

Group Chairman's statement

- Embedding a culture of excellence to deliver sustained value •

Dr José Viñals
Group Chairman



During 2023, the Group continued to improve profitability, delivering on our objective to achieve a double-digit return on tangible equity (RoTE) for the full year. Our high-growth markets, where we are intent on making further investment, continue to deliver strongly despite an uncertain picture for the global economy.

This performance came against a backdrop of rising interest rates in many large economies, which undoubtedly gave a strong tailwind for the business. However, it is also a product of our clear strategy, discipline and tireless execution – a significant achievement for our colleagues, led by our Group Chief Executive, Bill Winters, and his Management Team. Their skills and dedication remain essential to our performance, and my deepest thanks go to all of them.

We have recently bid a fond farewell to Andy Halford, who formally stepped down as Group Chief Financial Officer on 3 January 2024. Since his arrival in the role in 2014, Andy has been a much-valued colleague and friend and made a phenomenal contribution by helping to steer the business through a challenging external environment. Under his watch we strengthened our foundations, reset our risk appetite and redefined the Group's strategy. He leaves with our very best wishes, and will continue in an advisory role until his retirement in August. It is with pleasure that we welcome Diego De Giorgi who joins us as Andy's successor. I am looking forward to working closely with Diego and Bill to drive further excellence for clients and higher value for shareholders.

Advancing our strategic and financial goals

I have said before that our objective is to grow income in a strong, safe and sustainable manner, while maintaining both cost and capital discipline, and I am delighted to say that was the case last year. We are confident that our improved RoTE, which reached 10.1 per cent in 2023, will be a milestone on the way to further long-term success for the Group, underpinned by strong performance across the business. We grew income 13 per cent on a constant currency basis while maintaining a strong capital and liquidity position and positive income-to-cost jaws. We expect our RoTE to steadily increase from 10 per cent, and are targeting 12 per cent in 2026 and to progress thereafter.

The strength of our financial performance affirms that the strategy that we set out in 2021 is working. We remain focused on investment in high-growth markets and have made significant progress against our strategic priorities across Network, Affluent, Mass Retail, and Sustainability.

I am acutely aware of the underperformance of our share price in recent months, which I believe does not reflect the progress we are making. Both the Board and the Management Team are absolutely focused on delivering sustained, long-term value for our shareholders. I believe our solid performance in 2023 gives us a good base from which to do this. As Bill details in the following pages, we have further sharpened the actions we will take to accelerate performance and future growth.

'We remain focused on investment in high-growth markets and have made significant progress against our strategic priorities'

Firstly, we will continue to rely on our stronger capabilities to further enhance returns in our Corporate, Commercial & Institutional Banking and Consumer, Private & Business Banking businesses, with a focus on driving income growth in high-returning areas. Secondly, we will improve operational leverage within the Group, addressing structural inefficiencies and complexities whilst protecting income. Finally, we will continue to return substantial capital to shareholders. This year, we are pleased to be able to provide an increased full-year dividend of 27 cents per share and are announcing a further share buyback of \$1 billion.

Alongside the importance of delivering improved financial performance, our Purpose and brand promise to be here for good remain cornerstones of our business. We are keenly aware of our role in supporting our clients and communities as they anticipate and respond to economic and social challenges. This is why we remain true to our Stands – Accelerating Zero, Resetting Globalisation and Lifting Participation – which are delivered through the execution of our strategy, and which give us an active framework for positive impact across our footprint.

We updated our net zero roadmap in April 2023, committing to an absolute emissions target and trajectory for the oil and gas sector. In this year's Annual Report, we disclose the targets and science-based methodologies for our financed emissions in 11 of the 12 high-emitting sectors identified as decarbonisation priorities by the Net Zero Banking Alliance, demonstrating our commitment to support the transition of the real-world economy.

We have also recently announced our decision to become an early adopter of the Taskforce on Nature-related Financial Disclosures, highlighting the rising importance of nature and biodiversity as a necessary consideration in sustainability. Given that our footprint represents some of the most complex and diverse natural capital in the world, working across our business and with our clients to preserve, restore and enhance nature is critically important.

It is my honour to be able to act as a voice for our Stands on behalf of the Group as Co-Chair of the United Nations' Global Investors for Sustainable Development Alliance, as well as at various global platforms and by engaging with stakeholders across our markets.

Driving higher standards

The Board remains committed to firmly embedding a culture of excellence across the organisation, building high standards through a 'one bank' culture of ambition, action and accountability that puts our clients at the heart of all we do. We are at our best when we harness the full talent and potential of the diverse markets in which we operate.

Both the Board and the Management Team are dedicated to maintaining our status as an employer of choice. That means offering our colleagues a variety of ways to build their skillset, attracting the best talent through our doors with a diverse set of career paths within the Group and progressive employee policies, such as the standardised parental leave announced last year.

As the world continues to change around us, we also recognise the ongoing importance of technology and continuous improvement in maintaining our competitive edge, and in building an innovation-led culture that allows colleagues to try new things within an effective and comprehensive risk management framework. We are intent on capturing the benefits of new, game-changing technologies like artificial intelligence, whilst protecting the information and financial security of our clients.

Group Chairman's statement

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It has been an extremely active year for the Board, with frequent in-depth briefings on geopolitical, cyber and sectoral risks, and a sharp focus on corporate governance. We continue to build out our resilience in both the financial and non-financial dimensions of risk and compliance across our varied markets. This gives us the confidence to achieve our strategic goals and act decisively to grasp new business opportunities.

We continue to maintain a diverse range of skillsets and backgrounds on our Board. Jasmine Whitbread, a long-standing director and impactful former chair of the Culture and Sustainability Committee, stepped down from the Board at last year's AGM. As announced on 16 February 2024, Gay Huey Evans will step down from the Board with effect from 29 February 2024 after serving nine years and contributing significantly to the Board and its Committees, especially as Chair of the former Board Financial Crime Risk Committee. Carlson Tong, another much-valued Board member, will step down from the Board on 9 May 2024, ahead of the AGM. I would like to thank Jasmine, Gay and Carlson for their many contributions during their time with us.

On 16 February 2024, we announced that Diane Jurgens will join the Board from 1 March 2024. Diane is a highly experienced and respected technologist who will bring significant technology and transformation expertise and insight to the Board having operated across a variety of sectors and the Group's key markets.

Our dynamic markets

In 2023 I continued to spend time across our markets, seeing their dynamism first-hand and experiencing the ambition of our colleagues as they work together for greater growth.

Guided by our Purpose – to drive commerce and prosperity through our unique diversity – we are investing heavily in fast-growing economies and trade corridors in Asia, Africa and the Middle East, and bringing innovative digital products to new clients. A good example of this is Solv, our e-commerce platform for small and medium-size enterprises. We're also positioning ourselves to be a positive force in the expansion of sectors that will deliver a more sustainable global economy, like renewables and electric vehicles.

I'm more confident than ever that we are investing in the right places for strong, safe and sustainable growth, and in our role as a connector bank in an ever more complex and fragmenting world. We provide our clients with the right solutions gained from deep experience of our markets, and continue to be a trusted partner for them as they look to seize opportunities across our footprint.

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Looking ahead with confidence

We expect to see a 'soft landing' for the world economy in 2024. This is no small achievement as we have witnessed the most aggressive period of monetary policy tightening in decades. This, plus other favourable supply side developments have led to a fall in inflation in most countries, engendering expectations of official interest rate cuts in many economies this year. Growth, in turn, remains resilient, with emerging markets expected to keep growing considerably faster than developed economies, and Asia continuing to lead global growth.

However, one cannot be complacent about the years ahead. The 'last mile' of inflation may prove stickier than expected, and geopolitical risks abound. As we begin 2024, the war between Ukraine and Russia continues, increasing uncertainty for nations in Europe and elsewhere. We see renewed conflict in the Middle East, bringing tragedy to many communities and disruption to the Red Sea, a key chokepoint in global supply chains.

2024 is also a year of major elections in the United States, India and probably the United Kingdom, as well as other markets in our footprint. These all have the potential to affect the economic situation.

With so much at stake, we must take care not to needlessly damage the means of growth and wealth creation. I have frequently spoken in defence of open, rules-based trade as a lynchpin of global economic growth. This year, the challenges around it remain powerful, with the risk of further fragmentation.

I believe the system of global trade that has been created with such care over many decades is one of humanity's foremost achievements. It is not perfect by any means, but it has arguably brought more opportunity and prosperity to a greater number of people than any other force in history. Like every intricate system, it is easy to damage and hard to rebuild. Safeguarding and making it more inclusive and sustainable requires constant vigilance and cooperation from policymakers, legislators, and the private sector in an evolved, modernised multilateral system.

While the external landscape remains uncertain, we are confident that we are well positioned to navigate the challenges and seize the opportunities ahead. Our results in 2023 show we are doing just that. We remain focused on continuing to deliver excellence for our clients, and sustained value for shareholders, in 2024 and beyond.



Dr José Viñals
Group Chairman

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