Standard Chartered PLC
Q1 2026 results transcript

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(Amended in places to improve accuracy and readability)

Pete Burrill:
Good morning and good afternoon, everyone. Thank you for joining us today. I'll take a few minutes to lead you through our first quarter 2026 results. Then Bill, Manus and I will take your questions. In my remarks, I'll be comparing performance year-on-year at constant currency, unless otherwise stated.

As a reminder, these results are now presented on a reported basis as outlined in the press release we published on March 25th. We've had a strong start to the year, delivering record income on the back of continued momentum in Wealth Solutions, Global Banking and Global Markets Flow income.

We are maintaining our 2026 guidance, and we continue to expect return on tangible equity to be greater than 12% this year. Since we last spoke to you, the conflict in the Middle East has developed. Our priority remains the safety of our people and serving our clients' needs.

While there has been no material impact on our portfolios, we have taken precautionary ECL overlays in order to reflect the risk of a prolonged conflict. We remain watchful of the external environment, and we will continue to support our clients as they adjust to this evolving landscape.

I'll now take you through the numbers in more detail. First quarter income of $5.9 billion was up 9%. This was driven by strong non-interest income growth, particularly in Wealth Solutions and Global Banking. Expenses were up 1% with business growth largely funded by Fit for Growth and other efficiency savings.

Credit impairment of $296 million included $190 million of precautionary overlays in relation to the Middle East conflict. Put together, we delivered $2.5 billion in profit before tax, a return on tangible equity of 17.4% and a 31% increase in our EPS.

I will now cover each component in detail. NII was down 3% quarter-on-quarter as volume growth and mix benefits were offset by the impact of lower rates during the quarter, especially HIBOR.

Volume growth was supported by an increase in client activity in Global Banking, and we also saw a positive impact from improved liability mix, especially in Transaction Services and WRB CASA. While interest rate expectations have been volatile in recent months, our weighted average rate outlook remains largely unchanged, indicating a 42 basis-point reduction in 2026.

We continue to expect pass-through rates to normalise over time, and as a reminder, WRB portfolio actions are expected to reduce NII by around 2% in 2026. These headwinds are expected to be mitigated by volume growth and as a result, we continue to expect NII to be broadly flat in 2026.

Non-interest income, which was around 51% of Group income in Q1 was up 16% year-on-year. This was driven by significant growth in Wealth Solutions and Global Banking. I'll talk to the product performance in more detail when I come to the business segments.

Turning to expenses. Q1 operating expenses were up 1% year-on-year as business growth and inflation was largely offset by FFG. We incurred $119 million of FFG cost-to-achieve in the quarter and have achieved an exit run-rate savings of around $900 million so far.

We continue to expect expenses to remain broadly flat in 2026 at constant currency and excluding material notable items. Credit impairment for the quarter was $296 million, including $190 million of management overlays and post-model adjustments relating to the Middle East conflict.

This includes a new downside scenario which considers the impact of a prolonged geopolitical crisis in the Middle East, leading to sustained disruptions in energy supply and elevated global commodity prices.

In addition, we've taken overlays for the petrochemical sector and for potential sovereign downgrades which could result from a sustained conflict. CIB credit impairment was $111 million, reflecting a portion of these overlays offset by net recoveries across the rest of the portfolio.

WRB remained resilient and continued to benefit from portfolio optimisation actions with impairment broadly flat despite the overlays. Our annualised loan loss rate in the quarter, including the overlays, was 32 basis points within our 30 to 35 basis points through-the-cycle guidance.

Overall credit quality remained resilient. Our high-risk assets were up around $700 million in the quarter due to an increase in Early Alerts as a result of the Middle East conflict, while Credit Grade 12 and net stage 3 remained broadly stable.

The Middle East represents around 6% of the Group's exposures. More than 90% is in CIB and weighted towards sovereigns and Financial Institutions, while WRB exposures are mostly secured. We've included details on this later in the deck.

Moving on to the balance sheet. We continue to see growth in underlying loans and advances to customers, which were up 3% or $10 billion in the quarter, primarily from Global Banking and secured wealth lending. Underlying customer deposits were up 3%, with strong growth in CASA across WRB and CIB.

Risk-weighted assets were up 3% in the quarter, primarily driven by asset growth and mix as well as a $3 billion increase in Market Risk RWA as we continue to help clients capture market opportunities. These were partly offset by FX and optimisation actions.

Our CET1 ratio was 13.4% in the quarter as capital generation was offset by distributions and business growth. Now let's take a look at our business segments. CIB income was $3.6 billion, up 6%.

We saw continued momentum in Global Banking with income up 19% on the back of increased origination volumes. Within Global Markets, we delivered record flow income, up 17%.

We saw increased client activity across Rates and FX products, while we also benefited from our continued investments in electronic platforms and people. Episodic income was lower against a strong comparator in Q1 2025, with 12-month rolling income now around $800 million.

Turning to WRB. Income was up 13% to $2.5 billion. This was driven by a record quarter in affluent net new money and Wealth Solutions income. Wealth Solutions was up 32% with strong client activity across multiple asset classes in Investment Products, while Bancassurance was up 20%.

Affluent net new money inflow of $18 billion was equivalent to 16% annualised growth in Affluent AUM and was driven primarily by wealth products.

This demonstrates our strength in engaging a growing affluent client base, rapid idea execution on our open architecture platform, enabling value creation amidst market volatility. As a reminder, the digital banks are now reported within WRB.

Mox was profitable in the first quarter and Trust also turned profitable in March. So, to conclude, we've had a strong start to the year, with a standout performance in Wealth Solutions, Global Banking and Global Markets Flow income.

This reflects the continued success of our cross-border and affluent strategy. Our credit quality remains resilient, and we are watchful of the external environment. As mentioned, 2026 guidance remains unchanged and we will provide our medium-term financial framework at our investor event in May.

With that, I'll hand back to the operator, and Bill, Manus and I will be happy to take your questions. Thank you.

Operator:
(Operator Instructions)

Joseph Dickerson, Jefferies:
Really good quarter here pretty much across the board. Maybe slightly an unfair question. But just on the 2026 guide, I guess we started off the year very strong on NII and deposits and margin.

It looks like your CASA is tracking ahead I suspect Q2, if you want to engage in my comments I suspect Q2 is probably at a pretty good start on wealth deposits as well. So I guess I'm wondering why you're keeping the guidance so conservative for this year?

Or is it just because you want to focus more on the medium term in a few weeks in May? And then I guess, secondly, and I suspect you'll touch on this in May as well.

How do you think about because you now have a return of loan demand in the footprint that's driving asset growth, but it's also driving some RWA growth on the credit side, obviously. I guess how do you think about the RWA density of the group going forward?

Should we expect this to continue to improve? Or do you think that now that loan demand seems to be coming back that's a nice profitable activity to continue to drive growth for you?

Bill Winters:
Yeah. Thanks, Joe, very much for the question. And I'll turn to Manus for the guidance question, but just a couple of upfront comments. Yes, the first quarter showed strong momentum across the board.

The momentum is carrying through into the early part of the second quarter. So we are encouraged by the business.

The loan demand, maybe a better way to put it is lending opportunities for us, opportunities to use our balance sheet profitably. That has been a feature in the first quarter, hence, the improvement in returns despite the RWA increases.

And that has also carried through to the second quarter, although one would imagine that if this conflict in the Middle East persists, that we would see some shifting there, probably both in returns but also in loan demand.

But overall, we're certainly confident about the prospects for the business. I'll turn to Manus for the specific question on guidance.

Manus Costello:
Thanks, Bill. And thanks, Joe, for noting that yes, we did have a very good first quarter, a good start to the year, up 9% in income terms. As you think about the year going forward, I would remind you of a couple of factors.

Firstly, in the second quarter, remember that we are cycling a couple of events in Q2 '25 when we had a gain in our ventures business, and we also had a very strong episodic print in Q2 '25 as well. So when thinking about growth year-on-year do bear those things in mind for the second quarter.

The second thing is, of course, our NII guidance remains broadly flat. I'm sure we'll discuss that more later, but we still have some headwinds, both from the curve and from our own portfolio actions in WRB. So do bear those in mind when you're thinking forward despite the strong start to the year.

Joseph Dickerson, Jefferies:
And can I ask a follow-up if you don't mind.

Bill Winters:
Go ahead, Jeff.

Joseph Dickerson, Jefferies:
Just on your overlays, you called out because I guess it links to the RWA point. You called out some overlays you were taking regarding sovereign risk.

Is there, do you have any, I'll have to look on your report perhaps, but do you have any sensitivities on what sovereign downgrades could mean on RWAs? Any RWA inflation that we could take a look at?

Bill Winters:
I'll turn to Pete for that one. But we've always called out in the past, the impact on our RWAs from sovereign risk downgrades. They were unrelated to the conflict. So to the extent that we've got material changes, and we will certainly call them out, Pete.

Pete Burrill:
With regards to the overlays what we took for sovereign risk are really looking at countries that are potentially more sensitive to higher oil price, oil importing countries and might not have the fiscal headroom. As far as RWA potential impacts of that, I guess I would say they're manageable, not material and well within our guidance.

Bill Winters:
Great. Operator, can we take the next question, please?

Amit Goel, Mediobanca:
So, two for me. One, actually, just going on to the kind of capital and capital efficiency. So obviously, it was a very strong quarter deployed a bit more balance sheet to generate some more earnings.

But then I guess the net capital generation was a bit more limited and it seems like with the targets, at least for this year unchanged is potentially using a bit more capital.

So I'm just wondering whether going forward, you're thinking that growth is a little bit more expensive from a capital standpoint or whether we should see capital generation kind of building from here?

And then secondly, just curious about in terms of the sensitivity on your overlays to the conflict. if you could give us a little bit more colour in terms of some of the assumptions there? And what could lead to some write-back or incremental charges being taken.

Bill Winters:
Thanks for the question, I'll turn to Pete for some colour on both of those. But the way I think about the capital, maybe more appropriately, the return story in the first quarter is, we had great volumes coming through both in terms of lending opportunities, but also, obviously, financial markets.

We capture those volumes and have retained that value. we grew some risk-weighted assets on the back of volumes but also on the back of heightened volatility. We've said consistently that we'll operate throughout the 13% to 14% CET1 range and we're obviously coming in at 13.4%, which is consistent with that.

So where we see opportunities to deploy capital profitably and accretively and obviously, a 17% RoTE quarter suggested that's what we did. We're going to use the capital for that, where I don't see the same opportunities, we'll be positioned to either redeploy that into other parts of our business or give it back.

So overall, I think this is a very, very strong and reassuring story. We're very happy, and we'll continue to manage capital exactly that way. But I'll turn to Pete for more colour and then to pick up on the credit points.

Pete Burrill:
Thanks, Bill. Thanks, Amit, for the question. Just to build a little bit on what Bill said on capital. I guess I would point out that, Q4 tends to be low in market risk and market activity more generally.

And so Q1 tends to be when Market Risk RWA comes back on, as well as there's a bit of counterparty credit risk due to what Bill mentioned as far as volatility in the markets in Q1.

So while I guess I'm trying to say that the rate of growth through the rest of the year won't be as great as it was in Q1. So it should be more flattish and less growth in RWA through the remainder of the year.

On the sensitivity on overlay, so two things to call out and think about when you're thinking about the overlays. So one is introduction of the new Sustained Middle East Conflicts.

And if you look at our longer press release, there's actually quite a bit of detail on page 22 on all the various assumptions on GDP growth, oil price, et cetera, et cetera. But the other component of that is the weightings. So right now, we have 70% on the two downside scenarios.

I would point out that actually the BCST, Bank Capital Stress Test scenario is the more stressful of the two scenarios rather than the Sustained Middle East Conflict. So we've got 45% on the Sustained Middle East Conflict and 25% on the on the harder downside.

So we believe we are appropriately, what's the right word, thoughtful about how that could play out. And the reason we've gone over 50% for those two is because the base was a pre-war base case scenario.

So I would expect that the next time we do this, the base will reflect a different outlook, and we'll judge the weightings appropriately. But if you take a look at the details that we've provided in the longer deck, you can get some of those more granular assumptions. But I hope that helps.

Andrew Coombs, Citigroup:
If I can just do a couple of follow-ups. Just firstly, Wealth is absolutely stellar first quarter, but obviously, the wealth AUM has drifted down 4% Q-on-Q, given the market moves, and that's despite the very strong net new money print, any specific call out on heightened transaction activity in the first quarter?

So just interested in your thoughts on to what extent we can extrapolate the Q1 result or if you think there are, there is a degree of abnormally strong activity in that first quarter. And second, you alluded to it on your rate assumptions.

If I look at the slide at the back, I think you've now got lower Q1 and Q2 rate assumptions but higher Q3 and Q4, so that would kind of explain why your NII guide is unchanged for 2026.

But does it mean that you now have a better exit run rate than you expected at the start of the year? So are you more confident on the NII trajectory going in 2027.

Bill Winters:
Thanks, Andy. I'm going to turn to Manus, on both of those questions. But just a little bit of colour on the wealth business. Clearly, a strong set of results. And what we look at, first and foremost is all the leading indicators.

So new clients, the money that they're bringing in, the migration then from deposits where the new money typically starts into wealth products. And in this quarter, very importantly, the resilience to shifting market dynamics, whether that's in credit markets or in equity markets.

And all of those leading indicators are pretty encouraging for us. So when you say can we extrapolate the first quarter, I don't think we can extrapolate 30% plus growth ad infinitum. But the structural drivers are very clear, very consistent.

They're supported by the ongoing investments that we're making that we've called out in each of our earnings presentations over the past several quarters and which are ongoing.

And supported by what is increasingly just a strong brand, if I could call it that, the clients in Asia, Middle East and Africa recognise Standard Chartered as a good and safe place to go, in good times and bad.

So I can’t extrapolate, I mean I would love to compound at 30% for the rest of my working life, but we can certainly see good structural drivers for a long time to come. Manus?

Manus Costello:
Thanks, Bill. The only thing to add on the wealth comment, when you're looking at the AUM moves, you need to factor in FX as well, Andy, given that the dollar was strong during the quarter. So that also has an impact. But as Bill said, the underlying momentum remains very strong.

On your question on rates, I would just, first of all, point out that they're not our assumptions that we're using. It's market implied forward rates that we get from derivatives markets so that there's no assumptions that we've made in here.

I also, I'm not going to get into talking about our guidance for 2027, which won't surprise you. But you're right that if you look at the curve on slide 16, the shape of the curve has changed somewhat. I would just add a couple of cautionary caveats.

Firstly, our guidance for this year includes the impact of our WRB actions and our PTRs coming down during the course of this year. That's something to bear in mind. And also, of course, just to state the obvious, the market is quite volatile.

The move in rates can change quite materially week by week, quarter by quarter. So we think that at the moment, given those different cross winds, maintaining our guidance of broadly flat is still the right position for NII.

Bill Winters:
Thanks, operator. Can we take the next question, please.

Kunpeng Ma, China Securities:
Congratulations to this very strong quarter. And now I have two questions. The first is a quick follow-up on the Middle East overlays.

I am not sure if the current situation persists for a while, say, in the second quarter, is there any incremental overlays to be charged in the second quarter?

And if you do so, will the credit cost still be in the range of 30 to 35 bps and also, is there any chance in the future that if we can see any write-backs of these overlays if the situation recovers.

The second is on the Global Markets business which is also very strong. And you mentioned the contribution from the investment in the electronic platform for your clients.

So I want to know more colour about your investments, in such infrastructure and human resources to support you to capture more market share in the Global Markets business. I think this is a very promising business for banks for the next few years. Yes.

Bill Winters:
So thanks for the questions, Kunpeng. I'll hand over to Pete for colour on the overlays. But I'd just say, of course, we're all watching every day, every minute.

What the likelihood is for the duration of this conflict and the closure of the straits and the prospect for supply shocks, independent of the price movements, but the supply shocks coming from limited access to some key feedstocks for other manufacturing processes.

And no one knows, obviously, exactly how long this conflict will last. I think the key manufacturers in the world have been buffering I'd say most notably in China, have been buffering the impact of higher prices and supply shortages by drawing down strategic stocks.

There will be a limit to how much drawdown of strategic stocks can take place. And the supply shock is ongoing. So I don't know whether it's one month or three months or six months from now that we start to see some sort of an economic inflection point.

So far, the markets are quite resilient. Processes are quite resilient. Trade is quite resilient. And therefore, credit has been quite resilient. And hence, we're taking overlays as opposed to recognizing any actual losses or specific impairments, but we'll watch, we'll continue to watch.

I would say we remain hopeful that this conflict will resolve before there's acute damage to the economy, but you can't preclude that possibility in our stress scenarios, try to capture as much of that as possible.

They're quite severe scenarios, right, when you get right down to it. But I'll turn to Pete. We haven't changed our guidance in terms of expected credit cost through the cycle of 30 to 35 basis points.

But that's not a comment on this conflict. That's a comment on what we can expect through the cycle, and cycles are averagely much longer than this conflict. Let's hope.

In terms of the investments in Markets, you watched our financial markets earnings evolve over the past seven, eight years, with good strong underlying growth but also a much higher quality of income and returns.

From an income stream that was very focused and concentrated in FX trading, through to a really good build-out of our rates business, associated options, commodities increasingly and credit, all very consistent with the broader strategic thrust of the bank, which includes having a much higher velocity balance sheet, both in financial markets, but also more broadly in the bank as a whole, originating and distributing more.

So the investment that we have been making and we will continue to make are, with those strategic directions in mind. In terms of specifics in Q2, the 17% increase, sorry, Q1, the 17% increase in flow income is really very encouraging for us.

As I mentioned earlier, it suggests a couple of things. One is clients are turning to us during a time of stress or anxiety in the markets. Two, we're able to capture those flows. It's always competitive.

And third, we're able to capture the profitability, hence, the substantially positive episodic income. Those things are all extremely encouraging.

And they reflect investments in e-trading platforms, improvements in portals, but also improvements in our observed latency in terms of the messaging within our systems to allow us to go head-to-head with the most sophisticated traders in the market who have invested massively in very low latency algorithmic trading.

We can, we hold our own in those markets, and we'll continue to improve, and continue to capitalise on the flows that we see to be ever better traders. And I make another observation, then I'll hand over to Pete.

As I said, the investments that we've made to improve the connectivity within the flows of the bank. So between our cash management business, our trade finance business, our private banking and wealth management business through to the financial market dealing desks, have improved dramatically.

So it's just much easier for clients to execute their risk management transactions, along with their other transaction banking or day-to-day banking activities, which has been a material source of incremental profit for us, and we think we have much further to go on that. So encouraging progress so far, but I'd say that we're not yet quite halfway there.

Pete Burrill:
I think Bill covered the second question pretty thoroughly. Going back on the overlay, highly uncertain exactly how this is going to play out. We've tried to take as much of what we could potentially see as a downside through the overlays already in the first quarter, as you can see by the weighting of 70% towards pretty severe outcomes on downside scenarios.

Now as Bill mentioned, those aren't things that have actually happened. Those are things that could happen and trying to guess what the second order impacts will be. We'll update those every quarter.

I would point out, though, that we were within the 30 to 35 basis point guidance this quarter despite the fact that we took that overlay. So as Bill mentioned, it's not a quarterly forecast.

It's a through-the-cycle forecast. But we're still comfortable with that and don't see any reason to change that. Too early to start talking about kind of write-backs or reversals.

I will point out, though, that we now have almost $200 million in kind of downside risk protection within the portfolio through those, just the downside scenarios themselves. So it's quite significant. We hope we've broken the back of it, but too early to call an end.

Perlie Mong, Bank of America:
I just wanted to ask about deposit behaviour. So have you seen any behavioural change in terms of customers holding on to maybe deposits a little bit more because we've seen CASA deposit was quite strong this quarter.

And some of the Hong Kong government officials have talked about Hong Kong potentially being a beneficiary of sort of flight to safety flows. Have you seen that happening? And if so, does that give you more scope to price deposits assertively?

And just how do we think about the NII please going forward, even aside of the rate moves? So that's number one. And number two, again following up on this impairment scenario, thank you very much for the details you've given. I think you mentioned non-linearity a little bit in this scenario.

And I suppose the question I'm trying to get to is that qualitatively, what triggers that non-linearity because clearly, something that worry people a lot. And we've seen oil prices go up in 9 days and it's 125. I think in the scenario, the peak is 135.

So understand that there's a lot of moving parts in how the events are unfolding. But in this scenario, in the one scenario that you have looked at, what triggers a non-linearity and sort of how does it unfold in your planning assumptions?

Bill Winters:
Great, Perlie. Thanks very much for those questions. I'm going to turn to Pete for the detail. I will observe on this market shock we've had quite a few in the past decade or so.

This market shock has been a little bit different in terms of the way that it's played out in first in equity markets, which have obviously remained very strong, but also in terms of the, our wealth investors engagement with us, and with their portfolios.

We have seen very little stepping away from the market. We've seen, absolutely seen some reallocations within portfolios. But one is the funds have stayed within the bank. And two, it wouldn't, it doesn't represent a wholesale shift into risk off assets.

So the second thing to note is that the steady migration that we've seen of net new money into deposits and then flowing through to various wealth products, is largely unchanged in Q1 and for what we've seen so far in Q2, which, as I said, the investment mix is changing a bit, but investors are staying very engaged.

And hence, we're seeing that good steady migration from deposits into our products as relationships mature. But I'll hand over to Pete for any further colour on that and then back into the impairment question.

Pete Burrill:
Maybe just covering off the first question on deposits. I wouldn't call out any specific behavioural change, as Bill mentioned. And I think you can see that through the inflows in wealth being actually predominantly wealth solutions rather than deposits, as well as growth in deposits.

And the strong above 30% outcome in wealth solutions tells you that clients are so active in investing and not, if you will, just solely focused on deposits. So pleased with the deposit growth, but not seeing any particular flight to safety or any particular change in client behaviour on that front.

On impairments, so we think about this scenario holistically. So we, when we run the models, we say what is the impact on oil price? What is the impact on GDP, unemployment, interest rates, et cetera.

We've laid out on page 22 of the longer press release, all those various assumptions, we don't break down how much of that was GDP in this country versus that country, how much of that was oil price.

So we really look at those holistic scenarios and try to think about how it could play out more broadly and estimate the impact of that. The non-linearity is kind of the impact of everything other than the base case.

So by definition, it's the impact of those two downside scenarios that we've laid out, both Sustained Middle East Conflict scenario, which is the new one, but also the Bank Capital Stress Test.

We replaced an older scenario, which actually was a kind of inflation down, rates down scenario, which we didn't think was terribly relevant in the current period.

So it's a combination, what you're seeing in the quarter of changing scenarios and changing weightings, but they're very broad-based across the various inputs. So I hope that helps you understand it a bit better, Perlie.

Perlie Mong, Bank of America:
And can I just ask a follow-up in terms of drawdowns. I don't know whether I've missed that in the report. But if a sustained Middle East conflict situation were to play out, like on a stand-alone basis, what would the drawdown be?

Pete Burrill:
Drawdowns on client facilities, revolvers, things like that. We haven't seen material drawdowns as a result of the conflict, if that's what you're referring to.

Perlie Mong, Bank of America:
I was also just thinking like what the credit loss, I think in the annual report for the each of the scenario, you can see sort of what the implied impairment losses would be in that scenario. I don't know whether you've given that this quarter for this scenario.

Pete Burrill:
We haven't. But I would point out. Thanks for the question, that the bank capital stress test scenario we did disclose in the annual report. I think it was around $500 million was the downside for that one. And that is the more severe of the scenarios.

And we've already weighted that scenario at 25%. So I think we are well covered. We didn't provide that what is the downside for the SMEC, but it's less severe than the BCST scenario that's included in the annual report.

Edward Firth, KBW:
Good morning, everybody. I just had two questions. One, on slide 8 on your capital bridge. I just wondered if you could explain a little bit more about the point two other, because, I mean, that's a third of the money you made in the first quarter. So just what should we think about that?

Is that just like a first quarter thing, employee share options and stuff? Or is that something that we should persist as a headwind or perhaps even though should we see that reverse as it's going forward? How should we think about how that might play out on a sort of quarterly basis. That's the first question.

And then the second question is just a sort of broader question, and I don't know if there's a precise answer to this. But looking at Standard Chartered today, it just sort of feels like you're more of a volatility play than a credit play. Is that a fair observation?

And I guess if it is, how should we expect that to play out if there is to be a peaceful settlement around Iran. If we see markets go back to a more stable environment without volatility, in theory, what we thought that was a net positive for you, but is there a risk that's a net negative?

Bill Winters:
Thanks for those questions, Ed. I'm going to turn to Pete on the capital point. But on this, and the second question, I'm going to agree with you wholeheartedly on the fact that we're no longer a credit play.

I don't think we've been a credit play for quite some time. I'm not sure what it means to be a volatility play. What I think we think of ourselves as being as a sort of a client excellence play.

So during kind of good times and bad, increasingly, clients are turning to us for their financial solutions, whether that's the way they interact with markets, the way they manage the risk, the way they raise their financing.

And of course, different pieces of that will play out in different ways. The increase in flow in financial markets and the strong episodic quarter in episodic.

No doubt had something to do with, or maybe a lot to do with the volatility in the market. But we had really good 10% compound growth on average for the flow income over a long period of time, through volatile periods or not.

And it's not because of the volatility, it's because of the quality of the service that we're providing. The fact that we've had a super strong quarter in Global Banking, up over 20%, on the back of a strong year last year and obviously, it's been quite volatile in the first quarter.

Oftentimes, you see financing volumes drop during volatile times. Our experience has been the opposite that we've been able to address customer needs in the first quarter in a kind of an extraordinary way across the financing piece.

So I don't think we're a volatile play at all. I think we are a customer excellence play. And I have to say, I think those indicators are extremely encouraging. Pete?

Pete Burrill:
Thanks, Ed. On your capital question, a 20 basis points of other movements within our capital. So you hit on one of them, which is Employee Share Awards, which does tend to be a Q1 impact. The other things in there tend to be, I mean, valuation adjustments, so DVA shows up in income and then comes out in capital because it doesn't get to account for capital.

So we did have a DVA gain this quarter. There's PVA, Prudential Valuation Adjustments, when you've got volatility in financial markets, sometimes you have to take a bit more haircuts from a capital standpoint.

So it's things like that. There's a tiny bit of FVOCI, but it wasn't a material driver this quarter. So those are the main moving pieces. I hope that helps.

Edward Firth, KBW:
So going forward, that should be zero broadly.

Pete Burrill:
So it's hard to predict. I mean the share awards is clearly skewed more towards Q1. I'm not going to predict how markets are going to play into DVA and PVA and some of the other things, that's why it's in others, but it shouldn't have the same impact that it had in Q1.

Aman Rakkar, Barclays:
I had a couple, please. So could I just trouble you for somewhat of a kind of trading update for the quarter to date, I guess, the Middle East conflict only directly impacted a third of the performance in the quarter? And I think you guys normally do give us some kind of trading commentary.

I think you've kind of pointed to elements of it, but I was just wondering if I could kind of firm that up in terms of what you're seeing on Wealth, momentum in Markets and Banking, please, that would be very helpful.

And then the second question was around net interest income. So obviously, your run rate is well ahead of your full year expectations? And I guess you tell us not to take Q1 as a start point, for a number of reasons.

I do know that rates are actually not projected to be a headwind versus Q1 but presumably, there's some conservatism there. But I want to drill back into this point around pass-through rates because I think we've been talking about a normalisation of pass-through rates for a very long time now.

And I wonder if this is a stale comment because the liquidity dynamic is so abundant in your footprint, and it continues to outperform. Can you give us some colour as to exactly what you are referencing around this normalisation in pass-through rates?

And if you could help us quantify it, it seems like it's a couple of hundred million dollars that you're projecting to come out of the net interest income. If you could help us with that, we really appreciate that.

Bill Winters:
Thanks very much, Aman, for those questions. I mentioned earlier that the first quarter momentum and trends have carried through to the second quarter if Manus chooses to go beyond that with additional Q2 guidance, I'll let him do that. And Manus will take up the NII questions as well.

Manus Costello:
No, I'm not going to give any further than that I think is a decent start. And obviously, we are seeing you in a few weeks in May, so we'll continue to discuss that as well. In terms of PTRs and NII.

Look, first of all, the comment is focused on CIB at the moment rather than WIB. It's in CIB, where the PTRs are elevated. I would note that, we have still been in an environment where rates are falling.

So there can be a lagged effect of PTRs, and that's really what we've been thinking about in terms of continuing to expect it to flow through that is not until reached a stable or turn in interest rates in the cycle that you'd really be able to see how those rates were flowing through.

And our models would still suggest that we will see some pressure going forward from PTRs in CIB, and we see nothing in the structure of our liability base or in the way that the market is behaving, which would suggest otherwise.

I'm not going to quantify exactly what the PTR pressure is, that’s in guidance. We've told you every point of PTRs is about $30 million of NII pressure that comes through. So I think if you go through the rest of the guidance on NII, you can do the math on where you think we are on the PTR curve.

But I know you think it's a stale piece of commentary and piece of guidance, but the reality is that we're still working through the cycle, and our model suggests that it's still the right way for us to think about things.

Aman Rakkar, Barclays:
Can I ask a follow-up, please. Just around your income expectations for the full year bottom end of 5% to 7%, which is exactly why consensus is for the full year, but you've, I guess, the Q1 beat in of itself is a 2% beat versus market expectation.

So the question is why do you not see a more constructive outlook for revenues? And is there any, what would you encourage us to think about as the key area of uncertainty into the kind of remainder of the year as to why you wouldn't let that guide at this stage?

Manus Costello:
I mean, I think there's lots of areas of uncertainty in the world and on banks P&Ls. So there's lots of different areas which can be better or worse than expected through the course of the year.

And Bill has talked about each of the different areas where we've been very happy with performance so far, but it's very difficult to see too far ahead.

I would also just come back to the comment that I made, I think in response to the first question about remembering that in the second quarter, we do have a couple of items which we're cycling, which will make that year-over-year revenue growth more challenging to match that 9% level that we saw in the first quarter. So do bear that in mind when you're modelling going forward as well as the uncertain outlook.

James Invine, Rothschild:
I'd like to ask Aman's first question again, please, but in a slightly different way. I was just wondering if you could give us a little bit of colour about how some of your franchises have performed in March. So since the Middle East conflict started.

So specifically, some of these really strong wealth flows that you've seen. Is that being driven by Middle East money that is looking to kind of move?

And then similarly, for your markets flow business, how much of that did that really kind of step up in March? How much of that is driven by increased hedging of the oil price or whatever since the conflict has started?

Bill Winters:
Thanks, James. I won't go too much further in terms of the trends into Q2. But let's take the net new money first. The net new money is coming from the same places it's been coming from for the past couple of years.

So we've had, obviously, Global Indian, Global Chinese, the rest of Asian, Middle East are all growing. We've had some reallocation of portfolio, not enormous, but some reallocation within our network.

So of course, there were some outflows from the Middle East, but we captured the vast majority of that into the network, primarily in Hong Kong, but some obviously in Singapore, some interestingly back onshore in some markets like India.

So that it's not a source of net new money. It is a source of some reconfiguring within the portfolio. And I don't know if that's completely run its course, but the underlying new money and new client trends are pretty consistent with what we've seen over the past period of time.

The Flow income was pretty consistent throughout the quarter, actually. So of course, we saw a pickup leading into the conflict and immediately afterwards. But a lot of that flow volume is coming out of transaction flows.

One way or the other. And transaction flows have remained strong for the bank. So not too much that we can say was specifically sort of conflict or incident driven.

But clearly, the overall volatility in the market. has increased the opportunity for us to capture these flows. Specifically, in energy trading, it's actually been quite tough to trade. I mean we've been fine. Our commodity results are fine.

But it's been volatile in ways that, as you will have observed is very sensitive to the overnight tweet or X or Truth Social or whatever we call it, so as a result, we've tried to stay relatively close to home in terms of satisfying the demand for our customer hedging in the energy markets.

I suspect some in the market will have had a bit of noise in that line. Thankfully, we've come out okay. But Pete, any additional colour.

Pete Burrill:
I think you've covered it thoroughly. So nothing to add from my side.

Bill Winters:
I think that's a wrap. Thanks, everyone, for joining the call for the good questions as always. And really very much look forward to seeing all of you in Hong Kong in a few weeks' time.