

Group Chief Financial Officer's review

"Strong growth leveraging our unique footprint"

Diego De Giorgi
Group Chief Financial Officer



Summary of financial performance

All commentary that follows is on an underlying basis and comparisons are made to the equivalent period in 2023 on a constant currency basis, unless otherwise stated.

The Group delivered a strong performance in 2024, recording a return on tangible equity (RoTE) of 11.7 per cent, up 160 basis points year-on-year. A record performance in Wealth Solutions, and strong double-digit growth in Global Markets and Global Banking, drove operating income growth of 14 per cent to \$19.7 billion. Operating income was up 12 per cent excluding two notable items relating to gains on revaluation of FX positions in Egypt and hyperinflationary accounting adjustments in Ghana, as well as adjusting for the reclassification of deposit insurance to expenses (the reclassification). Operating expenses grew 7 per cent or 6 per cent excluding the reclassification, resulting in positive income-to-cost jaws of 6 per cent excluding both notables and the reclassification. The credit impairment charge of \$557 million was equivalent to an annualised loan-loss rate of 19 basis points while the other impairment charge of \$588 million mostly related to the write-off of software assets with no impact on capital ratios. This resulted in an underlying profit before tax of \$6.8 billion, up 21 per cent.

The Group remains well capitalised and highly liquid with a strong and diverse deposit base. The liquidity coverage ratio of 138 per cent reflects disciplined asset and liability management. The Common Equity Tier 1 (CET1) ratio of 14.2 per cent is above the Group's target range of 13 per cent to 14 per cent, enabling the Board to announce a \$1.5 billion share buyback programme to commence imminently.

- **Operating income** of \$19.7 billion increased by 14 per cent or 12 per cent excluding the benefit of two notable items and the reclassification. The double-digit growth was driven by record performance in Wealth Solutions and strong double-digit growth in Global Markets and Global Banking.

- **Net interest income (NII)** increased 10 per cent, benefitting from the roll-off of short-term hedges of \$455 million, and improved asset mix from a reduction in treasury assets to fund the trading book. This was partly offset by lower average interest earning asset volumes and the impact of elevated pass-through rates on deposit margins. Excluding the reclassification, NII was up 8 per cent.
- **Non NII** increased 20 per cent. This was driven by a record performance in Wealth Solutions with broad-based growth across products, strong performance in Global Markets with double-digit growth in both flow and episodic income and strong performance in Global Banking from higher origination volumes. Excluding two notable items of \$295 million, non NII increased 16 per cent.
- **Operating expenses** excluding the UK bank levy increased 7 per cent, or 6 per cent excluding the reclassification. This was largely driven by inflation, strategic investments and continued investments into business growth initiatives, including strategic hiring of Relationship Managers in Wealth & Retail Banking (WRB) and coverage bankers in Corporate & Investment Banking (CIB), partly offset by efficiency saves. The Group generated 7 per cent positive income-to-cost jaws and the cost-to-income ratio improved by 4 percentage points to 59 per cent.
- **Credit impairment** of \$557 million in 2024 was up 5 per cent year-on-year. WRB impairment of \$644 million was up \$290 million, mainly from the higher interest rate environment impacting repayments on credit cards and personal loans, and the growth and maturation of the digital partnership portfolios in China and Indonesia. This was partly offset by a \$106 million net recovery in CIB.
- **Other impairment** of \$588 million of which \$561 million relates to write-off of software assets, with no impact on capital ratios.

- **Profit from associates and joint ventures** was down 47 per cent to \$50 million mainly reflecting lower profits at China Bohai Bank.
- **Restructuring, other items and Debit Valuation Adjustment (DVA)** totalled \$797 million. Restructuring of \$441 million reflects the impact of actions to transform the organisation to structurally improve productivity, of which \$156 million relates to the Fit for Growth programme, partly offset by gains on the remaining Principal Finance portfolio. Other items of \$332 million includes losses related to the sale of Zimbabwe of \$172 million, Angola of \$26 million and Sierra Leone of \$19 million all primarily from the recycling of FX translation losses from reserves into the income statement, with no impact on tangible equity or capital. There was also a \$100 million charge booked for participation in a compensation scheme recommended by the Korean Financial Supervisory Service. Movements in the DVA were a negative \$24 million.
- **Taxation** was \$1,972 million on a reported basis, with an underlying effective tax rate of 30.6 per cent up from 29.1 per cent in the prior year reflecting deferred tax not recognised for UK losses, US tax adjustments, lower tax-exempt income and a change in the geographic mix of profits.
- **Underlying RoTE** increased by 160 basis points to 11.7 per cent mainly reflecting an increase in profits.
- **Underlying basic earnings per share (EPS)** increased 39.2 cents or 30 per cent to 168.1 cents and reported EPS increased 32.7 cents or 30 per cent to 141.3 cents.
- A final **ordinary dividend** per share of 28 cents has been proposed taking the full-year dividend to 37 cents per share, a 37 per cent increase year-on-year. The Group completed a \$1 billion share buyback programme during the first half of the year and the \$1.5 billion share buyback programme announced on 30 July 2024 was completed on 30 January 2025. The increased dividend, along with a new share buyback programme of \$1.5 billion to be commenced imminently, takes the total shareholder distributions announced since the full year 2023 results to \$4.9 billion.
- **Assets and RWA:**
 - Low single-digit percentage growth in underlying loans and advances to customers and RWA
 - Basel 3.1 day-1 impact expected to be close to neutral
- Continue to expect the loan loss rate to normalise towards the historical through-the-cycle 30 to 35 basis points range.
- **Capital:**
 - Continue to operate dynamically within the full 13-14 per cent CET1 ratio target range
 - Plan to return at least \$8 billion to shareholders cumulative 2024 to 2026
 - Continue to increase full-year dividend per share over time
- RoTE approaching 13 per cent in 2026 and to progress thereafter.



Diego De Giorgi

Group Chief Financial Officer

21 February 2025

Guidance

The 2025 and 2026 guidance is as follows:

- **Income:**
 - Operating income to increase 5-7 per cent CAGR in 2023-2026 at constant currency (ccy) excluding the reclassification, currently tracking towards the upper end of the range
 - 2025 growth expected to be below the 5-7 per cent range at ccy excluding notable items
- **Expenses:**
 - Operating expenses to be below \$12.3 billion in 2026 at ccy, now including the UK bank levy and the ongoing impact of the reclassification; there has been no change to the 2026 guidance on a like-for-like basis
 - Expense saves of around \$1.5 billion and cost to achieve of no more than \$1.5 billion from the Fit for Growth programme
 - Positive income-to-cost jaws in each year at ccy, excluding notable items