

Standard Chartered PLC
Q1'25 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 first quarter 2025 results presentation. I'm joined here in London by Diego, and as usual we will first run through the presentation before taking your questions.

We have delivered a strong set of results for the first quarter of 2025 with income up 12% year on year excluding notable items, and earnings per share up 19%. This was driven by strong performance across Wealth Solutions, Global Markets and Global Banking, continuing the positive trend of recent quarters. This momentum has continued into Q2, particularly in Global Markets.

Our network business, which represents around 60% of our CIB income, is highly diversified, is resilient and is agile. Clearly there have been geopolitical developments and uncertainties since we last spoke to you. Notwithstanding some of the challenges which might arise, we are confident that our strategy and business is well positioned to face any headwinds in the current environment and into the future.

Our cross-border strategy connects us with clients in the world's most dynamic markets, and our affluent business is capturing the huge opportunity that we see in the structural trends in wealth creation across our footprint. Both of these core growth engines have tremendous potential that will last beyond any near-term turbulence and position us well to benefit from structural changes should they arise. As a result, we are confident in our trajectory and in the long-term prospects for the Group, whilst remaining watchful of the external environment.

And before I pass to Diego to run through the financial performance for the quarter, I want to spend a couple of minutes talking about the network, including our cross-border US footprint, and the opportunities that we see. You will recall at our last results presentation we showed you this chart of our cross-border network income. Whilst an escalating trade war would impact global growth and our markets, we believe our network is a key, distinctive and strategic advantage for the Group. Geographically, the network is not overly reliant on any single bi-lateral trade relationship and only 7 corridors generate network income greater than \$100 million dollars per annum.

As a reminder, our network income is not just trade finance. We facilitate the flow of goods and services for our clients, generating income from Transaction Services, Global Markets and Global Banking. This network income of \$7.3 billion dollars in 2024 has been growing strongly, with a 9% CAGR since 2019 excluding the impact of rates. Our business is a very different bank to the one that I joined in 2015. It is far less capital intensive and is consequently higher returning. It is also less concentrated in any particular asset class and has higher quality credit exposures. We have materially increased our hedging to reduce interest rate sensitivity, and the bulk of our balance sheet is short dated by nature.

Whilst there is the possibility that a prolonged period of uncertainty could have a direct impact on growth in our markets, we enter the current period of global volatility from a position of strength. And while there are many open questions regarding trade tariffs, it is very likely that our clients will continue to diversify their supply chains, creating growing opportunities for us to serve those clients profitably.

Our network is agile. We follow our clients, and we offer them compelling capabilities and services across our footprint. We have continued to adapt as our clients' needs have evolved. Two examples of this would be our recent investment acceleration in our affluent proposition, and the shift in our CIB business towards financial institutions and large international corporates.

I'd like to turn now to our US-related network income which, given recent events, is understandably in focus at the moment. Our US network business is made up of both Financial Institutions and Corporate clients. Financial Institutions are primarily large banks and broker dealers; and given the nature of cross-border financial flows, we remain confident that this business will continue to be resilient.

Turning to corporate clients. First, if we focus on US outbound, which is income generated from US-domiciled multinational corporates into countries within our footprint, this represents around \$400 million dollars of income for us. Second, the income we generate from inbound flows from non-US corporates into the US is smaller, at under \$100 million dollars. We would expect to serve these clients to a greater degree should manufacturing investments move to the US. And third, we have reviewed the rest of our corporate clients which do not have any inbound or outbound US business through us but do themselves have more than 10% of their total sales from exports to the US in sectors which could be impacted by tariffs. For example, this would include a corporate which is based in India where we bank this corporate on its intra-Asia business, but they use another bank for their US banking business. These clients represent around \$400 million dollars of income for us.

Putting these three together, we think around \$900 million dollars of network income is from corporate clients that may be exposed to the current turbulence. This income is diversified by product across Cash, Trade, Global Banking and Global Markets. We believe that there are both risks and opportunities to this income as trade patterns are reconfigured. And while the US is an important contributor for us, the large majority of our income sits outside of the US.

Despite potential headwinds, we think we are well-positioned to capture opportunities across our footprint. So let me give you a few examples. In our CIB business, supply chain diversification could create new needs for our clients. As supply chains become more complex and adjust globally, we expect corporates will continue to re-design their treasury operations. Since the beginning of 2024, we have onboarded 10 new regional treasury centres with dedicated teams for our corporate clients. For Financial Institutions, we see further opportunities in the deepening of international capital markets outside of the US, including foreign exchange markets. We have invested heavily in both hardware and software of our FX platforms.

In WRB, our international proposition will be increasingly attractive and relevant to clients in today's environment. We believe these clients will seek further diversification and sophisticated hedging and investment products as markets remain volatile. We have been investing in this space, having opened 6 new international wealth centres across 5 markets since the beginning of 2024.

All of these opportunities reinforce our confidence in delivering on our ambitions. So now Diego, over to you to take us through the Q1 2025 results in more detail.

Diego De Giorgi:

Thank you Bill. Good morning and good afternoon everyone. In my remarks, I will be comparing year-on-year on an underlying basis and speaking to constant currency unless otherwise stated. As a reminder, these results are now presented on the new basis as outlined in the press release we published on the 2nd of April. First, I will start with an overview of our Q1 performance and then go through each component in more detail.

The Group delivered operating income of \$5.4 billion dollars in the first quarter, with a headline growth of 7%, or 12% excluding the notable items of \$234 million dollars in the same period last year. Operating expenses were up 5% and credit impairment was \$219 million dollars. This resulted in profit before tax of \$2.3 billion dollars, up 12% year-on-year; and thanks to the reduction in our share count, this represented 19% growth in earnings per share. Now let's turn to each component in detail.

On a quarter-on-quarter basis, NII was down 5% due to a particularly strong Q4 which benefitted from assertive management of passthrough rates, and the \$147 million dollars from deposit insurance reclassification, as well as a \$65 million dollar impact from lower day count in Q1 2025. You will see on slide 19 that our currency-weighted average interest rate outlook for 2025 is now 82 basis points lower than 2024, and down 6 basis points compared to when we last reported. You will also note that the 2026 headwind has increased by 31 basis points, to 59 basis points versus 2025. And as highlighted in Q4, we expect there will be some reduction in deposit passthrough rates in 2025 and around 1% headwind to NII from the WRB transformation actions. Hence our guidance remains that we think NII will be challenging to grow in 2025.

Non-NII continues to be a strong growth driver and is up 7%, or 18% excluding the notable items of \$234 million dollars in Q1 2024. This was largely driven by good momentum in both Wealth Solutions and Global Markets, which on a total income basis were up 28% and 14% respectively. I'll talk to these products in more detail when I cover the business segments performance.

Now turning to expenses. Operating expenses were up 5% year-on-year. This was driven by inflation and business growth initiatives to support our higher returning businesses including frontline hires and investment in technology. There was also \$49 million dollars of deposit insurance booked this quarter. And as you may recall, we highlighted that the deposit insurance cost is expected to be around \$200 million dollars each year, with an offset in NII.

The Fit for Growth programme has continued to progress well with annualised savings of around \$400 million dollars from actions executed since the start of the programme. We have incurred \$73 million dollars of Fit for Growth restructuring charge in the quarter. We will continue to execute on this programme, albeit the phasing of the cost-to-achieve can be hard to predict. We are still confident that 2026 total expenses will be below \$12.3 billion dollars on a constant currency basis, including the deposit insurance cost and around \$100 million dollars of UK bank levy as highlighted in Q4.

Credit impairment was \$219 million dollars in the quarter, with the WRB charge of \$179 million dollars broadly in line with the prior quarters. CIB had a \$30 million dollar charge, the first quarterly net charge for a while, following significant recoveries recorded over the past few quarters. Our credit grade 12 balances increased this quarter due to the downgrade of some corporates within stage 2 from early alerts. However, overall high-risk assets were down around half a billion dollars quarter-on-quarter. Impairment in the Ventures segment was down \$4 million dollars quarter-on-quarter, and down \$18 million dollars year-on-year mainly from reduced delinquency rate in Mox.

In Q1, we increased the weighting of our tariff related downside scenario which led to a modest charge for the Group in the quarter. Our Q1 loan loss rate of 25 basis points continued to benefit from low impairment levels in CIB, which as previously highlighted, we do not expect to be repeated in the coming years. We are therefore

maintaining our guidance for loan-loss rate to normalise towards the historical through-the-cycle 30 to 35 basis points.

While this would imply a pickup from current levels, our key risk indicators over the last ten years have continued to improve. The proportion of our CIB corporate exposures that are investment grade has increased from 42% to 74%, reflecting the strength of our balance sheet and the Group's measured approach to risk. In WRB, the portfolio has remained broadly resilient with 83% of exposures fully secured. Given the recent news flow on tariffs, I want to emphasise that our exposure to ASEAN markets excluding Singapore is less than 4% of Group exposures, 37% of which is to corporates, with 68% being investment grade.

Underlying loans and advances to customers were up 3% in the quarter mainly from Global Banking origination activity and some growth in secured wealth lending in WRB. Underlying customer deposits were up 5% in the quarter, mainly driven by the reversal of outflows in CIB deposits in Q4, as well as an increase from WRB term deposits.

Turning now to RWA and Capital. Risk-weighted assets were up around \$7 billion dollars in the quarter. Whilst credit risk-weighted assets went down due to optimisation activities, we saw an \$8 billion dollar increase in market risk RWA as we helped clients capture market opportunities. We expect market risk RWA to reduce in Q2. Operational risk RWA, which is mechanically calculated from the previous 3 years' income, also added \$3 billion dollars to RWA in the quarter. This is a usual one-off increase in the year.

We continue to deliver strong capital accretion with a CET1 ratio of 13.8% in Q1. This translates to an increase of 21 basis points quarter-on-quarter after adjusting for the 61 basis points impact of the share buyback announced in February 2025, of which around 43% is now completed. Our TNAV per share was up 20 cents quarter-on-quarter and up 171 cents year-on-year. This includes the full deduction of the one and a half billion dollars buyback from equity, but only the shares bought back in Q1.

Now let's take a look at our business segments performance. CIB income for the quarter was \$3.3 billion dollars, up 4%. Global Markets income was up 14%, driven by strong double-digit growth in flow income which makes up around two-thirds of our Global Markets business. This was as a result of increased client activity supported by our strategic initiatives and investments. Episodic income was up 7%, mainly from higher levels of volatility. Global Banking income was up 17% from increased capital markets activity from higher bond issuance and deal execution. Transaction Services income was down 4% as growth in trade and securities services was offset by rate-driven margin compression. Q2 has started positively in CIB with momentum in client flows continuing from increased volatility, albeit high levels of uncertainty may delay pipeline execution. Just to remind you, we will be hosting an investor seminar on the 15th of May, where we will provide you a detailed update on our CIB segment.

Turning to Wealth and Retail Banking. Q1 income was up 12% to \$2.1 billion dollars, with another strong quarter in Wealth Solutions, which was up 28%. The 33% growth in investment products income was mainly driven by structured products. There has also been continued strong double-digit growth in Bancassurance which was up 15%. Our key leading indicators in affluent remained strong with 72 thousand new-to-bank clients onboarded in Q1. We also had \$13 billion dollars of affluent net new money in the quarter, with around 60% from wealth net new sales. Lastly, Q2 has started well for Wealth Solutions income and net new money has been positive so far in the quarter, but it is too soon to say how recent volatility could impact customer behaviour going forward.

In conclusion, we have delivered another strong set of results in Q1. Our guidance for 2025 and 2026 remains unchanged, although as Bill said, we remain watchful of the external environment.

With that, I will hand back to the operator, and Bill and I will take your questions. Thank you.

Operator:

Thank you. (Operator instructions)

Joseph Dickerson - Jefferies:

Just a quick one on the risk-weighted assets. So clearly, the aggregate number, I think, was about ballpark with where we were thinking. But you've had a nice contraction in the credit number of just under \$5 billion quarter-on-quarter. Could you discuss the optimisation effects that you're seeing coming from the CIB still? Because I know this has been an ongoing area of improvement. And how much further optimisation do you see?

And then in terms of the market RWAs, similarly, the other direction, the magnitude was large. It sounds like it's coming back down in Q2. But, do you have an optimal level in the mix of overall RWAs that market risk consumes? Because I think it's about 14% in Q1. Is there an optimal mix? Or is it really dependent on opportunities at any given time in the client footprint?

Bill Winters:

Thanks very much for the question, Joe, and thanks to you Joe and everyone for joining us this morning. We know it's a busy morning, so we'll try to be sharp. The general answer to the question is we're entirely returns-driven, and the increase in markets-related RWAs reflects the substantial increase in activity ahead of the eventual dropping of tariffs. And obviously, as we indicated, that carried on through Q2, but in, I would say, in a way that squared positions, which is why we can be encouraged that the RWA number is not necessarily linear.

But overall, optimisation efforts ongoing. No target in terms of optimal markets or any other version of RWA. We don't think we're overweight in any category. If we thought we were anywhere close to that, we would call it out. And as a result, we're just focused on optimising returns. Diego?

Diego De Giorgi:

Just two very minor additions. You know we are nimble in how we do it. You've seen it in previous quarters. We have added market risk risk-weighted assets, and we have taken them away. And we have multiple ways of growing our market business, and you've seen the great results in the past quarter, 17% up in our flow business in ways that sometimes require risk-weighted assets, sometimes don't because we can do it in other ways, and we do it smartly from that point of view. Lastly, let's never forget, a little touch of seasonality also, I mean Q1 is clearly a seasonally strong quarter.

Kunpeng Ma - China Securities:

Thank you for the introduction on tariffs just now, I fully understand the diversification of Standard Chartered network. But let's say, if there is a general increase in tariffs globally, and maybe there are some negative consequences on global economy, so I'm wondering if you have any kind of stress conditions or stress scenarios to share with us about your thinking on the future performance of Standard Chartered.

Bill Winters:

Thanks, Kunpeng. The line was a little bit scratchy, but I think we got the question, and thanks for joining. So obviously, we're all watching the tariff question real time, and it's a multifaceted problem. We're encouraged by the suggestion that there are some really healthy negotiations going on and that there's a prospect for significant reductions. [Technical issues with the phone lines]

Andrew Coombs – Citigroup:

It's all related to tariffs, three parts. The first of which is that HSBC gave some revenue guidance based on a plausible downside scenario relating to the tariff environment and talked about a low-single-digit impact on revenue. So anything you'd like to say about your future revenue outlook based on the range of tariff outcomes would be appreciated.

Second and kind of linked to that is, can you talk a bit more about the client activity you're seeing post the events in April, particularly around the corporate client base and also your private banking client base? And then the final question was on the IFRS 9 assumptions. You've only taken a 5 percentage point change in the weighting towards your downside scenario, which is less than what some of the peers have done. So what was the rationale in only slightly changing the weighting on the downside?

Bill Winters:

Look, as you would imagine, we're thinking continuously about different scenarios that could play out. There are thousands of permutations, and they're quite different. We keep on coming back to the core point, which is that a secular increase in tariffs in any sort of across-the-board sense would have an impact on the economic environment, and that would impact us. But this is where we're very thankful that we find ourselves in the position of having a super strong credit book, and you see that in our reported numbers. And that, of course, is not an accident. That's a steady improvement in credit quality over a period of time that it feels to us like that protects us in that slower economic growth scenario, should that be the one that come through.

You asked about client behaviour, and we've been very encouraged by what we've seen so far. So perhaps not a surprise that client activity through the first quarter and then into the early April or Q2 to date has been very strong in markets. But I think it's a good time to reflect on how much our markets business has evolved over the past six, seven years as we now have a really fully well-established and top-tier financial markets business across FX, rates, associated options, credit and commodities, all of which have performed well through this period with a dramatic increase in the amount of flow, completely inconsistent with our increase in VAR. In other words, this is not risk-related income to any material degree at all.

But again, perhaps not surprising in this kind of an environment, and you've heard similar things from other people, although I guess when we reflect, we'll see that we've done pretty well. Perhaps more surprising is just how active our wealth clients have been. So by all the metrics into the early part of Q2, we've seen new clients, new money and income performing with the momentum that we saw in Q1 and which we also saw throughout 2024. And that's encouraging because frequently, in these kind of exogenous market shock events, clients go to the sidelines. And we're seeing less of that in this case. And now how much of that is clients that are choosing to deal disproportionately with Standard Chartered and how much is the market. Time will tell, as we reflect and digest everybody's earnings, no doubt you'll be doing that as well. But it feels pretty good to us right now, and that's up through and including today. So that is all encouraging. Diego, I know you've got comments on all three of the questions, and you can pick up specifically the IFRS 9 question.

Diego De Giorgi:

For sure. I'll add first one thing on your first point in terms of how to think about the numbers in different scenarios because, as Bill said, it seems to us that to think of a single point central case, that central case seems to be quite elusive and to change on a day-to-day basis. So what we have instead aimed to do is to give you all of the moving pieces that are necessary for you to sensitise our numbers in the way that you will deem necessary. And so we have given you a refreshed network analysis. We've given you, in particular, the zooming into the exposures to the

United States of America, cut in very different ways and being particularly expansive in terms of what corporate revenues do we think could get affected in some ways so that you can run your sensitivities. And of course, like every quarter, we give you our updated currency weighted forward curves so that you can do the same to the net interest income.

As for the IFRS 9 assumptions, look, you have all of the details, of course, in our annual report. You can look at the numbers. That scenario is a very, very severe scenario. So in the context of weighing a lot of different scenarios, we put on it the weight that we thought was consistent with that particularly aggressive type of scenario. And we came to a solution that, as you know, we always aim to look behind the corner in thinking of these kind of things and overlays and other ways of embedding into our numbers the potential sources of volatility for the months to come.

James Invine – Redburn Atlantic:

I was wondering if you could just give us your thoughts about how loan growth will unfold over the rest of the year, please? I know there's a lot of macro turbulence at the moment, but I was also just noting, I think in your appendix, you talked about building term liabilities to fund the pipeline. So does that mean you've got a bit more growth coming than we might otherwise be expecting?

Diego De Giorgi:

If you have no other question, James, I'll take it. So let me put it this way. First quarter, so far, so very good, 3% up, customer loans and advances is clearly a good place to be, mostly in banking and also a little bit in wealth lending as we pointed out. Now as you look forward from that, our guidance is for more or less this kind of growth, right. And the reality is we have two competing forces here. On one hand, we have the fact that interest rates decline, lower dollar, all point in the direction that normally you would expect that, that would be a fillip to credit growth in our footprint. But on the other hand, the reason why these things are happening, conspire against it. And as a consequence, do we remain confident of our guidance? Yes, definitely, particularly given the strong start to the year. How exactly it unfolds over the next few quarters, unfortunately, remains a question mark.

I would just harp on something that Bill said in the response to Andy before, which is when you really think about what our clients are really doing, they are being very active on a lot of tactical things as they react to the constantly unfolding situation. And so far, we continue to see them implementing strategic projects because those strategic projects were decided months and quarters in advance. How that unfolds, and that will fit definitely into credit growth, we will have to see a little bit with the unfolding of the environment.

Amit Goel - Mediobanca:

So just a couple of vaguely follow-up. One is, so I guess, is the right way to understand the potential impact from tariffs more kind of a volume thing rather than an asset quality issue given the structure of your relationships and the exposures that you have? And within that, I appreciate the colour in terms of network CAGR since 2019, so the 9% CAGR. I'm just curious then within the 5% to 7% revenue growth target, what kind of network CAGR had you factored in? And how are you thinking about that this year and in the next couple of years?

And then outside of that, I was just kind of curious just on the net interest income. I know you said, obviously, it would be challenging to get to the level that you achieved last year. I think consensus has got like a very small decline. I just want to check that you're comfortable with the \$11 billion or so that consensus is reflecting for this year.

Bill Winters:

Thanks for the question, Amit. And as we mentioned, as we all know, there's lots of moving pieces in the tariff dynamic, and there are lots of different outcomes. So the question of whether it's volume or credit is going to depend on the path that we follow. But generally, as we said, higher tariffs is slower economy. And tariff differentials between markets is also reconfiguring of supply chains. The slower economy, obviously, leads to lower volumes. I think in our case, given the strong credit quality that we demonstrated in the early assessment of credit impact, the issue is a volume issue rather than a credit issue. Obviously, in some more extreme scenarios, we could begin to see credit tensions. But we don't see that in the kinds of outcomes that the market is talking about right now.

In the medium term, the reconfiguring of supply chains will very likely for us drive volumes the other way, i.e., we'll be picking up share as companies invest into the U.S., into other ASEAN and South Asian countries to diversify their manufacturing base and their underlying supply chains. Now these are our home markets. These are fast-growing markets. These are markets where we have a high market share. And obviously, along with the investment itself comes a whole associated stream of credit and interest rate risk management and ongoing local funding, supporting local suppliers as those supply chains are reconfigured, all of which plays to our strength.

So yes, the tariff impact in the short term, I think it's more economy-related, possibly some volumes if there's an outright reduction in trade, although it's hard to see that persisting as long as various economies around the world have consumers who are still buying. And in the medium term, it's much more about the relationships between countries and relative tariff levels and how supply chains get reconfigured, which I think is supportive for us. Diego?

Diego De Giorgi:

I'll take the other two questions. So on the specific assumptions on network income growth, while we always tell you that our network income, of course, has historically grown at higher than the range that we are indicating for our growth for 2024- 2026, we'll give you quite a bit more colour about that at the CIB seminar on the 15th of May. So please stay tuned for that.

In the meantime, what I would encourage you to always remember is that within network income, we have both - - we have a lot of non-NII, but we also have NII. I mean network income is very well diversified, but it includes a large portion, of course, of transaction services and some of that -- a meaningful part of that is NII influenced. On NII per se, I don't think that there is any change to what we are saying. We thought it was challenging to grow. It stays challenging to grow. The change that we are indicating in our currency-weighted forward curves tell you that the situation has worsened, the headwind has worsened by 6 basis points for this year to 82 basis points and has worsened by quite a bit more in 2026 to 59 basis points. As for 2025, we will see how the situation unfolds.

It's true that, generally speaking, and it goes to guidance on the 5% to 7%, which I remind you, for this year, we are guiding below that range. And for non-NII, the start of the year is very encouraging, and April has been good, but the uncertainty is high.

Perlie Mong - Bank of America:

Diego, I'm so sorry to be asking yet another tariff-related question. You're probably bored of them. So just on the scenario that you talked about, I think it's called the global trade and tension scenario. I think you said it's very severe. But in plain English, what does that sound like? Because the reason I ask this is because unlike a lot of other banks, there's a downside 1, downside 2 scenario. You haven't done that. So I'm just trying to understand like what is that scenario looking at? HSBC talks about a plausible downside being one that is worse than where we are. But

equally, I guess one could also make the argument that with 100% tariffs, US-China is already pretty severe. So just what is that scenario capturing, is the number one question.

And secondly, as a follow-up to the NII question. So I guess pass-through rates have again stayed relatively strong this quarter. We are now looking at maybe 3 more rate cuts this year on US dollars. So just wondering, any expectation as to how that might change off the back of that? I know you've given medium-term guidance through the cycle, but just wondering maybe in the next 6 months in the near-term cuts, what are we expecting?

Diego De Giorgi:

I'll take these two. Look, on what we call the global trade and geopolitical tensions, downside scenario, I don't have it in front of me. But from memory, we are talking about very severe decreases of GDP in the order of 4%, 5%, 6% for the large regions of the world one year forward from here. Up to you to decide whether you think that, that is in line with what is currently happening or not. I would note, as Bill said, that obviously, there has been a constant rolling back of the extreme scenario that is being contemplated by the market, but we will have to see. In simple terms, that's what that scenario entails.

In terms of NII and the passthrough rates, look, we've said very clearly in Q4 that we had managed our passthrough rate particularly aggressively and assertively and that we were above the ranges that we long indicated in terms of where we think that the pass-through rates goes through the cycle. We said that we thought we would move inside that range. We have moved inside that range. We do continue to manage them assertively.

And the one thing that I would really say here, as you all think about your models and as you all think about what the impact of the currency-weighted forward curves and the pass-through rates is going to be, is that I don't envy you because the volatility of those rates is extremely high. In just the month of April, we've had something like 100 basis points of swings in terms of the forecast that the forward curve -- as always, we make no assumptions of our own. We use forward curves. But in the forward for 2025 and 2026, the range is 100 basis points in a month, which is extreme, of course. So clearly, an uncertain scenario, but pass-through rates are good, within the range and we continue to manage them appropriately.

Nick Lord – Morgan Stanley:

Okay. Two questions from me. The first is just back on tariffs and two questions there. The first is you presented obviously about split of your network income. And a large chunk of that is China to Hong Kong and obviously ASEAN to ASEAN and China to ASEAN and things like that. Have you done any work to estimate how much that could be impacted or how much of that flow is related to products that are sent to the US as an end destination and therefore, what may happen to those lines. So a little bit more detail on that.

Just the other thing is you've pulled out on your credit quality slide exposure to ASEAN ex-Singapore just less than 4%, sorry. Just any reason why you've pulled that out as an area of particular concern and why you might be concerned there?

And then finally, just on Wealth. I wonder if you could just give us any indication as to what's happening in terms of product mix on wealth and therefore, if we're seeing some pressure on margins as a percentage of AUM in wealth as a result of product mix changes.

Bill Winters:

I'll make some comments and Diego will have lots of comments as well. Keep in mind that the income that we're showing on slide 4 are our income, and that relates to flow of goods and our role in the flow of goods, trade finance and associated things as well as the flow of money. And a big chunk of China - Hong Kong, for example, relates to the fact that we're the leading cross-border payment bank in RMB between Hong Kong and China. We're the first foreign bank participant in CIPS, the first bank to have CIPS capabilities in both Hong Kong and China, i.e., offshore and onshore and a very, very major player in all things RMB related in terms of FX risk management rates trading, et cetera.

So each of those corridors is influenced both by the flow of goods, but also by financial flows. And Obviously, there's a correlation between goods and financial flows over some period of time. But as the RMB continues to be opened up as China continues to open up its capital markets, which it's most certainly doing in response amongst many other things to the geopolitical tensions that are present, the opportunities for us increase, independent of the flow goods. I think you already fully understand that, but just to make it clear that there's a lot going on in terms of these flows.

ASEAN, we have no particular concerns. We just note that a number of ASEAN countries were at the top end of the list in terms of the tariffs that were set back on April 2nd. Now where that settles out, we'll see. As I mentioned earlier, I think the fact that there are negotiations, where the reports out are constructive, suggest to us that perhaps we don't need to be as concerned as we might be. In any case, our exposure is very small. Now Diego?

Diego De Giorgi:

So a couple of things. On the very first question, aside from the high-level overview that Bill has given, the answer to your question is on page 4 in the sense that the third building block of what we give you of those \$900 million of revenues which, as Bill says, are very diversified and many of them refer to business-as-usual type of activities that we do with people, so it's difficult to see them being impacted in particular by this particular situation. But \$400 million of that, the third block refers exactly to clients that are non-US corporates that do business with us elsewhere, but have a lot of sales, over 10% of their sales in the United States of America. So that's an attempt at thinking about those, if you wish, Nick, second level effects of these changes. Nothing to add to ASEAN. It's the first few days that prompted us to want to put that in.

Let me spend just a couple of minutes more on wealth. So you really shouldn't read anything from the return on average asset management slight decrease that we have had in Q1 because you will remember that we had a very large increase in assets under management due to the shift from custody to assets under management of a handful of clients in our private bank during Q4. And that temporarily, and we had indicated that in Q4, that temporarily reduced that. The mix is not affected. The margins are not affected. Remember that the majority of our revenues in Wealth Management come from affluent. Those affluent customers are very long-term savers, very long-term investors anchored around life insurance, mortgages and investment products. Within the investment products, there has been a rotation more towards defensive products, but those do not carry a differential margin impact on us.

Alastair Warr – Autonomous:

Congratulations on the results. Just wanted to quickly return to some of the asset quality lead indicators you touched on in the presentation. You've had a \$950 million-or-so bump in Stage 2 stuff, the higher-risk credits in CIB are similar to looking at \$800 million increase in the credit grade 12. Could you just give a bit more colour on what sectors they're coming from and what you think the outlook could be?

Diego De Giorgi:

Absolutely. I'll take that one. So first of all, really nothing to be seen in terms of the Stage 2 in the sense that those \$800 million are really a handful of CIB clients. There is no ECL consequence, and they are fully baked inside of our guidance. So no issues there. I would first point out that in terms of the high risk, we have gone down. We have decreased. So that is part of the careful risk management in general and particularly in the heightened uncertainty scenario that we are in. And in terms of the CG12, down from early alert, it's a handful of clients. It's a little bit of Hong Kong commercial real estate and a few other exposures, but again, without any meaningful concentration risk or anything else that makes us want to shout out for them.

Aman Rakkar – Barclays:

I had two questions, please. One was on the outlook for deposits. I was interested in your best guess on the outlook for deposits here. There's multiple cross currents, I guess, washing through your business. I think we've seen pretty decent liquidity formation in some of your key markets, most notably places like Hong Kong. But I'm also interested if you think your corporate customers' appetite for liquidity might be a bit different from here. So it's a complex question, but I was just interested in what your best guess was on the outlook for deposits and perhaps whether you think it could grow even if lending is subdued from here.

The second question is two-part on capital. One is around RWA procyclicality. I wondered if you -- is that something that you're anticipating from credit migration perhaps if we do get some kind of crystallising economic concerns across your footprint? And related to that then, are you inclined to operate any differently around capital? So could we expect you to operate at the top end of your target range through a period of economic uncertainty? And I'm thinking specifically in relation to buybacks. I think most people are probably expecting you to come back to the market at H1 with a decent buyback. I'm just interested in how recent developments might affect your thinking there.

Bill Winters:

Just a couple of reflections before I hand over to Diego. Of course, the market generally, we, I suppose, like anyone, are exposed to downgrades that could come through as a result of either slower economic growth or the direct or indirect consequences of wherever we settle out in tariffs. So we know that including some of the highest-rated countries in the world are subject to downgrade. And in addition, some of the lowest-rated countries in our portfolio, which have been improving and we think will continue to improve, nevertheless, there are scenarios where they could be hurt in terms of the tariff outcomes, leading to downgrades.

So is that procyclical? Or is that just responsive to kind of the obvious effects in the market? I'm not sure. But of course, there's some possibility of slower economic growth and adverse tariff outcomes impacting the ratings and, therefore, the level of RWAs that we carry. But our approach to capital is unchanged. We're very happy operating throughout the 13% to 14% range. We're very comfortable at the moment, we could call it probably closer to peak uncertainty in the tariff debate, but also with some uncertainty around the economic equation, we're comfortable being towards the top end of that range. But our appetite to operate throughout the full range doesn't change. And we would expect that if this scenario where the US and other countries are making relatively positive noises about resolving the open issues around tariffs, it doesn't mean taking everything back to the status quo antebellum that, nevertheless, that level of certainty would give us even more confidence to operate within that full range. Diego?

Diego De Giorgi:

So nothing to add on the capital other than one -- maybe one small qualification, which is on stress VAR metrics, et cetera, et cetera, we are not seeing anything in particular. Yes, volatility spiked a bit at the very beginning of this. Those are just a few data points. I really don't think that I would see anything in particular also from that side that would lead me to think that there is any headwind that goes outside of our BAU guidance. And nothing to add definitely on capital.

Let me spend a few minutes on the outlook for deposit because, as you say, it's a very broad-ranging question. And let me give you a little bit of colour that you can incorporate into your thinking. A few things. First of all, we had flagged that there had been movement in deposits toward the end -- a substantial movement -- somewhat substantial movements in CIB, movement of deposits at the end of Q4, and those have reversed. You will have seen that our CASA to TD ratios are down by 1 or 2 percentage points, very much within expectations. And the reason that I am flagging it is because I want to make sure that you always remember in how you look at it that, that has, obviously, has a rate component. But the important thing is that time deposits in wealth are the entry point for a lot of our customers. So don't overread in swings of 1 or 2 percentage points in that ratio in a quarter because they are very well within manageability, and they reflect a dynamic that is ultimately very positive for us.

Having said that, I would think that CASA has the opportunity to continue to increase, both in CIB and in Wealth & Retail because among the various effects that Bill pointed out to, there is one of a perceived flight to safety in times of relatively high volatility, which in certain parts of our -- in all parts of our network, we benefit from. But in certain parts of our network, we benefit particularly from that type of a perception. And therefore, as a consequence, to your overarching question, could deposits continue to grow even if loan do not grow? The answer is yes, but we will obviously manage it carefully because we want to make sure that whatever we collect, we then deploy into high return on risk-weighted assets because as Bill says, running an efficient and optimised balance sheet is at the heart of our business model, and we take great care in that direction while obviously cultivating liquidity.

Kendra Yan – CICC:

My question is about the Wealth Management. I noticed that the income growth from that business remained strong and also a quite strong new customer growth. Could you please elaborate on the reasons behind this and whether these drivers can be sustained in the future? Do you see the complex geopolitical environment a headwind to this business or a tailwind?

Bill Winters:

So thanks for the question, Kendra. I think the headline reasons are good underlying wealth accumulation across our markets with an increasing proportion of the savings that our clients or prospective new clients are generating being invested in diverse and global portfolios. I think -- and that we see as inexorable. Of course, the appetite for different types of investment product will rise and fall.

Thankfully, we've got a very diverse portfolio of offerings, including a meaningful Bancassurance component, which has done very well, and then a full range of fixed income equity, public and private funds, all of which have performed reasonably well through this period. So that, I think, is an inexorable trend.

Then there's the particulars to us, which is we've made very heavy investments. We're continuing to make heavy investments in quality, in RMs, in technology. We continue to be open architecture, and we continue to be a very attractive distribution outlet for the world's best asset managers. And that has positioned us in an extremely good place to take market share, which we have done and will continue to do, we think, for the indefinite future because we're actually stepping up our investment in that area.

Are the geopolitical tensions a headwind or a tailwind? It's both. Clearly, during periods of -- certainly during a bear market, it's harder to make money. Wealth clients tend to be less active if share prices are going down. What we've been encouraged by through this time of volatility is that our clients have stayed very engaged, and they've stayed very engaged with us, and that obviously is a good sign. We do have a diverse portfolio of products. So in a period of stress in equity markets, for example, we would expect a rotation into other products that we offer.

But the flip side is that as geopolitical tensions are evident, our clients, whether they're coming out of Asia or South Asia, Middle East, Africa, et cetera, want a quality adviser and they want diversification in their portfolio. And they probably want that diversification internationally, and that's exactly what we offer. So I can't say that in every scenario, it's good for quarter-to-quarter wealth management income. That would obviously not be the case. But I think the structural trends are very much in our favour, and the geopolitical headwinds can be as much a positive as a negative depending on how it plays out.

Chris Hallam – Goldman Sachs:

Just two. First, on the modelling side, the Fit for Growth restructuring charge of \$73 million in the quarter, how should we think about that phasing through the rest of the year and then perhaps just to check in on the balance between 2025 and 2026?

And then secondly and a bit more broadly on client perspective. So clearly, obviously, we've talked about this, a lot of elevated uncertainty on the macro side, perhaps a little bit less elevated than a couple of weeks ago, but clearly still higher than it was in the quarter. Just interested to hear, how consistent is the mood or the feedback from your corporate clients in terms of how they're reacting to the situations? So if you think about all the conversations you've had with CEOs over the past few weeks, is that a reasonably consistent picture or message? Or are you starting to see some nuances emerge either by industry type or by geography?

Bill Winters:

Let me take the first, and Diego will come back, and I know he'll talk about Fit for Growth. I know he'll also have some views on the second because we're both very actively involved externally. I was actually in Asia, I got back yesterday. I've been throughout the region before, during and after the tariff news. So watching and spending a lot of time with clients, with government officials, regulators, banks, et cetera. And it's definitely evolved since April 2nd. So I think there was a lot of confusion. Well, there was a lot of complacency, I would say, going into April 2nd. So people knew something was coming, but they were relaxed. They were not changing their plans in any material way.

I think there is a big upsurge of focus on what the eventual trade settlement might look like. And the assumption was that there, in many cases, would be a need to step up investment in the United States. And I think those plans were being developed in any case. They're definitely accelerating. And I think we can expect to see a step-up of investment in the US. This obviously is a long-term trend, and it takes a long time to play out. And it's not new, but it's happening, and I think will happen and be, yes, I assume, a concrete part of the settlements that are reached.

Second, there has been, for probably over the past seven years, a focus on supply chain diversification, and that has clearly accelerated. And third, there's an assumption that there will be various undertakings as part of these settlements to reduce non-tariff barriers in home markets and to find ways to acquire more goods from the United States. And again, none of those are new issues, but I think there's a new resolve on each of those fronts.

I'll say that each one of those has a set of opportunities for us, and I've been very encouraged by that. So now as time has gone by, I'd say that the confusion has morphed into a reasonable conviction that there will be some decent outcomes. Decent doesn't mean zero tariffs, but it means something that's manageable and that can be worked around. So that's, I think, the kind of colour you were looking for, I hope, Chris. Diego, please, I know you've had similar conversations or others and address the FFG question, and then we'll wrap up.

Diego De Giorgi:

Very, very extensive view on all of the aspects on question two. So I'll be very quick on Fit for Growth. Yes, you should expect the spending to accelerate. It's a matter of phasing. It's a program that contains a ton of different projects, as you know. And as a consequence, whether one falls one side or the other of the quarter can swing those numbers. So expect that.

On your question of 2025, 2026, no change, but we do monitor very carefully the way we spend this to ensure that we spend this money very strategically. So the phasing of it might change slightly, but there's nothing much to read into it.

Bill Winters:

Right. And of course, we're still committed to the \$12.3 billion of aggregate expenses in 2026. So here we are, on time, on budget. Thank you very much for some great questions and engagement. As always, really appreciate the interest you've shown, the support, and look forward to continuing to tell some good stories about how our cross-border business is developing well, how our Wealth Management business is developing well, how our costs are under control. Capital is good, \$8 billion plus of distributions. What is there not to love.

Thank you again.