth potential in our business, and we're determined to exploit it to the maximum that we can do.

<<Operator>>
Your next question comes from the line of Andrew Coombs from Citi.

<<Andrew Philip Coombs – Director, Research Division, Citigroup Inc.>>
Just a couple of follow-ups. I guess staying on the same theme to start with, you've increased the revenue growth guidance for this year from 10% to 12%-14%, yet the jaws has only been increased from 3% to 4%. So when you're thinking about that step change, what do you think is the marginal cost-to-income on the additional revenues versus how much is you being opportunistic about extra investment spend? That's first question.

Second question, just coming back to the point on NIMs. Forward curves moved up quite meaningfully since you last set them NIM guidance, yet you've not changed your NIM targets. Just trying to work out what the offset is there. And if you could also comment on beta, not just for this year, I know you've given the 60% to 80% in CCIB and 30% to 45% in CPBB, and you're tracking in line with that, but thinking about beta into next year once rates start coming down again.

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>
Okay. Let me take those questions. So, on the first one, if you look at the first half of this year, we are up $1.1 billion of income compared to the first half of last year. Operating profit is up about $0.7 billion. So we're converting 70% or so of the extra income straight through to the bottom line. And so there is a huge scale leverage efficiency that is coming through. And as I say, as we move forwards with the forward guidance that we'll continue to open the jaws both this year and next year, we absolutely will see a high conversion of extra income coming through.

For the last several years, we've had income more in the $15, $16 [billion] type range. This year, we'll be in the high-$17s depending upon your view of the year after, but with our existing guidance, up another notch. So definitely, the rate of increase of cost being much lower than that of income, and that is evidentially improving the profitability of the business and will continue to improve the profitability next year and will be a big part of why we'll get to the 10% RoTE this year than the 11% plus next year.

On the NIM guidance, as I said previously, there have been clearly some movements on rates since we spoke a while ago. Generally, those are more positive, there’s a chart in the back of our slide that shows that, we’ve not changed the NIM guidance range, we’ve used the word ‘around’, still in that zone. Obviously, if we can benefit more from it, we will do that. Guidance for next year, we will update that at the end of the year as we normally do. I'd just observe that our guidance for next year as a percentage of increase on the current year, because we've increased the current year over the course of the last few months, the base off which that is being calculated clearly is higher, and therefore, implicitly, actually, there is an increase in the guidance that comes through off the back of that. Next question, please?

<<Operator>>
We will take a brief pause from phone questions and address any online questions.

Unidentified Company Representative We've got just two questions from the web. First up is Manus Costello at Autonomous. Market risk weights are up 17% year-to-date and now have the highest share of group risk weight since 2015. Could you please explain the drivers behind this? And should we expect the group capital allocation to continue to shift towards the Markets business?

<<Bill Winters – Group Chief Executive, Standard Chartered>>
Thanks for the question, Manus. We've obviously grown the Financial Markets business quite a bit. That's been growing certainly in terms of customer volumes, customer flows. And that is driving the increase in market risk weightings from Financial Markets. We've also had significantly higher levels of volatility, and that volatility flows through directly into the risk weightings.

In terms of deliberate capital allocation, I would say we're quite opportunistic about where we choose to allocate our capital on the margin. We have allocated more of our capital, more of our lending facilities or lending business into the Financial Markets space, typically because we're intending to distribute the assets that we're originating. But the size of our Financial Markets balance sheet has increased and the credit intensity of that balance sheet has also increased, and you're seeing that flowing through to the market risk weightings.

To the extent that the lending suite of product turns out to be a more attractive return, and I'll say, for example, in many of the Sustainable Finance areas, we get very good returns from our lending portfolio booked into our banking book. That would call for capital allocation going back the other way. But we set ourselves up not to be indifferent in terms of a booking structure because that's not the way it works, but we can be quite tactile in terms of having our incremental assets booked in FM versus non-FM based on the appropriateness of the underlying accounting, but also the attractiveness of the returns.

Unidentified Company Representative Thanks, Bill. Next question is from Rob Down at HSBC. It looks like there's been a sharp slowdown in the migration from Retail CASA into Time Deposits in the quarter. Has that continued into the third quarter? And can you please perhaps talk about what you're seeing in CCIB deposit migration?

Second part to the question, after a fantastic first half for Financial Markets, how are you feeling about the sustainability of that momentum and in particular, the 8% to 10% revenue growth forecast for 2024?

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>
Should I take the first of those two and then hand over to Bill? So the third quarter is very, very young and therefore, difficult to draw trends. But I'd say, actually, over the last couple of quarters, we have been fairly steady now on the mix between CASA and Time Deposits. And the betas actually have also been fairly stable in that period of time. So I think as we look forward over the next few quarters, no reason to believe we're going to see any particular change in that pattern. It does seem to settle down now a year on, I guess, from when interest rates started to move very sharply.

<<Bill Winters – Group Chief Executive, Standard Chartered>>
Yes. On the sustainability question, as Andy says, the quarter is young. We're also getting into the summer season. As I say, we've had a relatively, call it, normalised set of market events, the central bank hikes that are coming through, maybe perhaps one more to go from the Bank of England are pretty much as expected. So it's been a fine start to the year. Nothing is spectacular, nothing out of the ordinary. The start of the quarter, I should say, there's obviously a lot more to go. And typically, we see volatility picking back up with market events in the fourth quarter. We'll see if this is going to be a quiet summer after all.

Unidentified Company Representative Thanks, Andy. Thanks, Bill. Operator, can we go back to the phone lines, please?

<<Operator>>
Your next question comes from the line of Robert Noble from Deutsche Bank.

Robert Noble I just wanted to ask on liquidity and hedging. So your liquidity ratio is still running at elevated levels and presumably still suppressing your NIM. And on the other side, your hedges are rolling off, which has helped your NIM. And I think your rate sensitivity has increased in H1 anyway. So what's the hedging strategy going forward, given your higher rates, strong deposit growth and more liquid balance sheet at the moment?

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>
So the liquidity coverage ratio still remains above the average that we've had for a period of time. I guess, since the event in the market earlier this year, we've remained on the average, a little bit more liquid deliberately. Although I would observe that actually just because we've got more liquidity, it doesn't mean that is any sense of drag. We will look at that in terms of the RoTE, return on equity, that we can generate off it. So we'll look at those two together.

On the hedges, the short-term hedges, we have had some of those roll off in February, so that's already happened, and we have got the other tranche rolling off in February of next year. And we're going to keep an eye on the market and see whether it is appropriate to replace some of those over a period of time, but that's something we're actively monitoring. Obviously, them coming off, as you say, is a help, that has been a drag on our earnings recently. But by February next year, that will no longer be the case. But we're going to keep an eye on it, and we will hedge as appropriate over time.

Robert Noble Were the ones that rolled off in February rolled into further hedges?

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>
Not at this stage. We are monitoring, and we'll decide what we do over the coming months, but we're keeping a close eye on it.

<<Operator>>
And your final question for today comes from the line of Perlie Mong from KBW.

<<Perlie Mong - Research Division, Keefe, Bruyette & Woods Limited>>
Most of my questions have been answered at this point. TNAV has been a little bit lower than expected. I don't think there's a bridge anywhere, but maybe I've missed it. But it looks like FX and non-credit movement, et cetera. And obviously, you produced a lot of Operating Profit this quarter. So it would suggest to me that the TNAV movement probably is not insubstantial. And obviously, you would expect that to reverse over the next few quarters, et cetera. So what's your expectation regarding the reversal of this? And how does that factor into your thinking regarding your RoTE targets? that's number one.

And the second question is again on loan growth. So I hear you talking about focusing on returns and also what happened in the half in the various markets you operate in, especially Hong Kong. But net loans is at its lowest levels in about two years. And we obviously heard a lot about growth opportunities in the recent trip in Asia. So what would it take for you to grow your loan book? Or are you still focusing on buybacks and returns on the time being because, you’ve delivered $3.9 billion of returns already of the $5 billion that you set out in your strategy, which is obviously very popular with the market, but hasn’t really done that much in terms of being a long-term sustainable support to the share price. So I just wanted to understand how you're thinking about allocation of capital in that sense.

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>
So let me try to understand your first question correctly. We have been generating a lot of capital recently, which is good. The increased profitability of the business, obviously, increasing the capital generation,

and that has given us the ability both to be investing in the business and to be making significant returns to shareholders. And in a way, your two questions, I think, are interlinked.

What we have said is that we will first use the capital to invest in the business where we see opportunities for profitable growth. And if there is any surplus left over, then we will return that to investors by way of returns. And at the moment, our propensity is to do that more by way of buybacks whilst we trade at a discount to book and less by way of dividends. Hopefully, over a period of time, that situation may slightly reverse, but this year, two $1 billion buybacks announced. It is not often that we have had the luxury of being able to do that. The loan growth has been a little bit slow for the reasons that I talked about earlier. But what we have got is plenty of capital sitting there. So as the loan growth picks up, we can invest in that and still continue to make returns.

Our total return is now nearly $4 billion of what we committed $5 billion over the 3 years is now announced. Obviously, it will be a few months to actually affect that, but we are seeking to actually deal both with the business growth and the returns to investors. And I think at the moment, the track record on that is strong on both fronts. Thank you.

<<Bill Winters – Group Chief Executive, Standard Chartered>>
And clearly, the overall loan growth story as we've discussed and the impact of the mortgage flows on that we've also discussed, but a couple of the areas that are growing structurally. Our Sustainable Finance balance sheet up 8%. This is accretive RoTE stuff. It's an area where we have a real competitive advantage. The various partnerships that we set up on the Consumer Credit side are kicking in quite nicely. So, 250,000 customers in Nexus and we just got approval to launch our credit product through Bukalapak in Indonesia. Mox and Trust, both have full-blown credit products on offer right now and the balance sheet is growing quite nicely. And other partnerships with Atome, Kredivo home credit, et cetera.

In addition to the partnership we've had for some time with Ant, are all going quite well. This is high risk-adjusted NIM stuff. We're quite cautious about the way that we grow that balance sheet, especially at this point in the cycle. But nevertheless, we see good sources of underlying growth. The final area that we would look to improve over the coming years is the Trade balance sheet, which has been very low growth recently, and it's obviously an important part of our balance sheet, very short term, turning over quickly.

The terms have been challenged, we made technical investments to reinforce our competitive advantage in that space and would hope to see some decent growth coming out of the trade side over the coming quarters. So while the overall picture has been subdued in large part because of the mortgage flows, which are lower returning in terms of the impact on our bottom line, we see good opportunities to get back to that low-single digits growth next year and have NII growing maybe not quite as quickly as our non-financing income, but growing and contributing to the bottom line.

<<Perlie Mong - Research Division, Keefe, Bruyette & Woods Limited>>
Yes, that makes sense. The first question is actually more trying to get at on the TNAV reserve movement because I don't think that's super clear in the presentation. But it's something that I can follow up later, if it's not something that you want to comment on right away. Because it's only a 5 basis point increase in TNAV per share, but obviously you generated quite a lot of capital. I know, obviously, it's buybacks and et cetera. But just wondering how much reserve movements is there.

<<Andy Halford – Group Chief Financial Officer, Standard Chartered>>
Yes, we can pick that up offline.

<<Bill Winters – Group Chief Executive, Standard Chartered>>
Good. Well, if that's it for the questions. I know it's a very, very busy week. Thank you very much for the time, attention, and the ongoing support and coverage. And thanks for the great questions. Have a very good rest of summer.