

Standard Chartered PLC
2025 half year results transcript

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(Amended in places to improve accuracy and readability)

Bill Winters:

Good morning and good afternoon, everyone, and welcome to our 2025 interim results call. I'm joined here in London by Diego, and as usual, we'll run through the presentation before taking your questions. We've delivered a strong set of results in the second quarter of 2025. Despite the uncertainties in the period, our performance has demonstrated how much our clients value our services and our truly distinctive network.

Q2 income was up 15% year-on-year, excluding notable items, driven by double-digit growth across Global Banking, Global Markets and Wealth Solutions, and with record net new money in our affluent business. This income growth, which generated a significant improvement in RoTE is a testament to our ability to deliver exceptional services in support of our clients' needs, and it is clear that our strategy is working. With our strong capital position, we're announcing a further share buyback of \$1.3 billion which will start imminently. This takes our total distribution since full year 2023 results to \$6.5 billion towards our target of at least \$8 billion between 2024 and 2026.

Diego will now take you through the performance in detail, and I will then come back to talk about how we're continuing to support clients and how we're creating opportunities across our business segments, after which Diego and I will take your questions. So Diego, over to you.

Diego De Giorgi:

Thank you, Bill. Good morning and good afternoon, everyone. In my remarks today, I will be comparing the second quarter year-on-year on an underlying basis and speaking to constant currency unless otherwise stated. The Group delivered operating income of \$5.5 billion, which was up 14% or 15%, excluding notable items. This reflects strong underlying performance of our businesses in CIB and WRB, further supported by the gain associated with the Solv transaction in the quarter. Operating expenses were up 3% and credit impairment was subdued again at \$117 million, mainly due to net recoveries in CIB. As a result of the strong top line and lower impairments, profit before tax for the quarter was \$2.4 billion, up 34% with a return on tangible equity of 19.7%. Now let's turn to each component in detail.

On a quarter-on-quarter basis, NII was down 4%. While US dollar rates were stable in the quarter, there was a sharp drop in HIBOR as well as lower rates in Singapore and India. Given the pace and magnitude of moves in some of those rates, our ability to pass through to customers was somewhat limited. This margin pressure was partly offset by volume growth, where we saw a 2% increase in average interest earning assets. We've increased our structural hedge to \$75 billion as at the end of the quarter, hitting our full year target 6 months early. We will continue to increase the hedges in the second half, though at a reduced pace. You will see on page 28 that our currency weighted average interest rate outlook for 2025 is now 110 basis points lower than 2024 and down 28 basis points since we last reported. Note that our outlook is based on forward rates, which imply a recovery in HIBOR later this year. As a result, we now expect our 2025 NII to be down by a low single-digit percentage year-on-year.

Non-NII has continued its momentum in the second quarter with 31% growth year-on-year, driven by the impressive performance in Global Markets and Wealth Solutions. Excluding the Solv gain and notable items, non-NII was still up strongly at 22%. We previously guided that we expect total income in 2025 to be below the 5% to 7% CAGR we are targeting between 2023 and 2026. Given the strong performance year-to-date, we are upgrading our 2025 income growth guidance to be around the bottom of the 5% to 7% range at constant currency, excluding notable items. I will talk to the specific product drivers in the segment commentary shortly.

Now turning to expenses. Q2 operating expenses were up 3% year-on-year, largely driven by business growth initiatives, partly offset by efficiency saves and Fit for Growth. The Fit for Growth programme continues to progress well, and we have achieved \$500 million of run rate savings from actions in progress. This is in line with our plan, and we are pleased with how we continue to simplify, standardise and digitise the bank. With regards to the cost-to-achieve or CTA, we noted in the recent past that it is hard to predict the phasing of spending as we are disciplined in our approach to execution. As a result, we are revising the phasing of the 2025 CTA to be between 35% to 45% versus previous guidance of around 50%. To be clear, we will spend the remainder of the CTA in 2026 with no spillover into 2027. We remain confident that 2026 total expenses will be below \$12.3 billion on a constant currency basis. We note that current FX forward rates would add around \$100 million to the 2026 targets.

Credit impairment for the quarter was \$117 million, significantly lower quarter-on-quarter. Our loan loss rate of 12 basis points in Q2 benefited from net recoveries in CIB, which we do not expect to continue to repeat consistently. We are, therefore, maintaining our guidance for the loan loss rates to normalise towards the historical through the cycle, 30 to 35 basis points. WRB impairment came down in the quarter to \$153 million as a result of reduced exposure in our unsecured portfolio, in line with our plan as well as a one-off recovery from the sale of non-performing loans in Korea. Our overall credit portfolio remained resilient, and we are not seeing any new significant sign of stress emerging across the Group.

Underlying loans and advances to customers were up slightly quarter-on-quarter, and we continue to expect a low single-digit percentage growth in underlying customer loans and advances for the year. Underlying customer deposits were up 4% or \$19 million in the quarter. We attracted good net new money from affluent clients, whilst the growth in CIB was mainly from Transaction Services CASA.

Turning now to capital. Risk-weighted assets were up \$6 billion in the quarter, with over half coming from FX impacts. We saw \$1.7 billion from asset growth and mix and the \$1.6 billion increase from asset quality was mainly due to a sovereign downgrade. These were partly offset by a \$1 billion reduction in market risk RWA as well as CIB optimisation activities. We continue to guide to low single-digit percentage growth in RWA. We would highlight that our Basel 3.1 day 1 impact is expected to be close to neutral and we do not expect the output floor to be a binding constraint. We delivered robust capital generation with our CET1 ratio of 14.3%, up 50 basis points quarter-on-quarter. As Bill said, we are announcing a new \$1.3 billion share buyback to commence imminently. This will take our pro forma CET1 ratio to 13.8%.

At \$6.5 billion in distributions since our full year 2023 results, we are well on track to achieve our guidance to exceed \$8 billion of capital returns from 2024 to 2026. Our TNAV per share of \$16.80 was up 16% year-on-year. Our earnings per share for the first half was up 41% year-on-year. Both of these metrics demonstrated our strong profit accretion is augmented by the reduction in our share count, which was down 9% year-on-year.

Now let's take a look at our business segments. CIB income for the quarter was \$3.3 billion, up 9%. This was driven by exceptional performance in Global Markets, where income was up 47%. We saw increased demand for our services in our Asia footprint markets. Flow income was up 22% on the back of higher rates and FX income and episodic income was driven by market making activities from elevated volatility. While it is still early in the quarter,

client flow momentum has continued from Q2. Global Banking income was up 12%, driven by an increase in corporate lending and higher origination volumes year-on-year. Transaction Services income was down 8% year-on-year, driven by lower income in our payments and liquidity product line due to margin compression from lower interest rates.

In Wealth and Retail Banking, Q2 income was up 4% to \$2.1 billion, with another excellent quarter in Wealth Solutions where income was up 20%. The growth in Wealth Solutions was broad-based across geographies and products. Investment products income was up 22%, with particularly good growth in structured products, thanks to our product innovation and open architecture approach. We also continue to see good momentum in bancassurance with income up 14%. Our key performance indicators in affluent have continued their upward trajectory as we delivered record net new money of \$16 billion in Q2. This was skewed toward deposits as clients await investment opportunities. We onboarded 64,000 new-to-bank affluent clients in the quarter, bringing the total clients onboarded to 135,000 year-to-date. We've also up-tiered over 150,000 clients across the continuum, resulting in a larger pool of affluent clients driving wealth activities.

Lastly, within our Ventures segment, our income from Mox and Trust was up 48%, and they are showing strong operating leverage with expenses down 3% in Q2. This income growth was driven by product innovation and volume growth, with Mox and Trust growing their deposits by over 30% and 40%, respectively. Our SC Ventures portfolio recorded a gain of \$238 million from the Solv India transaction. Following this transaction, SC Ventures will retain a non-controlling ownership interest in the acquiring entity. We have provided more detail in the appendices on the accounting approach for our Ventures segment.

So, to conclude, we are maintaining our income guidance of 5% to 7% CAGR in 2023 to 2026 at constant currency, excluding the impact of deposit insurance, and we continue to track towards the upper end of this range. Based on the strong performance year-to-date, we are upgrading our income growth guidance in 2025 and to be around the bottom of the 5% to 7% range at constant currency, excluding notable items. Within this, NII is expected to be down by a low single-digit percentage year-on-year. The rest of our guidance remains unchanged. With that, I will hand back to Bill. Thank you.

Bill Winters:

Thank you, Diego.

At Q1, we told you that our network business, which represents around 60% of our CIB income, is highly diversified, resilient and agile. While, of course, we monitor geopolitical developments, we remain focused on delivering our cross-border strategy in support of our clients' needs. Network income in the first half was up 4% year-on-year or up 9% excluding the impact of rates, which is in line with the longer-term trend we showed you at our recent CIB investor seminar. And I would remind you that our network income is well diversified as we facilitate the flow of goods and services for our clients with income across transaction services, Global Markets and Global Banking. With continuing shifts in supply chains, we saw a 17% increase in intra-ASEAN corridor income. This was driven by increased FX and commodity trading as well as financing solution activities for our corporate clients.

I want to provide a few examples of how we're helping our clients navigate the current environment. Amongst our corporate clients, we've seen increased demand for a range of services. For example, we bank a Chinese electronics firm as their sole partner in India, and we recently helped them expand to set up a production facility in Vietnam, displacing an existing competitor relationship. And at the same time, we're seeing more FX hedging from this client. Clients value our expertise and speed of execution, especially at times of increased volatility. Another recent example of where we help multinational corporate clients is the support we've given to a major US technology company in hedging their FX risk, resulting in ASEAN FX volumes more than doubling for this client. We're also

seeing progress across our financial institution client base, which you know is a key area of focus for us. We've won a number of mandates as our clients continue to diversify their relationships. We recently won an exclusive sub-custodian bank mandate from a major Chinese bank across 8 markets, spanning Asia and Africa and additional markets are expected to be implemented at a later stage.

In Global Banking, origination volumes in the first half grew 30% year-on-year. The pipeline remains strong, and the business is in good shape. Though we remain watchful of the macro outlook, a lower interest rate environment could increase the demand for origination in the future.

Our wealth and affluent engine has continued its strong momentum. Our franchise now ranks as the number three affluent wealth manager in Asia, our affluent AUM has demonstrated impressive growth over the long term with an 11% CAGR since 2016 and AUM of \$420 billion at the end of the first half of 2025. Our Wealth Solutions income grew strongly across asset classes, particularly in capital markets, driven in part by our success in structured products. Our product innovation and advisory capabilities, coupled with our open architecture platform, put us in a great position to capture market opportunities and cater to changing client preferences. Moreover, our success in generating strong net new money throughout the first half represents a very solid start against our ambition to deliver \$200 billion of net new money from 2025 to 2029.

Next, I want to take a moment to talk to you about our digital asset strategy. We act as a conduit between clients and financial markets across all of the services we offer. Our clients increasingly expect digital asset solutions, and as such, we expect digital assets to be an important part of the future of financial services. We're at the forefront of innovation in the institutional adoption of digital assets, and we are well placed to offer services through our regulated platforms. In embracing this adoption, we're creating both services for clients and future revenue opportunities for the bank.

We are acting as a bridge from traditional finance to digital assets for our clients. For example, we're seeing interest in the use of stable clients by logistics operators to provide real-time payments for their customers and suppliers. And this year, we supported China AMC in launching the first tokenised retail fund in Asia, providing asset servicing to both digital and real-world assets. Importantly, we welcome the fact that regulators in our markets are taking a leading role in building digital asset infrastructure, and we're excited to be playing our part in this journey. A key example is the joint venture we recently announced with Animoca Brands and Hong Kong Telecom to apply for a license to issue a Hong Kong dollar backed stablecoin. Now once executed, this will make us the only Hong Kong note issuing bank which is also an issuer of a stablecoin.

We're also creating future revenue opportunities. We're currently the only GSIB that is offering trading in deliverable spot Bitcoin and Ether, a service we launched just this month. We've also granted a license in Luxembourg to offer digital asset custody services to EU clients. Our ventures portfolio further enhances and complements our digital asset offering. Zodia Custody is now operating in 8 markets across Asia, Europe and the Middle East and has grown its assets under custody 10 times in the last 18 months. Zodia Markets recently announced its Series A fundraising, with Circle investing in the company. Zodia Market's notional trading volume has almost tripled year-on-year. And based on our estimation, it has been responsible for over 20% of net minting of Circle's USDC stablecoin over the last 18 months.

Now turning to sustainable finance. Our income for the first half was up 5% year-on-year, and we are very well on the way to achieve our target of at least \$1 billion by 2025. We've seen broad-based growth across our products and with \$136 billion mobilised since the beginning of 2021, we're making good progress towards our commitment to mobilise \$300 billion in sustainable finance by 2030. Highlights in the first half of the year include our first-ever social bond of €1 billion. The announcement of the first Indonesia just energy transition partnership solar project

and the closing of a landmark £2.5 billion carbon capture and storage transaction in the UK. We're committed to our sustainable finance agenda, and we will be staying the course.

So, to conclude, we have delivered a strong set of results in the first half of the year, and we're upgrading our full year 2025 income growth guidance to be at the bottom of the 5% to 7% range. We're announcing a new share buyback of \$1.3 billion today and are well on track to achieve our distribution target. We set ourselves clear and ambitious transformation goals that will continue to structurally improve our profitability and help us to deliver our strategy at a greater pace and scale, and I'm encouraged by the progress we're making. We know that our clients truly value our service and our distinctive network and the performance in this period of uncertainty really does demonstrate the important role Standard Chartered plays for our customers.

So with that, I'll hand over to the operator, and Diego and I can take your questions. Thank you.

Operator:

Thank you. (Operator Instructions)

Aman Rakkar – Barclays:

I will ask around net interest income, please. Two-part question if I may. Could you just lift the lid a little bit on the HIBOR assumption that's embedded in your guide, you talked about a recovery in H2. So, if you could help us there, that would be great. And I was interested in the deposit performance in the quarter, it was really strong in WRB, deposits up 4% quarter-on-quarter (QoQ). Interested just around the sustainability of that deposit momentum. And it doesn't sound like that's kind of translating into a firm NII outlook, so, are you expecting that to convert into AUM or something along those lines?

The second question I had was just around your revenue guidance as well. So just at face value, the revenue guide probably implies a low single-digit revenue build into 2026 year-on-year. Obviously, that's just taking your guidance at face value. There's a number of moving parts there. But I guess, Markets is going to be strong this year. I'm not sure what episodic revenues are going to be like next year. So how do you think about the jaws? You're obviously committed to positive jaws next year. But if revenue comes in weaker, if it comes in flat, can you talk to the cost levers that you have at your disposal to ensure that you do positive jaws, could we expect a kind of absolute reduction in costs, for example?

Bill Winters:

Well, let me start off. First of all, thanks for the questions, and good morning, good afternoon, everybody, and thanks for taking some time with us on such a busy day. I'll go straight to Diego on the NII questions. Maybe just broadly on guidance and income.

Income growth has been strong. The momentum has carried through into July. So, we're encouraged that this environment plays well to our strengths. The underlying trends supporting our business are very strong. And I think our execution against that underlying market strength has been good. So overall, we feel the momentum is good. Now what will the external environment throw at us in the second half of the year? We don't know. And so I think as always, we've tried to be somewhat prudent in terms of guidance. But I can assure you that as we sit here today, the underlying drivers of our income; which are a strategic transformation over years, combined with a really attractive external environment at the moment, which looks like it's had to continue for some time as uncertainty, I'll say, shifts into a different zone rather than goes away; all feels pretty good. And of course, we've reiterated our overall expense cap guidance, and that's exactly where we expect to be. So, no real change on cost guidance independent of the external environment. But Diego, you'll have thoughts on the NII question and no doubt the revenue and cost as well.

Diego De Giorgi:

Absolutely. I'll help Aman lift the lid. So, let's lift the lid. One-month HIBOR has moved by about 200 basis points between quarter one and quarter two, it averaged just short of four in the first quarter, just short of two in the second. As always, we make no predictions about where interest rates go. We use the forwards. If you look at the forwards, they are very steep. And they imply that we are going to be 100bps higher than today for both first one-month and three-month HIBOR between now and the end of the year. That's what we are basing our comments on.

Now what I think is particularly important is that even if HIBOR stays at the current levels, we are completely confident in our current guidance for net interest income. So, our net interest income guidance holds comfortably, even if HIBOR does not change and everything tells us that HIBOR will change. You will have seen I think a sixth intervention by the HKMA overnight, smaller than the previous five. The aggregate balance is being reduced substantially. And we all know that once the aggregate balance declines a little bit more from today, a few tens of billions more from today, from where it is today, a convexity effect gets into operation and any change in HIBOR rates then gets magnified and gets accelerated. So we are in a good place from that point of view, and we'll see where that goes.

We are also confident in our outlook for 2026. I don't think you should see anything negative in how we think about 2026. If this one thing I would point you to is I would point you to page 28 and our currency weighted forward curves. Again, you can see the 2026 one, and if you look at the heavy headwinds that we are suffering in 2025, you see that in 2026, the situation ameliorates substantially. So don't read anything particularly negative. We are confident we love our business model, and we will continue executing at pace.

Aman Rakkar – Barclays:

Just around the deposit performance in the quarter than in WRB

Diego De Giorgi:

Sorry, I skipped that. So, deposit performance in the quarter, particularly strong. A couple of things that work there. And by the way, one of the things that particularly the growth of CASA in Hong Kong that led to a little bit of softness in the net interest income line. It's been particularly good. It's been particularly good, among other reasons because we have been truly acting as a haven for our wealth management customers in terms of putting money with us in what was a very, very uncertain environment. So, we take it as a very positive factor. It's not always that uncertain times leads to a growth in deposits.

And therefore, that is positive. How sustainable it is at these levels at this type of rate of growth we can have a debate. I think that your comment, if I remember well what you said, that it's actually probably more of a first step towards this being invested in assets under management and becoming part of our wealth solutions, is exactly the way to think about it. We attracted more deposits than normal, because our clients were putting money, but not putting money yet at work fully, and they will put money at work as the more extreme outcomes don't take place and as uncertainty continues to dissipate. Thank you, Aman.

Andrew Coombs – Citigroup:

Perhaps I can follow up on the last question first and then ask the fresh one. So, if we look at the Wealth Solutions business and the net new money flow, there is a disproportionate amount into deposits, I think \$12.5 of the \$15.5 billion this quarter. I know previously your thought process is actually you've seen more people shifting to wealth products as rates come down, you're not obviously seeing that at the moment. So, when do you think you might start seeing that shift towards more of a fee income stream and away from the NII reliance that you currently have on those affluent clients given the deposit balances.

And then the second question, just on the episodic revenues in the markets business. I know we always have this debate around what's episodic versus what's flow. You've clearly been a beneficiary of the higher volatility, you're running around \$400 million of episodic revenues per quarter now, which is double the historic run rate. How sustainable do you think that is, I guess?

Bill Winters:

Great, Andrew. Thanks for both questions. Diego will address the Wealth questions, so let me add just a little bit of colour on that as well. So, when we have a surge of new clients and new money, we obviously have an initial inflow into deposits. We are absolutely seeing our -- call it, our clients as they age, migrating from deposits into wealth solutions. I think this is a case where our position as an open architecture provider of super high-quality managed product is definitely accruing benefits to us. And obviously, we see that coming through in our Wealth Solutions line as well. So, there's nothing about the recent surge in deposits that to us is anything other than a positive. These are clients that are signing up to Standard Chartered that are putting money into the account with a full expectation, ours and theirs, that they will deploy them to a range of products over time. So, we see this as an unambiguous positive without really any reservations at all.

On the episodic versus flow question, of course, you're right. We've had an extremely uncertain time with a lot of market volatility, although interestingly, within a relatively narrow range, right. And nevertheless, extraordinary volatility and a lot of uncertainty in the minds of our clients. They have turned to us in increasing proportions to execute the risk management transactions with Standard Chartered. I think it reflects the set of capabilities that we've built over a period of time. And the fact that we've been adding significant numbers of new clients, in particular, in the West, who are themselves very focused on how their own supply chains and manufacturing bases and distribution channels are changing and turning to us.

So is it sustainable? Well, I mean you'll have to tell me how long the politically induced volatility that we've seen over the past year or so is likely to persist. It feels like it's here to stay, although the nature of that volatility is changing all the time. And we're also pretty clearly going through different types of paradigm shifts in the way the globalisation plays itself out. And I know we'd love to say that globalisation is dying. We don't say it, but people say that globalisation is dying or going backwards. We couldn't feel more strongly that the opposite is the case. Globalisation is very much alive and well. It's just taking a very, very different complexion. That shift is a long-term shift. And that long-term shift will have our clients increasingly diversifying their supply chains or manufacturing chains, their distribution chains from currencies with which they're familiar to, in many cases, markets and currencies with which they're less familiar. They happen to be our home markets. So, we have typically a higher market share in the destination markets for new investment than we have at the outset. This is very good for our FM business. It's very good for our financing business. It's very good for our Global Banking business. Hence, the very strong results independent of the day-to-day market volatility. So, is it sustainable at this pace? We'll see. Is there a good strong underlying level of support for ongoing growth? Yes.

Diego De Giorgi:

I'll add just one very quick thing on the Wealth Solutions net new money part of the question on the deposits. We've attracted something like 135,000 new-to-bank clients during the first half. Bill has given you the strategic view, I'll give you just the immediate tactical answer to your question. You said uncertainty versus interest rates. This quarter, uncertainty definitely was trumping interest rates in terms of our clients' mind share. That is not the long-term history of this business, undoubtedly.

Perlie Mong - Bank of America:

A couple. First one is to continue on the wealth part. So, on wealth margins, I don't know how much you talk about this. But wealth AUM is up in the quarter, but investment products income is not up very much and looks to be down a little on a constant currency basis. So I think previously you talked about some money moving from custody assets into wealth AUM, you would expect some of the margin to maybe come through later on. Is that still the expectation? And I guess last quarter, the volatility was high and lots of market activities going on. So, when do you expect the shift from maybe more defensive products into more higher-margin products to come through. That's number one.

And the number two question is on stablecoins and digital assets that you've talked about. So, this is quite a new topic for all of us. So, you've talked about your joint venture with Animoca and another Chinese telecom company. So, the stablecoin licensing appears to be a little bit later than expected now, in 2026. I think maybe market expectations may be end of this year. And it looks like Hong Kong dollar and US dollar is more likely to go ahead first versus Chinese Yuan (CNH). What's your expectation? And how big do you think the opportunity is? And what will be the most impactful for you in terms of benefits? And what would you like to see in the reg framework? Or is it too early to comment?

Bill Winters:

I think Diego and I are going to ping pong on the wealth management questions, so it's his turn. So, I'll leave that to him. Just talk a little bit about stablecoins maybe broaden it out at the outset to talk about digital assets and Distributed Ledger Technology (DLT) as a mechanism of exchange and as a mechanism of settlement in financial markets, both for payments and for the settlement of securities and other things.

The bet that we made, it started six/seven years ago, was that eventually, there'd be a substantial increase in the nature of digital payments and digital settlement on blockchains. And the initial manifestation of that was in cryptocurrencies and there's been tremendous growth obviously, in the cryptocurrency world, largely around Bitcoin / Ether but also around other coins. So we early on invested in that technology. We set up a couple of ventures – Zodia Markets, Zodia Custody – which is an exchange, marketplace and an institutional-grade custodian, which gave us the opportunity to develop this technology at the leading edge of any institutional provider of these products. These are very well established ventures doing very well, generating significant interest from institutional customers.

And as we think about how this blockchain and digital settlement morphs from the cryptocurrency world, which is the bulk of the activity today into the traditional finance world, we continue to believe, in fact, we believe more strongly than we ever have, that this is an inexorable direction of travel. So that both presents a set of opportunities for us and also presents some risks. So we are ready for a set of payment systems, whether they're domestic or cross-border that are using stable coins or tokenised deposits or Central Bank digital currencies or anything else in digital form, we are ready to provide those services to our clients. In fact, we're providing those services to our clients today, albeit in relatively small scale, both compared to our traditional payments and settlement business, but also relative to the cryptocurrency world today.

But you know what, it's going to happen, we're going to be at the cutting edge of that. We're going to take significant market share by virtue of being at the cutting edge, and we're going to defend the market share that we've got, and we're going to retain our clients. And our clients are going to come to us because they know when they go to Standard Chartered, they can access any market, any product, any service, any payment mechanism any settlement mechanism through our portals, whether those portals are technical portals or our relationship managers, right? That's our game.

So the reason that we set out the detail in the deck that you're referring to and some of the more public pilots that we've got going in Hong Kong and elsewhere - is we wanted you to understand what the range of activities that we're investing in today, not because they're generating huge profits today, although arguably, they're generating significant value, but rather because we want to make it clear just how well positioned we are for the future of finance. That's our job. Frankly, our clients see that. So, our clients invest heavily with us to understand how they should be adapting and adopting, and regulators are dealing with us directly. I think we have significant influence over the regulatory agenda. Of course, we never get a chance to dictate terms. But we are able to inform, educate and explore together as we do in Hong Kong. And I must say we're extremely happy with that level of engagement. So that would a little bit longer.

Perlie Mong – Bank of America:

Do you have an expectation as to when that might become like something tangible in the P&L?

Bill Winters:

Yes, Tuesday. But I can't be more precise than that. There's defence and there's offense. So the defence is -- are we going to find ourselves waking up one day and find that some fintech or some very large payment platform or some other bank has taken a big chunk of share from us in our cash management business or in our financial markets business, no, we're not going to find that. I guarantee you we're not going to find that because we'll be there at the same time.

The offence is - can we execute our current business much cheaper, safer than we can today, so generating a higher return on tangible equity. That's going to take some time to play out, but it's going to play out. Can we take market share from people who were pooh-poohing digital assets as recently as last Tuesday, who suddenly are becoming very positive and talking a lot about it, but arguably don't know what they're talking about. Yes, we're going to take market share from those people. And I'm going to enjoy it at the time wherever I happen to be.

Diego De Giorgi:

Wealth management?

Bill Winters:

Over to you, Diego.

Diego De Giorgi:

Wealth management well much more prosaic and less exciting than the future of digital assets. Wealth Management margins, yes, you're right. slightly depressed this quarter, but we had very, very clearly flagged it in the previous one because we had, you will remember, a conversion from a number of clients from assets under custody to assets under management, and it was a very meaningful amount in the tens of billions of dollars. So the ripple effect of the reduction in the return on assets caused by the fact that those amounts of money takes some time to be put to work through the system, will continue for a little bit. I also have to say we try to refrain from guiding too much and spending too much time on things like this type of margin on a quarterly basis because you have to imagine there are things like client flows, market moves, composition of mix and the bane of all simple comparisons, Forex effects. So, in all of this, it's a little bit difficult to be that precise. But it will continue to improve because that is the direction of travel.

On the shifting products, which was the second part of your question, definitely, they were defensive during this quarter, particularly in April, as you can imagine, we've seen the beginning of the shift. It will undoubtedly continue because that kind of an amount of inflow, which I remind you, is a record inflow of net new money in one of the most difficult quarters in recent memory, will definitely turn itself into higher wealth solutions sales going forward.

Joseph Dickerson – Jefferies:

I guess on the SC Ventures, you're clearly starting to monetise out of that business and given the stake that you'll retain in the new entity, you're going to get something like, I don't know, \$24 million of pretax ongoing from that. I mean do you see monetisation out of SC Ventures as a tailwind now on a quarter-by-quarter basis? Or is this something that's more of a one-off?

And then on the capital distribution you've guided to exceed \$8 billion. I'm sure you'll tell me that the key emphasis is on exceed, but you've done \$6.5 billion of distribution since end '23. Is there any reason why you're being ultra conservative on that front? Or is it just emphasis on exceed?

Bill Winters:

Yes. emphasis on exceed. And Diego will say that in a much more elaborate way.

The SC Ventures, we've been doing this for a little over five years, right. And we said at the outset that we would be investing in a number of things where we thought we had a competitive advantage in terms of the investment. Now in some cases, those were minority investments in fintechs where our competitive advantage came from the fact that we were using those fintechs for some product or service. And I must say that, that investment portfolio has worked out quite well. We feel we're very advantaged investor in those very particular cases.

But in terms of the ventures that we built, starting with our two digital banks, Mox and Trust, but also including Solv, which obviously, we've now merged into Jumbotail, the Zodia Markets and Zodia Custody, which are the digital asset ventures that we set up. And many others that we've created. Those are the most notable, both in terms of visibility, but also invested capital. We said from the beginning that we would invest in things where we had an advantage and where we could imagine there would be a strong strategic connection to our business. In some cases, the digital banks, that strong connection is very clear. So, we see those digital banks as pretty core to our strategy. Obviously, it will be up to us to figure out how to exploit the maximum value from those digital banks, but they are at the heart of what we do as a bank.

Zodia Markets and Zodia Custody, so the digital asset ventures, seemed like it could be strategic at the outset, but we weren't 100% sure. We didn't totally understand how digital assets would develop and whether what we were building, were going to be perfect for the future world. As it turns out, they're highly relevant, right. So, we see those as absolutely strategic. We have to have a change of strategy review to monetise those investments in a material way. We have raised capital from third-party investors in each of those cases, and we'll continue to -- that's both a function of bringing in partners that can help contribute to those businesses. In the most recent funding around for Zodia Markets, for example, Circle joined our register. As you've heard us say, we're the third largest minter and burner of USDC through Zodia Markets. So, there's a strategic collaboration there. It makes sense for them to be on the share register of that particular entity, but it's also helping us to defray some of the investment that we would make in some of these ventures as they fully scale up. So you can definitely expect to see some of that, but those are strategic ventures for us.

Other things might have been strategic - Solv - it might have been a really strong basis for us to penetrate the micro SME market in India, but it turned out to be not as strategic for our business, but very strategic for somebody else's business. So we merged that off into Jumbotail, which will be a leading contender to be the leading e-commerce platform in India, and we're very happy to own a minority stake in that venture, but the strategic value is really in somebody else rather than us.

So is there a pipeline of those types of venture investments where we can see ourselves passing those off into the market over time, yes, there is. There's also a pipeline of investments that we've made, minority investments that

we could also monetise over time. It's not a quarter-to-quarter occurrence. And we're definitely not saying \$238 million per quarter for the rest of time or even per year. But we do have a good, I'll call it, a building track record of creating valuable entities that will either produce good profits for us or will create good monetisation opportunities. And you should expect to see both of those, and you should expect to see both of those growing over time.

Diego De Giorgi:

So on that one, I would only add one thing, Joe, that obviously, when you think about, as Bill says, we have pipelines of these, when they realise is uncertain, but it is part of our guidance. Our overall package of guidance includes, obviously, these kind of events.

I was planning to leave the question on capital distribution to the word exceed, but now that Bill has put me on the spot, I'd say two other quick things. One, Look, we are highly capital generative. We're very happy about that. There is some seasonality in it, among other things. And more importantly, the second thing is our capital hierarchy is very clear. We invest to grow our business, first and foremost, so that we deliver sustainably higher returns to our shareholders. That is the first part of our capital hierarchy. Now, we have strong engines of earning generation and that allows us to balance that very well with the distributions, and that's what we will try to continue to achieve an emphasis on exceed indeed. Thank you, Joe.

Amit Goel – Mediobanca:

I've got two on costs. The first one related, but basically, one, just trying to understand why you are kind of slowing the Fit for Growth programme in terms of the project mobilisation into '26? And then likewise then having the cost savings coming a little bit later. So especially when we're seeing an FX headwind as well impacting reported costs. And then secondly because the overall cost guide is unchanged. So I'm just curious in terms of the costs outside of the programme, are you seeing basically lower inflation? Or is there less hiring? Or just curious what's driving the other costs then.

Bill Winters:

Let me just take a first pass of this, and I'll hand to Diego, he's obviously been very involved from the beginning with this programme. Fit for Growth is fundamentally a transformation programme. It's not a cost-cutting programme. If we transform the bank, if we make it a simpler place to operate, if we automate our processes, digitise everything that we do, we will save money. And what we said at the outset is we'll save \$1.5 billion through that programme, and we're going to make \$1.5 billion of investments to achieve that. A critical component of keeping to our \$12.3 billion, now a constant currency \$12.4 billion, expense cap.

The way that we execute the programme is around how do we maximise the transformation value of the programme, not how do we hit the quarter by quarter expense numbers in terms of phasing and timing. So, we're very clear that, overall, this programme is working and will work. We will generate the transformation. We're seeing very good early signs of the ability to invest in a prudent way to generate these kinds of savings down the road. But as important as that is making it easier for our colleagues to do business, making it easier for our customers to do business with us, reducing error rates, improving quality of delivery, reducing risk overall. That's the package.

And we're going to manage that programme by programme, undertaking by undertaking as we go through. Things are on track, but the phasing of actual financial expenses, money spent, and money recovered, we always said it would vary from quarter-to-quarter or period-to-period. That continues to be the case. And we just called that out because we know that everybody is tracking the specific financial numbers. But I'll turn to Diego to give some colour on that. I just wanted to make it really clear that this is a programme about transformation and the transformation is very much on track.

Diego De Giorgi:

I think you have said almost everything that there needs to be said in the sense that we've been saying, and we've been particularly reiterating in the last few months that we are spending to truly transform the bank. And there's a lot of wood to chop to transform the bank. And there's work involved. And as a consequence, we need to be strategic in how we spend that money. It's a lot of money that we are spending, and we want it to achieve the right results.

And therefore, given that we are very comfortable because we have always had a very high degree of cost control and we continue to deliver good numbers in terms of costs. You mentioned the FX headwinds. If you strip that out and if you strip the reclassification of the deposit insurance reclassification that we put in place in the fourth quarter, our growth of costs this quarter is 2%. So we clearly have costs under control. We will continue. We are completely committed to our cost cap, but we will spend the Fit for Growth money wisely so that we achieve exactly the transformational results that Bill has highlighted.

Bill Winters:

Let's just make one other kind of obvious observation. We're making more money than the market thought we would. We intend to pay people for that, at least a little bit. So that is contributing to expense numbers along the way, and I'm sure you would both understand and appreciate that.

Robert Noble - Deutsche Bank:

Just on HIBOR again, is there not a massive opportunity to arbitrage the HIBOR US dollar LIBOR gap with the treasury book. Is that something you actually profit from -- or if not, what prevents it -- and just a follow up on what you said, Diego is you're comfortable with the guidance even if HIBOR stays at the current level. I presume there's not no incremental impact. It could push you from, say, down 1% to down 3% within your low single-digit guide? And then just on Hong Kong commercial real estate. Is there any increase -- what are you seeing here? Is there any increasing risk in the book Stage 3 loss experience, pricing or any comments you have there?

Bill Winters:

I mean, as with any financial market phenomenon, if there was a really easy arb, there would be no gap. So yes, of course, we're positioning around this as we can, servicing customers as well. But it's not the easiest arbitrage to execute. But Diego, why don't you take the questions?

Diego De Giorgi:

Well the arbitrage is difficult to execute because of the steepness of the curve in HIBOR, okay? And proof of the fact that arbitrage is difficult to execute, is the fact that the arbitrage is not closing that quickly. And that is also -- that also contributes to the fact that demand for credit remains relatively low in Hong Kong and a number of other things. But fundamentally, that is what is driving the fact that the arbitrage stays open. I would also add one thing that I am sure my treasurer, Dan, would be particularly keen for me to remind you. We don't exactly play arbitrages in treasury. We manage the complexities of the firm. So that's on the arbitrage on the HIBOR side. And I would reiterate, yes, you asked me a question that it's almost impossible to answer unless I veer off from what we always tell you. We tell you that we think about forwards. If I think about forwards, yes, I am comfortable that our guidance takes into account what the forwards incorporate. If the forwards are wrong and are wrong by a wide margin, we will have to come back to you. But that is the right way, I think, of thinking about it.

On Hong Kong commercial real estate, no, no particular developments. I would stress again, it is a \$2 billion portfolio, less than 50 bps of our overall Group exposures. It's 96% performing, 80%-plus secured with less than 50% loan-to-value, and we assess that loan-to-value on a recurring basis to make sure that it is up to date. Our

exposure in Hong Kong commercial real estate is truly different from other players. We are exposed to the very large developers and to the developers that are part of the [Hong Kongs] that are our clients around the world in Indonesia, in ASEAN, in India, in the US and in Europe. And as a consequence, benefit from that kind of support and from that kind of stability, and that's what makes our exposure to commercial real estate different in Hong Kong.

Nick Lord - Morgan Stanley:

Three questions for me. But first is just a technical question. Your stage two loans seem to have gone up about 10% in the quarter, about 9%, I think. I just wonder if you could comment on what has driven that. Secondly, just on capital and dividend, I mean, dividend increase, obviously, quite substantial year-on-year. Share price has gone up a long way. I just wonder if you could give us what your latest thoughts are in terms of mix between share buyback and dividends as a way of returning capital. And then finally, can I just ask you, Bill to elaborate on the comments you made about efficiencies of the digital banks. Is that scaling up? Is that actually bringing costs down in absolute terms? And where are we in sort of cost to income ratio terms in Mox and Trust at the moment?

Bill Winters:

So maybe I'll take the digital bank question first. I can offer some observations on your first two questions. Obviously, we're seeing steady growth in customer numbers and income in the digital banks. That comes from customer numbers lead to income growth, but we're also adding products and services on top of the core deposit payment, credit card and personal lending products that have been there. We've got an interestingly growing wealth platform. Obviously, it's more of the automated and entirely digital variety. So quite complementary to what we offer from Standard Chartered Bank in Hong Kong and Singapore.

But each of these incremental trends is obviously improving the cost to income ratio. And improving the long-term expected financial performance for those digital banks. Of course, we've got optionality as well to expand those digital banks into other markets. And while we have no plans at the moment to use those particular baskets of technology in different markets, we can all look to the increasing interconnectedness between Hong Kong and China. And we can live with some hope that we'll be able to increasingly offer the services of Mox to Mainland-based clients. Now Mainland based clients today can open an account at Mox, but they have to do it in Hong Kong. Is that going to evolve over time? I don't know. But that kind of optionality, together with the underlying growth in the business makes us very optimistic about the future of those banks.

On the Stage 2 loans, it's largely around reclassification of some sovereigns, but I'll let Diego comment on that.

And on the capital and dividend, obviously, the interim dividend is somewhat mechanical. It is, in fact, mechanical based on the full year dividend last year. So, we'll be looking very determinedly at whether we should be shifting in any way our buyback versus dividend mix as we get to the year-end decisions. But in the meantime, of course, we've announced a \$1.3 billion share buyback. It takes our CET1 ratio pro forma to 13.8%, which is within our range. Still at the cautious end of the spectrum, but I think that's appropriate given the environment in which we operate. But we are absolutely committed to returning surplus capital to shareholders.

And as Diego said, first and foremost, we need to make sure that our business is maintaining its pace of investment, which we've been able to do at a relatively stable level for the past several years, as we move increasingly from the foundation level type investments into core banking systems and things of that nature into more discretionary investments. We're still in the heavy lifting phase in some of those programmes, but much closer to the end than the beginning, which means that we'll be able to be investing increasingly in things that will generate revenue in our business, rather than shoring up our foundations. But how that affects the capital return mix we'll be

determining pretty thoughtfully over the rest of this year. And of course, as the share prices increase, it does change the equation on the margin. Diego?

Diego De Giorgi:

Just one quick comment on the Stage 2. As Bill said, sovereigns in Africa primarily and a couple of considerations there though, Nick, to be on the same page. Bear in mind, first of all, these things move relatively fast. Second, they happen because compared to origination, we believe that there has been some change in the credit risk profile, which happens, for example, obviously, with things like a sovereign downgrade. When it happens, that doesn't mean that this will lead to this being put either into early alerts or into credit grade 12. So, you can have things in Stage 2 that are perfectly investment grade and with a very, very low probability of default. So, those are the dynamics behind it.

And I would say, in general, by the way, that although we've had a couple of sovereign downgrades around the world, the environment with a weak dollar, lower interest rates remains actually pretty positive from that point of view for many of the countries in our footprint and therefore, I would be quietly optimistic going forward. Thank you, Nick.

Ed Firth – KBW:

I just had two, one a slightly boring numbers question. But can I just try and square your revenue guidance because there's a lot of notable items, but I think broadly speaking, first half is up 12%. And I think I'm right that you said momentum has continued into Q3. And yet your guidance for the year is still bottom end of 5% to 7%, which would suggest that revenue in the second half, you're somehow expecting it to slow to sort of flat, I think. Am I missing something there? Or could you just help us a little bit about why the bottom end of 5% to 7%? And why not something a little bit more optimistic than that? That's the first question.

And then the second question is just really about capital allocation again. I think you had a big strategy day a couple of years ago, and one of the frustrations you expressed was that your share price meant that investing capital organically was very tough because the comparative of a share buyback was obviously very attractive when you're trading on 50p in the pound. You're obviously not trading like that anymore, and your returns, your organic returns are sort of mid to high double digits certainly in the second quarter. So, I just wonder, how is that playing out in your thinking about how you allocate capital? Are you now looking more to put it to work in the region? And if so, where would you be expecting to see perhaps more growth that potentially in the past, you would have been putting that capital back into cash return?

Bill Winters:

Thanks for the question, Ed. I'm going to leave the first question to Diego on revenue guidance.

On the capital allocation, as I recall what we said a couple of years ago, we really kind of broke things into three buckets. One was inorganic investments externally, which were quite difficult. And there were some things that were for sale at that time that we participated in auctions, but we didn't win. And we didn't win because we were very disciplined about things that might have been attractive in a number of regards, but financially, were unattractive relative to the alternative use of capital.

Then we looked at purely organic investments, some of which were in the core businesses, WRB, CIB, some were productivity-driven investments, so improving our operations and some more investments in things like ventures for new businesses. There, obviously, you're investing at book value kind of by definition. And we found those investments to be very attractive. Hence, we were continuing to increase our overall level of investment into our business, and that is carried on to this day.

And then third, obviously, was returning capital to shareholders, which has the obvious attraction when you're trading at a decent discount. I mean, book value is book value. I would say, a discount to what we think is the appropriate value for our company. I note that there are companies that buy back a lot of shares who are trading at a multiple of book value. And so, I think that reflects some level of optimism about their business rather than some sort of mechanical capital allocation.

But clearly, at a stock price that's trading at or a bit above book, the attractiveness of buybacks relative to other investments is lower, all else equal. But I would say we're quite optimistic about the underlying growth story in our bank, and we're very happy to continue to invest in that growth story. And whatever the most effective way to invest is in, as Diego said a couple of times, first and foremost that's going to be investing in our core operation. But obviously, investing in our own stock is another way to play the fundamental optimism and growth story that we see. Do we have additional degrees of freedom to pay a premium for something externally? Yeah, we do, but we will be super disciplined in terms of anything that we did externally. It's got to be both strategic and financially accretive relative to alternatives. If we find those things, we'll come to you and explain why we think this is a good thing to do with our money, with your money. If we don't find them, we don't find them because we've got plenty to do organically. Diego?

Diego De Giorgi:

Nothing definitely nothing to add on that one. On revenue guidance, I understand your math. I think we give you all of the pieces that you need in order to arrive to a conclusion in the sense that we tell you that NII is clearly experiencing some pressure. Remember to include the effect of the deposit insurance reclassification always. Importantly, the comps are tougher in the second part of the year. And it's because we performed very well last year in Q3 and Q4. So, you need to factor that in. I think you hit the nail on the head when you say no, there isn't anything that we are inherently negative about our business. The start of the quarter has been good across our different businesses. And if there is a touch of conservatism, I'll take it on myself to be unabashedly slightly conservative at times. Thank you, Ed.

Kunpeng Ma - China Securities:

Just one quick follow-up on the stablecoin. Bill said just the stablecoin business will eventually increase RoTE in the long run. But everybody said the stablecoin will greatly reduce the customer cost of the banking business. So, who will pay for the increase of banks RoTE in the long run, maybe I guess, from scale of clients or efficiency or something indirectly, I don't know. So, Bill, could you please give us some quick colour on the effect of the stablecoin business on the profitability mechanism of your banking business?

Bill Winters:

Thanks for the question, Kunpeng. And I'm going to broaden out the question from stablecoins to digital means of settlement because obviously, there's interesting tussle going on between the idea of stablecoins or the idea of tokenised bank deposits or the idea of Central Bank digital currencies or maybe something else that hasn't been invented yet, but there will be -- that would be a more appropriate medium of exchange for settlement. But where is the money going to come from for us, and it will come from a few places - this is a bet that we'll make. One is we'll be more relevant to our customers because we've got to lead in this space, and we're going to pick up market share. It's that straightforward. Second is that everything that we do will be done more cheaply because these instruments, whether it's AML and financial crime compliance or sanctions adherence, et cetera, is going to be easier and cheaper to do if we're settling on blockchains.

You're absolutely right that the price will come down or the cost to end users will come down. That's been the case, and I've been in banking for 40 years, a little more actually. And for 40 years, every year, we've dealt with that kind

of question. Our margins are coming down or at least our income from a particular product is coming down. Somehow over those 40 years, there's been a really good compound growth in profits in banking. And the reason is that costs will come down faster and volumes have gone up faster than income has come down. Obviously, not in every single year, but I will make the bet that this is one of those paradigm shifts where volumes will soar because the cost of execution is lower and because the risk is lower.

What happens in the market is going to happen, whether Standard Chartered likes it or not. Our job is to be ready for it before it happens, rather than responding after it happens. And as we sit here today, I just could not be happier with the positioning of our bank in all the things that matter to us, whether it's what our affluent customers want in terms of products and services and technology, whether it's what our corporate clients want in terms of facilitating their diversifying investments, their diversifying supply and distribution chains through us, whether it's what our financial institutions want in terms of the way that they're custodising assets, managing their interest rate and currency exposures. I mean, we are absolutely there at the cutting edge of what our clients want today; digital assets is one of those areas.

That means more people open up relationships with us, more people use us as their primary transacting bank. More people use us to access the markets and the products and the services that they want to access outside, we're completely agnostic to what they use on the other side of our portal as long as it's best execution for them. And we have and will find ways to make money at every turn along the way and have happy customers that are smiling all the way to the bank.

So with that, unless Kunpeng you want to follow up, I say thank you very much to everyone for, as always, for putting some really thoughtful questions on to the table and for showing this interest in us, and helping us get our story out, and I wish you all a very happy rest of summer.

Diego De Giorgi:

Thank you.