Standard Chartered PLC
Q2 2026 results transcript

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(Amended in places to improve accuracy and readability)

Bill Winters:
Good morning and good afternoon, everyone, and thank you for joining us.

Before I get into the second quarter performance, I want to step back and touch on a few things we discussed at our Investor Event in May. It was great to host many of you in Hong Kong. I hope the energy from the presentations and discussions resonated with you and was a reminder of the momentum in our franchise.

Our message was clear: we built a bank capable of delivering durable returns by sharpening our strategy, improving the balance sheet, investing in infrastructure, and focusing on areas where we have real competitive advantage.

And most importantly, we are now moving from durable returns into compounding growth:
Our super-connector model is hard to replicate and highly valued by clients.
Our strategy is aligned to long-term structural growth drivers.
We have clear and measurable plans for continuous improvement in our productivity.
Together, this supports exceptional growth and sustainably higher returns.

Manus and I will cover these points over the course of the presentation. All of this gives us confidence to maintain clear milestones: above 15% RoTE in 2028 and around 18% in 2030. They are the output of a strategy that is working and a franchise positioned to compound over time.

Turning to the quarter, we have delivered another strong performance.

The business continued to perform well, with momentum across areas where we have been investing: our cross-border network, Wealth, CIB, Financial Institutions, and increasingly capital-light, client-led businesses. This resulted in a record first half performance, with earnings per share up 17% year on year.

We are upgrading our 2026 guidance for income to be around the middle of the 5% to 7% growth range year-on-year. This reflects the confidence in our strategy, the momentum we are seeing across multiple areas, and the relevance of our business model in this evolving multi-polar world.

Our capital position remains strong. We are announcing a $1 billion share buyback and an interim dividend of 20.4 cents per share. We are continuing to invest to grow and returning surplus capital in a disciplined way to shareholders.

Finally, we remain watchful. The external environment is uncertain, but uncertainty reinforces the value of a bank that helps clients move money, manage risk, and deploy capital across complex markets.

With that, I will hand over to Manus to walk you through the numbers in more detail.

Manus Costello:
Thank you Bill. Good morning, and good afternoon, everyone.

In my remarks, I will be comparing the second quarter 2026 performance year-on-year at constant currency, unless otherwise stated.

The Group delivered operating income of $5.7 billion, up 3%, or up 8% excluding the gain associated with the Solv transaction last year. This performance was supported by continued strong delivery in Wealth Solutions, Global Banking and Flow income in Global Markets.

Expenses were broadly flat, or up 3% excluding notable items. Given the continued tension in the Middle East, we took $44 million of additional management overlays in the quarter, but even including these overlays, our loan loss rate was just 20 basis points this quarter.

Profit from associates was lower, mainly due to the change in our approach to recognising the Group's share of Bohai's profit since Q4 2025.

Put together, we delivered a profit before tax of $2.3 billion, and a return on tangible equity of 17.9%. We closed the quarter with a net tangible asset value per share of $17.55, up 4% year-on-year.

Now I'll talk you through the detail on each component.

Net interest income was up 1% quarter-on-quarter.
We saw a benefit from volume growth, as well as an improvement in mix from a lower proportion of treasury assets. These were partially offset by rate and margin headwinds, as well as the previously flagged WRB portfolio actions.

We are upgrading our NII guidance for 2026, and we now expect it to increase by a low single-digit percentage year-on-year at constant currency.

When we compare the second half of 2026 versus the first half, we expect continued volume growth in our businesses, as well as continued mix benefits from a lower proportion of treasury assets.
We expect these will be offset by a shift in deposit mix in WRB towards term deposits as rates rise and as we grow our affluent client franchise.

Additionally, we expect to see a higher impact from WRB portfolio actions in the second half, and we continue to expect these actions to reduce NII by around 2% overall in 2026.

Non-interest income remained resilient against a tough comparator in Q2 last year, where we had a $238 million gain relating to the Solv India transaction. If we exclude this, non-interest income was up 9% year-on-year.

I will speak to the product drivers in more detail when I get to the business segments.

Turning to operating expenses.

Q2 expenses were broadly flat year-on-year, but up 3% excluding $74 million of a provision release relating to Korea equity-linked securities, which we classify as a notable item.

Business growth and inflation in the quarter were largely offset by Fit for Growth savings and other efficiencies.

On Fit for Growth, we booked $128 million of cost-to-achieve, bringing the year-to-date spend to around $250 million, and we continue to be on track with the program.

Based on the upgraded income target that Bill mentioned earlier, we expect 2026 expenses excluding notable items to be around $13.3 billion at constant currency.

As a reminder, the phasing of our costs was uneven in 2025, with Q3 costs unusually low due to certain expenses being delayed into Q4. This year, we would expect a more even phasing of costs between Q3 and Q4.

And as I said at our May investor event, we are moving into a process of continuous improvement - growing the top line each year, improving efficiency and returns, as we become simpler, faster, and more connected.
Credit impairment for the quarter was $150 million.

This includes an additional $44 million of management overlays in respect to the Middle East conflict, mainly for the petrochemical sector and potential sovereign downgrades. This brings the total management overlays in relation to the Middle East conflict to $234 million.

CIB impairment was $39 million, reflecting incremental overlays, partly offset by net recoveries in the rest of the portfolio.

WRB recorded lower impairment in the quarter, benefiting from continued portfolio optimisation actions.

Our annualised loan loss rate for the first half of the year was 26 basis points. And as we laid out in May, we expect a through-the-cycle loan loss rate of 30 to 35 basis points.

There was around an $800 million increase in the Early Alerts portfolio in the quarter, largely from some sovereign-related names as a result of the Middle East conflict, while Credit grade 12 and net stage 3 assets remained broadly stable.

As we mentioned last quarter, our exposure to the Middle East remains around 6% of the Group's exposures, with over 90% in CIB, weighted to sovereigns and Financial Institutions, while WRB exposures are mostly secured.

Our overall credit quality has remained resilient in a volatile environment, and we will continue to monitor for potential impacts.

Moving on to the balance sheet.

We saw 2% underlying growth in customer loans and advances in the quarter, primarily driven by the strong momentum in Global Banking, while we also saw some increase from secured wealth lending and mortgages.
On a year-to-date basis, underlying growth in customer loans and advances was 5.7%. Note this was higher than the growth in average interest-earning assets, which was up around 1%, reflecting the continuing optimisation of treasury assets which we discussed at our May Investor Event.

In customer deposits, we saw underlying growth of 2% in the quarter, with increases across WRB and CIB.

Risk-weighted assets were down $4.7 billion or 2% quarter-on-quarter, which we expect to largely reverse in the second half of the year. The quarter-on-quarter reduction was due to a decrease in credit risk RWAs towards the end of the quarter, where asset growth was offset by lower counter-party credit risk and the impact of optimisation. Market risk-weighted assets were also down $1.4 billion in the quarter.
In the second half of 2026, we expect RWAs to also include business growth and the annual increase in operational risk-weighted assets.

As a reminder, we expect the day one Basel 3.1 impact to be broadly neutral post management actions.
Our CET1 ratio was 14.2%, driven by the robust amount of capital we generated in the quarter. And as Bill mentioned earlier, we are announcing a $1 billion share buyback and an interim dividend of 20.4 cents per share.

Now let's take a look at our business segments.

WRB Q2 income was up 18% to $2.5 billion.

Wealth Solutions delivered another record quarter, with income of $1.1 billion, up 43% year-on-year. This was driven by a broad-based performance across geographies and products.

We raised $15 billion of net new money, with $9 billion coming from wealth. Our first half net new money is equivalent to a 15% annualised growth in assets under management. Momentum in client acquisition also continued, as we onboarded 76 thousand new-to-bank affluent clients in the second quarter.

We have not seen any material change in client behaviour throughout the quarter.
Overall, the first half Wealth Solutions income was exceptionally strong amidst buoyant equity market conditions. Whilst we remain very confident in the outlook for our wealth business, we would caution against annualising the pace of growth seen in the first half of 2026.

Turning to CIB, Q2 income was $3.3 billion, up 2% year-on-year.

Transaction Services income was up 5%, benefitting from higher volumes and fees, with broad-based growth across Payments and Liquidity, Securities Services and Trade.
We saw continued momentum in Global Banking in Q2, with income up 18% on the back of increased origination volumes and distribution activity.

In Global Markets, Flow income remained strong at 16% growth, benefiting from the continued investments in technology and electronic platforms, which drove improved FX performance. Episodic income was lower against a strong comparator in Q2 last year.

Given the strong performance we have delivered in the first half of the year, we are upgrading our 2026 income guidance to be around the middle of the 5 to 7% growth range. Within that, we expect NII to be up by a low single-digit percentage.
Based on the upgraded income outlook, we expect expenses excluding notable items to be around $13.3 billion.

We are maintaining our guidance for return on tangible equity to be greater than 12% in 2026.

With that, I will hand you back to Bill to take you through some of our strategic highlights. Thank you.

Bill Winters:
Thank you Manus

In the next few slides, I want to cover a few key elements of the strategic update we gave in May.

As a reminder, we see structural trends that are playing to our strengths, while it heightens some risks, it also creates exciting opportunities. These trends are coming through in our two major client businesses: WRB and CIB. I'd like to also touch on the digitisation of money and what we are doing in that critical space.

Let me start with the structural trends.

We set these out at full year and at the Investor Event because they remain central to how we think about the business.

The emergence of a multi-polar and multi-aligned world is increasing cross-border complexity.

Digital transformation and the digitisation of money are changing financial infrastructure and client expectations.

The role of banks is evolving as capital increasingly moves between banks and non-banks.

Wealth participation is rising, particularly in our footprint.

And the transition economy continues to reshape capital allocation.

For many institutions, these trends are disruptive. For us, they are also opportunities – because they play directly to what we have been building for years.

We have a network across dynamic markets and corridors that is hard to replicate. We originate, structure, and distribute assets, combining local insight and cross-border expertise. We are also building market-leading capabilities in digital finance.

The world is getting more complex. Our job is to make that complexity easier for clients to navigate and generate attractive, and sustainable returns by doing so.

Turning now to Wealth & Retail Banking.

WRB continues to be underpinned by structural wealth flows. We are seeing sustained growth in affluent net new money, with around $84 billion achieved over the last six quarters against our $200 billion 2025 to 2028 target. This net new money is diversified with around two thirds coming from international clients.

Our Wealth Solutions income is also diversified. The 38% year on year growth in the first half was broad based across clients, products, and markets. We saw double digit income growth in high net worth, international and domestic client groups, as well as across investment funds, capital markets and bancassurance products. And reflective of our geographic diversity, we recorded double digit Wealth Solutions income growth in 13 markets.

We are also benefiting from deeper collaboration across the Group, bringing together our wealth, banking, and markets capabilities to serve clients more holistically. This is helping us capture a greater share of client wallet and further improve the quality and resilience of our earnings.

We have developed a recognised platform that is coveted by the world's most successful asset managers. This helps us attract, retain, and develop the best relationship managers in the market. Together with our ongoing investments in cutting edge technology, we believe we are building the basis for continued strong momentum in our business.

Turning now to Corporate & Investment Banking.

Our Transaction Services, Global Banking and Global Markets businesses continue to benefit from the same structural trends that underpin our broader strategy.
As supply chains evolve, capital flows shift and clients navigate a more complex and increasingly multi-polar world, the value of our network continues to increase. Clients are looking for a partner that can connect markets, provide local expertise and support increasingly sophisticated cross-border activity. That plays directly to Standard Chartered's strengths.

We're seeing that reflected in the continued growth in network income, which was up 8% year-on-year in the first half, and our Financial Institutions business has generated higher returns on risk-weighted assets in the first half than the CIB average as we continue to focus on this client segment. More importantly, we're seeing strong client engagement across a growing number of corridors and products as clients adapt their supply chains, investment decisions, and operating models.

We're also seeing how geopolitical and market shifts are creating new opportunities for our network. In the Middle East for example, issuers have increasingly turned to private capital solutions as public markets have become more challenging. Our ability to connect liquidity across regions and investor bases has allowed us to remain at the forefront of that activity, including maintaining our leadership in Sukuk and supporting clients as funding needs evolve.

In 2026, Banking has grown at a super-normal rate again, with first half income up 19% year on year as we support Corporate and FI clients. Our originate-to-distribute model continues to grow, with origination and distribution volumes up 37% and 15% respectively. And the pipeline continues to be very robust.

As a result, we're not just growing. We're continuing to improve the quality of the franchise, with a greater proportion of income coming from network-led and higher-returning activities where we have a clear competitive advantage.

Turning to our Digital Assets capabilities, this is an area you've heard me talk about in previous quarters – and we continue to see significant growth in activity and client engagement.

When we talk about digital assets, we are not talking about a separate business. We are talking about the next evolution of financial infrastructure and how Standard Chartered remains at the centre of global trade, payments and capital flows.

Our approach is built around three areas.

First, blockchain as an infrastructure: helping clients connect to new rails for issuance, settlement and payments alongside existing systems.

Second, banking the digital ecosystem: providing regulated banking, payments, liquidity and risk-management services as digital asset firms mature.

Third, digital assets as an asset class: enabling clients to access, transact and custody assets in a safe, regulated, institutional-grade environment.

What ties this together is our role as a super-connector. Clients come to us to move money, assets and risk efficiently across markets, jurisdictions and time zones.
A good example is the first digitally traded intraday FX swap completed in the first half. The transaction was small, but the significance goes beyond a single trade. This demonstrated a pathway to faster settlement and a more efficient 24/7 financial system – practical innovation that can improve client outcomes and our own infrastructure.

We've also seen material tokenised deposit growth in 2026, with around $11 billion monthly run rate, primarily from the eCNY cross-border settlement on mBridge and our multi-currency work with various clients.

The message is straightforward: we are investing in the infrastructure that will support the next generation of our cross-border trade, payments and investment flows which we believe will allow us to consolidate our leading position in our markets.

Bringing this together, we unveiled a new set of targets for 2028 at our Investor Event in May.

We are targeting 5 to 7% income CAGR between 2025 and 2028 with a cost-to-income ratio of around 57% in 2028.

We expect loan loss rates through the cycle of 30 to 35 basis points, and we will continue to operate within our 13 to 14% CET1 range.

This will lead to a high teens EPS CAGR through to 2028, alongside a greater than 15% RoTE in 2028 and around 18% RoTE in 2030.

We remain committed to at least a 30% dividend payout ratio, with a progressive dividend per share.

They are not isolated metrics. They are the output of a better bank: more client-led, more productive, more capital-efficient and more capable of compounding over time.

And we have made a great start on this plan.

So, to conclude.

We have delivered a strong performance in the first half. We are upgrading our 2026 income guidance. We are announcing a $1 billion share buyback and an interim dividend of 20.4 cents per share.

Now, the bigger message: the strategy is working. The structural trends we have highlighted are resonating within our business. Our network is more valuable as the world becomes more complex. Wealth is benefiting from affluent flows. CIB is increasingly focused on higher-returning, network-led and FI-led activity. Digital assets position us for changing financial infrastructure. And continuous improvement gives us a path to operating leverage – and compounding growth.

Of course, we remain alert to the more fragmented geopolitical environment, shifts in client activity and the pace of technological change. Our task is to stay close to clients, adapt quickly and continue executing against the opportunities where our network, capabilities and international footprint give us a clear advantage.

Lastly, I want to note that, building on our Hong Kong event, we plan to host over the course of the next 18 months or so a series of network spotlight seminars showcasing how our regional strengths underpin our network advantage and create value for our clients and shareholders.

With that, I'll hand over to the operator for Q&A.

Joseph Dickerson, Jefferies:
Hi, good morning. Thank you for taking my questions. Congratulations on a very robust set of numbers for Q2. Bill, you were in the media earlier talking about the China crackdown on compliance. Clearly, it looks like your business, at least for Q2, actually saw a modest step-up in the run rate of new-to-bank customers. I guess, are you, how does this play in the Standard Chartered? And are you seeing any spillover in the legitimate banking and insurance channels? Or does this play to your hands, that's the first question.

And then the second question is just on the gross movement into stage 2, the $2.6 billion quarter-on-quarter. I guess a question for Manus. Could you just discuss what you mean by transfers of exposures impacted by the Middle East conflict, is this you just being prudent in moving them into Stage 2? Many thanks.

Bill Winters:
Well, thanks very much for the questions, Joe. I'll take a stab at the first one, and as you said, Manus can pick up on the credit reclassification. Look, for a long time, we've had this sense that by being an extremely compliant sort of institutional trust level player, that we would gain some competitive advantage at a point. And that's -- I'm talking about financial crime, nonfinancial crime compliance and obviously, more recently, a lot of the news around China tracking down on various types of noncompliant activity as noncompliance with the rules that China has set up.

As you would expect, number one, we're compliant by orientation and by nature. That's the way we approach all our businesses. Number two, we're particularly focused on making sure that we're complying both with the spirit and letter of law in things that are very important to us and things that are very important to our stakeholders, including the government in which countries in which we operate.

So a long way of saying, yes, we're completely focused on doing business the right way in terms of helping our Chinese clients, be they're onshore or offshore, to broaden out their range of investments opportunities and to channel and come into the places or channel wealth into the places that make most sense for them. Yes. So we're very, very, very focused on that.

The results of that is that no, we didn't see any change in activity and we wouldn't have expected to because we didn't see a change in orientation from the Chinese leadership itself. What we did see was a focus on compliance. So we've got some rules, believe everybody followed the rules, if you don't, we're going to call you out and fine you or apply other sanctions. Of course, we've not been on the receiving end of that because we are compliant in the first instance. So we don't see any underlying or structural shift in attitude.

In fact, a lot of the rhetoric and action, since this business came out six weeks or so ago, has been further reinforcing the ongoing policy of internationalizing the RMB, whether that's cross-border payments, expanding the connect schemes and encouraging and appropriate migration of wealth into a broader investment basket, which is obviously what we're providing. So, I would say so far so good. Manus, you want to take the credit question

Manus Costello:
Thank you, Joe. So the movement in Stage 2 assets is the result of the overlays that we've taken. When we take those overlays, we have to move a proportion of the assets which they refer to into Stage 2 as well, which is why you've seen a tick up in Stage 2. You'll also note there is a differential on slide 8 between the move in Stage 2 and the move in Stage 3 and credit grade 12, which is de minimis and a much smaller pickup in early alerts as well. So you should really see it as part of our precautionary overlays, Joe, rather than anything indicating any significant increase in credit risk across those items.

Andrew Coombs, Citigroup:

Good morning. Just one follow-up, and then I'll switch gears to capital and capital return. I think the MOF issued a document on the 24 of July tightening up personal income tax laws on offshore trusts. So just interested in any thoughts you have on that and any implications that has for your wealth business, please?

And then secondly, on capital, I'm going to ask two parts of this question, forgive me. But the first part is you've had a very good reduction in RWA this quarter down 2% but you said that's going to reverse in the second half. So can you just explain the dynamics there?

And secondly, how are you thinking about the capital return mix because the dividend has come in a bit better than consensus, but the buyback is a bit lower. So happy for any comments on that. Thank you.

Bill Winters:

Great, Andrew. Thanks very much for the questions. Per my earlier answer, I think we have seen and you should probably expect to see an ongoing focus around compliance. And -- in the case of your question is compliance around the way trusts are established and the motivation for those trusts and the way that they're managed. So the first thing, of course, we have a trust business.

There's a small, I would call it, close to immaterial proportion of our AUM that is sitting in trust. Number two, the responsibility for the tax affairs of our clients that are operating in those trusts is with the client. And number three, we, as part of our ongoing due diligence and onboarding process or inclusion in a trust, satisfy ourselves that the client is discharging her or his appropriate responsibilities vis-a-vis different tax authorities, compliance authorities, et cetera. But it's not ultimately something we can police entirely. But we see no material or practical impact on our business.

And when we step back and say, does it make sense for tax authorities around the world to crack down on activities that they deem to be outside of the spirit of their intentions, yes, I mean I think that's quite normal. I think we see that from those countries.

Capital, I'll let Manus dig into the details, but broadly, especially as we come into the rest of this year, we would expect to see some RWAs moving around a little bit, including operational risk capital, obviously, market risk capital moves around a bit. And the things that we're putting on our balance sheet are taking off will also be a little bit volatile from quarter-to-quarter, which is why we called out specifically why the slight downdraft towards the end of Q2 is likely to reverse in the second half. So I wouldn't read anything in particular into that.

But in terms of capital return mix, of course, we're going to debate regularly and openly, how we combine the ongoing buyback program that we've had with dividends. And we've been very clear about 30%-plus payout ratio on earnings and our desire to have a dividend per share that's progressive. And that is sort of first and foremost. We're also going to look at the value of our company from time to time. And I can tell you we're very happy to buy back $1 billion worth of shares at this price. And even after today, we'll still be very happy to buy back $1 billion of shares at this price. But we're going to make that judgment from period to period. Manus?

Manus Costello:
Thanks, Bill. Just to give a bit more detail on the RWAs. And there was some timing of some flows, Andy, which came across in the quarter. So some banking deals moved into Q3 versus Q2 towards the end of the quarter and some deposit flows came in as well, which is why we saw a bit of a dip and then a pickup at the beginning of the third quarter. So hopefully, that's clear in the way that we've talked about it and presented it.

In terms of the dividend and the mix of dividend versus buyback for capital return, I think Bill explained the longer-term philosophy quite well. Bear in mind that the interim dividend is worked out on a mechanical basis, we do it as one-third of the previous year's full year dividend. So we're not making any commentary with our interim dividend here. It's the same policy that we've introduced before. And when we get to the end of the year, we'll take that view on dividend versus buyback versus growth that we've talked about in the past.

Perlie Mong, Bank of America:
Hello, good morning. Can I just unpack the wealth trends a little bit because 43% is very, very impressive. But investment product is up over 50%, and bancassurance is 9%. So there's just a very big gap. So how do you see maybe especially bancassurance going through in the next few quarters? Because I mean, 9% is obviously still very good, but maybe a little bit below the level of growth that we've been seeing in recent quarters?

And then on investment products. How -- is there anything -- well, I guess historically, you don't talk about a correlation with the stock market, but clearly, Q2 was very, very strong in equities across many of the markets that you have in footprint in Korea, Taiwan, et cetera. And since then, I guess, a lot of those markets have come down a lot. So how do we think of that, please? Was there a lot of sentiment uplift from the stock market activities in the quarter. So that's on the wealth side of things.

And then on CIB, I guess, again, it's probably two parts, so excuse me for that. The first one is episodic income was obviously against a strong comparator last year. But I suppose listening to peers and across most metrics, it does look like capital markets was strong in Asia this quarter. So I'm just somewhat surprised by the episodic income coming down a little bit. So if you could just help us understand what drives your episodic income a little bit. That would be really, really helpful.

And then secondly, if I look at income over RWA, it's pretty much flattish versus last year this time. And with RWA also actually may be benefiting from some of the timing benefits that you've talked about. And you've guided to income over to RWA improving in the next couple of years. So I suppose the question is when would we expect to see more of a significant pickup in that?

Bill Winters:
Great, Perlie. Thanks for that whole slew of questions. We'll try to take them in turn. Thanks for noting the very strong wealth quarter. It has been strong in investment products. I think 9% growth in bancassurance is also strong, but you point to the gap. A couple of things to remind ourselves.

One is, we have been in a risk-on environment for sure. And while we think that the structural flow of net new money, new clients, AUM, we really think of that as structural. We're going to see behaviour trends, which are a function of risk appetite in the market.

And in a very compelling risk-on period, which is the first half of the year has clearly been, we're going to see relative outperformance in investment products relative to banca, which is a relatively defensive product. So that mix is not surprising at all in the context of the sentiment to the market.

The correlation to equity markets is always an interesting one to try to assess and analyse as well. I think the good news, if I can make a general comment is that we have a very diversified set of wealth products. And obviously, it starts with deposits. CASA and time deposits, which are the most defensive, very attractive for us to generate, but defensive obviously. At the other end of the spectrum, we've got equity-linked products and variations in structured notes and things like that. So what we found through different, I call the mini cycle so far, is that as the risk appetite for the more levered equity type products comes down, people are migrating into fixed income or other investment products or banca or into deposits, all of which is fine for us.

Should we expect with the market becoming, I wouldn't say we're risk off today by any means, although obviously, we're seeing a tiny bit of a correction relative to the enormous jumps that we've had in for example, the chip companies, in particular, in Korea, I mean, these stocks are still way, way, way up from where they were just a year or 18 months ago.

So I think this kind of a correction is quite healthy. If we had a more substantial correction in equity markets, is that the end of our growth in Wealth Management? I don't think so, because of that diversification that we talked about just a moment ago.

Maybe I'll just stop on the two Wealth questions. And you can get any additional colour from Manus and then we can come back on the CIB questions.

Manus Costello:
Just on the bancassurance question specifically, I would just highlight the fact that, that line across the year can be somewhat distorted sometimes by the timing of some of our bonuses with our bancassurance partners. And that was the case this quarter. If you actually looked at the underlying momentum that we've got in that business, it was very steady across the year. So what you're really looking at is bonus timing differences throughout the year. We're very happy with the ongoing performance there.

Bill Winters:
Great. And on CIB, the -- we've got to focus on the good first. The episodic income is a meaningful positive. That's a good thing. Although it's down from an extraordinary positive last year. So no concerns about our ability to deliver returns on large customer deals and our ability to capture value on substantial market moves. That continues to be very strong.

The flow income up 17-18% is just fantastic. And that, of course, is the thing that we're investing in consistently in terms of client-facing professionals, interaction between our transaction banking business and financial markets, interaction between retail business and our structured note origination volumes and the financial market business, et cetera. So I'd say that flow income is the gift that keeps on giving, and we are investing into that.

The episodic is obviously materially positive, but often compared to a very, very strong year last year which as we will recall was the year or the period that tariffs were announced and we had very, very substantial movement in markets, especially in our developing economies. The income return on risk-weighted assets, I mean, the RoRWA that we're generating is consistent with the -- with our target return on tangible equity.

And we will add risk-weighted assets to the extent that it's accretive to our return on tangible equity and generating positive EVA against our forward view of what our returns should be, and we've guided to those 16% to 18% numbers.

So the -- a flat RoRWA at a high level is just fine in terms of RWA -- sorry, in terms of EVA accretion -- that's what we're focusing on. And we found some really interesting opportunities to deploy assets in the second quarter, notwithstanding the reduction that Manus has talked about in terms of end of quarter RWA reductions versus some kind of return of those RWAs in the second half of the year.

We do think structurally, over time, as we continue to optimise our portfolio, as we continue to have a higher proportion of our income coming from financial institution clients rather than corporate clients as we continue to develop our originate-to-distribute underlying credit intermediation model, we think that there's structural opportunity to increase our RoRWA. But we're very happy with the returns that we're generating now. And if we could deploy another $10 billion of RWAs at the returns that we're generating here, we would do that.

Manus Costello:
Thanks, Bill. Just to follow up on the calculation of return on risk-weighted assets. Remember, Perlie that we do calculate that on an average RWAs across the quarters. So it's not just on the spot at the end. And in fact, if you look I think you were comparing Q2 to Q2 last year, our RWAs were actually higher in the second quarter of this year than they were in the second quarter of last year. And as Bill said, we had a very strong episodic print in the second quarter of 2025.

So all told that return on risk-weighted asset number we think will move up over time. We've given you structural drivers behind why we think that will move up. Obviously, quarter-to-quarter, there can be some noise in it, but we're happy with the trends, as Bill said.

Aman Rakkar, Barclays:
Thank you. Good morning, Bill. Good morning, Manus. Yes, two questions, please. One is on net interest income. So obviously, good to see the guidance uplift in the quarter. It looks like for the full year, sorry. And it looks like you're stepping away from this expectation that pass-through rates should normalise in your footprint? But I am struggling to make sense of what looks to be a relatively conservative guidance for the full year. I think your guidance at face value implies net interest income flat in H2 relative to H1.

So, can we talk about the degree of conservatism that's embedded in that? And I guess, you're pointing to WRB deposit mix dynamics. It would be great to give us a sense of how much additional mix shift you're kind of embedding in that guide?

Second question was, unfortunately, also about income guidance. On the non-interest income front, if I again, just take your guidance at face value, it would actually imply an H2 outturn for non-net interest income that I think would be actually somewhere below what consensus is factoring in H2.

So I'm just interested if you could comment on that, would you encourage us not to overinterpret the guidance at face value? And is it conservative? Or would you call out any particular line items in consensus for the full year that you think might look a bit rich? Thank you so much.

Bill Winters:
Great. Thanks, Aman. I'm going to let Manus dig in on both those questions. I'd just say that we've guided to a RoTE in excess of 12%. And obviously, the operative words there are in excess of rather than the 12% itself.

As always, we would hope to deliver performance as we did in the first half that suggests that there's an underlying strength that would allow us to surpass any of the guidance numbers that we give. But fine-tuning, especially in an environment like this from quarter-to-quarter, it just seems a little bit unwise or imprudent.

So we can get into all the details that you talk about, but there's nothing that we see in terms of the momentum of the business or the degree to which we've started with a perfectly fine July or Q3 that suggests that we can't maintain the kind of seasonally adjusted run rate that we've been talking about in our businesses, both on the NII side and on the non-NII side. Manus?

Manus Costello:
On the question on NII, specifically, Aman, coming into the second half, I think you should think about a number of factors. There'll be hopefully some more volume growth as we discussed on the slides and in the script.

And offsetting that, I think there will be this impact from the WRB deposit mix. You'll have seen that we grew our TD base in the first half more quickly than we grew our CASAs and those TDs are slightly lower margin. That's a result of both our growth in the affluent business and the fact that rates on TDs were a bit more attractive for customers during that period.

So the flow-through of that into the second half will have some minimal impact. And I think you also need to bear in mind as well, we've talked to you about a 2% impact from some of our business exits and portfolio rundowns across the course of the year, that's more weighted to the second half than the first half.

So if you piece those things together, I think you'll see why we end up with the kind of guidance we've got of low single-digit NII growth. The impact of rates on the second half of the year will not be that material at this point, if you look at what we're saying about the curve and flow that through into the second half.

On non-interest income, I think to pick up on Bill's comments, I think I wouldn't overinterpret or think of things through in the kind of way that you are. I think that we have seen a very good first half. We're very comfortable with the momentum that we're seeing.

As Bill said, we've made a good start to Q3, but there's a long way to go, and we want to make sure that we're in a good position coming the end of the year. So we're very comfortable with where that comes out in terms of that midpoint of the 5% to 7% guidance range for the income overall.

Guy Stebbings, BNP Paribas:
Good morning, everyone. Thanks for taking my questions. I was going to ask something pretty similar to Aman, but maybe I'll just briefly call up on one point there and then ask something else. In terms of net interest income and

rate assumptions, saying not a big support in the second half of the year. I think you did call out that sort of the reason for the negative deposit mix is higher rates.

And if I look at your currency rate curve does imply some support in the second half year. So can you just help me think about the rate impact, the headwind you get on the mix effects without the kind of the more pure margin benefit from that.

And then the second question was just on slide 16, you showed progress on affluent income share in WRB. It looks like you're well on track to really outperform that 2028 target. Just interested how we should think about the economics there, if you did come in better than your expectations there? Thank you.

Bill Winters:
Great. Thanks for the question, Guy. I'll turn to Manus on further detail on the NII and rates sensitivities. But the affluent income has been strong. And if we can continue with the pace of net new money growth and that translating through to wealth income.

It's also obviously flowing through into an attractive deposit mix. Then there's plenty of upside. And that's -- I think that's what we've been calling out in terms of the structural strength. And how much of that upside shows up in the second half of this year versus in future period is going to be somewhat dependent on the market. But I think our competitive positioning is quite good from what we can see.

And I think it's a combination of being present. So having the onshore capability across a number of markets. And I know that there's -- even on this call, there's been a bit of a focus on the China component, but the mainland Chinese component of our -- the growth in our wealth income is something like one-third with another one-third coming from our other core markets and the third one-third coming from onshore, including China, India, Korea, Taiwan, et cetera. So it's really a broad-based business.

And the sources of new money are broad-based. The range of investment products that we're offering is broad-based, I guess, as broad as anybody offers. Reminder, we have open architecture. So we were not sort of compelled to sell the stuff that we have to produce. We're selling the stuff that we think is the best to put our clients which makes us a very desirable intermediary for the world's best manufacturers.

So I mean, repeating things that we talked about as recently as may, but I think it's worth repeating that we think that this is really a very high-quality business. It's very broad-based, well diversified. We commented on -- I commented earlier on the risk sentiment sensitivity to the business. It's there.

We're not definitely not going to pretend that it's not. But the structural drivers really are quite structural. So if we can continue to beat the kind of guidance that we've given ourselves, of course, we would expect that to flow straight to the bottom line. Manus?

Manus Costello:
Yes, on the NII point, look, if you look at our curve, rates are up 20 basis points in the second half versus the first half, so that's not a huge delta on a six-month basis. And I'd also point out as well that as we know the rates environment remains volatile. So that's why I was saying, I don't think that move will have a meaningful impact on the second half as first half.

And if you think about the mix, we grew within our largest retail market, our TD base by $6 billion in the first half, and our CASA by $3 billion in the first half. So you can see that kind of switch happening within that business.

There'll be a bunch of different things that play through in the second half as to how much of that gets deployed into wealth products, what the outlook is in terms of the way that people want to move in when we're gathering new wealth products into, whether it's into wealth or into TDs. But putting those in the round, we were comfortable to come out with an upgrade to our NII guidance of moving up low single digit versus where we were before.

James Invine, Rothschild & Co Redburn:
Good morning, Bill. Good morning, Manus. I've got two on WRB, please. The first is back on wealth revenues. I think the investment products margin, I think when you first kind of talked to us about it, you're suggesting a range of 1.2% to 1.5%. I think if you add in the 35 basis-point drag from the transferred custody portfolio, we're kind of well out the top end of that range. So to what extent do you think that this quarter is really just driven by a hot market? And how much do you think actually the long-term ongoing range might be a bit higher than you previously suggested to us. That's the first one.

And then the second one is, again, on WRB. If we do go into a less good revenue environment for this Wealth business, what ability do you have to flex the cost base? And I ask that in the context of a division that they show really very strong operating leverage. So does that mean that if the revenues do start to dip down a bit, you wouldn't have much flexibility to respond through costs?

Bill Winters:
Thanks for those questions, James. They're both very good. We can dig in a little bit on the margins, but obviously, the margin outcome is to a significant degree a function of the product mix. So there are products that are structurally more profitable. They tend to be correlated with more risk-on environments.

But just imagine a scenario where people are much more neutral on risk. They want to have the exposure to the upside, but they want a higher degree of downside protection, i.e., they're more likely to buy options or structured note type strategies with embedded options.

Those could be high margin in some circumstances. So it's not necessarily correlated to risk appetite, although I think broadly a risk-on environment will lead to slightly higher structural margin trends, but we can parse this very many different ways. And on the operating leverage, we obviously don't pay commissions, right? We pay our relationship managers based on customer outcomes.

And one very important outcome that we're measuring is customer satisfaction. So the quality of advice, the consistency, operational performance, et cetera. That said. We expect our RMs expect and we expect that they're going to make more money if they're making customers happier, i.e., delivering more products with more value, more consistent advice, et cetera.
So in the kind of downside scenario that I think you're describing, which is for any number of reasons, revenue is growing less strongly than what we've been experiencing recently. We would absolutely expect the associated expense to flex down commensurately. And I think that's been our experience in the past. That would be our expectation going forward.

I would just maybe a word of caution in that regard is that we think we've got something that's very special in terms of the cadre of relationship managers that we've got. They're just exceptional, and they're doing very well. It's a very attractive platform for the best RMs in the market to come and sit on and ply their trade.

So we would be very careful not to disincentivise, what we consider to be a best-in-class cohort on the basis of a quarter or a month's or a half a year's blip and deliver earnings. So maybe that's the slight caveat to the perfect flexibility in the cost base that you're probing around.

Manus Costello:
On the question on wealth margins, you're absolutely right, James, that the second quarter and indeed the first half overall has been very strong. It's been very strong both in terms of our net money generation and in terms of our realization of that in terms of revenue. So we're very pleased with the outcome. You're right to point out that, that takes us above the range that we've seen historically.

We will, of course, seek to monetise the asset base over time. We will seek to provide products which are suitable for customers and which are good for us as well and look to monetise that. But I do think the current level of margin that you've seen or return on assets that you've seen in the first half as you point out is not something that we'd encourage you to move forward.

On the question on cost, absolutely, as Bill said, this is a business, where there is some flexibility in the compensation that we can pay people to adjust if revenues are weaker. We've also laid out for you investment plans over the course of the next few years, which we are working on vividly, which we can obviously speed up or slow down as we see appropriate. But what I can say is to Bill's point about the strength of that franchise, we see this as a key differentiator for us.

We see it as a structural growth opportunity across the market, and we're very keen to continue to invest in that opportunity. So we would look to keep on investing, but we do obviously have levers that we can pull if there were a prolonged downturn.

Rob Noble, Deutsche Bank:
Good morning. Thank you for taking my questions. Just two, please. One on RWAs. I think you added a line on the Basel IV impact, which was neutral before and now being post management actions. So -- could you tell us what the gross impact of Basel 4 in January would be? what the management actions are and how they would align in terms of timing, so we get an idea of what happens to RWAs in Q1 next year.

Cost of risk, second question, it's very, very low. If you strip out the Middle East top-up as well. So when you get to the end of your portfolio optimization in retail away from unsecured, is there a potential to reduce the through-the-cycle cost of risk range from your current levels? Thank you.

Bill Winters:
Great. Thanks for those questions, Rob. I just repeat that the guidance we've offered, which is that we have consistently said that we expected the impact of Basel 3.1 but to be broadly neutral. Obviously, as the rules shape up, we decide what management actions we want to take. And we are able to repeat the guidance that the impact will be broadly neutral.

Of course, there will be some activities that are relatively more attractive, some that are relatively less attractive based on the finalisation of rules, but we don't see any of that being in any way inconsistent with any of the guidance that we've given, both the Basel 3.1 impact but also the revenue guidance that we've given. So no real news there.

And on the cost of risk, it's very low. I mean we don't think we can go through a full cycle with having essentially no cost of risk on the CIB side of the business. But you correctly point out that as we shift the business mix on WRB from unsecured consumer credit that, that is removing what has, one would expect to be a consistent level of loan impairments.

Would that be enough to offset what would be some kind of normalisation on the CIB side? Well, so far, the answer has been yes. But we continue to guide to 30 basis points to 35 basis points through the cycle on the assumption that at some point, the credit cycle will be a little bit less benign for the market.

Just one final footnote there. We would expect to outperform, in famous last words, but we would expect to outperform in a more adverse credit environment because we so significantly increased the investment-grade proportion of our book and it remains a short-dated book.

We have been very, very careful on the concentrations in the portfolio and have been consistently for many years now. So yes, while we guide to some normalisation over time, we don't expect to be in a position where we're having to explain why we're not doing as well as the market at any point in time. We would expect to outperform.

Manus Costello:
And on the Basel 3.1 comments, we have talked about management actions in our guidance in the past and our broadly neutral language is consistent with what we've said before. In terms of the timing of those actions, Rob, it could happen in the first half of next year. Some of it could happen in the fourth quarter of this year.

It depends on what we decide and when we decide to act. The kind of things that we could do are looking at unsecured lines -- looking at unutilised lines of credit in our WRB business, for example, looking at securitisation of certain kinds of products in our CIB space if we want to.

But the important thing to note is that those will not have any material revenue impact. It's all obviously embedded within our guidance on revenues and the outcome will be that we'll have a broadly neutral impact as we come through Basel 3.1.

Nick Lord, Morgan Stanley:
Thanks very much for taking my questions. Just a couple of follow-ups on credit quality. I just wonder if you could talk a little bit about what led you to make the incremental overlays for the Middle East and whether you think that's it? Or what would drive that to improve or see write-backs from here? I'm just trying to work out if there is any more credit risk there, I know you think you capture the whole thing.

And then secondly, just if there's any comment or update on credit quality in Hong Kong CRE? Or is there no change?

Bill Winters:
Great. Thanks very much, Nick, for those questions. Manus can get into the specifics of the overlays, but as we described before, we look at scenarios. We look at very adverse scenarios. And we imagine what the ratings migration could be in our portfolio in those very adverse scenarios and then we try to weigh them.

The longer the conflict in the Middle East persists, the more the scenario is expected to bite. So it's a mechanical process in the sense that we're translating scenarios that we've determined somewhat subjectively, into credit rating migration and taking an overlay on the back of that.

So it's not just a finger in the air. But the scenarios themselves, you can say are a finger in the air. And as we've seen even in the last week, the volatility of kind of expected outcomes in this conflict move around a lot from day to day.

That said, we're not seeing any signs of stress directly. So we can imagine, we can feel that there are pressures building on some of our more fragile emerging market sovereigns who are experiencing now a sustained period of higher energy prices. There's other supply chain challenges that are coming in, in different ways.

But we also see governments reacting and taking more steps to manage the fluctuations of their own currencies, et cetera. So nothing in particular to read into this other than that we do have a framework for assessing when the observed credit ratings in the market or our own assessments of those credits may not be consistent with a forward view based on some scenarios and that's hence the overlays.

Hong Kong CRE we've not seen any change. As you know, it's not a big exposure for us. and that which we have had, this has been managed very well for some time. But the residential market is continuing to steadily improve. The office market continues to be in the doldrums, but it's certainly not getting worse and maybe in some cases, getting better. So overall, nothing to report there. Manus?

Manus Costello:
If you look at the incremental overlays that we've taken this quarter, Nick, you'll see that they're kind of broadly split between the petrochemical sector and the sovereign sector. And as Bill said, those are based on us taking a cautious view of the outlook and thinking about the volatility in the market overall, and are not indicative of any concerns on underlying asset quality.

So I think that's consistent with the tenor of your question on what you were asking. And then Hong Kong CRE, as Bill said, it's not a huge exposure for us. Clearly, the signs in the market are somewhat more encouraging.

There's a reduced office vacancy rate at the moment in prime locations. Residential prices are obviously up year-to-date. But it was -- it's not a huge exposure for us. It hasn't been a big downside for us. And we're comfortable with the position the book is in at the moment and the upturn in that market.

Alastair Warr, Autonomous Research:
Good morning, Bill. Good morning, Manus. Congratulations on the results. If I could just return to a little bit of nuance on this capital return question, you said that the DPS is basically mechanistic, but the buyback is down a little bit year-on-year. Is there any small comment in there on expectations for balance sheet growth? Or just a little bit more caution on where you want CET1 to come out within your range for now? Or is, in fact, a little bit more nothing to see in here, maybe consider it more on a rolling annual basis. Thank you.

Bill Winters:
Manus, I took the first pass, let's see if you can reinforce.

Manus Costello:
I think it's the latter part of your question, Alastair, it's nothing to see here. I think what you've seen is it is a mechanical move for the dividend, but it's also a very significant step-up in the dividend in the first half, right? So because we had a very strong growth in the dividend in the full year last year.

And the share buyback is what we think is the right level to take us to at the moment, given where we're at on CET1 and given the moves in RWAs that I spoke about. Over time, we have provided for you the capital return framework.

We presented that in May, and you'll see that our dividend payout ratio there, as Bill mentioned earlier, is at least 30%, and that will see us step-up in terms of dividend distributions, and we pay a progressive dividend. But I wouldn't overread into the size of the buyback this half versus the first half last year.

I hope that answers your question Alastair.

Katherine Lei, JP Morgan Securities:
Hi, my questions, most of them have been answered, but I just want to have a follow-up on asset quality as well. The first one is that on asset quality, we see that the management overlay related to the Middle East situation has stepped down in second quarter compared to the one that you made in the third quarter. But however, in July, we saw some re-escalation of the situation. Is it fair to say that like, this is not the end yet. We may continue to see -- we may see a jump in management overlay into the third quarter. This is my first question.

Second question I want to ask about RMB internationalization, because in Hong Kong, I think regulators announced some broadening of RMB internationalisation by the PBOC governor. Like how would this impact the bank's business? Like do we have any numbers to work around, like say, for example. What percentage of your non-NII or of your revenue is from RMB internationalization or related to that program? Thank you.

Bill Winters:
Thanks for the questions, Katherine. So we'll form a view over the course of Q3, whether the underlying scenarios and probability of those adverse scenarios happening. This is not a day-to-day thing. Obviously, the volatility in the markets is day to day, we fully understand that. But the scenarios themselves will evolve as we tried as best we can to form a view of the duration of the conflict, the impact on energy prices, the impact on supply chain disruptions. And that's not so influenced by what happens from one day to the next. It is influenced by what we see as likely end state.

And obviously, we've been, I'd say, conservative in terms of how we approach to that question, how we've addressed the scenarios.

RMBI, we're not giving very specific breakdowns by product around how much is directly related to RMBI. And in some cases, it's hard to tell. I mean say RMBI is the internationalization of the RMB is becoming it's not as much a program. It's just, it's a trend, it's a thing. So China is continuing to internationalise its currency and open up its capital account. Sometimes in very predictable ways, sometimes in slightly surprising ways, i.e., changing the pace or changing the areas of focus.

But the RMBI manifests itself in our earnings in many different ways. So we have a leading RMB trading franchise. And relatively unusually positioned as a single trading operation across Shanghai, Shenzhen and Hong Kong, under a single trading operation. That has worked really, really well for us, and it puts us in the business where we think we are amongst the strongest, if not the strongest participant, in these markets. We're the strongest participant in the various Connect schemes, the Bond Connect, the elements of Stock Connect where we operate.

Wealth Connect is coming on relatively strong as well. And the other areas on, back to the old days of Belt and Road financing, it remains very, very strong. And the Chinese companies are investing internationally. They're doing that in many different forms. So sometimes hard to distinguish what do we want to call RMBI versus what we would just call the business that we do because they're highly correlated.

But the underlying growth trends are very strong. And obviously, that manifests itself for the most part in our cross-border income rather than in our domestic Chinese income. And hence, the overall franchise value of our broadly defined China strategy relative to the onshore income that were done through profit that we report. Manus, anything *to add*?

Manus Costello:
Just on the two questions. First of all, on the Middle East, of course, we are cognizant of the situation, of course, we are as up-to-date as possible in the overlays that we take. I'd encourage you Katherine to go back to the answer that I gave previously and look at the asset quality, the underlying asset quality that we've got, which remains quite strong. So these are very much precautionary overlays that we're taking at the moment with a mind to the environment remaining somewhat volatile.

On RMB, in particular, if you go back, if you remember, it was in May last year, we did our CIB Investor Event. We did have some more information on RMB trading as proportion of markets and we showed, move there from about 5% to 10% of the markets business overall. So there is a bit of additional data there, specific to the markets business.

Now there's broader business that we do across RMB in terms of lending, in terms of cash management as well, but you have got a bit of extra information in there at the CIB day from last year. So I hope that's useful to you.

Bill Winters:
Excellent. I think that's the last question. So two final words -- well, three final words from me. First is thank you for joining us today. I know it's a super busy day and a super busy week and you've all been very generous with your time and your questions on your preparation. So thank you for that.

Second is huge thanks to Manus. Manus now our official Chief Financial Officer, having been interim the last time he spoke to you, and I just -- I couldn't be happier to have my partner to my left here.

And third is to say, of course, we're very happy with the progress in our business. We feel that the underlying drivers are very much in place. We're continuing to invest in them, and it's showing up in the numbers. So I hope to be able to continue to report on our progress in the quarters to come. So thanks and have a good rest of the week.