Standard Chartered PLC

Key updates communicated during Q4 2024

8 January 2025

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Standard Chartered PLC (the Group) publishes a summary of key updates that were communicated during the fourth quarter of 2024.

Key highlights of updates communicated during Q4 2024:

Net Interest Income (NII)

- At Q3'24 results, Diego De Giorgi reiterated our guidance for 2024 NII of $10-10.25bn. Based on rates and FX at that time, he said the Group expected to be close to the middle of that range for 2024, and that it may be more challenging to grow NII in 2025 due to combination of: level and pace of rate cuts, passthrough rates, Mass Retail strategic actions (representing ~1% headwind to 2025 NII), structural hedge build, and loan growth.
- **Structural Hedge**: At Q3'24 results, Diego De Giorgi said the Group expects the structural hedge balance to trend towards $60bn [ex-fixed rate mortgages] by the end of 2024. At the post Q3'24 results meeting with analysts, the Group Treasurer, Dan Hodge said this is expected to increase to around $75bn by end of 2025.

Non net interest income (Non NII)

- For **Wealth Management**; at the UBS conference Diego De Giorgi reminded on Q4 seasonality for wealth management. At the post Q3'24 results meeting with analysts, Peter Burrill said that investment products had seen a strong start to October, and then more normalisation towards the back end of the month. He also explained that for Bancassurance, the Group accrues additional income for hitting targets, which are typically met by Q3; leading to a drop off in Q4. The Group is not expecting a dissimilar pattern this year.
- For **Corporate & Investment Banking (CIB)**; at the Redburn Atlantic conference, Bill Winters said that the deal pipeline and execution was "very healthy", and the flow business in Financial Markets has remained "very strong"; but that Trade had been a bit of a laggard on growth due to surplus liquidity in some markets compressing margins, with the Group prioritising returns.

Operating expenses

- At Q3'24 results, Diego De Giorgi said that the Group expects expenses in Q4 to be up quarter on quarter due to phasing in Q3 and following the typical investment spend profile, which is weighted towards the end of the year.
- The Group reiterated guidance for 2026 costs ex-bank levy of below $12bn (constant currency).

Other income statement items

- **Other impairment**: At Q3'24 results, Diego De Giorgi said that the software assets write-offs this year relate to a proactive review of software accounting due to be completed by year-end with another charge in Q4'24, which is likely to be higher than Q3'24. Note these charges do not impact CET1.
- **Tax**: At Q3'24 results, Diego De Giorgi said taxes were 30.8% for 9M'24 and the FY'24 underlying effective tax rate is expected to be around this level, with the statutory tax rate a few percentage points higher but trending downwards in future years. At the post Q3'24 results meeting with analysts, Peter Burrill said that the Group expects the tax rate to fall to the high 20s %pts over the next 2-3 years.
- **Restructuring costs**: At Q3'24 results, Diego De Giorgi said that the Group expected to incur ~10% of the $1.5bn CTA charge for Fit for Growth in 2024, with ~50% in 2025, and ~40% in 2026.
- **AT1 and preference share costs**: At the post Q3'24 results meeting with analysts, David Lock said that based on the securities in issue at that date, the cost is expected to be $235m in Q1 and Q3, and $15m in Q2 and Q4; representing around $500m in total for the whole year.

Balance Sheet Loans and advances (L&A)

- **Loans and advances growth**: At the post Q3'24 results meeting, Diego De Giorgi said that the Bank's fast-growing regions typically have 5%+ credit growth when they are active, but that they seem quite subdued at the moment. L&A to customers rose 2% 9M'24 and were down $1bn in Q3'24.
- **RWA growth**: At Q3'24, the Group continued to guide to low single-digit percentage growth in RWA for FY24. Looking longer term, at the post Q3'24 results meeting with analysts, Dan Hodge said the Group expects RWA growth to mirror asset growth over time, with some quarter-by-quarter volatility.
- **Buyback progress:** At close of 31/12/24, an aggregate $1,354m of the $1.5bn buyback announced at Q2'24 results had been executed, representing an aggregate 126.3m shares.

Q4 2024 events and full materials:

–	30/10/2024	**Q3'24 results call**	slides ¦ replay ¦ transcript
–	1/11/2024	**Post Q3'24 results meeting with analysts**	transcript
–	12/11/2024	**Diego De Giorgi fireside chat at UBS European conference**	video ¦ transcript
–	3/12/2024	**Affluent Investor Seminar**	slides ¦ replay ¦ transcript
–	4/12/2024	**Bill Winters fireside chat at Redburn Atlantic CEO conference**	video ¦ transcript

Upcoming 2025 events:

Further details, including how to register for events can be found here in due course:

- **21/2/2025** FY'24 and Q4'24 results (virtual)
- **4/3/2025** Post Q4'24 results meeting with analysts (in person & virtual)
- **2/5/2025** Q1'25 results (virtual)
- **15/5/2025** CIB Investor Seminar (in person in London & virtual)

Restatement: As mentioned at the post Q3'24 analyst meeting, we are planning to release a restatement (after FY'24 results, before Q1'25 results) allocating income, costs and RWAs from the 'Central & Other' segment to the businesses.

Current published guidance:

As a reminder, Group published guidance at constant currency (as at Q3'24 results) was:

- Income to increase 5-7% CAGR from 2023 to 2026; towards 10% in 2024, excluding the two notable items ($270m in 9M'24)
- Income growth in 2025 expected to be below the 5-7% range
- Net interest income for 2024 of $10bn to $10.25bn
- Positive income-to-cost jaws each year (2024-2026), excluding UK bank levy and the two notable items
- Expenses (excluding bank levy) below $12bn in 2026, with expense saves of ~$1.5bn and cost-to-achieve of no more than $1.5bn from the Fit for Growth programme
- Continue to expect loan-loss rate to normalise towards historical through-the-cycle 30-35bps range
- Low single-digit percentage growth in underlying loans and advances to customers and RWA (2024-2026). Basel 3.1 day-1 impact expected to be close to neutral
- Continue to operate dynamically within the full 13-14% CET1 ratio target range
- Plan to return at least $8bn to shareholders (2024-2026)
- Continue to increase full year dividend per share over time
- RoTE increasing steadily from 10%, approaching 13% in 2026 and to progress thereafter

Additional segmental guidance:

- **Affluent**: At Q3'24 results, the Group announced a doubling of existing investment plans to $1.5bn over 2025-2029 for the Affluent business. At the Affluent investor seminar on 3/12/2024 (links above), the Group said that it expected Wealth Solutions income to grow at double-digit CAGR (from 2024 to 2029); and is targeting $200bn of Net New Money from 2025 to 2029; and Affluent income to reach 75% of WRB by 2029.
- **Reshape of Mass Retail**: To fund this incremental investment, the Group has said it is exploring the opportunity to sell all or part of a small number of businesses in Mass Retail where the strategic rationale is not sufficiently compelling, in particular reviewing single product lending relationships and portfolios.
  - These actions are expected to take affect over the next 18-24 months, are expected to impact NII by ~1% in 2025.
  - Two announcements have been made so far, relating to an unsecured personal loan portfolio in India, and the potential sale of WRB businesses in Botswana, Uganda and Zambia (link).
- **CIB**: At Q3'24 results, the Group announced the plan to reduce number of clients by ~3k, in order to focus resources on our top tier clients. In the medium term, Financial Institution clients are expected to be ~60% of CIB income, and network income expected to be ~70% of CIB income.
- **Ventures**: At Q3'24 results, the Group published updated guidance that Mox and Trust are now expected to be profitable in 2026; and underlying loss before tax in the Ventures segment to be below $0.2bn cumulative across 2025-2026, with the majority of these losses to be incurred in 2025.

For questions and further information, please contact:

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