Standard Chartered PLC
Post Q4'25 results meeting with sellside analysts

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(Amended in places to improve accuracy and readability)

Manus Costello:
Thanks for coming, everyone. You have got almost the usual cast of characters in the meeting again this morning. Dan, the Treasurer, who has been at these events in the past; Pete, the interim CFO; myself, Head of Investor Relations, are ready to take your questions.

We appreciate you having a call at such an early morning and making the effort to come in. Thanks also for dealing with what was a more complicated quarter for us than you were probably expecting. I know there was quite a lot of noise in the quarter. I'm sure we will get into a lot of that noise in the discussion. But the move from underlying to reported, was something which we were keen to land now. We think it is the right thing for us as a bank.

I think most of you hopefully would agree with that going forward. You may not have been expecting it exactly now. We decided to do it now once we realised that we were overachieving on the 2024 to 2026 plan, and we needed that new 2026 targets.

It made sense for us to accelerate that move to give those targets on a reported basis. And also, of course, it makes things better for May. When we talk in May, we will all be talking on the same page from that perspective.

But I appreciate that it does mean another restatement for you guys to deal with during March. So, I appreciate your patience on that.

And then just lastly, as an opening message, just to reiterate what Bill was saying on the call, what we put in the statement. It was a noisy quarter to some extent, but we are very pleased with the momentum in the business. We're very pleased with the way we've started the year. I think Bill's expression is we're firing on all the engines that matter to us. And we're very happy with the way the business is trending. So, I know that we'll get into all the detail and the questions, but the backdrop and the underlying picture for us remains very positive.

So, with that intro, we'll do questions. If you want to ask a question online, please raise your hand. And I think if you are in the room catch David's eye. We'll start in the room.

Jason Napier – UBS:
So, two questions. The first, maybe one of the more impressive numbers in the release was the deposit growth. It's quite hard to see the value chain that goes with that WRB deposits of 30. But the mortgages and deposits line down in the year.

So, funding cost of the trading book's gone up. If you could just help us understand where the economic profit that attends that deposit growth lives and maybe talk a little bit about what happens if it transforms itself into AUM. This is the first question.

And the second, it may seem a little bit mean, but the market's just like that. Last year was a phenomenal operating environment for your business, but you only produced 1% jaws. And my personal fear is that when I get excited about wealth in the later years, I put in two or three instead.

Is there a sense in which you sort of got ahead of the curve on investing for the future, taking the opportunities of paying for the revenues that were there? If you could just talk a little bit about what kind of jaws, if jaws even is the way to think about, we should come to expect from the bank.

Pete Burrill:
Dan will take the deposit question. I'll take the cost and jaws question.

Dan Hodge:
Yes. I mean, short answer is that absolutely the deposit growth does fuel an increase in NII, but it doesn't obviously come out so much because the offset we have from the rates.

But let me let me talk about a bit more detail. So, first, you're quoting that sort of spot-to-spot increase in deposits. What drives NII is obviously it's the average deposit levels in the year versus the prior year if you're looking year-on-year delta. But that was still up and it was up by sort of 8% year-on-year. So, still quite high.

What do we do with those deposits? You can obviously either take proceeds to pay down other forms of funding, so wholesale money, or you can take them and increase total funded assets. Actually, last year, we it was all sort of the latter.

So, we didn't actually shrink our wholesale funding. It only grew by a little amount. So, the overall mix of our funding was sort of better because we were growing more stable deposits, very strong growth in corporate and retail at a much faster rate than we were growing sort of wholesale sources of funding.

So, where did that money go? The weighted average increase in our banking book funding was actually 7%, so 8% deposits lower in wholesale weighted average growth in banking book funding of 7%. So, we therefore also increased our funded assets by 7%, right? The sources and uses have to match.

The Group Average Interest Earning Assets (AIEA) did go up. That went up by 2% on an average basis. So, you see that in terms of loans and advances. Quite a bit of that was Global Banking, but we also saw some in mortgages and other products.

So, the rest of it's gone through into the trading book. Because the way in which we do our trading book funding adjustment, that increase in trading book has actually generated a slight sort of increase in NII as well without going into the details. So, long and short of it, you do see the growth in the deposit sort of fueling increase in the overall banking book funding and it goes into generating higher NII.

There have been some mix improvements as well last year. And so we saw a, as I said earlier, more of the sort of positive funding coming in retail versus corporate. Not only is that sort of slightly cheaper than wholesale sources of funding, it's also more stable. And what that means is you don't need to hold so many treasury assets per unit of funding. So, volume and mix both positive and they were sort of tailwinds last year.

However, against that, we obviously had the rates effect. The weighted average fall in rates last year was about sort of 1% versus the prior year. So, you didn't see it coming through the product, the product lines, because the net of it all was sort of broadly flat.

When you look at our sort of product line disclosure, you'll see that it was in Transaction Services (TS) in sort of Payments & Liquidity. That was sort of slightly down. That was down year-on-year. And we're also slightly down, you've seen this in sort of Mortgages & Deposits. It was down by more in terms of the TS line because the volume effect was sort of fairly low versus the rates effect.

Whereas in Mortgages & Deposits, it wasn't down by as much as in TS because there was actually more volume growth, and it wasn't impacted so much by the rate drops. And that's partly because the mortgage line, there was actually a sort of an uptick in the NII in mortgages during the course of the year.

So, you should think about the product lines as really just representative of the overall NII position, because Treasury, we sort of aim to try and clear our own NII out and it's not exactly sort of zero. And you will never get to zero when you look at the Treasury product line, because some of the allocations we have for business are still in that line.

But from a Central & Other (C&O) segment perspective, we try and sort of broadly act as sort of a clearer of funding at the centre. And so you shouldn't really be having large gains or losses residually in Treasury. So, that is why I do think in terms of the sort of the business product lines is sort of representative of the overall Group NII shape.

In terms of the AUM and what happens there, I mean, obviously, we would. And I think Manus said on the call earlier in the week we absolutely would expect the growth in net new money to go mainly into or more of that to go into AUM than to be retained in deposits going forward. But given the sort of growth in net new money that we are anticipating, we still expect to see net positive growth both in retail, but also in corporate.

And hopefully future improvements in mix as well going forward. So, guess what I'm saying, deposits are valuable. They are really a driver of volume growth in the balance sheet.

Pete Burrill:
On your question on jaws. So, first of all, our guidance and the way that we think about it was on an ex-notables basis. So, we had $300 million of Ghana hyperinflation, FX revaluation in Egypt in the prior year. So, we look at jaws at 4%, which is 8% growth ex-notables on the top line, 4% cost growth. So, 4% jaws, I think, is slightly…

Jason Napier – UBS:
It’s better than one. Yes.

Pete Burrill:
Better than 1% and the way we think about it and why when we gave the guidance and also in the way we think about it, although we are moving to reported, there are still some funnies in there like the notable items in 2024 that are going to fall out , not taken in the baseline. So, I think 4% jaws, hopefully more in line with what you would hope to see. I'm not promising 4% jaws, let's make it clear on the record, but 1% is not how we see 2025.

Manus Costello:
But if you then zoom back a bit, Jason, we did a reported basis 64% cost-to-income ratio in 2025 on RoTE of 11.9%on relatively low impairments for us to get to the kind of RoTE, I'm not going to tell you what kind of RoTE we think we should do, but it's clearly higher than 11.9%. The path for that is positive operating leverage and significantly positive jaws in the future so we have to deliver on that and the bank is fully aware of that.

And to your point about pre-funding, if you're looking on a reported basis pre-funding future growth we clearly put a lot of investment in the business, right? We put in $1.3 billion of FFG which is leading productivity measures and other growth measures in 2026 as well. So, yes, we have been putting a lot of investment in the business.

James Invine - Redburn:
Two please. The first is on the wealth net new money as opposed to the deposit. Are we likely to see a big step up here so I think you've often had that funnel of deposit product first and then you upsell them. That deposit number has grown really well every year. So, are those customers now suddenly about to start converting to wealth net new money. And then I guess on top of that, you've got the increase in relationship managers.

And then the second one is on deposits in the wholesale business. Earlier in the year, Diego was talking about corporates having greater liquidity preference post liberation day. Wondering if you can you give us an update on that? Has it reversed, what has been going on?

Manus Costello:
Should I take the wealth part?

Dan Hodge:
I'll take corporate deposits, yes.

Manus Costello:
You're right, we've seen strong growth in deposit AUM in the affluent business. We had a particularly big second quarter, if you remember, around the time of the tariff announcement and there was a big chunk of flight to safety. I think if you look going forwards, it is absolutely a store of value for future wealth AuM.

Yes, they do convert. It's quite difficult to exactly track one for one dollar exactly when it converts and how it converts. But it is absolutely a store for that.

But I'd also say if you think about the macro backdrop, rates are falling. And so, holding money in deposits as a saver is less attractive in 2026 than it was in 2025, so, the backdrop is for people to switch deposits into wealth. I'm not saying it's mechanical, or it will definitely happen. But the tailwind is there.

And so absolutely, we would expect AUM to grow nicely in wealth. We will still continue to gather deposits. We will still take on net new money in deposits. We will still gain new clients through deposit growth. But I think it would be safe to assume that we should be looking for faster wealth growth than deposit growth while the rate environment continues to come down.

Dan Hodge:
Yes, I think on the corporate deposits, I think there is obviously very liquid conditions. And therefore, that's one of the reasons why it's obviously been easier for us to retain and in fact grow corporate deposits without obviously having to go down into our passthrough rate (PTR) range. So, in terms of what's going to happen in the future, we don't really see any signs of that backing off.

And over our plan, we are anticipating to continue to grow corporate deposits. If we obviously got other sources of funding as well, they are on average sort of better value, slightly cheaper for us than wholesale. So, I think like CPCD (Commercial Paper, Certificates of Deposits) and CTDs (Corporate Term Deposits) would be the alternative form of funding, which obviously more contractual in term and nature.

So, you get some, I guess, the beneficial sense, you get certainty as to the tenor of those. But it really does sort of referring to that, what we don't know as an industry is what happens to PTRs going forward in different parts of the rate cycle. And will the world always be awash with liquidity? But obviously, that's where we are.

That's where we are at the moment. So, remain confident about continuing to grow them.

James Invine - Redburn:
I could put it slightly different way. I mean, last year, you grew your deposits faster than HSBC or DBS. But at the same time, you've lowered the cost of your deposits relative to those banks as well. So, you kind of won on both sides. Can you carry on doing that?

Dan Hodge:
Well, I think we'll try. It's obviously a law of diminishing marginal returns. You're right, we were successful in doing that last year. I think we've gotten a lot better internally at managing passthrough rates. I think in the past we were perhaps more concerned around price elasticity of demand of customers.

And I think we were more, I think, assertive was the word we've used in the past rather than aggressive. And I think we really found our feet and did that well. So, we will continue to be assertive going forward.

But it's quite hard to drive the same uptick in value year-on-year. It's a bit sort of diminishing.

Manus Costello :
I'd also just point out as well, back to the point that Dan was making about the average deposits during the year. Our Q4 number last year, it was a bit lower. There was a bit of a dip in Q4 and then it bounced again. So, the point to point is slightly flattered if you're just looking at year end versus year end. The average is probably a better indication, as Dan said.

David Lock:
I think Andy had his hand up for a while

Andrew Coombs – Citigroup:
And so just a couple following on from HSBC. And so you both called out some temporary net interest income uplifts in Q4. HSBC actually explicitly quantified $100 million. So, it's actually a very small part of their quarter-on-quarter (QoQ) increase in net interest income.

In your disclosure, you talked about the Treasury and you talked about some of the impact in the past few weeks being temporary in nature. Maybe I interpreted it wrong, but I got a feel that it was a larger proportion of your QoQ increase. And then you talked about reversing Q1. So, perhaps you could just talk to the differences or at least quantify that.

Dan Hodge:
Yes, I can do that. I think there is a difference in the nature of our liability base, which I think goes to some of that dynamic. So, firstly, in terms of Treasury timing differences, we have more CTDs, we're talking about those contractual wholesale term funding, than HSBC do.

So, in Treasury, a lot of our sort of assets we have, so external sort of liquid assets and internal lending to the businesses is shorter term in nature, so closer to one month, whereas we have a fair amount of funding coming in CTDs, which they reprice between three and six months. So, obviously, then when you get a movement in rates, the assets will reprice more quickly than the liabilities. And that's what we really mean by timing differences.

So, ultimately, the CTDs, they will catch up and reprice. But there is a lag effect. And you don't see that so much with HSBC.

The other thing I would call out on the deposit side, HSBC probably have a larger portion of generally rate insensitive deposits, and a lot of particularly non-interest-bearing current accounts. And so therefore, the PTRs on those won't – well obviously they won't vary at all for Non-Interest Bearing Current Accounts (NIBCA). So, you don't see as much sort of variation.

And therefore, when there's a lag in passing through changes in underlying rates to customers, that lag will have more of an effect with us than it will with them, right? That's what I'm what I'm trying to say. So, that's why they won't sort of call -out timing differences to the same extent. Obviously, directionally, we're in a very similar place.

Manus Costello:
I think they called out a $400 million QoQ impact from HIBOR, right?

Andrew Coombs – Citigroup:
Yes, from HIBOR

Dan Hodge:
They are generally more sensitive as well. I mean, that's the other side of it. Yes, we have timing differences, but they are more sensitive because their average pass-through rate is likely to be lower on the deposits. And that's because they do have a bigger volume of very, very low interest rate deposit funding.

So, when you look at their sensitivity and looking at their risk disclosures, it is higher than ours, even when you adjust for the respective sizes of our balance sheet. So, that's the other thing to be aware of with them. And obviously, we've been rolling out a structural hedging program, including in HKD. So, the sensitivity that you saw in our line last year, hopefully will be somewhat smooth going forward.

Andrew Coombs – Citigroup:
Very helpful. The other point I just wanted to check on, but they changed the definition of net new money and invested assets. They've stripped out third party asset management AUM, and they've now included the premier deposits.

Dan Hodge:
Yes.

Andrew Coombs – Citigroup:
Do you think it's much more comparable to your definition?

David Lock:
I mean, from what we can see, it looks more comparable.

Remember, we don't have an insurance manufacturing business. So, the bancassurance line you see is a fee line and we don't recognise any of the insurance balances within AUM or net new money. I don't know what their recognition of that is, but I think it is probably a more comparable metric now. But, I mean, we only saw it yesterday.

Andrew Coombs – Citigroup:
No, it's always been a challenge to reconcile across shops. The definitions are very different

Manus Costello:
And that's across the industry I think, right?

Andrew Coombs – Citigroup:
Yes.

Manus Costello:
Not just us and them but every wealth manager.

David Lock:
I think for most of the Asian wealth managers the net money includes certainly wealth and deposits, whether it includes other things is not clear.

Manus Costello:
And just one last point on the NII point. Just to be clear that we were talking about the HIBOR effect in the fourth quarter. We're talking about there's timing differences. We're talking about the fact that the HIBOR moved, right?

So, to some extent, the fact that it's reversed is just that HIBOR has come down in the first quarter of this year. It's not kind of a weird one off. It's the same sort of impact as HIBOR going up and down again. It's just a different way of expressing how that impacted our balance sheet and our NII.

David Lock: Perlie.

Perlie Mong – Bank of America:
It looks like deposit is the flavour of the day, so I'll continue with that.

So, Q4 deposits, I think it's up 1% in the quarter. And certainly in Hong Kong, it's like Q4 was actually increasing at an accelerated rate. So, just wanted - I know HSBC yesterday had a very strong deposit print so is there any reason why? Is it just timing? Maybe you've got some customers and you can comment on that.

And the second one is I've noticed that in the hedge disclosure, it looks like average life has come down. Which is a little bit not what we are seeing with other UK banks because the behavioural life seems to be longer not shorter. So, why is that?

Dan Hodge:
So, in terms of the deposits, again, I wouldn't read too much into the spot, because if you take a 30 September versus 31 December, there's a lot of volatility day by day. So, it's better to look at the overall quarterly pattern, which isn't so obvious. So, we did manage to continue to increase our deposits, particularly on the retail side.

But we just had a lot of programs that were launched earlier in the year that saw that kind of greater flow and we saw some perhaps some more transmission into AUM than we did before. But I wouldn't sort of read into that any form of trend that we're seeing a slowdown in our ability to attract deposits. And actual fact, we increased our share of retail deposits within Hong Kong quite meaningfully.

So, we grew it more than our main sort of competitor banks there. And actually, we also increased market share in Singapore, which is our other major center for retail deposits. So, no particular concern there.

The other thing on the corporate side, there's a lot of volatility around the end of the year in corporate balance sheets. In some year ends, we saw an inflow of funding, actually, we saw a bit of an outflow towards the end of the year (corporate CASA, current accounts, saving accounts) this time around, which was expected. So, again, it's hard to read too much into that one print on 31 December.

Yes, I mean, on the hedge, obviously, we've been increasing our hedge notional and we've been increasing most of that in terms of our hedging of current accounts and saving accounts, so the rate insensitive portion of those and those are just behaviouralised sort of slightly shorter than equity. So, they generally are behaviouralised between one and a half and two and a half years, depending upon the deposit, whereas equity is behaviouralised for five years.

So, the higher the portion of our total hedge, which is hedging deposits, then the slightly sort of shorter the weighted average majority would be. So, that's really what's going on there. I said we are looking at the behavioural lives of our deposits and seeing whether or not we can extend those, particularly on the corporate side.

Our view is we're perhaps a little bit shorter than some of the peers. The more sort of data points we get on the stability of our corporate deposit base, perhaps the more confident we are of their longevity. And so, we may start to actually extend some of the maturities of the corporate deposits this year.

David Lock:
Thank you for that. I think we're going to go online now.

Kunpeng Ma – China Securities:
Thank you for taking my question. Morning, guys.

Actually, I have two questions. The first is about the Transaction Services, just because Dan also touched it slightly just now about the rate impact on this kind of business. We also noticed that the major drag of the Transaction Services income was from Payments & Liquidity.

We think that is maybe out of the rate cuts last year by the Fed. So, if we have less rate cuts this year, are we going to see some better performance of the Transaction Services in 2026? This is my first question.

The second question is about the episodic income of the financial markets. Because we totally understand because Standard Chartered is a kind of a big market maker in many markets. So, you need to take some big inventories to facilitate the trade of your clients. But if it happens that your inventory is not deployed during that period, you have a net exposure on some kind of assets.

So, you need to evaluate at the period end. So, there might be some kind of valuation gains or valuation losses. So, I think that might be the major contributor of the episodic loss in Q4.

I don't know whether my understanding is correct. And if it's correct, can we have some kind of colour about the patterns of the market environment of that kind of episodic income? Or if it's going to be bigger in some volatile markets because you have stronger client needs. Or if it's going to be better in some more stable markets or any kind of relationships between the market environment and episodic income, that'll be some colour will be helpful.

Thank you.

Pete Burrill:
I can take both of them. Your first question on Transaction Services, yes, you're right to think that that decrease is primarily rate related. So, that's where a lot of the headwinds that we have seen in NII show up.

As far as 2026, we're still facing a downward rate environment. Our weighted average curve is down 44 basis points. So, I guess it's, it's less negative rather than being positive is the way that I would think about, but there's still down draft on rates and that will show up in Transaction Services as you pointed out. Volumes actually increased. So, it's, it's primarily rate impact rather than something underlying in the business.

And on your second question, yes, I think you've got that right. Episodic is two things. It's large client transactions. So, if you don't have large client transactions, it's kind of, you don't have that benefit showing up in episodic. And then, yes, there's some valuation at year end, things like that.

There's not one particular market, one particular position, it was very variety of smaller things. And, had it been 20 million higher, we wouldn't be talking about it because it would have been slightly positive.

So, I mean, these aren't big numbers in the scheme of our balance sheet or P&L. So, it was just not any one specific market, not any one specific concentrated position. There were no VaR breaches or anything else so, I wouldn't read too much into it.

As far as how to think about episodic and can you correlate it to specific market conditions. Well, it would be great if I could give you something that you could point to. We've put out the chart. I think it's on page 29 of the deck that we sent out.

Really looking at it, it bumps around a bit quarter to quarter, but on a trailing 12-month basis, it's been between $0.7 billion and $1.1 billion, we were smack in the middle of that, it was $0.9 billion for the year. It is a meaningful contributor, but a smaller share than it has been in the past, right? We've been growing flow pretty consistently. But I wouldn't try to model it quarter to quarter or correlate it with any particular index of volatility or market activity.

Increase in flow and increase in market activity in general is conducive to that line and Q4 is always a slower kind of market activity, but beyond that, I'm not sure I would point any correlation or be able to guide any better than that.

Kunpeng Ma – China Securities:
Thank you, Pete.

David Lock:
We'll come back to the room, Guy.

Guy Stebbings - Exane BNP Paribas:
Thanks. The first question was on the WRB exits, you've said a 2% headwind for this year. Appreciate we're not guiding beyond 2026 and might not be too specific to it, but in terms of how we should think about headwinds there into future years.

And then the second question is on Ventures, and there was a question on the call on this. I think Bill answered very clearly in terms of the strategic rationale for how it's going to be reported in the future. But in terms of sort of the numbers, just interested in terms of how it's performing absent that change in reporting, would we still be thinking about it being PBT positive by a certain period of time?

Pete Burrill:
I'm happy to take both of these. So, on the WRB, there's two things going on with the headwinds that we've called out. One is market exits, and we've been clear on what those are, and we hope a number of those will land in 2026. So, it depends on the timing of when they land as far as how much of a drag, how much is in this year versus what comes up next year. We'll have to see on the closure of that.

The other, though, is specific portfolio actions - last year we sold a portfolio in India. Outside of some of our major markets, -- India is a major market, we're looking at portfolios where we don't have a broader relationship beyond that single product, where it's not leading to a broader relationship, it's not a potential affluent client and looking at a number of different portfolios to sell: that are profitable, but not on strategy and not necessarily RoTE accretive and so we're looking. So, it's a combination of those two. We've said a number of times, anything beyond 2026, I couldn't give you specific guidance. You'll have to wait and come to our event in May. But those are those are the two moving pieces when thinking about the headwinds I would call out.

On Ventures, two things, from a revenue standpoint, we will continue to call them out in a product mix. So, you'll have some transparency on that. And if you break the Ventures into two things, digital banks progressing really well. One of the reasons if you look at our annual report, and we mentioned this in Mox and in Hong Kong, we actually moved the portfolio of assets, or the economics of those assets from our Standard Chartered Bank in Hong Kong to Mox.

It becomes a bit less meaningful to break out at what point do they reach profitability, but we do still expect Mox and Trust to reach a point of profitability and the cost bases have been broadly flat over the last number of years, revenue is increasing. So, they're still on a trajectory to hit that point of profitability sometime this year .

In SC Ventures, historically, the run rate revenue has been reasonably minimal. It's offset by cost of funding to a large extent. But we do have our transactional gains and SOLV gains this year. We expect those to come not on a regular, every quarter or something else. And also we had quite a lot of unrealised gains. So, the FVOCI gains, things like that, but don't go up in the P&L, but are value accretive for our shareholders. And on that basis, it was a positive year already.

So, part of it depends how you measure it and what you do with those unrealised gains, which are a core part of our ventures activity is investing into things that we think are going to generate value. But we're not going to be providing specific guidance or tracking it on that basis.

But if there are big transactions, we will call them out.

Manus Costello:
I'd just remind you, Guy, of the accounting, it's in Q2 we put the slide in about how we account for Ventures where the majority of the revenues and costs are actually consolidated revenues and cost of ventures that we're consolidating.

Pete Burrill:
Right. Yes.

Manus Costello:
Yes. It's a little bit more than gains or costs of running the platform. And there's a funding cost charge.

David Lock: Okay. Thanks.

Amit Goel – Mediobanca:
So, I guess one of the questions, I mean, slightly different from the results was just basically on the cost trajectory. And appreciate you guys don't want to say much beyond 2026. So, just really just trying to understand and maybe open some questions on the Fit for Growth (FFG) program, but basically, I suppose you're not continuing Fit for Growth beyond 2026. But then obviously there are potentially other investments outside of the scope.

So, I just maybe wanted to understand, for example, the existing program. So, I see it had about what it says 343 initiatives. So, when thinking about the number of initiatives that there could be beyond the program, would that be a kind of like fifty type number or a hundred or like how to benchmark that to the kind of initiatives that you're currently doing or how many initiatives have you historically been running at any particular point in time?

And then within that, I guess you've talked about four investment areas. So, organisational design, process simplification and technology simplification, and so forth. So, I'm just wondering on all of those four areas, do you kind of feel like you're done or these are all areas that seem like they have ongoing need? So, just want to really understand how you're thinking about that. Just get some flavour for how we can think about cost projection when you're on a reported basis.

Pete Burrill:
Sure, happy to take that one. I wouldn't try to take the 343 and have an average cost per initiative. And the initiatives vary in size and scope, not just within FFG, but more broadly. But I think the main point that you're trying to get at is how should I think about costs? And maybe I'll just address that. How should I think costs and how should I think about the flow through

The components we laid out on slide 11 and give you the kind of how, as you said, FFG goes away, there will be some business growth and inflation. That contains our investment increases. If you look over the last three years, that's been between $0.7 billion and a billion, but that gives you kind of, well, I'm not going to guide and say particularly.

It very much depends on what opportunities we see on the revenue line. And we talked about jaws earlier. Jaws are really important. Cost income ratio is important. Our investment decisions are made on the basis of how confident we are in those growth opportunities. So, that's another reason that we don't get into 2027 because we're not giving you any income guide into 2027, so getting the cost-income doesn't make a lot of sense.

But that's really how you should think about it, it is what's the size of that business investment and inflation. It's not a natural cost base automatically increases. These are conscious investments, whether that's relationship managers (RMs) in wealth management, whether that's things that you pointed out around technology or improvement, those categories of things.

I mean, I think organisational design wise, we had quite a big one with the change of the regional construct and the elimination of the regional construct. So, while banks are always doing some organisation redesign, you all work at banks. You'll know that there's always some level of that going on.

I think that the major ones getting the two business lines, getting the regions, that piece is more BAU now, rather than big piece, but technology and process simplification, these types of things are ongoing and we'll continue to drive those.

I don't think you'll continue to see number of initiatives as a metric. So, I'm not going to guide you on number of initiatives. Not quite sure outside of that. I don't have a count in mind. Just think about the dollars. Hope that helps.

Manus Costello:
And just to be crystal clear, in case it's where you're going, there is no FFG 2, there isn't a rollover and a re-upping of these. The FFG program was an incremental period of investment on top of the regular investment dollars that we spend, which will finish at the end of 2026.

Alastair Warr – Autonomous:
On RWAs it looks like nearly all the gain last year ex FX is in Operational (Op) risk. Deposit growth we've been into in some depth. There was moderate loan growth. And should we be extrapolating from that lighter RWA density?

Dan Hodge:
I think not necessarily. Obviously, we're going to allocate the capital to where we get the highest return. So, to the extent to which we see the opportunity to put more of it into credit risk and grow loans and advances, then absolutely, we'll do that.

It was an overall 5% growth in loans and advances. So, not bad. You're right to call out, the Op risk was slightly unusual because we actually have to increase mechanically every year, but we had to bring this year's one forward by a quarter. So, it was sort of unusual in that sense.

You're right, there has been an overall reduction in risk density. But that's really been the case for quite a few years now. And that's just been reflective of the fact we've been very, very disciplined with how we've kind of deployed our RWAs, we've been exiting lower returning clients and products and going to higher returning clients and products.

And that has meant that we've effectively kept RWAs broadly flat for some time now. And through those optimisations, but we've grown the balance sheet, and brought the density down.

I wouldn't expect us to keep sort of lowering density from here. As much as anything, the leverage ratio isn't something we want to necessarily drive lower than it has been. So, for us, it's about sort of growing the sort of the mix of assets and a mix of risk in a sort of commensurate way. So, I wouldn't expect sort of further reductions in the density. I would expect us to try and sort of grow loans and advances. Still, we talk about sort of single to lower single-digits, sort of unofficial guidance. But that's sort of been something of a batting average.

So, yes, it's about sort of balanced growth. We don't want to become sort of overly dependent upon market risk either. So, that's running around sort of 12% of our total risk weighted assets at the moment.

Pete Burrill: I guess since you mentioned FX, on the ratio it's broadly neutral. So, it does move the RWA number around, but our capital ratio is not particularly sensitive.

Dan Hodge:
That's because we deliberately hedge the FX capital movements through derivatives. Treasury to try contain that, the net CET1 ratio above.

Sheel Shah – J.P. Morgan:
Can I ask about the investment margin? Well, this time last year was a step down from the custody to asset mandate. Can I ask how that's going, and would you still expect that margin over time to come back towards the pre-2024 level? And what that time period would be?

Manus Costello :
I'll take that one. So, if you look at the margin adjusted for that, it was kind of flat year-on-year. And we would expect a similar kind of trend in 2026 and don't think its immediately for us to see that differently. We do expect a

conversion of those assets into more fee-earning assets or higher transaction fee margin, return on assets (ROA). But it will take time.

And it's not something -- when I say it will take time, it will take a number of years. So, it's not something which I think you'll be looking to monetise immediately.

I think the best immediate guide is to look at the ROA, the 2024, 2025 and assume that that continues through 2026. There's also, of course, lots of other effects going on within the mix as well in terms of different clients that you're bringing on, which will muddy the waters. But we'll work to make those more productive. It will happen over a longer time frame.

David Lock:
Other questions in the room or online? We've still got a bit of time.

Jason Napier – UBS:
So, on the wealth business and the inflows of customers, HSBC, interestingly commented yesterday, they put a fee on inflows and that customers who are bringing in HK$50,000 or less and are now going to be asked to pay a fee to open an account. I wonder if you could just talk a little bit more about the mix of customers that you're bringing in in that business. When we use wealth, we typically think of much, much bigger per capita deposits than they're talking about. So, what are you bringing on? And maybe that's very good for margins for small retail type of flows.

And then secondly, in my model, probably relative to your own expectation, the place where I probably have less focus on - flow in Markets income a little bit. And that's conditioned by just how good it's been.

But it may mean nothing for what's actually going on in the wallet of your company. So, what do you think has happened in the traded wallet over the last couple of years? Is your strength because it's been particularly volatile? Taking share? Think you can continue to get to around the double-digit growth in flow?

Pete Burrill: Maybe I'll take the second one and I'll let Manus talk on the wealth one. I think on flow, it's been a combination of yes markets have been conducive and active. But it's also, we used to be primarily in FX and we've really been growing rates, credit, commodities as well. So, there's been an expansion of product.

And we do believe somewhat we can see that we are keeping market share in the areas that we had the strength before and gaining market share in some of those areas. So, we do think there's a conducive market, but also market share gains and client share gain.

I mean, the focus is really on reducing the number of clients that we're trying to deliver to and really focusing on the larger wallets, whether that be in FIs or large multinational corporates has really helped. And we think there's more play for it.

So, that's really been, I think what you see there, yes, conducive markets, but it's not solely that. We want the market shares to play a part, and we've got evidence on that as well as broadening the product range.

On wealth, I mean, we are focused on affluent. So, we are focused on the premium priority, priority private and private. I can't speak to whether we have a fee on smaller deposits, but the mass is not the focus of that for us.

And Manus, if you had more colour to add.

Manus Costello:
Yes, just on the markets one, first of all, that we showed at the CIB day, I'm not sure of the exact number, I think that the peer banks have grown, their FICC revenue at 6% over that timeframe, and we're growing faster than them. So, two points there.

One, the market has been growing. It's not like we've been growing against the backdrop of no market growth in two years. We have been taking share of some of those products. Some of that is about areas where we are strong, which are growing faster than the rest of FICC.

We talked about RMB internationalisation before as well, to the extent that those RMB products grow, and we maintain our position in those products, and they're growing faster than the rest of the FICC suite. Yes, that will keep on delivering flow for us. And we see more and more capacity being added, not just in RMB, but across our footprint, where yield curves are becoming deeper, flows are becoming stronger, and we're able to monetise that.

So, I do think the outlook for flow remains consistently strong, and you've seen that longer-term chart that we've put out of what we've done over time. This was particularly strong last year, it's fair, which is 15% last year. The last two years have been strong, but it also flow income has shown a good CAGR over the last five years as well, so it's been good.

On wealth, just to add to Pete's point, yes, you know that 60% of our net new money in wealth is international customers, and we were going for that affluent client base, so they tend to be slightly higher deposit or wealth products customers that are coming through. But I think it does speak to the point we started out on talking about the abundance of liquidity in the markets, the conducive environment for PTRs and the conducive environment for deposits, that that is the case. But I think for our customer base and our international customer base, it's probably slightly different.

David Lock:
One more thing is you may have missed it amidst the thousands of pages of disclosure in the last days, but we have a general investor deck that's also on our website alongside the fourth quarter one. If you look at page 22, you'll see the split of credit, rates and FX of long-term CAGRs within Global Markets.

And then if you look at page 30, you'll see the pyramid of our affluent business, which gives you a sense of how much of the income that sits by the customer type.

We disclose that over 75% of income comes from customers with AUM between $100,000 and $10 million

Jason Napier – UBS:
That's an excellent slide. I guess the follow-up is that representative of flows as well or is that your stock?

David Lock:
We disclosed this, the affluent seminar as well. I don't believe the mix has changed

[see slide 19 of Affluent Seminar slides]

Any other questions?

Kian Abouhossein – J.P. Morgan:
Just on wealth, just trying to understand a little bit the cyclicality of this and how you see the drivers in terms of, and really it would be great to get a bit of an understanding in that context of the 61% breakdown, if there's any

picture you can give us of regions a little bit, that would be quite helpful. And then the net new money international that we disclosed.

But just to understand, if you would expect, is it related to Chinese retail real estate improving significantly, or can slow down, or what are the aspects that you look, or the market that you look at, equity markets, IPO market that you should be looking at just to get a bit of an understanding how we think about the flows into wealth, besides clearly the acquisition of clients, which is all a little bit correlated.

Manus Costello:
I'll take that.

Kian Abouhossein – J.P. Morgan:
It's a bit of an open question, yes.

Manus Costello:
So, the 61% international, we said in the past, and it holds true now, that about half of those are global Chinese. And bear in mind that when we say global Chinese, Chinese people are investing outside of China. They may well have a relationship with us inside and outside of China.

And we've said as well that the large majority of that money is already abroad. So, that's not money which is crossing the border necessarily. It's money which is generated offshore and placed in Hong Kong, Singapore or wherever.

The second biggest nationality within that 60% would be global Indians. It's smaller than the global Chinese. And thereafter, we've got, and I looked into this recently, like much of our business it's really quite a broad spread. There are global Malaysians. There are global UAE citizens. There are people from around the world.

And it really is quite broadly spread. Chinese is by far the biggest. Indians is significantly the second biggest. And then there's really quiet a broad spread of people who are investing with us more globally.

In terms of the cyclicality of it, look, I think I would split it between the net new money, the asset growth side, and the propensity of people to take risks and where they put those assets. I think the trends driving the net new money growth remain very powerful.

I think, quite aside from the demographics and the rising wealth, we know that there is significant opportunity still, especially in China and in the global Chinese, to look to invest in products which aren't yielding as little as you get in deposits in China now, and products which offer international diversification. That is a trend which strikes me as one that's going to go on for many years. It's not something which is a flash in the pan.

Clearly, there's a separate point about where clients put that money, what kind of products they put them into. It has been a conducive environment over the last 18 months, two years, where people have wanted to be a bit more risk-on. That does come through into the kind of products that they buy, the level of transactions that they do.

We showed you at the wealth seminar that our margin has kind of gone up and down during various periods. Our return on assets has gone up and down during various periods, but there hasn't been a meaningful change. Of course, it's entirely possible that in a period of heightened risk on or heightened volatility, the margin can go up, and equally it can go down if people decide to rush to deposits.

But that's where I think you would see the short-term cyclicality. It is more likely in the level of activity in any given quarter. I think those longer-term net new money trends, we're very comfortable about, and continuing for a while, particularly going back to the question I think that James asked, lower-rate environments should be conducive to people putting money with wealth managers.

David Lock:
Thanks, Kian. I think Ed has got a question online. Ed, do you want to unmute?

Edward Firth – Keefe, Bruyette & Woods:
Thanks very much. Sorry, I just come in at the end.

I'm just thinking more. I know you don't want to be drawn too much about May this early, but I'm just struck that in this discussion we're having with a lot of banks that the environment for banking today is probably the best we've seen, I don't know, maybe you could say 30 years or more in terms of the spread you're making on deposits, in terms of wealth management flows. I mean, everything seems to be going in the right direction today.

And yet, with that background, there's a sort of general view in the market that you're still going to be able to pull some rabbits out of a hat in May with some reasonably major improvements in profitability. And I just wonder where should we be seeing that coming from? Because it's not like you've got a hedge or anything that's making a big loss today that's going to roll off or anything .

So, I'm just trying to think where would you see, just conceptually, I'm not trying to ask you to give me any numbers or anything, but just conceptually, where would you see that today the business is making very low returns that you don't think are acceptable and that can improve?

And I know part of it is mix, but often we talk about the wealth management revenue, but what's that sort of 15%, 16% of total? That's going to have to be massive to really move the needle on group profitability. So, just conceptually, I'd be really interested to get your thoughts just where you're thinking about that sort of delta.

Thanks very much.

Manus Costello:
If you look, Ed, at what we've said over the last 18 months, we laid out a longer-term view of what we thought we could deliver in the wealth business in December 2024. And then in May last year, we laid out our vision for CIB. So, I think you've got a longer-term perspective of where we think our two major businesses can go.

What we need to do in May is tie that together at a group level. We need to explain to you how that comes out, both in terms of our financial outcomes, but also in terms of our strategy and where we go longer term and some thinking beyond that. I think the important point to make is that the trends that we sit on top of be those across wealth, be those across flow income in markets, be those across Global Banking, we think are powerful and enduring.

And we think we have a lot of operational leverage that we can deliver because of the investments that we put in and continue to put in that will deliver that. So, I do think that regardless of net interest income, regardless of the environment that you're talking about, we think we sit on top of some really powerful longer-term trends which will deliver us operational leverage, which will get us up to a much higher RoTE.

So, that really is the basis of what we laid out over the last 18 months. And I think there'll be a continuation of that. I don't think we need anything magical to happen to deliver it.

Edward Firth – Keefe, Bruyette & Woods:
I suppose the question is -- I get the growth angle. I can see that. I can see you've got just lots of pie to go for around the world. And your relative size means that for CIB there must be huge growth opportunities. But it seems to me that's going to require capital as well. So, it's just the question of the profitability aspect that I'm interested in as much as anything.

Pete Burrill:
So, just to add one thing to what Manus said. I mean, we faced pretty significant NII and rate headwinds over the last two plus years. And we see a bit of that. We've grown our non-NII 33% in the last two years. So, the income growth that you've seen is despite the fact that we've been facing significant NII headwinds that could abate and allow more of that top line and momentum to show through.

So, I do think that's a bit different than a lot of other banks when it comes to the mix that we have between NII and non-NII. And the fact that we went into that we weren't as hedged as everyone else, we don't have the hedges. As you can see they are yielding roughly what you could get for investing, so they're not providing a lot of updraft through our results if you will on the NII line.

So, I do think that's a differentiation. And I think that when you think about pose the question that this is kind of the best of times everything is going in the right direction, I think that there's a story there that wasn't quite captured in the way that you've raised the question. So, I hope that helps.

Edward Firth – Keefe, Bruyette & Woods:
Okay. Thanks so much.

David Lock:
I think with that we're out of time. Thank you very much for coming in.

Manus Costello:
Thank you, guys. I really appreciate it.